

OFFICE OF THE AUDITOR GENERAL



THE REPUBLIC OF UGANDA

**SPECIAL AUDIT
ON
COMMONWEALTH HEADS OF GOVERNMENT MEETING (CHOGM)
EXPENDITURE**

APRIL, 2008

TABLE OF CONTENTS

	Item	Page No.
	EXECUTIVE SUMMARY	i-v
1.	INTRODUCTION AND BACKGROUND	1
2.	BUDGET ALLOCATIONS AND DISBURSEMENTS FOR CHOGM	2
3.	AUDIT OBJECTIVE AND SCOPE	4
4.	METHODOLOGY AND APPROACH	5
5.	GENERAL OBSERVATIONS	5
6.	PROTOCOL, HOSPITALITY, EVENTS AND IMMIGRATION – MINISTRY OF FOREIGN AFFAIRS.	10
7.	INFRASTRUCTURE AND TRANSPORT – MINISTRY OF WORKS, TRANSPORT AND COMMUNICATIONS	27
8.	BEAUTIFICATION – LOCAL GOVERNMENT	50
9.	MEDIA AND PUBLICITY	56
10.	HEALTH SUB COMMITTEE – MINISTRY OF HEALTH	60
11.	MINISTRY OF WATER AND ENVIRONMENT	62
12.	MINISTRY OF GENDER, LABOUR AND SOCIAL DEVELOPMENT	64
13.	ACCOMMODATION SUB-COMMITTEE – MINISTRY OF TOURISM, TRADE & INDUSTRY	65
14.	INFORMATION COMMUNICATION TECHNOLOGY (ICT)	68
15.	RECOMMENDATIONS	71

EXECUTIVE SUMMARY

Background

The Commonwealth Heads of Government Meeting (CHOGM) is a Summit meeting held every two years by the Heads of Government from all the Commonwealth nations. Most meetings over the years have included the appearance of Her Majesty the Queen of Great Britain who is the titular Head of the Commonwealth.

The Summit provides a unique forum for consultations and discussions on global and Commonwealth issues and an opportunity to agree on collective policies and initiatives. In November 2007, Uganda had the honour of hosting this summit whose theme for the meeting was "Transforming Commonwealth Societies to Achieve Political, Economic and Human Development".

As the Host Government, Uganda was obligated to put in place facilities that would meet the requirements of the Commonwealth Secretariat. The Ministry of Foreign Affairs was the overall co-ordinator of all the CHOGM activities. Due to the wide span of the activities involved, it was decided that some of those activities be delegated and managed by Permanent Secretaries of the various committees that were established.

Funding and Audit Scope

Government released shs.255 billion for the preparation of the CHOGM activities during the financial years 2005/06 to 2007/08, of which the bulk of this expenditure was released during 2007/08 to the Accounting Officers who were responsible for its propriety.

In December 2007 the Government through Cabinet requested the Auditor General to undertake a financial and value for money audit to confirm whether this responsibility entrusted to the Accounting Officers was indeed executed and performed with due regard to the authorities that govern that public expenditure.

The special audit that has been undertaken has therefore focused on the financial aspects of that expenditure, to obtain reasonable assurance on whether those funds were properly budgeted, requisitioned and utilized for the intended purposes. In addition, a further special

audit has been commissioned to establish whether funds released on civil works and infrastructure were spent taking into consideration the principles of economy, efficiency and effectiveness (value for money). This additional report will be issued separately.

Major Findings

- It was noted that there were delays in preparations for the event due to late release of funds to implementing ministries. Disbursements to most implementing Ministries were made late. This greatly affected timely implementation of the planned activities particularly those relating to procurement.
- Lapses in compliance with recommended established procurement procedures were generally noticed and in some instances this was in respect of civil works and transport involving substantial sums of monies.
 - Road Works
 - Direct procurements for roadwork contracts amounted to Shs.21 billion. Use of this method does not sometimes allow Government to benefit from competitive pricing and quality. This partly explains the increase and variations in prices for comparable works. The Accounting Officer attributed this to delayed disbursement of funds and late demands of the National Task Force. I have engaged a consultancy firm to do a technical audit of the works and a report will follow.
 - A number of roads remained uncompleted after CHOGM despite payments made to various contractors. These should be followed up to ensure that works are completed and accountability tendered.
 - Some road works were commenced after CHOGM was over defeating the objectives for which those funds were budget for.
 - Vehicles

Flaws were observed in the procurement of vehicles for CHOGM. The procurement of executive vehicles did not follow the recommended procurement procedures and some vehicles delivered were not of agreed specifications. It is probable that Government would have made substantial savings if the procurement had been carried out competitively and transparently.

- Government bought various assets for use during CHOGM. There is need for the Ministry to take an inventory of all that was procured and initiate consultations on how it is to be utilized or disposed off to prevent misuse, damage, theft, wear and tear.
- As at 31st January, 2008, a substantial amount of money was lying on various Ministry CHOGM accounts. However, it is not clear when the accounts will be closed due to lack of requisite guidance. There is need to set up a program for the closure of the activities including a cut off date.
- Ministries are reporting huge outstanding bills/debts arising out of the CHOGM since some major activities/contracts were still ongoing. It is not clear how ministries intend to finance these bills. The Ministry of Works has bills currently outstanding roughly estimated at Shs.31 billion whilst cash available stands at Shs.1.5 billion. This will impinge on the budgetary ceiling of those ministries for the financial years 2007/08 and 2008/09 and consequently their service delivery in those years. There is need for the Ministry to ascertain the total arrears position relating to CHOGM and plan for its settlement.
- The bulk of CHOGM funds were utilized on development, renovation and refurbishment of infrastructure. This generally improved the infrastructure that was worked on and the hygienic standards. It is imperative that a strategy be put in place immediately for its maintenance to prevent deterioration. This will necessitate adequate funding.
- In preparation for CHOGM Government spent Shs.17.2 billion on investments into two private Hotels as a strategy to help them achieve the desired level of preparedness for CHOGM. It was noted despite this, one of the hotels never achieved the desired level of preparedness and was therefore never utilized for CHOGM. It was further noted that the land the hotel owners of the second hotel purport to have invested in the joint venture has never been valued and is still in the names of the hotel owners. A further Shs.13.9bn not treated as capitalization was also invested in the same hotel infrastructure. Finally, Government has not been issued share certificates for the investments. As previously noted in my Annual report, I have neither audited nor do I have the authority to demand accountability for such investments.
- Government also spent a total of Shs.6.1 billion on furnishing and Shs. 15 billion on construction works of other private hotels. In one of the hotels the Cabinet directive to explore the possibility of turning the expenditure into capitalization has not been

followed up while the terms under which Government was made to finance a private venture have not been concluded. It is not clear how Government intends to recover such funds.

- A private accounting firm engaged to assist in establishing the recoverable funds paid to the designated hotels in respect of self financing delegates/guests ascertained a total of US\$ 2,333,121 as being recoverable from the hotels out of US\$.4,522,820 leaving US\$2,189,699 irrecoverable. There is need to follow up on the recovery of the amount.
- It was noted that the rates charged by the hotels for both the conference facilities and the rooms were hiked and varied significantly among comparable hotels. Proper negotiations should have been pursued to obtain better prices.
- The Commonwealth Youth Forum, Business Forum and Peoples Forum, which preceded CHOGM solicited and received various donations and sponsorships from private corporate firms and organizations. I was not able to establish the amounts received and ascertain whether utilization was in accordance with the guidelines.
- A total of Shs.9.1 billion was diverted from CHOGM funds and utilized on non-CHOGM budgeted expenditure. This could have affected implementation of other planned activities.
- A consortium of decorators undertook decoration work without any contract or agreement with the Ministry. They have since presented a bill of shs.617,652,120 which has been disputed by the Ministry.
- A contractor engaged to carry out beautification work on Clock Tower – Nsambya – Gaba – Munyonyo- Salaama – Kibuye Corridor has not completed the works months after the end of CHOGM despite advance payment. There appears to be very little progress despite reported intervention by the Ministry of Local Government.
- Publicity and Media Centre
 - compliance with agreed contract terms/specifications and deliverables could not be verified due to the absence of adequate supporting documentation. The contractor has so far been paid Ug.Shs.7.8 billion out of a contract sum of US\$4.5 million.
 - Another company contracted at shs.2.4 billion to provide publicity services had so far been paid Shs.1.4 billion without adequate supporting

documentation. The same company made collections of Shs.360 million which has not yet been properly accounted for.

Conclusion

There were many challenges to hosting an event of such magnitude in terms of operations, management and accountability but generally the CHOGM event presented Uganda with many opportunities and experiences to benefit from, both to the private sector and Public sector ranging from improved and faster communications to expanded hospitality/ tourism facilities. There were of course instances of non compliance with laws and regulations resulting in unaccounted for funds, loss and abuse of public resources. It is my hope that all resources will be fully accounted for as required.

The Ministry of Foreign Affairs should now come up with a final strategy for closure of the CHOGM project. The strategy should address all those matters of a financial nature which are currently hanging e.g. a need to carry out a comprehensive inventory of all assets, such as equipment, vehicles, etc procured under CHOGM and liaise with the Secretary to the Treasury and Accountant General and with other stakeholders to agree on its utilization and disposal in conformity with the governing laws and regulations. In addition issues of maintenance of the infrastructures (roads, buildings and the National Airport) that were put up in preparation for CHOGM will also need to be addressed. All these initiatives will need to be adequately funded and supported by all stakeholders.

Government made various interventions like investments in the hotel industry to support the private sector. There is need to come up with a legal framework and guidelines for such interventions and the recovery of funds advanced to various hotels should be pursued.

SPECIAL AUDIT OF THE COMMONWEALTH HEADS OF GOVERNMENT MEETING (CHOGM) EXPENDITURE

1.0 INTRODUCTION AND BACKGROUND

The Government of Uganda hosted the CHOGM meeting from 20th – 25th November 2007. As the host country, the Uganda Government was mandated to put in place facilities that meet the requirements of the Common Wealth Secretariat as set out and specified in the Guidance Notes on the Organization of Common Wealth Heads of Government Meetings (Blue Book).

A Cabinet Sub-Committee was set up to provide the political framework needed to oversee the preparation of CHOGM 2007. A national Task Force headed by the Head of Public Service and Secretary to Cabinet was also formed and entrusted with coordinating and planning the preparations.

The Ministry of Foreign Affairs was designated as the overall coordinator of all the CHOGM preparatory activities and was entrusted with all the funds to finance and implement the CHOGM activities.

Due to the scope and technicalities involved, the Ministry of Foreign affairs delegated most of the activities to various committees headed by the Permanent Secretaries of those Ministries. The delegation of those activities is set out below.

Activity	Responsible Ministry/Institution
1. Protocol, Hospitality, Events and Immigration	Permanent Secretary, Ministry of Foreign Affairs
2. Security and Accreditation	Secretary, Office of the President

3. Venues and Conferences	Ministry of Foreign Affairs
4. Accommodation	Ministry of Trade, Tourism and Industry
5. Special Exhibition Museum and Cultural Events	Ministry of Trade, Tourism and Industry
6. Infrastructure and Transport	Ministry of Works and Transport (includes Civil Aviation Authority, Kampala City Council, Entebbe Municipal Council)
7. Information and Communication Technology	Ministry of Information and Communication Technology
8. Media and Publicity	Office of the Prime Minister
9. Health	Ministry of Health
10. Spouses' Programme	State House
11. Common Wealth Youth Forum	Ministry of Gender
12. Common Wealth Peoples Forum	Ministry of Internal Affairs
13. Common Wealth Business Forum	Private Sector Foundation
14. Beautification	Ministry of Local Government

2.0 BUDGET ALLOCATIONS AND DISBURSEMENTS FOR CHOGM

By the time of audit, the total funding allocated and released to the Ministry of Foreign Affairs to cater for CHOGM activities amounted to Shs.209,983,309,660/-

This included Shs.10 billion released in the financial year 2005/06, shs.80 billion released in 2006/07 and Shs.119,983,309,660 released in 2007/08 but excluded

Shs.45 billion sourced directly from the Treasury by the Ministry of Works, Housing and Communications.

The Table below indicates the budget allocations and remittances made to the various committees and institutions for implementation of the CHOGM activities.

MINISTRY OF FOREIGN AFFAIRS

CHOGM FUNDS ALLOCATED AND RELEASED - FY 2005/2006,2006/07 AND 2007/08

A	B	C	D	E	F	G
			FY 2005/2006	FY 2006/07	FY 2007/08	05-08 ALLOCATIONS
	Institution	Sub committee	Total	Total	Total	Grand Total
1	MOWT	Transport		16,499,429,180	10,175,750,700	26,675,179,880
		Infrastructure		19,433,660,664	27,457,354,427	46,891,015,091
2	MTTI	Accommodation		1,684,967,593	181,205,582	1,866,173,175
		Art and Exhibition		273,075,538	2,359,380,276	2,632,455,814
		Tours		-	559,633,225	559,633,225
3	MGLSD	8th WAMM		900,000,000	-	900,000,000
		Occupational Safety & Health		335,000,000	619,698,865	954,698,865
		Youth Forum		171,084,989	1,138,937,675	1,310,022,664
4	OPM	Media & Publicity		3,159,537,814	7,620,000,000	10,779,537,814
5	MICT	ICT		2,006,881,718	2,863,011,268	4,869,892,986
	MOFA	Preliminary Activities	5,500,000,000			5,500,000,000
6		Venues		5,220,471,844	25,177,157,295	30,397,629,139
		Protocol		781,219,544	4,019,820,348	4,801,039,892
		CHOGM Secretariat		4,085,129,388	7,228,918,717	11,314,048,105
		Conferences		210,369,526	148,750,779	359,120,305
7	MOIA	Immigration		59,492,873	572,615,352	632,108,225
		Peoples Forum		54,265,000	-	54,265,000
8	SH	Spouses Program		380,740,859	281,415,771	662,156,630
9	MOH	Health		1,478,011,504	4,615,969,505	6,093,981,009
10	Various	Security		12,260,912,113	16,590,290,963	28,851,203,076
11	MOLG	Beautification		2,025,749,853	4,350,689,792	6,376,439,645
12	MCWR	Munyonyo CWR	4,500,000,000	8,800,000,000	1,761,209,120	15,061,209,120
13	CBF	Business Forum		180,000,000	-	180,000,000
14	NWSC	NWSC		-	1,300,000,000	1,300,000,000
15	MOE&MD	Energy		-	609,500,000	609,500,000
16	MWL&E	Climatic change/ Radar		-	352,000,000	352,000,000
TOTAL			10,000,000,000	80,000,000,000	119,983,309,660	209,983,309,660

Shs. 45bn was sourced directly from the Treasury by the Ministry of Works, Housing and Transport.

In total an amount of Shs.254,983,309,610 was released by Government to be spent on the preparations of CHOGM.

Additional funding of Shs.11,971,000,000 was sourced from Uganda Revenue Authority (URA), Civil Aviation Authority (CAA) and State House.

3.0 AUDIT OBJECTIVE

In view of the national importance and the level of expenditure involved the Cabinet requested the Office of the Auditor General to carry out a special audit of the funds disbursed to those ministries.

The objective of the audit was to obtain reasonable assurance whether the funds earmarked for CHOGM were properly budgeted, requisitioned and utilized for the intended purpose in accordance with existing government laws and regulations. The other objective was to establish whether funds were spent taking into consideration the principles of economy, efficiency and effectiveness (value for money).

4.0 SCOPE

The audit covers funding for the entire CHOGM programme for the financial year 2005/06 to 2007/08 and also extends to other funding from government incidental to CHOGM. The Scope is limited to the financial audit aspects of the Programme. Some aspects of the programme like civil works (roads and building construction) have been subjected to a further detailed Value for Money audit. A consultancy firm COWI (U) Ltd. was engaged by the Office of the Auditor General to carry out this Value for Money audit and a separate report will follow.

Part of the funding for CHOGM covered classified expenditure under State House, Ministry of Defence and Police. The audit of this expenditure was also undertaken in accordance with the classified Expenditure regulations and a report will be issued separately to Parliament in accordance with the law and regulations that govern the reporting of classified expenditures.

For purposes of this report a cut off date of 31st January, 2008 has been applied. All transactions related to CHOGM that were carried out after this date have not been covered by this audit.

5.0 METHODOLOGY AND APPROACH

We reviewed the relevant administrative and accounting records relating to CHOGM. Records relating to procurement, budget allocations, Treasury Fund disbursements to the Ministry of Foreign Affairs and other ministries were perused.

Expenditure returns, progress reports together with the supporting documentation were examined and inspections carried out as part of the audit process. We also discussed the general observations with the Accounting Officer, Ministry of Foreign Affairs and the other specific observations with the concerned Accounting Officers in order to gather more audit evidence and obtain greater clarification on the issues raised.

A. GENERAL OBSERVATIONS

a. Preparations

It was noted that although Uganda got the hosting rights in November 2005, the first signs of preparations did not emerge until late July 2006 when an initial release of funds were paid to Speke Resort Munyonyo (venue of the meeting). Disbursements to implementing Ministries (such as the Ministry of

Works) were made in late December 2006 almost eight months to the date of the meeting.

As a result most Ministries resorted to procurement of goods and services using sole sourcing or restricted methods of procurement citing emergencies and time constraints.

For civil works contracts (which accounted for 50% of the budget) the repercussions of performing the tasks in the limited time and not allowing for their standard time, created exposure to poor workmanship, shoddy works, resulting in risk for possible quick wear and tear. Due to this limited time available to the implementing agencies, procurements in most cases were rushed and in the process government did not get a fair deal as the prices were high and in some instances double the market prices. This was most evident with the Road works, Building constructions and repairs and abnormally high hotel rates.

Numerous budget revisions and re-allocations throughout the preparations was evidence of possible shortcomings in the planning process.

The Accounting Officer explained that whereas the Ministry had as early as 2005 made strategic and implementation plans including procurement plans which formed the basis of Parliament's approval of the budgets, operationalisation of the plans was delayed due to late disbursement of funds.

b. Procurement

Lapses in compliance with recommended established procurement procedures were generally noticed and in some instances this was in respect of civil works and transport involving substantial sums of monies. Whereas the necessary approvals might have been obtained in some cases, the absence of subjecting

such procurements to full competition through open bidding casts doubt as to whether Government did obtain value for money for the services provided.

This report highlights various cases of high pricing, cost escalations, and numerous variations in some instances exceeding 100% of original costs. There are also cases where works were performed without contracts.

The Accounting Officers explained that funds were released late and the limited time left for CHOGM for the preparation could not allow them to apply fully the recommended procurement procedures. It was also emphasised that a lot of pressure was exerted on the Accounting Officers to produce desirable outputs despite the delayed fund disbursements.

Coupled with those constraints, the Accounting Officers further explained that the constant change in the needs and directives of the National Task Force also compounded the difficulties in the procurement planning and implementation.

c. Board of Survey

Government bought assets which comprised of various equipment, vehicles, buses, ambulances, motor cycles, stores and other inventory under the various ministries. Ambiguity and an absence of clear guidance of how such assets should be taken on board existed. Some assets which were bought are to be re-distributed within Government ministries and Departments whilst others are to be utilized within that procuring Ministry. There is need for the Ministry to take stock of all that was procured and initiate consultations with the Ministry of Finance, Planning and Economic Development on how it is to be utilized or disposed off. An immediate action is required to prevent misuse, damage, theft, obsolesce, wear and tear of the equipment procured.

The Accounting officer explained that a Board of Survey has been appointed and a report is being awaited.

d. Closure of CHOGM Activities

Four months after the end of the CHOGM Conference, Ministries continue to spend on CHOGM related activities. As at 31st January, 2008, a substantial amount of money was still lying on various Ministry CHOGM accounts. However, it is not clear when the accounts will be closed due to lack of requisite guidance.

I advised the Accounting Officer of a need to set up a program for the closure of the activities including a cut off date. The Accounting Officer promised to meet the National Task Force to agree on a date of closure.

e. Outstanding Bills

I could not confirm the total amount of outstanding bills/debts arising out of the CHOGM since some major activities/contracts were still ongoing. For example, at the time of audit the Ministry of Foreign Affairs reported outstanding bills of Shs 3,750,159,748 against available cash resources of Shs.744,014,780 to meet those obligations. Ministry of Works and ICT reported shs 31 billion and Shs.342 million in outstanding bills respectively as at the time of audit. It is not clear how ministries intend to finance these bills. There is need for the Ministry to ascertain the total arrears position relating to CHOGM and plan for its settlement. This is in line with my request to have a program for the closure of the activities. These unplanned obligations are going to affect the recurrent budgets of those ministries for 2007/08 and 2008/09. The Accounting Officer promised to liaise with Ministry of Finance, Planning & Economic Development and other Accounting Officers to address the matter.

f. Maintenance of Infrastructure

Amounts in excess of 50% of CHOGM funds were utilized on development, renovation and refurbishment of roads, government buildings, Airport and other infrastructure. Roads were repaired, communication services upgraded and Entebbe Airport was improved and expanded. The infrastructure i.e. roads, building etc worked on generally gave the Entebbe area and Kampala City a new look. The beautification produced improvements in hygienic standards, garbage collection, cleaning of drainages, greening of open parks and painting of city premises. However, for this to be sustainable, it is imperative that a maintenance plan be put in place immediately to prevent deterioration. The Plan should be adequately resourced and cross cutting across all ministries and relevant city councils/districts.

The Accounting Officer explained that Cabinet had recommended that line Ministries draw up strategies to maintain and up grade the infrastructure under their control.

I re-emphasised the need to act expeditiously as some of the roads recently repaired/reconstructed had already started deteriorating and the street lights recently fitted are being stolen and vandalized (Kiira Rd).

B. SPECIFIC OBSERVATIONS

6.0 PROTOCOL HOSPITALITY, EVENTS AND IMMIGRATION – MINISTRY OF FOREIGN AFFAIRS

The Ministry of Foreign Affairs was responsible for protocol, hospitality, events and immigration.

6.1 PAYMENTS TO SPEKE RESORT MUNYONYO

In my report to Parliament 2005/06 I raised concern regarding various aspects pertaining to the payments made to Speke Resort Munyonyo. The following are my additional observations on the matter.

a. Share Holding

The payments so far made in respect of the government contribution to the joint venture amount to Shs.15,061,209,120.

- It was noted that whereas the Joint Venture agreement between the government and Speke Resort stated that the issued share capital was Shs.75,000,000,000 and of which government was to contribute 25% of that amount (Shs.18,750,000,000) it was noted that Government was instead contributing to the cost of construction instead of the share capital. The government was made to pay 25% of quantified bills of quantities of the proposed construction project of US \$ 28,809,555.6 amounting to US \$ 7,202,388. There was lack of clarity as to how Government was meeting its obligation by applying this new devised basis of settlement. I have however not been availed evidence of Government shareholding as share certificates have not yet been issued to Government for its shareholding. Meanwhile government is now proposing to divest itself from the joint venture.

The Accounting officer explained that the issue of the share certificates to Government was awaiting the settlement of stamp duty and that the proposal to divest from the joint venture is under consideration by Government.

I have advised that if a decision is made, the divestiture should be in accordance with the law and efforts should be made to ensure that government does not lose out in the process. This will necessitate amongst other procedures undertaking a proper valuation of the property.

- The Land that the Majority Share holder purports to have invested in the joint venture on which the construction was made was never valued nor any title to it presented. The construction undertaken by the joint venture is still on the original title of Meera Investments which is a private entity. As a result government ownership in the Joint Venture has not been established nor has it been adequately accounted for. The Accounting Officer promised to avail the land title and valuation.

b. Payments not capitalized

An additional amount of Shs.13,923,759,980 was paid to two contractors for the construction of Marina at Shs.5,124,524,274 and Pathways/ Parking at Shs.8,799,235,706.

This amount should have been treated as Government contribution to the joint venture, given that the civil works construction were made on land that is not owned by the joint venture. Although a Cabinet directive had recommended that negotiations be entered into with the owner of the property to have this capitalized into shares, this was not done. There appears to be no basis of guidance on how government intends to recover the shs.13.9 billion spent on private property. Such expenditure risks being nugatory. The Accounting Officer explained that negotiations are still on going between Ministry of Foreign affairs,

Works and Transport, Justice and Constitutional Affairs and Finance to resolve the issue in the national interest.

c. Audit of the Joint Venture

As previously noted in my Annual report, I have neither audited nor do I have the authority to demand accountability for the 25% shareholding in the Joint Venture.

The Joint Venture agreement is also silent on the auditing arrangements.

There is a risk of Government losing funds unless proper mechanisms are put in place to safeguard government interests in the venture.

A copy of unsigned Board minutes dated 22nd March 2007 recommended a firm of auditors but I have not seen evidence of any audit report. Now that government intends to divest its interest, it is necessary that an audit be carried out to establish the state of affairs of the entity before the divestiture.

6.2 PAYMENTS TO A PRIVATE HOTEL

On 24th October 2007 an agreement was made between the Government of Uganda and a private Hotel which allowed preference share Subscription by the Government into the Hotel. Government was to acquire one hundred and fifty (150) Preference shares of Shs.100,000 each at a premium of US\$1,500,000. The authorized nominal share capital of the company was shs.100,000,000 (1000 shares @ 100,000).

Subsequently on the 16th of November 2007 an amount of Shs.2,210,000,000 (equivalent to US\$1.3m) was paid to the above mentioned private hotel. This was apparently done to assist the hotel get ready for CHOGM since it had been earmarked as one of the proposed venues for various CHOGM activities.

The following were my observations:-

a. CHOGM Venues

Verification of records from the Venues sub-committee (meeting minutes, budgets and negotiations), revealed that this hotel was not on the list of approved CHOGM venues and as such no activity was supposed to have been hosted there. Infact no CHOGM activity was held at the hotel. Although the funds were purportedly to be used for CHOGM preparedness, by 20th November 2007, two days before the event started, the company had not yet opened for business.

The Accounting Officer explained that in anticipation of a high turn up of delegates and in view of the constrained room capacity in Kampala, Government decided to support the Hotel to complete 200 rooms and add to the pool of 5,000 rooms that were being prepared for CHOGM.

b. Lack of Share Certificates

According to clause 4.0 of the agreement the company made an undertaking within 7 (seven) days of receipt of funds to:-

- Cause an Extra – Ordinary General Meeting to be called to:-
 - i. pass the necessary amendments to create the Preference shares and increase the share capital accordingly.
 - ii. effect all the necessary amendments to the Company's Articles of Association.
- Cause a Meeting of the Board of Directors to allot the preference Shares to Government of Uganda
- Issue the Preference Shares certificates to the GoU.

This had not been done by the time of audit. It is not clear how government plans to safe guard its interests in such a private company. The Accounting Officer explained that the process is underway to have the share certificate

issued and for the company to effect all amendments in the Articles of Association.

c. Rights attaching to Redeemable Preference Shares

According to the appendix 1 of the agreement, the rights attached to the Preference shares include:-

- To receive an amount equal to the paid-up capital on each preference Shares incase of winding up.
- Entitlement to one seat on the Board of Directors of the company.

It was however noted that the agreement was silent on entitlement to dividend.

Furthermore the criteria of allocation of one seat on the Board is not explained since even the total number of Board members is not mentioned. It is not clear if one member on the Board can effectively represent the interests of government.

It was explained that government was not focusing on earning dividends instead the choice of preference shares was to protect loss of investment value. On the issue of Board membership the Accounting Officer explained that he is still waiting for the amendments to the Articles of Association.

d. Redemption

- According to Appendix 1, Section 3.1, the company shall at any time within 24 months from the date of allotment, redeem any such shares (provided it is credited as fully paid) by giving to the holder not less than one month written notice and that;
- The amount to be paid on redemption shall equal to the price herein paid. i.e. US \$1.5m.

- Clearly such a clause is not favorable to government, since anytime during the redemption period the company can return the funds advanced. The clause assumes that shares do not appreciate in value. The implication is that government advanced an interest free loan to a private company.
- Moreover section 3.4 further compels any holder of the Preference Shares to surrender the Share certificates redeemed failure of which they are automatically cancelled from the Share Register.

Whereas it is noted that the investment was a strategic intervention, it is important that the necessary safeguards be put in place to avoid a loss to Government.

The Accounting Officer indicated that he would liaise with the Ministry of Finance and the Solicitor General for guidance on the matter.

6.3 Sponsorship of Events

a. Non Disclosure and Accountability of Proceeds

A number of events under the CHOGM meetings were undertaken. These include among others:-

- The Common Wealth Youth Forum
- The Common Wealth Business Forum
- The Common Wealth Peoples Forum etc

These events solicited and received various donations and sponsorships from private corporate firms and organizations.

An example is the Commonwealth Business Forum which took place between the 20th and 22nd November 2007 at Sheraton Hotel and was sponsored by a number of firms, the Principal Sponsors being Barclays Bank, East African Breweries Ltd and Celtel. The People's Forum was also sponsored by Standard Chartered, UTL, British Council and Bell Lager. There is however no record of how much was received in sponsorship and how funds were subsequently utilized. I was also not able to establish whether utilization was in accordance with the guidelines.

The Accounting Officer explained that the organization of the Peoples and Business Forum is done independently of the Commonwealth Secretariat. The organizers work directly with their London Council and Foundations respectively and were therefore not accountable to the National Task force. I have, however advised that as a stakeholder measures should have been put in place for the Government to also monitor the utilization of funds under the Programme.

b. Corporate Sponsorship

Although a CHOGM Sponsorship committee was constituted and guidelines, sponsorship agreements etc drafted, there was no evidence that these were complied with.

A bank account was also opened for that purpose but there is no indication that it was used.

It was noted that the Sponsorship Committee delegated this responsibility of managing all sponsorships to a private Company, whose report is still not yet submitted.

6.4 ADVANCE PAYMENTS TO HOTELS

The Ministry of Foreign Affairs entered into agreements with six (6) major hotels for hire of Conference facilities and advance booking of Conference facilities and

accommodation for delegates for the CHOGM. The total amount of the contracts was Shs.23,372,400,097 out of which the Ministry advanced a total of Shs.20,480,843,635 to the hotels as indicated below:-

	ACTIVITY	CONTRACT SUM	AMOUNT PAID	BALANCE DUE
1	Munyonyo CW Resort	5,926,609,920	5,293,540,924	633,068,996
2	Speke Resort and Conference	3,564,223,520	2,835,177,800	729,045,720
3	Kampala Serena Hotel	1,819,549,727	1,819,549,727	-
4	Golf Course	409,479,840	309,752,974	99,726,866
5	Imperial Royale Hotel (Conference)	2,351,174,100	2,351,174,100	-
6	Imperial Royale(Rooms accom)	4,594,659,700	4,594,659,700	-
7	Imperial Botanical B H	1,207,365,500	1,207,365,500	-
8	Hotel Africana - People's Space	853,272,750	853,272,750	-
9	Hotel Africana - Conferences	1,216,350,160	1,216,350,160	-
10	Sheraton Hotel, Kampala	1,429,714,880	-	1,429,714,880
	TOTAL	23,372,400,097	20,480,843,635	2,891,556,462

The following were my observations:-

a. Advance Payment guarantees:

Existing regulations require advance payments of such magnitude to be backed by advance guarantees. However, for all the advances paid there was no advance payment guarantee made by the Hotels contrary to the procurement regulations. Advance payments which are not secured expose government to the risk of loss in case of non performance by service providers. Besides it is not clear why advance payments were made for hotel rooms which were to accommodate the delegates. Under normal circumstances delegates should have made their own booking and payments. There was a risk of delegates either not coming or attending fewer days than actually booked.

The Accounting Officer explained that the proprietors of the CHOGM designated hotels demanded advance deposits and were not willing to provide advance guarantees since they had cost implications and that this necessitated the

Cabinet Sub-Committee to waive the requirement for hotels to provide advance guarantees.

b. Recovery of Advances:-

According to the contract, what was recoverable was the amount paid in respect of accommodation for self paying guests. The advance payment was meant to block book the rooms and was to be recovered from the collections made by the hotels from their CHOGM guests. Except for a few Government of Uganda sponsored guests, the majority of the guests were expected to meet their own accommodation costs by making direct payments to the hotels.

Article 4.7 of the agreements required the Hotels to be responsible for the collection of monies and payments due in liaison with a designated officer from Government. The total expected amount recoverable from the hotels was US\$4,522,820. (Approx. Shs 7.7bn).

Accordingly, Government through the Ministry of Foreign Affairs procured the services of a private accounting firm to assist in establishing the recoverable funds paid to the designated hotels in respect of self financing delegates/guests coming for the meeting. According to the final report by the accounting/consulting firm, a total of US\$ 2,333,121.16 is recoverable from the hotels out of US\$4,522,820 leaving US\$2,189,699 as irrecoverable. The reasons mentioned for the under recovery was that delegates either never showed up, or some who came only stayed for one day then got alternative cheaper hotels, or some of the delegates left without settling their bills. The firm expressed concern as to why government never included clauses in the contracts with the hotels to the effect that in event of delegates not showing up, the hotels could only charge one day and not the entire duration. The unrecoverable amount of US \$2,189,699 is therefore considered as wasteful.

By the time of writing this report out of the total recoverable amount of US\$2,333,121.16 a particular hotel was disputing the amounts recoverable from it of US \$1,616,888.1. The Ministry has written to the Solicitor General seeking guidance in the matter.

c. Room Rates

It was noted that the rates charged by the hotels for both the conference facilities and the rooms were hiked and varied significantly among comparable hotels. The following cases illustrate this further:-

i. Increase in Rates

Hotel	Room Type	Pre CHOGM \$/day	CHOGM rates	Increase %
Serena	Deluxe Rm	150	240	60
Serena	Executive	200	290	45
Speke Resort	Deluxe Rm	180	307	15
Sheraton	Deluxe Rm	185	240	30
Sheraton	Superior/ Executive	220	300	36
Imperial Botanical Entebbe	Deluxe Rm	100	180	80
Hotel Africana	Deluxe Rm	150	385	156
Hotel Africana	Executive Rm		433.6	-
Imperial Royale Hotel	Deluxe	-	384	-

Note: Rates are without tax and service charge of 5%

As indicated in the table above, the hotel rates charged by the hotels were significantly higher than the pre-CHOGM rates. It is not clear why government did not negotiate for cheaper rates especially in situations where no recovery was to be made. It is also not clear how one of the private hotels arrived at its charge out rates given the fact that it was still under construction.

A record of negotiations indicates that negotiations on price were not carried out by the negotiation teams. Besides, the negotiation teams were not approved by the Contracts Committee contrary to regulations. The high rates chargeable for

the delegates could have forced them to opt for alternative cheaper accommodation elsewhere.

The Accounting Officer explained that various factors contributed to the high hotel room and conference rates and these included:-

- Hotel owners formed a cartel which made negotiations rather difficult
- The big event syndrome
- Peak season factor
- Shortage of high quality Hotels

It was also explained that the lack of an approved published list of graded hotels caused the inconsistency in hotel rates and that the list could not be completed because some hotels were still under construction.

ii. Grading

As evident in the above table, the hotel charges were not in consonance with their grading. For example a three star graded hotel was charging higher than the others.

iv. Conference rates

A comparison of Conference rates are reflected in the table below:-

Hotel	Capacity of Hall	Pre-CHOGM rate/day US\$	CHOGM rate/day US\$
Africana	1500(Nile)	2,800	11,700
Speke Resort	2000(Victoria)	2,000	2,500
Africana	100-150	280	2,600
Imperial Royale	Up to 150	-	1,250
Speke Resort	Up to 150		800
Africana	60-80	280	2,000
Imperial Royale	60-80	-	650
Speke Resort	60-80		500

In view of differing rates as indicated above, Government would have made substantial savings if in all instances the rates had been negotiated

v. Other Charges by the Hotels

- **Compensation for Loss of business**

Further scrutiny of the details of payments for hire of conference and meeting rooms revealed that a particular hotel charged an amount of US\$743,400 as compensation for loss of business by the hotel.

The basis upon which management accepted the charge remained unclear.

- **Payment for Telephones, Internet, Business centre and Health club**

Included in the payments to a particular hotel are charges for the above items amounting to US\$185,850. However, according to the agreement made with the Hotel these costs were to be borne by the users as and when services were used. The basis upon which management accepted the charge remains unclear.

d. Constructions on Private Hotels

(i) Construction of People's Space

A total Shs.1,193,001,000 was paid to a Private hotel for the construction of the People' Space. This involved paving of 5,800sqm, 3 platforms, Gate house and steel gates, electrical fittings, construction of 16 semi permanent shelters and construction of VIP toilets block. However, without a Contract or Memorandum of Understanding it is not clear how such funds spent on the permanent structures like the constructed walk Ways and Parking will be recovered. Government should explore the possibility of recovery of the amount or sharing the costs.

(ii) Refurbishment and Furnishing of Private Hotels

A total of Shs.4,256,784,010 was paid out to various Hotels in respect of refurbishment and furniture.

The following matters were noted:-

- **Remodelling of a Hotel**

A total of Shs 1,925,513,887 was paid out of the contract sum of Shs 2,186,099,224 to cater for remodeling of the Hotel as per the requests of the Commonwealth Team which visited the premises early in 2007.

The terms under which Government was made to finance the venture appears not to have been concluded. The Accounting Officer explained that the investment/financing agreement would be concluded and the amounts would be recovered through annual concessions.

- **Furniture**

A total of Shs.2,192,410,123 was partly paid to various firms to supply furniture to various hotel venues. A proposal was made by PPDA to have this furniture disposed off after the event, in the absence of any other guideline having been issued. Without adequate safe guards there is a risk of government losing the furniture to these hotels and institutions.

By the time of audit, furniture for the headquarters had also not been delivered by a Supplier almost four months behind the stated contract period. The Accounting Officer explained that the hotels did not have such kind of furniture as prescribed in the COMSEC Blue book and therefore government had to procure this furniture. It was also explained that the storage of furniture is being closely monitored in the hotels where it is and will be disposed off soon to avert any possible loss being occasioned by Government.

6.5 DIVERSION OF CHOGM FUNDS

Travel Abroad

The Ministry diverted a total of Shs.628,324,551 towards payments for air tickets and per diem for Officers traveling abroad on trips which were not related to CHOGM. It was noted that most trips related to study courses, workshops and conferences, Embassy tours, Juba peace talks, etc. These diversions were made without relevant authority.

Diversions of funds not only impede progress of planned activities but can also lead to the creation of arrears and liabilities for activities for which funds had been earmarked.

Indeed as at 9th November 2007 the Road projects had outstanding bills of Shs.7,242,755,212 and the venues committee had a shortfall of over Shs.5.7bn.

The Accounting Officer explained that the funds were borrowed in anticipation of a refund from a supplementary that had been approved by the Minister of Finance, Planning and Economic Development. However the Supplementary never materialized as it was missed out on the Supplementary Schedule to Parliament. He has continued to pursue the matter so that these funds are availed in the financial year 2007/2008.

6.6 ADVANCES MADE TO PRIVATE ENTITIES

a. Commonwealth Business Forum: (Foreign Affairs)

The Business Forum received an amount of shs.180,000,000 from the Ministry of Foreign Affairs during the financial year 2006/07 to cater for preparations for the Business Forum but the funds have not been accounted for. In a report by the National Task force it was indicated that the chairman of the Commonwealth Business Forum had pledged to refund the funds after collection from their sponsors. This was to be done through a private firm which had been

contracted to deal with publicity and sponsors. At the time of audit the funds had not yet been refunded although the Accounting Officer had written to the Chairman of the Business Forum demanding for the refund.

b. Utility Payments for Hotels

Electricity and Water

- i. Government provided funding for purchase of three transformers costing Shs.263,000,000 to a Hotel. It also refunded Shs.21,029,362 to the same hotel in respect of funds spent on purchase of a metering unit. It is not clear why such expenditures were incurred by government yet this was the responsibility of the hotel. The funds were paid directly to the hotel instead of the service provider.
- ii. Government also paid for a dedicated Power supply line to Munyonyo at a cost of Shs.519,227,087 and a UPS system at a cost of shs.43.2m paid to Umeme Ltd.

Another Shs.300,000,000 was paid to NWSC to provide water extension to a hotel. The terms under which this was undertaken were not clear. Alternatively Government should have used it as part of capitalization of the Hotel.

- c. In a related development government paid shs.1,000,000,000 to NWSC to extend the water line from Bwebajja to Kajjansi and Akright 7 Garuga areas. However, inspections carried out in December 2006, after CHOGM, revealed that the line was extended up to Bwebajja only. Extensions to Garuga, Kajjansi and Akright were never implemented. It was stated that beautification works and land acquisition problems stalled the project. It is

not clear how government intends to recover such funds from the Corporation.

6.7 PAYMENTS OUTSIDE THE APPROVED BUDGET

It was noted that a total of Shs11, 977,000,000 was sourced from Uganda Revenue Authority (URA), Civil Aviation Authority (CAA) and State House to procure various security equipment for CHOGM. This expenditure was outside the appropriation made by Parliament for CHOGM. For URA and CAA funds were got from their budgets.

Another Shs.3,400,000,000 was paid from Ministry of Defence budget to pay for additional expenditures on fuel and allowances.

6.8 DECORATIONS OF VENUES

The Ministry of Foreign Affairs was in charge of decoration of all the CHOGM venues and to have this done a number of firms were engaged for the purpose. Examination of the whole process led to the following observations:-

- At the commencement of the event the procurement process for the service provider had not yet been initiated. There is no evidence that the procurement of the providers was in compliance with existing Government procurement Regulations.
- The consortium of decorators undertook the work without any contract or Agreement with the Ministry. They have since presented a bill of shs.617,652,120.

Owing to lack of a formal contract award process I could not verify how the rates applied in the Bill were arrived at. Besides, given that the work had perishable items like flowers it is difficult to verify the actual work done retrospectively.

- Currently, the Ministry is carrying out negotiations with the service provider to reduce the price downwards. However, it is not clear on what basis the negotiations will be and if successful whether the payment ultimately made will represent value for money.
- Scrutiny of presented bills revealed that the demand invoices lacked certification by the responsible managers in charge of those venues. It is therefore difficult to confirm that the actual deliveries were made.
- According to a report made by the Spouses sub-committee it was stated that “the decoration at the Spouses luncheon in Golf Course Apartments fell short of what was agreed and presented at the planning stage”.

Owing to the irregular procurement of the Decoration services and the failure to supervise certification of work done, I cannot confirm that the Bills of Ug.Shs.617,652,120 reasonably represents the value of the actual decoration work undertaken.

The Accounting Officer explained that he has contacted and sought advice of the Solicitor General in the matter.

7.0 INFRASTRUCTURE AND TRANSPORT - MINISTRY OF WORKS, TRANSPORT AND COMMUNICATIONS

Ministry of Works was responsible for infrastructure and transport.

7.1 CHOGM DISBURSEMENTS TO THE MINISTRY

By the time of audit, the total funding allocated and released to the Ministry through Ministry of Foreign Affairs to cater for CHOGM activities amounted to Shs.73,566,194,971. This includes Shs.26,675,179,880 released to cater for Transport and Shs.46,891,015,091 released for infrastructure. Another Shs.45 billion was sourced directly from the Treasury by the Ministry and also utilized on Infrastructure.

As at 31st January 2008 balances on the CHOGM Bank Account stood at Shs.1,530,226,662.

7.2 DIVERSION OF CHOGM FUNDS

A total of Shs.8,556,223,909 was diverted by the Ministry from the CHOGM funds to meet other expenditures relating to the construction of the Northern Bypass.

This expenditure related to a claim from a Contractor for the construction of the Kampala Northern-By-Pass. The claim arose out of a dispute by the contractor with government over specifications in the Bills of Quantities which were found inadequate by the contractor.

Records indicate that the Engineer and the Ministry had initially rejected the claim. Through amicable settlement government accepted the liability following a valuation and legal guidance from the Solicitor General. Despite the fact that the claim was accepted by Government the following matters were noted:-

- Evidence examined suggests that the dispute was caused by failure by the Project Consultant to provide the correct design specifications and materials report. It is not clear neither has a satisfactory explanation been given as to why the Consultant was not made liable for the misrepresentation and hence the claim. This sentiment was also echoed by the Secretary to the Treasury but was not pursued.
- Records also indicate that there was no substantive participation on the part of the government in the matter. The Valuer relied mainly on the contractor's representations because of government's apparent lack of interest in the case. This would have put government in an unfavourable situation.
- The payment should have been made by the European Union who were funding the construction of the road. The Accounting Officer explained that the EU declined to take up the claim. Again, it was unclear why the EU declined.
- Even when the claim was paid and the period extended up to 15th November 2007, the project had not been completed by the date of CHOGM. The Accounting Officer explained that the road was opened briefly during the CHOGM event so as to decongest the City and closed thereafter. It was pointed out to the Accounting Officer that this failure to complete on time was against the agreement with government and needed remedial address.

This matter should be investigated further to ascertain its appropriateness and also to establish whether a loss was occasioned by Government.

7.3 CONSTRUCTION OF ROADS

The infrastructure committee headed by the Permanent Secretary Ministry of Works, which was in charge of road improvements, maintenance and emergency

repairs in Entebbe and Kampala, received a total of Shs.91,716,474,195 to cater for:-

- Infrastructure Projects
- Beautification and Public Health activities
- Improvements of the Metrological Station, Entebbe
- Emergency repairs in Kampala City Council
- Civil Works for Civil Aviation Authority.

a) Expenditure on Road Designs

Roads designed but not worked on:-

The Ministry engaged consultants to carry out design work on a number of roads that were identified. However, a number of roads which were designed by the Consultants were never worked on yet the designer had already been paid. These include:-

- Makindye-Nsambya Rd (2.6 Km) and Najjanankumbi-Makindye rd (1.2 Km) which were designed by MBW Consulting Engineers,
- Nakiwogo-Nsamizi Rd (3.3 Km), Manyago Rd (.62 Km), State House Gate – nakiwogo (1.04 Km) designed by Multiplan Consulting Engineers.
- Ngamba and Bulago Islands landing sites designed by Prome Consultants.

Since the CHOGM designs were for temporary civil works, it is probable that the expenditure on those road designs could have been wasteful given that they are unlikely to be used in future. It was also noted that the Ministry included and worked on other non-critical roads which were not included in the original design plans of critical roads. These additions included Hill Lane, Bulime Road, Council/Gold Course parking, Serunkuma Rd in Mbuya residential area and Kiwafu Drainage (in Entebbe). The authority which governed these works was not evident neither was a satisfactory explanations received for this change. This

lack of clear planning right from the design phase could have resulted in wasteful expenditure and diversion of public funds.

The Accounting Officer stated that the roads worked on were decided by the National Task force depending on the availability of funds. However, I have indicated to him that some of the additions like Serunkuma Rd and Golf Course parking were servicing private property and were even completed after CHOGM. It was not clear how and why the National Task force decided on them.

b. Apparent Poor Quality of Works

It was observed that the quality of some works was doubtful. Roads which had just been repaired or reconstructed had either developed potholes or ripping. An example of this was Entebbe Road which was done with Bitumen Surface dressing. The first section up to Kisubi failed and had to be redone. But even after resurfacing the road, some sections around Seguku (Roofings), Kitende had stones stripped off at the time of our audit inspection. The contractor had promised to redo that section. The Project Engineer explained that all the anomalies will be covered in the defects liability period (six months).

We shall need to re-examine the situation after the defects liability period. In the interim the technical and Value for Money audit being concurrently undertaken may provide some further clarifications in the matter when that report is completed.

c. Inconsistent Charges for Materials in Direct Procurement

It was observed that contractors were charging different prices for the similar items/work yet contracts were awarded in the same period where one would expect prices for materials to be in the same range. There were wide disparities between the prices charged and the published price list of materials on the PPDA official Website. A sample of items is listed below:-

i. General Materials

Item description	Emergency Contracts	Rehabilitation/ Resealing Contracts
Asphalt 50mm thickness/m ²	39,000-58,000	61,000-65,000
Asphalt 40mm		900,000-1,300,000
Lime/ton	450,000-550,000	550,000-1,000,000
Line drains-stone pitching/m ²	45,000-87,800	40,000-90,000
Provide & Compact crushed stone base 97% MOD AASHTO/m ³	65,000-150,000	
Deliver & Install concrete pipes Dia 1200mm/m	750,000-120,000	470,000-790,000
Culverts 900mm		370,000-1,000,000
Bituminous surface dress i.e Prime coat, binding mat'l, 1 st seal bitumen, spread & roll 14/20, 2 nd seal, roll 6/10 chippings /m ²	3,725-5,600	4,000-8,000
Excavation of existing base & sub base /m ³		18,000-43,000

Since most of the contracts were procured through the direct method (emergency contracts) it was not possible to ascertain whether other competitive rates could have been obtained. Moreover under such a basis of procurement Value for Money is highly improbable.

The Accounting Officer explained that the contractors charged differently for the same works because in bidding, prices are determined by ruling market rates. I have however explained to him that in cases where the direct method of procurement was used; negotiations should have been made to reduce on the prices.

ii. Munyonyo Marina

For the Construction of the Munyonyo Marina, the contractor quoted an amount of shs.1,000,000,000 under "General requirements" item 13.01 for setting up and maintaining the organization, camps, accommodation and construction plant on the site and their removal on completion. It is not clear why such an unrealistic figure was allocated to such an item. This cost by its very nature frustrates any current physical/tangible verification because of its removal on completion". Moreover the engineering estimate made by the designers only provided for shs 64,000,000.

iii. Construction of Driveways and Parking (Shs.8.8 bn)

One contractor quoted Shs.81,600/m² for laying 23,700 m² concrete pavers (1,933,920,000) and Shs.81,600/m for 4,655m of road kerbs (1,230,000,000) yet another contractor on the Rehabilitation and Binayomba roads quoted Shs.45,000 per m².

Engineering estimates, which normally act as a standard, for comparing the actual contract prices were requested for by audit but were not availed. It is therefore not clear what basis the evaluation and Contracts Committee used to accept such inconsistent quotations yet this was a direct procurement. The Accounting Officer explained that the paving blocks were of higher specification and coloured and that the two contracts compared were in different periods the one at Munyonyo coming very close to CHOGM where there was a very high demand for concrete products hence the high price. In the absence of the information which I requested for I cannot establish the authenticity of this transaction.

d. Maintenance of Selected Roads in Kampala City Council

A number of Roads measuring 45.86 Km were selected from Kololo and Nakasero for maintenance works involving pothole patching and drainage works

valued at Shs.8,126,794,204. On 14th November 2007 the contracts were revised to shs.9,084,021,564. At the time of audit the contracts had been further revised to Shs.9,913,101,563 (21% above the original contract sum). The following matters were observed:-

(i) Inconsistent charge Rates for Works and Consultancy Services

- A Consultant for this Project was paid Shs.511,000,000 for supervision of pothole patching of 45.86 km of roads (11.1m@ Km). However, a review has revealed inconsistencies and big variations in rates for similar/comparable work. Another consultancy firm who supervised the Emergency works similarly involving patching of potholes and for a longer coverage of 63.27 km of roads was paid an amount of Shs.280,775,000 only thus casting doubts on the reasonableness of the amount (Shs.551 million) charged by the earlier firm.

The Accounting Officer explained that this was because the contracts were time based. The contract for the initial Consultants was for a period of 10 months while that for the later was for 4 months. We however, observed that despite the explanation the emergency works actually exceeded the stipulated 4 months period.

- Similarly, it was also unusual to pay shs.9.9 bn to contractors for maintenance of only 48.6 Km (215.8m @Km) yet shs.10 bn was used for Emergency repairs of 63.27 km. (158 million @ Km). I have explained to the Accounting Officer that where procurement is by direct sourcing it is difficult to ascertain whether Value for Money was derived.

(ii) Value of Work Done

As earlier stated, out of the Shs.9.9 billion a total of Shs.6 billion had been paid as at 16th December, 2007. According to the contract, these works should have been completed before CHOGM.

However, an inspection carried out and the progress report revealed that whereas some roads had been completed, others were partially done or not done at all as indicated in the table below:-

Progress Report – Maintenance Contracts

Nakasero Area	No. of Roads	Fully Done	Partially done	No work done
Nakasero	25	9	5	11
Kololo Area	17	3	13	1

I could not therefore ascertain that the value of the work done was commensurate with the money paid out. The Accounting Officer explained that works were still continuing up to the time of discussion and that some of the above roads which were originally to be worked on were cancelled and money diverted to other critical interventions like completion of reconstruction of Old Portbell Road. This explanation could not be authenticated since works on Port Bell Road had not yet started at the time. Moreover by this time CHOGM was already over. These works done need to be reconciled with what was not done and what was then diverted and is still outstanding. The Accounting Officer should provide a complete and verifiable report.

(e) Emergency Repairs of KCC Roads

Emergency repair works were initiated by the Ministry of Works due to the worsening situation of KCC roads and the inability of the Council to handle the

problems. Four companies were contracted to carry out the emergency works in January 2007 at Shs.10.1 billion. However, it was noted that the procurement process had many irregularities. An investigation instituted by PPDA to establish compliance with the PPDA law unearthed the following:-

- No local firms were contacted to submit proposals.
- The approval to begin procurement and confirm funds was done two weeks after the beginning of the procurement process
- Letters of invitation were sent out without bid documents. It is not clear what requirements the bidders followed in their bid. Even the actual bids submitted by the bidders were not availed. It was therefore difficult to ascertain whether bidders satisfied the requirements.

Evaluation criteria was not followed as indicated in bid documents.

- The evaluation team only gave comparisons of rates and the team was silent on other requirements. It could not be established whether bidders fully satisfied the requirements.
- Although letters of invitation clearly indicated two lots, the evaluation team recommended that the lots be split into 4 lots and be directly distributed to the bidders. The criteria used for distribution was not stated. Neither, was prior approval sought from the Contracts Committee.
- Companies were ordered to commence repair works without any signed contracts. Lack of contracts makes it difficult to monitor performance of contractors.

According to the PPDA report:-

- None of the bidders satisfied the requirements in the solicitation documents
- Although restricted bidding method was suggested and approved by the Contracts Committee, the splitting of lots and sharing the works amounted to a direct procurement.

It is recommended that the PPDA report be studied and if deemed appropriate the recommendations stated therein be applied.

f. Road Improvement Works

i. Unsatisfactory Work

• **Salaama Road Section 1 & 2**

Included in the Programme for rehabilitation and reconstruction of roads is the Salaama Rd Section 1(5.5 Km) and 2 (2.5 Km) which was awarded to a Contractor at a contract sum of Shs.2,155,576,200. However, the contract was later irregularly revised by more than 100% to Shs.5,014,199,470 without approval of the PPDA whose regulations stipulate a maximum variation of 25% of the contract sum. I am yet to get an explanation as to why such a huge variation was done without authority.

The Accounting Officer explained that at the time of audit discussion he had not yet obtained the PPDA authority for variations due to time constraints and that the documents were to be submitted after approval by the Contracts Committee.

He attributed the variation to increased scope of works to improve drainage, widening of Salaama road section 1 and sealing of side access to mitigate debris getting washed into the road.

An inspection carried out on the roads revealed that although large sums of funds were injected into this road, the recent rains had deposited debris from surrounding hills resulting in silting in most sections of the carriage way thus casting doubt as to whether the road design plans were also properly made at initiation.

In his response the Accounting Officer explained that to reduce the silting it would require sealing and lining of drains of all access roads to Salaama road but that this would require compensation of land owners nearby. It is unclear whether it is poor planning or inadequate funds which have now placed at risk the investment in this infrastructure which continues to deteriorate without any remedial measure being put in place.

- **Buziga Access Road.**

A contract worth shs.1,545,101,250 to tarmac Buziga-Nanganda-Munyonyo Access Road was awarded and an amount of shs.618,040,500 had been paid to a local contractor by the time of audit.

However, an audit inspection of the road works revealed very little and unsubstantial progress on the works as the Contractor was not on site. The delay to have the works executed despite the payment was not satisfactorily explained. The Accounting Officer explained that a few days to CHOGM security ordered for vacation of site hence suspension of works on all roads. However, despite this explanation, very little progress has since been made on the construction of the road after CHOGM. The prompt intervention by the Accounting Officer is sought coupled with the appropriate accountability.

g. Construction of Temporary Parking Area at Shimoni

A contractor was hired to construct a temporary parking area for motor vehicles at Shimoni Grounds at a cost of Shs.471,812,660 for use for one week. By the time of audit an amount of shs.360,912,600 had been paid to this Contractor. The procurement was by direct sourcing and the contractor undertook the works without a formal Government contract. The Accounting officer explained that the work was undertaken following a security directive giving him only three

days to finish the work. He indicated that he was retrospectively taking steps to regularise the transaction.

Without any form of competitive evaluation process there is little or no basis for justification of the level of costs incurred nor quality of the works undertaken.

A current review of the parking area reflects a disused piece of land with patches of grass beginning to emerge particularly around the boundaries and isolated murrum potholes where tarmac was laid.

h) Unaccounted for funds

Out of a total of Shs.28,690,500 advanced to various individuals to cater for stationery and allowances for a retreat, Shs.10,065,000 remained unaccounted for at the time of audit.

7.4 TRANSPORT

The Transport Committee under the Ministry of Works and Transport was mandated to procure vehicles for the CHOGM event. The vehicles were to include executive vehicles for Her Majesty, the Queen and other Heads of Government, Police motorcycles, lead cars, ambulances, command and patrol vehicles. Total funds earmarked for transport amounted to Shs.26,675,179,880 of which payments made in respect of vehicle purchase costs amounted to Shs.20,219,798,136 as indicated below:-

Procurement	Amount in € or \$	Shs.
144 Executive vehicles	€ 4,099,360	9,352,074,936
80 Police Motor cycles	€ 2,232,240	5,067,184,800
23 Ambulances, 20 Police patrol cars, Police Command vehicle	\$ 1,702,041	2,893,469,700
60 Police lead cars	\$ 1,575,600	2,678,520,000
3 Station Wagons	Rand 936,675	228,548,700
		20,219,798,136

A review of the procurement process and records led to the following observations:-

Procurement Process

(a) Initial Solicitation of Bids (204 Executive Cars)

During May 2006 bid documents were prepared and firms were invited to submit proposals for provision of those services. Subsequently forty (40) firms were issued with the solicitation documents.

On 14 July 2006, three days before the closing date of the bid submission, the Ministry halted the procurement indefinitely, citing the hurried nature of the process and failure to undertake proper consultations.

(b) Procurement Method Used

On the 18th December 2006, the Ministry of Works and Transport wrote to PPDA requesting for approval of the direct procurement method for the executive cars and police vehicle requirements. The decision to use the direct procurement was made by the Cabinet Sub Committee of CHOGM.

On the 5th January 2007 the PPDA rejected the request for direct procurement and instead granted a waiver that allowed for the procurement to be carried out under restricted tendering with at least three (3) providers being invited to bid.

The Ministry of Works subsequently prepared new bidding documents on 12th March, 2007 and issued them out using the restricted bidding procurement method to five companies.

According to the bid documents the vehicles to be supplied included

- 30 vehicles Type 1 for outright purchase
- 32 vehicles type 1 to be leased for 30 days

- 142 vehicles type 2 to be leased for 30 days

Subsequently two (2) firms submitted bids on 30th March 2007.

(c). Evaluation Process

An evaluation process was undertaken and subsequently a recommendation for outright purchase was made as per the Evaluation Report. Following a Cabinet decision this recommendation was not adopted by the Ministry and a new procurement process was initiated thereafter.

One of the bidders has now indicated the intention to sue Government for breach of contract. The company claims that it was rightly awarded a tender to supply the vehicles but the Ministry disputes this. The Company also complained about flaws in the procurement process particularly for having allowed one of the bidders to proceed for further evaluation yet its trading license had expired.

(d). Direct Sourcing

In May 2007 following the Cabinet decision that there would be no outright purchase of the vehicles and that all vehicles would instead be leased the Cabinet Sub-Committee directed the CHOGM Transport Committee to go ahead and negotiate with the supplier that had been identified. It was however, noted that a waiver from PPDA to use direct sourcing was never obtained as is normally the practice in accordance with S (339) and S 106 (3) of the PPDA regulations. Although the Accounting Officer stated that this was not necessary according to S 143 (b) of PPDA, it is evident that the exceptional circumstances that he claims necessitated use of direct sourcing, were created by the problems arising from the earlier two procurement processes and these could have been avoided.

(d). Evaluation and Contract Award

In June 2007 the Evaluation Committee evaluated the bid from the sole bidder and recommended award of the tender subject to negotiations on price reduction, payment schedule, delivery schedule etc.

Subsequently the negotiation team carried out the negotiation, but as expected, the bidder being the sole bidder never changed his terms. It was however noted that:

- The bidder's price of Euros 4,099,360 (U.Shs 9.4bn) exceeded the Procuring Entity's estimate of Shs.7.8 billion by Shs.1.6bn. The Accounting Officer attributed this to the mode of delivery which was by airfreight instead of sea freight. This additional amount could have been avoided had the process been properly planned earlier and not encumbered by the two earlier aborted procurements.
- The bidder confirmed delivery schedule for vehicles subject to orders being placed by 14th June 2007 as:
 - Delivery of 10 units of vehicles for training of drivers by 25th September 2007.
 - Delivery of the rest of 134 vehicles by 21st October 2007.

It remained unclear as to how the bidder was able to deliver the vehicles in three (3) months whereas in the earlier bid he had requested for a lead time of nine (9) months.

In view of the foregoing I am not able to confirm that this was the best available option which would have offered government value for money.

e) Contract Implementation and Management

a. Pre Shipment Inspection

According to the terms and conditions of the contract, five members from the procuring entity were to visit the motor vehicle plant to inspect progress on production of vehicles in September. On the 16th September 2007 three (3) government representatives proceeded for the verification and inspection exercise following an invitation from the supplier.

However, the delegation never physically inspected the vehicles. It was claimed that the production of the cars had been completed before the delegation arrived in that country and that the vehicles were already en route to Uganda. Government thus wasted Shs.14,607,000 in air tickets and allowances for officials. It is surprising how the supplier made invitations, hotel bookings and an itinerary knowing full well that the vehicles were not in the factory. Although it was claimed that the vehicles had already left the factory, the delegation was also not provided with the production details/data like orders, production runs, parts delivery etc to authenticate the production. Instead the manufacturers advised them that the information would be contained in the airway bill of the consignments when delivered to Uganda.

Although the contract specifications indicated that the vehicles would be manufactured in that country of origin (Germany) the Airway bills reveals that the airport of departure was *Aéroport International de Vatry* Bp in France.

The airway bills were also issued by a company associated with Zimbabwe hence casting further doubt as to the origin of the vehicles. It was established that one category (model) of the cars were actually manufactured by a plant in Austria contrary to agreed specifications in the contract which specified the country in which the cars would be manufactured.

A visit at the website of the purported manufacturers has revealed that the company has never manufactured that category of Right Hand (RHS) vehicles for the last 5 (five) years.

f. Delivery time Schedule of the Vehicles

The contract terms specified delivery schedule as:-

- 10 vehicles by 25th September 2007
- 134 vehicles by 21st October 2007
- Final Hand over by 9th November 2007

However, it was noted that although the last batch of vehicles arrived in the country on the 12th October 2007 the vehicles were handed over by the supplier to the Ministry of Works on 17th November 2007 (over a month later) at the Central Workshop contrary to the Terms of the Contract.

g. Non Compliance with Agreed Specifications

According to the inspection report of the Ministry of Works, the following discrepancies were observed:-

i) 82 Saloon Cars

- 41 cars were fitted with run flat tyres and all lacked spare tyres yet the supply contract required each vehicle to have a spare tyre.
- Of the 30 cars purchased by government three (3) lacked the manufacturer's model plates. All the 30 cars also lacked spare tyres.
- 52 cars leased to government lacked the manufacturers model plate yet according to the picture downloaded from the manufacturer Web Site, the model plate should appear on all new vehicles. This is an important vehicle identification guide to a customer and gives assurance to the customer of the vehicle as it differentiates it from the other models of similar make.

(ii) 62 Station wagons

- 20 of the cars are diesel instead of petrol engine as specified in the contract
- 42 of the cars were manual instead of automatic transmission in the supply contract
- All the 62 cars lacked the manufacturer's model plates.

However due to the limited time to CHOGM, of only 5 days, the Ministry had no choice in the matter but to take the vehicles as delivered. To reject the vehicles or enter into wrangles would leave the government with no alternative to use for transporting the Heads of Governments and other VIPs. The Accounting Officer explained he had discovered the discrepancies and had communicated to the suppliers with a view of compensating Government and that the Solicitor General had also been informed.

- Further Audit verifications and investigations revealed that:-
 - all the 30 vehicles of a particular series purchased by government were actually manufactured in November 2005 and not 2007 as claimed and the models of those vehicles was a diesel car and not the petrol version. It has been confirmed that the vehicles were actually diesel cars and the engines were only changed to petrol in one of their workshops.
 - Of the 52 vehicles of another series leased to Government, 12 were diesel type and were manufactured in November 2005. The remaining 40 vehicles were of the petrol series manufactured in September 2006. This was a departure from the specifications set out in the contract.

- Of the 62 4WD series , 41 vehicles were manufactured in July 2004 and 21 vehicles were manufactured in March 2007 contrary to the agreed specifications that provided for a manufacturing date of 2007.

h. Costs

According to the price list obtained from the manufacturer of the vehicles as of September 2007, the manufacturer's export price and dealer's price were as follows:-

i. Price Comparisons

Model/2007	Manufacturer's Export price €	Dealer's/Supplier's Price €
Petrol type A hired 40	35,123.97	47,600
Petrol type Bpurchased 30	38,057.85	47,600
Petrol Type C 2.0i	34,900	37,600

The Table above indicates price comparisons between the manufacturer's price and dealer's price. Probably better dealer prices would have been obtained if vehicles of agreed specifications had been bought and if the procurements had been done competitively and transparently.

CONCLUSION

- The procurement process had several significant irregularities. The vehicles purchased and hired by government were not as per the agreed specifications both in models and year of manufacture. As such a loss was occasioned by Government.

- Although the Ministry of Works wrote to the Suppliers on the 17th December 2007 seeking remedies, no response has been obtained.

7.5 PROCUREMENT OF POLICE MOTORCYCLES (80)

Government procured 80 Police Outrider motorcycles at a cost of Euros 2,232,240 (Shs 5,067,184,800). The following was observed:-

- It was noted that the bidder presented a trading License which had expired on 31/12/06.
- During pre inspection in the country of manufacture the motor cycles were also not seen contrary to the terms of the contract, as they claimed that they were already en route to Uganda yet the first batch only arrived on the 20th September 2007.
- As in the vehicles procurement, inconsistencies were noted on the country of origin. Whereas the airway bills state that the airport of departure was Vatry in France, documents presented to URA indicated that the country of origin was Denmark. This is contrary to the stipulated country of origin as required by the contract.

According to the manufacturer, the model that was supplied was first manufactured in the year 2005. I have not been provided with evidence that the year of manufacture of those imported was actually 2007 as per contract terms.

7.6 PROCUREMENT OF 20 POLICE PATROL PICKUPS, 23 AMBULANCES & 1 COMMAND VEHICLE

A local company was contracted to supply the above mentioned vehicles at a cost of US\$ 1,702,041(U Shs. 2,893,469,700). According to the inspection report of the Ministry of Works, it was noted that some vehicles delivered were not as per the specifications as indicated below:-

23 Ambulances

Specifications No.	Deviations
A1	Supplier offer does not include a separation of the driver's cabin from rear patient compartment
9.1	Supplier offered air conditioned for the front instead of the air conditioner for front and rear
9.5	Supplier offered red round light with single tone instead of a Blue rotary beacon light with wail, yelp and phaser tones
10.4	Hooks missing
10.8	Tongue puller and mouth opener missing
10.9	Portable resuscitator Child is not separate from the adult resuscitator
10.10	Refillable oxygen cylinder missing
	Working lamp missing
10.11	Instrument cabinet missing
	Drug cabinet supplied was wooden not a metal cabinet as per specifications

All these are significant components of an ambulance without which it cannot properly serve the purpose for which it was procured. The Accounting Officer explained that the Ministry has sent them back to the suppliers for refitting. I still await the final outcome. In the event that the items are not rectified, it is not clear how Government would make good these losses.

Furthermore, the supplier never presented the 10% performance guarantee as required in the contract.

7.7 UNDELIVERED VEHICLES

An amount of Shs 217m was released to purchase two vehicles being a Refrigerated Van and a Canine pickup to be used for CHOGM activities. However by the time of this report, almost three months after the event, the refrigerated

van had not been delivered. It is unclear how far the Ministry has progressed with the procurement.

The Accounting Officer explained that the delay to deliver the refrigerated van was due to a decline by the first successful bidder to take up the offer. He indicated that vehicle was expected by end of March 2008.

7.8 HIRE OF VEHICLES

a. Provision of vehicle hire/rental services for use during CHOGM 2007

The Government entered into contracts with various companies for the provision of car rental services as indicated below:-

- Ms Swift Link Tours and Travels Ltd for the provision of car rental services for the Commonwealth Heads of Government at a contract sum of shs 2,748,001,700 on the 3rd August, 2007 which was later increased to 3,274,524,360 on the 19th November, 2007.
- Ms Simba Tours and Travel Ltd for the provision of 50-60 Seater buses (six in total) for 15 days at a cost of 127,440,000
- Ms BMK for the provision of 2 Mobile cranes at a cost of shs 45m
- Ms Scandinavian Express (U) Ltd for the provision of 3 Executive Luxury buses at shs 75m.

A review of the contracts and further examination of records led to the following observations:-

- It was also noted that although these buses were to be used for transporting delegates, some delegates were using private taxi hire services provided by a Private firm. Although it is alleged that the private firm was supposed to charge for its services it did not charge the delegates. As a result the

Company is now claiming Shs.433,840,000 from Government for that service. Government has disclaimed responsibility and the matter is now in Court.

- Verifications have revealed that there were under deliveries for certain type of vehicles which resulted in a loss of shs 116,430,000.
- It was noted that procedures for usage of vehicles were not adequate to allow me verify vehicle receipt, deployment and movement. I have advised the Accounting Officer to streamline procedures if such an event is to be organized in future.
- According to the contract, under the Special Conditions of Contract, it was agreed that Withholding Tax of Shs 166,501,269 would not be paid by the supplier "since the supplier has an obligation to pay the vehicle owners 100% cost of hire of their vehicles". This contravenes the Income tax Act which specifies that all supplies above Shs 2,000,000 be subjected to WHT. The Accounting Officer has written to URA to follow up on the matter.

b. Vehicle Cleaning

An amount of Shs 86,765,500 (out of a budgeted amount of Shs. 195,365,000) was advanced to a particular company to cater for cleaning vehicles for the event. The amount is still not accounted for. I could therefore not confirm the numbers of vehicles washed and the times. I was informed that the activity report was still with the service provider who refused to hand it over before he was paid.

Under the circumstances, the Accounting Officer has not obtained full accountability for the use of those funds.

8.0 BEAUTIFICATION - MINISTRY OF LOCAL GOVERNMENT

In a bid to prepare for and host the Common wealth heads of government meeting, the Ministry of local government was assigned the responsibility of the beautification of the Kampala- Entebbe road corridor. The responsibility was aimed at improving the road corridor reserve and the general ambience of Kampala city and Entebbe municipality. Effective implementation of the activities started in June 2007 with various interventions along the specific roads, parks and historic areas.

8.1 CASH DISBURSEMENTS TO THE MINISTRY

By the time of audit, the total funding allocated and released to the Ministry to cater for CHOGM activities amounted to Shs.6,327,568,145.

This includes Shs.1,967,253,353 released in 2006/07 and Shs.4,360,314,792 released in 2007/08.

As at 31st January, 2008 balances on the Ministry CHOGM Bank Account stood at Shs.1,535,928,681. The Accounting Officer has indicated that the balances will cater for on-going works and defects liability.

8.2 PROCUREMENT OF WORKS

a) Procurement of Beautification Works on Clock Tower- Nsambya-Gaba- Munyonyo Road

(i) Tendering Procedure

The procurement of the above works was originally done through open domestic bidding where only one company responded and submitted a bid for the works.

An evaluation team of four members was constituted and did a three phase evaluation in which it passed and was recommended for the award at

shs.469,385,500. It was however noted that the works were later re tendered through restricted bidding method and subsequently awarded to another company.

The Accounting Officer explained that the original company was rejected due to poor performance record with Ministry of Works on the Nateete Road and a re-tendering was done and the contract re-awarded.

ii. Contract Performance

The works included, clearing and removal of sign boards, bill boards and kiosks, bush clearing, landscaping and greening of the road reserves. To date the contractor has been advanced Shs.85,600,000, equivalent to 20% of the contract sum. Site inspection revealed that most of the works had not been substantially undertaken. Removal of the kiosks had not been done and thus part of the road reserve intended for beautification had not been worked on.

However some trees and grass had been planted on some sections of the road reserve complimented with those already done by the landlords.

The current condition of the works as per inspection is further confirmed by non certification of the works by the contract managers to warrant further payments. With the works not being done within the specified period for the CHOGM meeting, the Contractor appears to have lacked the necessary capacity to handle the beautification on the road.

The primary intention of the beautification works on this stretch was therefore never achieved as the proposed works were not done on time.

The Accounting Officer agreed that the contract has not progressed as expected and has directed the contractor to make good or else he will recover the advance

payment. The Accounting Officer is also advised to ensure that performance security for the works is renewed.

b) Procurement of beautification of Kibuye-Salama- Munyonyo Road

(i) Tendering Procedure

The above road corridor had also been earmarked for beautification ahead of the CHOGM meeting held in November 2007 at a cost of Shs.444,301,775.

The procurement was initially done through open domestic bidding where five firms responded and only three submitted the bids.

An evaluation committee of four members was constituted which identified only one responsive bidder. The bidder was however disqualified on the grounds of lack of experience in similar works. A recommendation was thereafter made for the works to be re-tendered.

It was however, noted that the works were not re-tendered but were instead again contracted to the same contractor listed above who was working on the Gaba Munyonyo Road, a company that never responded to the bidding process. The Accounting officer explained that the works were not re-tendered because of time pressure of CHOGM and therefore it was decided that the contract be carried out as extra works on the running contract of Clock Tower Munyonyo Road, under the same contractor since Munyonyo-Kibuye Corridor is a continuation of the Clock Tower-Munyonyo Road. In the interest of time, it was handled as an addendum to the original contract.

(ii) Contract Award and Performance

This contract addendum had not yet been signed between the GOU (MoLG) and that Company almost two months after the end of CHOGM.

No substantial amount of work has been done on the Contract although the contractor had started doing some work. Given the fact that the primary purpose of the beautification was for the heads of government meeting, it's evident that the proposed intervention into this road did not achieve its purpose.

The Accounting Officer explained that he has notified the contractor of his poor performance and he was making good.

(c) Beautification of Queens Way - Entebbe

The above road corridor was subdivided into two sections and beautification works awarded to two contractors. The Kibuye-Kitende Section of 11 km as Lot 1 and the Kitende-Muzinga Park Entebbe as Lot 2.

i. Grass and Shrub Planting – Shs.36,375,000

A total of U.Shs.36,375,00 was paid for grass planting activity on the road reserve. During site inspections, it was noted that isolated sections had been planted with grass with a big section of the reserve not worked on. The Accounting Officer explained that there were a few areas on the Katwe side where artisans refused to vacate. Even after CHOGM in some of the areas that were previously leveled and planted with grass, "Jua-kalis" were coming back thus spoiling the beautification. I advised him that this is still the work of the contractor to maintain the grass since this is within the defects liability period.

ii. Extra Works

A total of U.Shs.31,048,091 was evaluated by the contract manager as extras on the contract for the beautification works.

It was however noted that included in the figure is a U.Shs.17,750,000 for the planted lettering "Kampala city Welcomes You" and "Kampala CHOGM 2007" and 6 months maintenance of the works.

The amount is on the higher end compared to the shrubs planted to make the lettering.

iii. Day Works

A total of U.Shs.54m was included as an extra charge for day works, and as at 8th November, 2007 an amount of Shs.39,328,420 had already been evaluated by the contract managers. It is not clear how the above day works were arrived at to justify their inclusion in the revised contract sum. The Accounting Officer explained that this amount catered for the removal of debris from the Muslim Sports ground near the Queens Way which had not earlier been considered unless properly justified. The amount appears steep given the fact that the ground leveling and grass planting were paid for separately.

(d) Vehicle repairs

Contracts worth Shs.193,964,521 were entered into with four garages for the repairs of refuse trucks in an attempt to boost the garbage collection exercise ahead of the CHOGM meeting. To date a total of Shs.55,216,566 has been paid for the repairs so far undertaken by the respective garages.

Inspections revealed that 7 vehicles had been incompletely repaired although they had been released from the garages while 7 were still at the garages. Another 3 which had been repaired were still lying idle due to lack of tyres.

In his explanation the Accounting Officer stated that the intervention had been suspended due to the donation of trucks from the Indian government. I have urged management to ensure that the garages rectify the anomalies on the 14 vehicles mentioned above so that value for money is achieved.

Accounting Officer explained that he would ask KCC to follow up the matter.

(e) Unaccounted for Advances to the City Divisions

Out of Shs.6,000,000 advanced to the five divisions of the city to launch the “Keep Kampala clean” CHOGM campaign accountabilities worth U.Shs 2,000,000 were submitted and verified leaving a balance of U. Shs 4,000,000 outstanding. It’s also noted that although records at the Ministry indicate that a cheque No.000061 U.Shs 1,000,000 had been paid to Kawempe division, the town clerk denied receipt of the funds. It’s not clear where the funds were remitted to.

(f) Entebbe Municipality

Non deduction of withholding tax

Withholding tax amounting to Shs 24,033,475 was not deducted from various contractors contrary to the regulations. Withholding Tax is supposed to be deducted from all payments for the supply of goods and services exceeding Shs 1,000,000 and remitted to Uganda Revenue Authority.

The taxes should be recovered and remitted to URA.

9.0 MEDIA AND PUBLICITY – OFFICE OF THE PRIME MINISTER

The Sub-Committee on Media and Publicity was under the Chairmanship of the Permanent Secretary, Office of the Prime Minister. The objective of the Sub-Committee was to steer all media and publicity activity to a successful CHOGM 2007 both within and outside Uganda. Two companies were contracted to handle publicity campaign for both media and outdoor adverts.

9.1 MANAGEMENT OF THE MEDIA CENTRE

A foreign company was contracted by the CHOGM Sub-Committee on media and publicity, to erect, equip and manage the CHOGM Media Centre for broadcasting the CHOGM events during the function at a contract sum of US \$4,500,000.

(a) Payments

By January 2008, payments to the firm totalled Shs.7,858,934,107. However, the US dollar equivalent of the amount paid could not be ascertained because the forex rates used were not disclosed by the Ministry. It is reported that US \$ 450,000 is not yet paid to the firm. In the absence of the requisite information, I was not able to establish the amounts paid and the balance outstanding.

(b) Performance of the Contract

Compliance to contract specifications could not be adequately verified due to lack of documentation. Although the Ministry was requested to provide the contract performance documents, the documents provided were not sufficient to enable me ascertain that all what was paid for was provided. The documents provided had been prepared by the contractor. I was therefore not able to confirm that the following was performed or delivered as per the specifications:-

- Design and Construction of the Media Centre (US \$580,000)
- Furnishing and dressing (US \$285,000)

- Charges for Logistics (US \$795,000)
- Provision of IT Telecommunication and Equipment (US \$350,000)

(c) Provision of Equipment and Office Space for Hire

Some of the equipment brought into the country by the firm, in accordance with the contract, was for hire by other broadcasters. The firm also had to manage the hiring of office space, furniture and phone and forex stands with all revenue realized being remitted to Government. However, revenue that accrued from hire of office spare, equipment, and phone and forex stands, has never been disclosed. Reports available at the Ministry of Foreign Affairs indicate that the company collected Euro 20,560 from hire of office spare.

(d) Tax Obligation

Clause No.11 of the general conditions of the contract, stated that the firm was to bear and pay all taxes, duties and levies imposed on it. However, the amount of the tax payable is not known. The Accounting Officer explained that he had written to the Solicitor General seeking legal guidance on the matter. A reply had not been provided by the time of writing this report.

9.2 PROVISION OF PUBLICITY SERVICES

Two companies in association were awarded a tender for the provision of media and publicity related services for CHOGM 2007, at a contract price not exceeding Shs.2,433,570,088 (VAT inclusive). The Contract required the company to design a refined media strategy and an effective communication strategy, produce and distribute publicity material, and carry out production, placement and monitoring of radio and television adverts and commercials.

The following was noted:-

(a) Payments

By the time of audit, the firm had been paid a total of Shs.1,425,051,000 and Shs.1,008,519,085 was still outstanding. However, all the payments were improperly made in form of advances contrary to existing regulations. Such a contract required use of tax invoices supported with properly signed and certified delivery notes, completion reports or work certificates. Even the outstanding bill of Shs.1,008,519,085 being demanded by the firm, is not supported with invoices but a mere statement of costs incurred. Consequently, I was not able to ascertain that the payments to the firm were a proper charge to public funds.

(b) Sponsorship of media and Publicity Related Services

The contract required the firm to acquire corporate sponsorship for the media and publicity related events which were to be organized by the media and publicity sub-committee. Expected collections were Shs.1.2 billion and the funds were to be handled in accordance with the guidelines issued by the Sponsorship Committee. After CHOGM, the firm informed the Ministry that it was able to collect only Shs.360 million. Out of that amount, Shs.148 million was allegedly given to the Commonwealth Business Forum, Shs.18 million was retained by the firm as its 10% collection fee, Shs.159 million was used by the firm at source, and Shs.35 million was to be paid to the Ministry. However, the utilization of the funds collected lacked the approval of the National Task Force and remain unaccounted for.

(c) Non-Payment of Withholding Tax

The contract value of Shs.2,059,545,518, (excluding VAT) attracts a withholding tax of Shs.123,572,731. However, the money so far paid to the firm had no withholding tax deducted at source in violation of the tax law. The Accounting Officer explained that the firm had a withholding tax exemption, but this had not been availed for my verification at the time of this report.

9.3 FUNDS NOT ACCOUNTED FOR

Uganda Broadcasting Corporation (UBC) was advanced Shs.95,625,000 to cater for CHOGM activities on TV and radio (spot adverts, documentaries and talks) as per the budget presented by the firm. However, the funds are yet to be accounted for.

Another advance of shs.42,225,000 made to the Ministry of Foreign Affairs to cater for the Commonwealth week activities relating to mobilization (Shs.24,075,000) and the Commonwealth bash (Shs.18,150,000) is also yet to be accounted for.

10.0 HEALTH SUB COMMITTEE - MINISTRY OF HEALTH

The Ministry of Health was responsible for the implementation of all the activities relating to the Health Sub-Committee.

10.1 CONSTRUCTION OF NEW CASUALTY UNIT IN ENTEBBE

The contract was awarded to a Company but although the Contract required the contractor to execute the contract within six (6) months ending August 2007, by the time of audit in January 2008 the contractor had not yet completed the works. The Accounting Officer attributed the delay in contract implementation to late release of funds.

10.2 CHOGM DISBURSEMENTS TO MULAGO HOSPITAL

The Ministry of Foreign Affairs – CHOGM Committee approved a budget of Shs.4,016,342,241 for Mulago Referral Hospital to cater for improvements of the Hospital. Out of this budget allocation, only Shs.3,340,186,216 was released and by the time of writing this report, Shs.3,156,672,157 had been reportedly spent leaving an unspent balance of Shs.183,514,055. However, it was not possible to independently verify the balance because the funds were banked on the Mulago infrastructure Development Account instead of a separate account as required by the Memorandum of Understanding with the Ministry of Foreign Affairs.

It was also revealed that a fraudulent transfer of Shs.159,243,883 was made to various bank accounts to purportedly pay suppliers who supplied goods and services to the hospital for CHOGM. Out of this Shs.57,426,415 has been recovered leaving a balance of Shs.101,817,468. The Accounting Officer has indicated that he has reported the matter to Police and Ministry of Finance, Planning & Economic Development.

10.3 REPAIR OF LIFTS

A total of Shs.192 million was utilized for the purchase of spares for the repair of lifts. Although the repairs were carried out and are now functioning, the parts bought were far in excess of the requirements. Our inspection revealed huge quantities of spares lying in the stores which are likely to take years to be utilised. The Accounting Officer explained that the spares are to be utilized in future for the same purpose. He also explained that although the lifts were repaired they are now too old and thus require replacement at an estimated cost of Shs.6 billion.

11.0 MINISTRY OF WATER AND ENVIRONMENT

11.1 CHOGM DISBURSMENTS TO THE MINISTRY

The Ministry received a total of Shs.1,063,649,548 under the Department of Meteorology in respect of Meteorological Support for Aviation – CHOGM activities.

As at 31st January 2008 balances on the Ministry CHOGM Bank Account stood at Shs.364,258,066.

11.2 REPAIR/UPGRADE OF WEATHER RADAR

The Ministry of Water and Environment received funding from CHOGM Committee to cater for the repair and upgrading of weather Radar system model Thomas TRS 2730 to generate better quality signal. A total of Shs.516,873,746 (Euro 200,670) was paid to a foreign company in respect of the repair and upgrade of the Radar. However, although the procurement required use of open international bidding to guarantee competition and Value for Money, the restricted bidding method of procurement was used based on the permission granted by the PPDA. However, although five international firms were identified for bid invitation, I was not provided with evidence that the other four firms were invited to bid.

Besides, at the time of writing this report, the radar was reported to have developed some technical problems, was not functioning and required repair. Evidence of certification of work done and hand over report was also not availed.

The Accounting Officer explained that the nature of the equipment was sensitive and needed accuracy and precision and that international bidding would have taken a minimum of 4 months.

11.3 ADVANCES NOT YET ACCOUNTED FOR

By the time of writing this report, a total of Shs.34,485,000 advanced to the Director, Environment Affairs to carry out various activities in respect of carbon neutral free CHOGM and Inter-Ministerial meeting on climate change had not yet been accounted for.

There was also no evidence of refund of shs.43 million borrowed earlier from other projects to fund the CHOGM related inter ministerial meeting on climate change.

11.4 OUTSTANDING BILLS

The Ministry reported outstanding bills of Shs.100 million relating to hydrogen balloons and hydrogen generator which had not yet been delivered. The Accounting Officer explained that these are contractual obligations that will be delivered.

12.0 MINISTRY OF GENDER, LABOUR AND SOCIAL DEVELOPMENT

12.1 PROCUREMENT OF GOODS

- Commonwealth Youth Forum Secretariat did not maintain ledgers and distribution lists for procured goods. This applied to goods worth Shs.985,813,200. I could therefore not confirm their utilisation.
- The procurement records relating to the solicitation of bids and evaluation reports were not availed for audit verification in respect of goods and hotel services procured at Shs.14,000,000 and Shs.195,487,824 respectively for the Youth Forum. Thus it was not possible to confirm the fairness in prices, competitiveness and transparency in the procurement process.

12.2 FLEET MANAGEMENT

It was noted that 128 vehicles were acquired from Government Ministries/Depts while 46 mini buses and 10 Mercedes Benzes were hired from two private firms at a total of Shs.149,545,000 for use during the 8th WAMM. However, in the case of privately hired vehicles I was not provided with documentation to confirm that they were delivered and Utilization could not be ascertained due to the absence of the fleet inventory and daily deployment register.

There was also no performance report on the transport activities during the Conference to enable me confirm that value was received.

12.4 ADVANCES NOT ACCOUNTED FOR

A total of Shs.42,686,000 spent on purchase of drugs for the WAMM Conference and other various activities remained unaccounted for. In the absence of accountability, I was not able to confirm that the funds were utilized for the intended purpose.

13.0 ACCOMMODATION SUB COMMITTEE - MINISTRY OF TOURISM, TRADE & INDUSTRY

The Ministry of Tourism, Trade and Industry was in charge of the sub-committee on accommodation, tours, arts and exhibition. The key functions included:-

- Ensuring that there were enough rooms to accommodate expected delegates,
- Development of hotel standards manuals,
- Hotel classifications criteria, assessing hotels, selecting hotels and
- Construction of Cultural Village, renovation of National Theatre and Uganda Museum

13.1 CHOGM DISBURSEMENTS TO THE MINISTRY

At the time of audit total funding allocated and released to the Ministry to cater for CHOGM activities amounted to Shs.5,058,262,214 which was meant to cater for accommodation, art and exhibition and tours. A total of shs.690,334,570 still lay on the account unutilized by 31st January, 2008.

13.2 ACCOMMODATION

Training of Hotel In-Service Personnel

The Ministry contracted a local company to carry out training of Hotel staff in operations, house keeping, food and beverage preparations at a cost of Shs.1,374,000,000.

Examination of the related expenditure revealed that the Ministry paid to the firm reimbursables equivalent to Shs.293,000,000 which were not supported with requisite accountabilities contrary to the terms of the contract. Therefore that amount remains unaccounted for.

The Accounting Officer has been requested to provide the accountability.

It was also noted that an amount of Shs.24,360,000 was paid to a local company for hire of six vehicles. There were however no details of where and for what purpose the vehicles were used. The invoices only mentioned town running. It is also not clear why the Ministry never utilized the government vehicles available for such town activities. The expenditure requires proper justification.

13.3 ARTS AND EXHIBITION

a. Renovation of National Theatre

A contract was awarded to a local construction company to renovate the National Theatre at a cost of shs.810,517,350. A total of Shs.707,507,750 had so far been paid to the contractor. However, at the time of audit, almost two (2) months after the end of CHOGM, the works had not been completed despite the fact that the contract was awarded to the firm way back in May 2007. It was noted that:

- Electrical installations of Shs.213,960,000 had not yet been completed.
- Floor and Ceiling finishes had not yet been done. Although the bills of quantities indicated that 204 square meters of Floor were to be fixed with Hardwood timber boarding finish at Shs.20,400,000, this was not done. Instead only half the area was done because the contractor advised that the other part was still in good condition.

b. Renovation of Uganda Museum

A contract was awarded to a local contractor to renovate the museum galleries at the Uganda Museum for an amount of Shs.228,205,275 and at the time of audit a total of Shs.195,641,054 had been paid to the firm.

During inspection of the museum in March 2008, it was noted that although the company had claimed that works had been completed, some works were not yet completed as at the date of writing this report.

The Accounting Officer explained that since the Contractor has not yet been fully paid he will be required to make good on the unfinished work failure of which recoveries will be made from the final certificate.

c. Tours

A total of Shs.359,691,612 was released to the tours sub-committee for constructions and repairs of various Tourism sites like Kasubi Tombs, Namugongo Shrines and Source of the Nile. At the time of audit the works had not yet been completed. No explanation was provided for the delays to have the works completed.

14.0 INFORMATION COMMUNICATION TECHNOLOGY (ICT)

14.1 CHOGM DISBURSEMENTS TO THE MINISTRY

By the time of audit, the total funding allocated and released to the Ministry to cater for CHOGM activities amounted to Shs.4,869,892,986. An amount of Shs.130,282,210 still lay on the bank Account as at 31st January, 2008.

14.2 CONTRACT INSPECTION AND CERTIFICATION

Most contracts between Ministry of ICT and various suppliers and vendors stipulated that certificates of technical inspection be provided before payments. It was also stated that training should also be undertaken. It was, however, observed that these certificates of inspection were lacking in respect to many of the procurements of the Ministry. The requirement for training was at times not complied with. In most cases training was not carried out. It is recommended that technical re-inspections and certificates should be issued in all instances and that the necessary technical training undertaken in respect thereof.

14.3 SUSTAINABILITY AND MAINTENANCE OF COMPUTERS

The Ministry of ICT acquired IT equipment for use during CHOGM. Some of the equipment was distributed to various Government ministries and departments. There is need for a strategy to keep track and maintain such equipment.

During discussion, the Accounting Officer explained that he is drafting a Cabinet paper on the strategy in respect of utilization of the equipment.

14.4 DEFINITION AND DESIGN OF A LOCAL AREA NETWORK FOR CHOGM

The Ministry engaged two firms, one to design the Local Network for the CHOGM 2007 Secretariat and another to build and install the equipment of the designed Local Area Network at a cost of US\$334,458.

It was noted that although the design was contracted in May 2007, by November 2007 (6 months later) the Local Area Network (LAN) meant for the CHOGM Secretariat had not yet been installed yet this service was to assist in the preparations of CHOGM. Installations appeared to have been completed after CHOGM thus defeating the original purpose for which the service was intended.

The network was not completed in time and the Ministry had to incur an extra expense of wireless LAN at the Ministry of Foreign Affairs at a cost of Shs.58,000,000 due to that delay.

I was informed by the Accounting Officer that the problem was that the subsequent procurement process of the service provider was contested by one of the bidders and that a PPDA review was requested.

PPDA subsequently observed that the original specifications designed and advertised by the Ministry were faulty and biased in favour of only one company.

14.5 PROCUREMENT OF COMPUTERS SUPPLIED FOR 8TH WAMM MEETING

During the month of August 2007, the Ministry paid a local supplier Shs.86,316,999 for having supplied 33 desk computers to be used during the 8th WAMM Meeting. An additional amount of Shs.16,970,000 was paid to the same supplier for the supply of 3 laptop computers for use by senior officers.

It was however noted that:-

- The procurement was made through direct sourcing without relevant authority. The Accounting Officer explained that the only way he could have the computers available for the Conference was through direct sourcing.

- 10 Desk top computers and their accessories were signed for by the 8th WAMM officials on condition that they would be returned but have never been returned.
- Laptop computers indicated as not having been taken were not physically found in the Store.
- Table PCs had not yet been received from the supplier and yet the delivery notes were all signed indicating they had been received.
- In respect of the three (3) laptop computers for senior officers. I could not confirm the existence of the laptops since no evidence of acknowledgement by the officers was availed neither were issue vouchers availed to me for audit.

14.7 PAYMENTS TO UGANDA REVENUE AUTHORITY

During the financial years 2006/07 and 2007/08 the Ministry of ICT paid to URA Shs.122,562,555 as WHT deductions from service providers. However, only Shs.64,615,776 has been acknowledged as received and the balance of Shs.57,946,779 is still outstanding.

RECOMMENDATIONS

- By 31st January, 2008, a number of Ministries still had unutilised balances on CHOGM bank accounts. It is important that guidance is given on when the accounts should be finally closed and how the unutilised balances should be dealt with.
- A number of Ministries reported outstanding bills without resources to clear them. This position needs to be properly verified at all Ministries and measures put in place to clear them.
- The Ministry of Foreign Affairs should carry out a comprehensive inventory of all assets, procure and liaise with the Secretary to the Treasury, Accountant General and Accounting Officers to agree on its utilisation and disposal in conformity with the governing laws and regulations.
- A strategy for maintenance of the infrastructure (roads, buildings, beautification and the National Airport) that were worked on in preparation for CHOGM should be made. This will necessitate adequate funding and the support of all stakeholders.
- The report of the National Task Force on CHOGM needs to be studied to address future challenges that may arise if Uganda is presented with another opportunity to organise an event of such magnitude. That report specifically, mentions a number of issues which I have studied and found to be suitable for consideration. These include:-
 - the need to release funds in time to enable early completion of plans, projects and procurements.
 - the importance of identifying all stakeholders at initial planning stages
 - the need for speedy and coordinated decision making on all matters

- the need to formulate clear guidelines such as memorandum or agreements in case of technical cooperation with foreign Governments
- In a bid to have the country achieve the desired level of preparedness for CHOGM, Government made various interventions to support the private sector. Government should formulate a legal framework and guidelines for such interventions to ensure that Government investments are properly safeguarded.
- The recovery of funds advanced to various hotels should be pursued as indicated in the report of the consultancy firm that was engaged to ascertain the amounts outstanding.
- A mechanism should be put in place for monitoring progress on implementation of the activities that were not completed by CHOGM time and are still ongoing.
- This report highlights instances of waste and various cases of lapses in compliance with Government of Uganda financial management regulations and procurement laws and procedures. The concerned authorities are advised to study the findings and take appropriate action. Legal advice should be sought wherever necessary as some of the matters are contentious.