THE REPUBLIC OF UGANDA

OFFICE OF THE AUDITOR GENERAL

ANNUAL REPORT OF THE AUDITOR GENERAL

FOR THE YEAR ENDED 30TH JUNE 2012

VOLUME 1

PERFORMANCE REPORT

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List of Acronyms

ACCA	Association of Chartered Certified Accountants
ACF	Agriculture Credit Facility
AFROSAI	African Organization of Supreme Audit Institution
AFROSAI-E	African Organisation of English Speaking Supreme Audit Institutions
AG	Auditor General
BFP	Budget Framework Paper
Bn	Billion
BOQ	Bill of Quantities
BoU	Bank of Uganda
CAIIP	Community Agriculture Infrastructure Programme
COMIS	Compliance Management Information System
COSASE	Committee on Commissions, Statutory Authorities and State Enterprises
CPA	Certified Public Accountant
EA	Environmental Audit
EIA	Environment Impact Assessment
EIB	European Investment Bank
EPS	Express Penalty Scheme
FINMAP	Financial Management and Accountability Programme
GoU	Government of Uganda
HLGs	Higher Local Governments
ICGFM	International Consortium on Government Financial Management
ICT	Information Communications Technology
IDA	International Development Association
IDI	INTOSAI Development Initiative
IFMS	Integrated Financial Management System
INTOSAI	International Organizational of Supreme Audit Institutions
IOV	Inspector of Vehicles
IPC	Interim Payment Certificate
ISSAI	International Standards of Supreme Audit Institutions
IT	Information Technology
ITCP	Information Technology Continuity Plan
KCCL	Kasese Cobalt Company Limited
LIS	Land Information System

LLGs	Lower Local Governments
MAAG	Multilateral Audit Advisory Group
MAAIF	Ministry of Agriculture Animal Industry and Fisheries
MDA	Ministries, Departments and Agencies
MEMD	Ministry of Energy and Mineral Development
MoFPED	Ministry of Finance, Planning and Economic Development
MoGLSD	Ministry of Gender, Labor and Social Development
MoLG	Ministry of Local Government
MoLHUD	Ministry of Lands and Urban Development
MOPS	Ministry of Public Service
MoU	Memorandum of Understanding
MTEF	Medium Term Expenditure Framework
MTIC	Ministry of Trade, Tourism and Industry
NAA	National Audit Act
NDP	National Development Plan
NEF	National Environment Fund
NEMA	National Environment Management Authority
NHCC	National Housing and Construction Company
NHIL	Nile Hotel International
NLIS	National Land Information System
NSSF	National Social Security Fund
OAG	Office of the Auditor General
OBT	Output Budgeting Tool
PAC	Public Accounts Committee
PFAA	Public Finance and Accountability Act, 2003
PPDA	Public Procurement and Disposal of Public Assets Authority
RFSP	Rural Financial Services Programme
SACCO	Saving and Credit and Corporative
SAI	Supreme Audit Institution
Shs	Shillings
SLM	Sustainable Land Management
UBTS	Uganda Blood Transfusion Services
UCSCU	Uganda Savings and Corporative Union
UDC	Uganda Development Corporation
UEGL	Uganda Electricity Generation Company Limited

UETCL	Uganda Electricity Transmission Company Limited
UPF	Uganda Police Force
URA	Uganda Revenue Authority
VFM	Value for Money

Office of the Auditor General

Vision, Mission and the Core Values

Vision

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

Mission

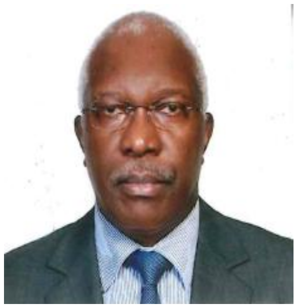
"To audit and report to Parliament and thereby make an effective contribution to improving public accountability and value for money spent"

Core Values

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

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

Foreword by the Auditor General



In accordance with my mandate as stipulated under Article 163 of the Constitution of the Republic of Uganda and as elaborated on by the National Audit Act, 2008, it is my pleasure to present to you the Annual Audit Report on the public accounts of Uganda for the Financial Year 2011/2012 in five volumes.

The first volume of the report is about the general performance of the office as a whole, while the second, third, fourth and fifth volumes present detailed findings on audits for the Financial Year ended 30th June 2012. The executive summary which follows this foreword outlines the content of the five volumes which constitute my Annual Report.

The office prepared and submitted, for approval to Parliament, a total budget of Shs 61.237bn including a funding gap of Shs 5.471bn. Parliament subsequently approved a total budget of Shs 55.766bn for the Financial Year 2012/13 including taxes. In addition, the office received supplementary funding of Shs 3.158bn during the same period. The revised approved budget for the office therefore amounted to Shs 58.924bn. Based on this budget, the office planned to carry out a total of 1,805 audits which included 1,790 financial audits, 10 value for money audits and 5 specialized audits.

As at 26th June 2013, a total of Shs 58.294bn representing 99% of the approved budget was released and the office was able to complete and report on a total of 1,627 audits while 788 audits were in progress. The completed audits included 1,603 financial audits, 9 value for money audits and 15 specialised audits while those in progress included 787 financial audits and 1 value for money audit.

I would like to acknowledge the support from the Parliament of the Republic of Uganda and its oversight committees, the Executive, the Development Partners and other stakeholders who have enabled me to successfully execute my statutory mandate thereby making an effective contribution to improving public accountability and value for money spent.

I also extend my sincere gratitude to my staff for positively embracing the prevailing challenges in the office and for their efforts towards the achievements realized during the year.

John F.S. Muwanga

AUDITOR GENERAL

27th June 2013

Executive Summary

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

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

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

Volume 1 - Annual Performance Report of the Office of the Auditor General;

Volume2 - Audit Report on Central Government Ministries, Departments and Agencies;

Volume 3 - Audit Report on Local Authorities including Regional Referral Hospitals;

Volume 4 - Audit Report on State Enterprises, Commissions and Statutory Corporations;

Volume 5 - Value for Money and Specialized Audit Reports.

This Volume 1 of the report is presented in 5 sections as follows;

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

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

Section 3, presents a performance review of the Corporate Services function in the following areas: Human Resource Management and Development, Finance and Administration, Information Technology, Technical Support Services, Internal Audit and Risk Management, Legal Representation, Communication and Public Relations and Procurement and Logistics.

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

Section 5, presents a review of the performance of the Auditor General as the Registrar of Accountants as mandated under Section 18 of the Accountants Act, 1992.

1.0 Introduction

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

1.1 Brief History

The External Audit function in Uganda dates back to the 1920s when Uganda was a protectorate and had its accounts audited by the Colonial Audit Office in London. The OAG evolved over time from being headed by an Auditor in 1929 to having a substantive Auditor General being appointed in 1952 in Kampala.

In 1962, the office started expanding progressively by opening regional offices. To date, a total of 9 Regional Offices are operational being situated in Gulu, Arua, Mbale, Soroti, Jinja, Masaka, Mbarara, Fort Portal and Kampala. Plans are underway to open two additional regional offices to cope with the ever increasing audit entities in Local Governments.

1.2 Mandate and functions of the Auditor General

The Auditor General's mandate under Article 163 (3) of the Constitution of the Republic of Uganda and as amplified by Sections 13 (1) and 18 of the National Audit Act, 2008, is to audit and report to Parliament on the public accounts of Uganda and of all public offices including the courts, the central and local government administrations, universities and public institutions of like nature, and any public corporations or other bodies established by an Act of Parliament.

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

1.3 Corporate Plan Implementation

The period under review was the second year of implementing the five year Corporate Plan for the period 2011-16. The Corporate Plan provides policy direction in the Planning and Budgeting processes. The Strategic Objectives of OAG as stated in the above Corporate Plan are:

i) To improve the quality and impact of audit work so as to promote increased accountability, probity and transparency in the management of public funds;

ii) To improve the efficiency and effectiveness of internal and external communications to raise the corporate image of the OAG among the key stakeholders;
iii) To strengthen the financial and operational independence of the Office of the Auditor General;
iv) To attain higher organizational performance.

The assessment of performance regarding achievements of the above objectives runs through this performance report.

1.4 Recent Developments

1.4.1 Establishment of the Parliamentary Liaison Office

OAG has a Parliamentary Liaison Office that is charged with ensuring that the primary key stakeholder of the office is adequately engaged. The creation of this office has ensured that prior to the discussion of audit reports by Parliamentary Committees, all the relevant documents and technical expertise required are availed.

1.4.2 Production of Summarised Sector Audit Reports

The Government of Uganda adopted the sector wide approach to Planning and Budgeting in order to improve efficiency, economy and effectiveness in resource allocation and utilization. In response, the office adopted a sector wide approach to audit in the FY 2010/11 to make accountability meaningful by facilitating a deeper understanding of the whole audit population, a more holistic approach to reporting, deeper analysis of key issues, risks and linkages.

Therefore, starting with audits for the FY ended 30th June 2011, the office committed to producing summarized sector audit reports for dissemination to the respective sector secretariats and other stakeholders. This was aimed at enabling the sectors to assess and track their performance in addressing issues raised in audit reports.

1.4.3 Technical Cooperation with SAIs

The office signed a two year MOU with the Swedish National Audit Office aimed at strengthening technical cooperation between the two SAIs. The corporation covers support in the areas of value for money/performance audits, regularity/financial audits and communication among others. In addition, an MOU was signed with the Office of the Auditor General Norway which provides a broad framework within which the two SAIs shall cooperate leading to strengthening of OAG through support for institutional capacity building in petroleum audits.

1.4.4 ACCA Accreditation

The Auditor General hosted the ACCA President, Mr. Dean Westcott on 26th June 2012 and received the ACCA Certified Employer Certificate on behalf of the office. With the ACCA Approved Employer certificate, OAG became the third government institution to attain this status in Uganda. The Approved Employer status is an international standard of recognition for an organization's training and/or development that acknowledge the employer's high standards of staff training and development. Attaining this status is highly regarded because;

i) It provides a formal recognition that the certified organisation is committed to providing learning and development opportunities thereby enhancing its reputation as an employer;
ii) It provides an accessible global standard which enables organisations to compare their learning and development support against a global benchmark, thus enhancing its brand;
iii) It fast-tracks specific ACCA business processes for example trainees and/or members can benefit depending on which approval stream is chosen.

The Auditor General receiving the ACCA Approved Employer Certificate on behalf of OAG from the ACCA President Dean Westcott.

1.4.5 Creation of the Directorate of Forensic Audits and Investigations

Following the frauds that took place in the Office of the Prime Minister and the Ministry of Public Service, it is prudent to undertake continuous forensic investigations in government entities to obtain adequate fiduciary assurance. To this end, the office has created a new Directorate of Forensic Audits and Investigations, which shall be charged with the responsibility of undertaking continuous forensic investigations in government entities. The directorate will commence activities in the Financial Year 2013/14.

1.4.6 Construction of the Audit House and Regional Offices

The enactment of the National Audit Act granted the Office of the Auditor General human resource independence and to some degree a wider scope of financial independence due to the enhanced autonomy. However, continued dependence on the auditees to provide semi permanent accommodation for the staff members poised a challenge and risk in managing and physically controlling staff so as to ensure that their independence is not impinged upon.

With support from the Financial Management and Accountability Program (FINMAP), the office secured funding for construction of the Audit House which will comprise of 10 office floors and 3 basement parking floors. The construction commenced in June 2012 and by the time of reporting, construction of the 3 basement parking floors and up to 7 office floors were complete. Under the same arrangement, the procurement process for construction of the Mbarara regional office was at evaluation stage.

A front view of the work going on at the Audit House site

1.4.7 Group Life Insurance Scheme

While executing the mandate of OAG, some staff have been involved in motor accidents and some have suffered permanent disabilities that pose a risk to their future as well as their dependents. As a mitigation measure, the office acquired a group life insurance scheme which covers a staff member when he/she passes on due to either accident or natural causes.

2.0 Performance of the Audit Function

2.1 Grants of Credit Issued

Article 154 (3) of the Constitution of the Republic of Uganda requires the Auditor General to approve withdrawals of all monies from the consolidated fund. Accordingly, during the Financial Year 2011/12, the Auditor General authorized withdrawals from the consolidated fund amounting to Shs 9,498,757,022,417. The details are in the table 1 below:

Table 1: Value of grants of credits issued during the FY 2011/12

Expenditure	No. of Warrants Issued	Amount (Shs)
Recurrent	33	4,014,474,343,983
Development	17	3,682,983,650,458
Statutory	10	1,801,299,027,976
Total	**60**	**9,498,757,022,417**

2.2 Major Audit Focus during the year

In determining the major focus for the FY 2011/12 audits, the office based its approach on the following:

i) The National Budget Estimates for the FY 2011/12;
ii) Accountability Sector Priorities for the FY 2011/12;
iii) Major Findings in the Audit Report for the FY 2010/11;
iv) The OAG Corporate Plan 2011-16;
v) The Operational Plan for the Audit Year 2012/13;

The major focus areas of the Accountability Sector to which OAG belongs were: strengthening the adherence to compliance policies; adhering to service delivery standards and regulations; promotion of the culture of public demand for accountability and value for money as well as intensifying the fight against corruption. Hence, the major focus in the Audits of the FY2011/12 was as summarized in table 2 below:

Table 2: Major Areas of Focus in the Audit of FY ended 30th June 2012

Audits	Major focus
Financial Audits	• Audit of the budget • Roads • Final Accounts • Procurement • Unspent balances • Assessment of IT controls in MDAs • Service delivery issues; health, education etc.
Value for money and specialized audits	10 Audits which should include environmental and gender audit, cross boarder audit, completion of the audit of the industrial park in collaboration with the Inspector General of Government.

2.3 Performance in Financial and Value for Money Audits

In the audit period, the office planned to conduct a total of 1,790 financial audits, 10 value for money audits and 5 specialised audits. The office completed a total of 1,603 financial audits, 9 value for money audits and 15 specialized audits. The details are provided in the table 3 below.

Table 3: Status of Audit Performance for the FY 2011/12

Audit Entities	Planned number of Audits	Audits completed	Percentage	Audits in Progress
MDAs	92	105	114%	0
Statutory Authorities	67	67	100%	6
Local Authorities	1,484	1,274	86%	765
Projects	97	140	144%	3
Special Audits	50	17	34%	13
Sub-Total: Financial Audits	**1,790**	**1,603**	**90%**	**787**
Value for Money	10	9	90%	1
Specialised Audits	5	15	300%	0
Sub-Total: Value for Money and Specialised Audits	**15**	**24**	**160%**	**1**
Total	**1,805**	**1,627**	**90%**	**788**

2.3.1 Audit of Central Government Entities

The audit covered 105 MDAs, 134 projects and 6 special audits. During the period, an expanded scope audit was carried out in 15 MDAs and 3 Projects. The 15 MDAs and 3 projects are included in the audits covered above.

Summary of Major Findings

- Section 20 (3) of the PFAA, 2003 provides that the terms and conditions of a loan shall be laid before Parliament and shall not come into operation unless they have been approved by a resolution of Parliament. However, it was noted that 13 new loans equivalent to Shs 1.3 trillion had their loan agreements signed prior to parliamentary approval.
- Numerous Accounting Officers mischarged expenditure through charging wrong budget codes without following set procedures. The mischarges at times amounted to as much as 81% of the entities' budgets. As a consequence the funds were diverted and not utilised in accordance with the Appropriation Act and

guidance of Parliament. The audit review revealed mischarged expenditure amounting to Shs 257bn. It is important that the budgeting process and its implementation are improved upon to attain government intentions.

- A special audit was undertaken in the Office of the Prime Minister on alleged impropriety in financial management and financial irregularities such as diversions, fraud, unauthorised approvals of payments and irregular withdrawal of funds. As a consequence, Shs 58bn is estimated to have been misappropriated.

- A special audit was undertaken in the MOPS on the financial impropriety of pension funds. It was established that a number of financial controls were circumvented and as a consequence, an estimated amount of Shs 165bn was misappropriated, of which Shs 93bn was related to the FY 2011/12.

- During the implementation of CAIIP under the Ministry of Local Government, parallel structures were created in the Ministry of Works & Transport and the Ministry of Agriculture Animal Industry and Fisheries in form of supervision units. However the same provisions were provided under MOLG. As a consequence, Shs 6.3bn was lost in duplicate payments under these units.

- Numerous Accounting Officers advanced funds to officers through their personal accounts to carry out official activities. These funds should as much as possible have been paid to the beneficiaries directly. The practice is contrary to the regulations, highly risky and exposes government funds to loss since Accounting Officers have no control over private individual accounts. Examination of a total of Shs 67bn involved revealed that Shs 25.9bn remained unaccounted for.

- Good financial management practices discourage the use of the cash given the huge risks associated with it. Entities were found to have drawn out huge amounts of money in cash for execution of government activities. A portion of these funds were then advanced to officers resulting in similar risks identified in advancing funds through individuals accounts mentioned above. A large portion was also utilised within the cash offices. A total of such funds found unaccounted for was Shs 27.9bn.

- An amount of Shs 47bn was overpaid by Uganda National Roads Authority to various contractors on 3 road construction contracts arising from errors in the application of variation of price formulae used in computing compensation amounts.

- On 14th July 2011, a sum of Shs 11.9bn was transferred by Ministry of Justice and Constitutional Affairs from Case Backlog Account to Heritage Arbitration Account in BoU. At the time of audit, only Shs 189mn was spent from the Heritage Arbitration Account leaving a balance of Shs 11.75bn to date. It was noted that the account was inactive for 8 months between November 2011 to June 2012, and therefore funds had not been put to use.

- A total of Shs 44bn has been accrued in the Ministry of Justice and Constitutional Affairs financial statements, and Shs 10bn paid in relation to compensation of internally displaced people following the insurgency in Lira in Northern Uganda. The claims submitted in relation to these claims were found to have several inconsistencies that rendered them doubtful.

- Shs 5bn has been paid for similar claims for the Acholi region and inconsistencies in relation to the number of claimants has kept rising from 1,700 in 2006 to 8,989 in 2011 giving an apparent indication of inflation of numbers. The numbers have continued to increase and the current claims amount to over Shs 100bn. This figure may not be sustainable.

- Government undertook additional foreign investments worth Shs 33bn during the year under review without investment plans and project appraisals. In addition, it was difficult to link these investments to the overall government investment objectives.

- Although government has been investing in private companies, the investments are not evidenced and supported with share certificates. In this respect, I noted investments amounting to Shs 27bn lacking such certificates.

- A special audit on Presidential Initiative on Market Vendors and Small Business Operations Fund revealed that funds amounting to Shs 2.4bn out of Shs 10bn provided was misappropriated. As such, the intended objectives of creating a revolving fund have not been achieved.

- The Ministry of Water entered into several MoUs with Non Governmental Organizations and private companies and provided for tax waivers within these MoUs. As such, the Ministry had to meet several tax obligations on behalf of these companies arising out of the agreements made. I found this irregular as the mandate for provision of tax waivers lies solely with the Ministry of Finance Planning and Economic Development. As a result of these obligations the Ministry paid a total of Shs 440mn on behalf of these organizations and companies. The audit further noted that a total of Shs 1bn was paid by the ministry on behalf of NWSC, an independent organization, which should have dealt with its own tax obligations.

- Project 0941 - Support to Energy Fund was established in July 2005 with a sole objective of setting aside funds for financing large power projects in the country. The project financing seized in the FY 2008/09. In 2009, by way of Statutory Instrument No.16, the Energy Investment Fund was created with exactly the same objectives as the preceding one. I found it irregular that the Ministry of Energy and Mineral Development is operating two Energy Funds. The creation of the Energy Investment Fund by way of a statutory instrument would have meant stopping all operations of the Support to Energy Fund and transferring all the balances to the new fund but this was not done.

2.3.2 Audit of Statutory Authorities

The audit covered 67 statutory bodies and 4 projects while 6 audits were in progress.

Summary of Major Findings

- As reported in my audit for the FY 2010/11, Bank of Uganda provided letters of comfort to 4 commercial banks on the basis that Haba Group had compensation claims from the Government of Uganda. Haba Group subsequently failed to honor its obligations to the commercial banks and the then Minister of Finance Planning and Economic Development wrote to Bank of Uganda to pay the commercial banks. These payments were made on different dates in 2011. The Ministry offered to indemnify BOU on all the payments once necessary budgetary provisions had been made. As at 30th June 2012, Bank of Uganda was yet to be reimbursed by the Ministry of Finance, Planning and Economic Development. The payment made by Bank of Uganda could be interpreted to mean a temporary advance to Government of Uganda under Section 33 of the Bank of Uganda Act. Consequently, BOU should be charging interest on the outstanding balance.

- As at 30th June 2012, BoU's capital excluding translation reserves was a deficit of Shs 226bn (2011: Shs 116bn). The capital has been eroded over time mainly due to operating losses and accordingly the capital is impaired and requires redemption from the Government in accordance with Section 14 of Bank of Uganda Act. I noted from correspondences between the Bank and Ministry of Finance, Planning and Economic Development that the capital adequacy issues are currently under discussions but no formal plan has yet been agreed. The bank may not be able to effectively execute its functions as envisaged in the Constitution of the Republic of Uganda and Bank of Uganda Act.

- At the time of the audit field work, various irregularities were reported regarding the accounts relating to the Office of the Prime Minister at Bank of Uganda. The matter was still under investigation by various agencies including the Bank of Uganda internal audit, Criminal Intelligence and Investigations Directorate and the Public Accounts Committee. As such, the outcome of the investigations by those bodies could not be determined at the time of the audit.

- In 2010, NSSF procured land measuring about 463.87 acres in Busiro Temangalo at a cost of Shs 16bn. During the year under review, the Fund engaged the services of another professional valuer whose report indicated that there was a Shs 3.84bn reduction in the fair value of the said land. This was as a result of presence of squatters on the land and development of a swamp measuring about 67 acres which were not considered in the previous valuation, on the basis of which the Fund procured the land in question. Although the terms between NSSF and the vendors were that the land would be free of encumbrances including settlement of tenants and squatters on the land, the issue of squatters and tenants on the land had not been resolved as of 30th June 2012 when the valuation was done.

- A finance contract was signed between the Government of Uganda, the European Investment Bank (EIB) and Kilembe Mines Limited for US$ 8,800,000. The proceeds of this loan were used to part finance the purchase of the Equity in Kasese Cobalt Company Limited (KCCL). Accordingly KML opened a Trustee account with Standard Chartered Bank (U) Limited into which all dividends and cash distributions from KCCL in respect of this investment would be credited. However, it was noted that there was no evidence of any dividend having been deposited onto this trust account. It was further noted that under the agreement, a clause was inserted which states that, "in the event that the loan has not been fully repaid on 25th November 2014, EIB shall cancel the borrower's obligation in respect of the remaining balance". Appropriate justification for this clause was not provided. Besides, such a clause only serves as a disincentive to honor repayment by the due date of 25th November, 2014.

- A review of the financial statements of Uganda Communications Commission revealed that it was indebted to URA to the tune of Shs 29bn in Corporation Tax Arrears. The Commission has continued to accumulate such tax obligations without settling the amounts due to the Tax Body. Delayed or non-remittance of taxes denies revenue to the Treasury and may lead to surcharges from the tax authority.

- As reported in the previous audit report, Nile Hotel International Ltd (NHIL), the Government of Uganda and TPS (U) Ltd signed a Concession agreement dated 15th January 2004. According to the agreement, NHIL was to earn 4% from the gross Revenue of TPS (Uganda) Limited. It was however noted that the agreement did not provide an independent mechanism under which NHIL could verify the gross revenue earned by TPS (Uganda) Limited so as to assess the fees to be paid to NHIL. As a result, NHIL is wholly dependent on information provided by TPS (Uganda) Ltd to determine the gross revenues and therefore compute the concession fees. In the absence of an independent verification mechanism, I could not confirm the completeness and accuracy of the concession income reported in the financial statements. There is a risk that the Concessionaire may under declare the gross revenue and hence remit less fees to NHIL.

- Included in the Statement of Financial Position and note 8 to the financial statements of Uganda Development Company Ltd is a long term loan obtained from the European Investment Bank amounting to Shs 1,611,787,000. The principal loan amount was Euros 477,693.61 (equivalent to Shs 1,304,003,000) which was used to acquire equity in DFCU and was meant to be settled using dividends from the shares which were held by the Ministry of Finance, Planning and Economic Development (MoFPED). In the circumstances, the loan continues to attract interest on the outstanding amount and further exposes the Company to foreign exchange risk.

- It was noted that as a result of a cabinet directive to revive Uganda Development Corporation (UDC), two entities namely Uganda Development Company Limited (within Privatization Unit) and Uganda Development Corporation located at Soliz House operated side by side during the year under review. In the circumstances, duplication of mandate is highly probable.

- Sections 9 and 13 of the Public Finance and Accountability Act, 2003 require all revenue due to Government to be remitted to the Consolidated Fund and be appropriated by Parliament in accordance with the Appropriation Act. In addition, the International Accounting Standard (IAS) 32 requires that financial assets and financial liabilities are offset if there is an enforceable legal right to do so. However, it was noted that during the year under review, the National Housing and Construction Company (NHCC) withheld dividend due to Government amounting to Shs 2.11bn which was offset against receivables (rent) due to the company from State House and Ministry of Defence which are occupying the company's premises. As a result, the dividends payable and trade receivables reported in the company's financial statements are understated by Shs 2.11bn, which is contrary to the requirements under IAS 32 as well as the Public Finance and Accountability Act 2003.

- National Housing and Construction Corporation leased from Kireka Estate Limited, 250 acres of land for 99 years from January 1966 and 42.6 acres for 49 years from September 1968. In 2003, Kireka Estates Ltd sued the Company for breach of the terms of the lease agreement which included failure to pay ground rent, change in user for residential estates and lack of protection of the land hence occasioning degradation. On 5th December 2011, the court ruled in favour of Kireka Estates Ltd and ordered the company to pay Shs 13 billion (equivalent to Us$.5,149,000) to Kireka Estates Ltd, in full and final settlement of the suit as well as acquisition of Kireka Estates Ltd.'s reversionary interest for the land in question, which the company subsequently paid. However, it was noted that the land is highly encumbered with squatters making the repossession and redevelopment of this land difficult. Noted further was the fact that the land has been earmarked by government for redevelopment under the Kireka Slum Upgrading Project. Under the circumstances, there is uncertainty as to whether the company will eventually take possession of the said land which is currently valued at Shs 16.23bn.

- Section (f) of the Privatization guidelines provides that privatization sales shall generally be on a cash-only basis and extended terms of payment shall be avoided. It further provides that in exceptional cases, other forms of payment, including the issue of shares to employees on non cash or discounted terms, may be permitted. Contrary to this guideline, the Privatization Unit accepted credit sales resulting into receivables of Shs 101,219,000,000 as at the end of the financial year under review.

- UETCL and UEGCL were incorporated as public limited companies wholly owned by the Government of Uganda with the two shareholders being, the Minister of Finance, Planning and Economic Development and the Minister of State for Finance in charge of privatization. The direct role of the Ministry of Energy and Mineral Development (MEMD) in the functions of UETCL and UEGCL is not captured in the PERD Act and yet operationally the two companies liaise more with MEMD than with their current shareholders. There is need that given the level of expertise and skills required to supervise the companies, the company's memorandum and articles of association include the participation of the MEMD. This will also clearly outline the company's mandate in line with supporting the energy policy.

- UETCL undertakes huge investments on the grid of transmission lines required for the evacuation of power from the large hydropower projects. However these transmission line projects have now become difficult to implement in a timely manner as a result of challenges in obtaining the way leaves. The current land law does not provide government with adequate authority and rights to enable such projects proceed expeditiously. It was further noted that the way leaves problem impacts on the ability of UETCL in reducing system losses since they cannot get the shortest line of access to evacuate power from generation to the market. They instead get to evacuate power the long way, circumventing the unmanageable land owners.

- Lack of Strategic focus: Whilst the vision of UEGCL is "to be the most reliable and most efficient electricity generating company in East Africa that generates adequate electricity that meets the needs of all East Africans", the strategic objectives indicate UEGCL's role as being to "oversee" the efficient production of electricity in the region. UEGCL has turned into a government concession monitoring/management agency of the Eskom concession. Evidence of UEGCL's efforts to go into electricity generation is limited despite the dire need for generation capacity in Uganda. This amounts to a mandate drift and a lack of strategic focus on the core business of electricity generation.

Challenges

The major challenges encountered were;

- Failure by some entities to provide timely responses to management letters issued to them.
- Lack of harmony between reporting periods for the entities and donor funding.

2.3.3 Audit of Local Authorities

The audit covered 1,274 Local Authorities, 2 projects and 11 special audits. By the time of reporting, 765 audits of Local Authorities, 1 project and 13 special audits were in progress.

Summary of Major Findings

- 32.1% equivalent to Shs 8.9bn of the budgeted local revenue by the Local Governments was not realized. There is need to involve the communities in tax planning and administration of local revenue to enhance revenue collections. In addition there is also need to strengthen controls relating to collection of these revenues.

- There were instances of irregular imposition of development tax on contracts by some Local Governments in a bid to increase the level of local revenue, without approval of the Minister for Local Government contrary to the regulations. There is a risk that such charges could compromise on quality of works and increased costs.

- Expenditure amounting to Shs 7.8bn was identified as funds unaccounted for. This represents 1.1% of the total expenditure of Shs 687bn. There is need for Accounting Officers to enforce controls relating to financial management and accountability.

- A lot of investments in terms of computers and related software and accessories have been undertaken in Local Governments without man power and proper procedures to manage these equipment. There is a risk of wastage in the absence of such measures. The Ministry of Local Government should liaise with the Ministry of Public Service to address this challenge.

- The trend of understaffing in Local Governments is noted to be increasing. This impacts negatively on the expected service delivery to the local communities. Our review indicated that staffing levels decreased from 43% to 32%. The Ministry of Local Government should continue to liaise with the Ministry of Public Service and that of Finance Planning and Economic Development to address the challenge.

- There were a number of cases where land on which some Local Governments and facilities are located is in dispute. There is urgent need to obtain title deeds for all the land owned by the Local Governments to safeguard against loss of Public property.

- The inspection of Universal Primary Education Schools revealed challenges arising from under funding. These include among others inadequate classrooms, latrines, teachers' houses and dilapidated infrastructure. These challenges require urgent attention by all the stakeholders.
- There were procurement anomalies noted relating to non-availability of procurement files, breach of procurement procedures, unauthorized variations and inadequate contract management. These could have contributed to the instances of incomplete works and shoddy works noted.
- There were discrepancies of Shs 12.9bn between the funds indicated as transferred to the Local Governments by Ministry of Finance, Planning and Economic Development and what was reported in the final accounts as received by the Local Governments.

Challenges

The major challenges encountered were;

- Iinadequate funding leading to accumulation of lower local governments and secondary schools audit backlog.
- Failure by some entities to provide timely responses to management letters issued to them.

2.3.4 Value for Money and Specialized Audits

Value for Money audits examine the economy, efficiency, effectiveness and environmental effects of government projects and operations. The audits endeavor to evaluate if activities, programs or projects involving public funds in audited organizations have been managed and conducted with due regard to economy, efficiency and effectiveness. During the FY 2011/2012, the VFM audits were conducted in accordance with the International Organizations of Supreme Audit Institutions (INTOSAI) standards.

During the year 2012/13, the Directorate of Value for Money and specialized audits completed and reported on 9 VFM and 15 specialized studies. The detailed findings and recommendations on the 9 VFM audits are in Volume 5 of the Auditor General's Report. The detailed reports on the 15 specialised audits were issued separately. The individual studies were as follows:

1. Implementation of the National Budget;
2. Management of Uganda Blood Transfusion Services;

3. Performance of Community Agriculture Infrastructure Improvement Programme;

4. Management of the Lake Victoria Environmental Management Project II;

5. Management of the Land Tenure Reform Project in the Ministry of Lands, Housing and Urban Development;

6. Assessment of Government's Effort to achieve Gender Equality as coordinated by Ministry of Gender, Labour and Social Development;

7. Environmental Management Activities of the National Environment Management Authority;

8. Implementation of the Express Penalty Scheme by the Uganda Police Force;

9. Capacity Building to SACCOs by the Rural Financial Services Programme.

During the year, the Swedish National Audit Office awarded the best Value for Money Audit Report prize in the AFROSAI-E region to OAG. The award winning report was on "The Implementation of the Bujagali Interconnection Project". This report was issued in Volume 5 of the Auditor General's report for the FY 2010/11.

Chris Endreonzi (Auditor) receiving an award from Anders Johnson the Swedish Ambassador to Uganda

Challenges

The major challenge encountered was delayed consideration of VFM audit reports by Parliament.

3.0 Performance of the Corporate Services Function

The corporate services function supports the external audit function by managing financial, human resources, administrative, quality assurance, legal services, communication and stakeholder engagements, Parliamentary liaison and general office operations through the following departments and units: Human Resource Management and Development, Finance and Administration, Information Technology, Technical Support Services, Internal Audit and Risk Management, Legal Representation, Communication and Public Relations, Procurement and Logistics, International Relations and Registrations of Accountants. The subsequent sections highlight the achievements during the year.

3.1 Human Resource Management and Development

In line with objective 4 of the Corporate Plan 2011-16 which is "attaining higher organizational performance", the Human Resource Department managed staff training and development activities, staff performance, implementation of the new structure as well as staff welfare issues. The following sections present a summary of the achievements in the year.

3.1.1 Staff Training and Development

The office sponsored 77 staff to pursue various professional accounting qualifications. At the time of reporting, a total of 4 Officers had completed CPA while 73 staff were still undertaking professional studies. The number of professionally qualified staff increased from 48 in 2004 to 102 in 2012 as indicated in table 4 below:-

Table 4: Trends in the number of Professional Accountants since 2004/2005

Year	Number at the beginning of the year	Increment	Number at end of year
2004/2005	48	4	52
2005/2006	52	6	58
2006/2007	58	5	63
2007/2008	63	7	70
2008/2009	70	6	76
2009/2010	76	7	83
2010/2011	83	15	98
2011/2012	93	9	102

In addition to accounting professional certification courses, the office supported staff for career development, skills enhancement and management development trainings. During the period, 17 staff were supported to develop their careers by undertaking various post graduate and undergraduate qualifications, 4 of whom had completed while the 13 were still continuing with their studies.

The strategies used for skills enhancement and management development programs included; training in formal institutions, attachment to relevant organisations and SAIs abroad as well as workshops and seminars.

During the year, a total of 228 staff were trained (23 overseas and 205 in-house). The training covered various areas; environment audit, performance audit, audit of oracle database, risk based auditing, fleet management and energy sector audit, public works and transport audit, use of Navision, and use of teammate audit tool. In an effort to efficiently manage the training budget, the office is steadily developing an in-house resource pool to facilitate trainings.

3.1.2 Staff Performance Appraisal

The office is currently using the main public service performance appraisal tool. Accordingly 305 out of a total of 414 staff were appraised while 74 of the remaining staff were new and not eligible for appraisal. The formal appraisal feedback was also provided to all staff who were appraised. In line with strategic objective 4, "to attain higher organizational Performance", the office revised and adopted a new Performance Management Tool for use in the subsequent periods.

3.1.3 Staff Recruitment, Confirmation, Promotion, Transfer and Turnover

Due to financial and accommodation constraints, the office is implementing the approved staff structure in phases. The office recruited 3 staff, confirmed 62 staff, promoted 5 staff and transferred 75 staff members. In addition, a turnover of 48 staff members was realized due to a variety of reasons such as normal retirement, voluntary retirement, transfer of service to mainstream public service and death. At the time of reporting, 377 positions, representing 71% of the approved structure were filled.

3.1.4 Human Resource Policies

In the Audit year 2010/11, the National Audit (Terms and Conditions) Regulations, 2011 were approved and appointments for all staff from the main stream public service were regularized. In order to operationalise these Regulations, the office developed a Human Resource Manual which was subsequently approved by management.

3.1.5 Staff Welfare

The Office of the Auditor General continued with the implementation of the health care scheme introduced in the year 2011 which covers employees, their spouses and a maximum of three other dependents. The scheme also covers staff members living with HIV/AIDS as well as those with life threatening illnesses. In addition, the office acquired a group life assurance scheme which provides group life cover in case a member of staff passes on due to accident or natural cause.

3.2 Finance and Administration

3.2.1 Financial and Operational Independence

To achieve corporate plan objectives 3 and 4, of "strengthening financial and operational independence of the Office of the Auditor General" and "attaining higher organizational performance", the first draft of the Accounting and financial manual was completed. The office can now produce its own rules and procedures to its satisfaction and that of stakeholders, thus providing operational independence and promoting an internal culture of quality financial management.

In line with the office's priority of improving operational efficiency, a Transport Policy was developed and approved while procurement process for the Fleet Management System was in progress. The transport policy is aimed at enhancing transparency and efficiency in the management of OAG fleet.

Annual financial statements for the year financial 2011/12, Budget Framework Paper for the FY 2013/14, Budget Estimates for the FY 2012/13, Policy Statement for the FY 2012/13, Performance Contract Form A for the FY 2012/13; Annual Operational Plan for the Audit year 2012/13, Annual Government Performance Report for the FY 2011/12 and all relevant progress reports were produced and submitted timely. This enabled the office to live by example by ensuring transparency and accountability for the appropriated resources.

The office is committed to providing a conducive and secure working environment for all staff. During the year, renovation works for Gulu, Soroti and Mbale regional offices were completed while Masaka was ongoing.

3.2.2 Budget Performance

In accordance with Section 33 of the National Audit Act, 2008 and Section 5 of the Budget Act, 2001, Office of the Auditor General prepared and submitted the Policy Statement, Budget estimates and Performance Contract form A for the FY 2012/13 as well as the Budget Framework Paper for the FY 2013/14 to the relevant authorities timely. The office also prepared an Annual Operational Plan for the FY 2012/13 in accordance with the AFROSAI-E planning guidelines for Supreme Audit Institutions.

The office prepared and submitted, for approval to Parliament, a total budget of Shs 61.237bn including a funding gap of Shs 5.471bn. Parliament subsequently approved a total budget of Shs 55.766bn for the Financial Year 2012/13 including taxes. In addition, the office received supplementary funding of Shs 3.158bn during the same period. The revised approved budget for the office therefore amounted to Shs 58.924bn. As at 26th June 2013, a total of Shs 58.294bn representing 99% of the approved budget was released.

The office was also allocated a component Budget of USD 1,281,061 under Financial Management and Accountability Program (FINMAP) for infrastructure development and capacity building. By 26th June 2013, a total of USD 226,099 had been released representing 17% of the approved component budget estimates.

A summary of the Budget, Actual Releases and MTEF Projections for three years is shown in table 5 below:

Table 5: Budget, Actual Releases and MTEF Projections (Billions)

	FY 2011/12		FY 2012/13		MTEF Projections	
Budget Type	**Approved Budget**	**Actual Outturn**	**Approved**	**Outturn as at 26th June 2013**	**2013/14**	**2014/15**
Recurrent	35.047	34.746	38.204	38.023	40.346	42.593
GoU-Development	0.760	0.760	20.720	20.271	20.860	22.269
Total	**35.807**	**35.506**	**58.924**	**58.294**	**61.206**	**64.862**
Donor Development	0.800	0.318	-	-	-	-
Total	**36.607**	**35.824**	**58.924**	**58.294**	**61.206**	**64.862**

3.3 Information Technology

Information and Communication Technology (ICT) development is considered a critical requirement for the OAG in attaining higher organizational performance and improving on the efficiency and effectiveness of internal and external communications. In this regard, to ensure a harmonized IT infrastructure development and utilization, the Office developed the IT Strategic Plan and IT Policy, both were awaiting approval.

In order to improve on efficiency and effectiveness in the management of IT equipment inventory, the office planned and completed the development of an IT Inventory Management system. The centralized printing infrastructure was improved with the addition of a high volume printer at all the three OAG offices located in Kampala. Teammate version 10 which has a powerful web based audit report tracking system was procured to enhance real time sharing of audit reports at all levels, this is to be disseminated in the new audit year.

The major challenges that the department faces include inadequate funding and ageing IT equipment.

3.4 Technical Support Services

To achieve objective 1 of the OAG corporate plan, "to improve on the quality and impact of audit work so as to promote increased accountability, probity and transparency in the management of public funds" the office is focused on enhancing audit production processes and report utilization by stakeholders. In this regard three units were established under the Technical Support Services Department to provide this function: Quality Assurance and Audit Development, Parliamentary Liaison and Executive Support.

3.4.1 Quality Assurance and Audit Development

During the year, quality assurance unit reviewed and disseminated the Regularity and Performance audit manuals as well as the outsourcing Policy. In addition, a Quality Assurance Policy was developed and approved by Top Management while the Forensic Audit Manual was in progress at the time of reporting. Plans are underway to sensitize staff on its implementation. The unit also updated teammate libraries and carried out cold audit reviews to assess the level of compliance with auditing standards.

In order to ensure improved quality of audits, the Quality Assurance Unit is being equipped to undertake more quality assurance reviews to ensure compliance with relevant auditing standards and improvement in effectiveness and efficiency of execution of audits.

3.4.2 Parliamentary Liaison

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

In order to ensure improved utilization and impact of audit reports, the office designated a Parliamentary Liaison Officer to offer timely and regular technical support to the above committees. During the year such technical support was provided during 112 PAC sessions of which 16 were held at foreign missions.

In addition, following the submission of audit reports for the financial year ended 30th June 2011, the office organized two seminars for Accountability Committees of Parliament and the Finance Committee to sensitize them on the concept of Value for money audits and on key findings in the Auditor General's report for the FY 2010/2011.

The Speaker of Parliament, Rebecca Alitwala Kadaga (1st Row 4th from Left) poses for a group photo with the AG and other OAG participants during the VFM sensitization workshop

3.4.3 Executive Support

During the year the office under took to produce and disseminate abridged versions of the OAG reports based on sectors. 16 sector reports were produced and submitted to the various sector secretariats. These reports are intended to:

- reflect sector wide challenges which have implications on achievement of the sector imperatives and the present challenges that the sector need to address in order to achieve agreed sector imperatives;

- provide an opportunity to link audit issues raised in the sector resource management to objectives set by the sector which, if not addressed, may continue to impact negatively on service delivery within the sector;

- accord the sector institutions the opportunity to match their individual audit concerns against jointly agreed sector priorities;

- reinforce the concept of joint responsibility and opportunity for sector institutions to support each other and benefit from group synergy in the implementation of audit recommendations to ensure that the achievements of the sector imperatives are not jeopardized as a result of a member institution's failure to play its role in the implementation of audit recommendations.

3.4.4 Effective Stakeholder Management

The usefulness of audits is in the extent to which the key stakeholder utilizes the report recommendations. It is when the recommendations are implemented by the management of the audited entities as enforced by parliament then audit realizes its impact which then translates into improved service delivery to the citizens. The level of utilization also depends on the extent to which Auditor General's report meets stakeholders' expectations. Meeting the expectation of stakeholders, additionally, depends on the level of engagement of the Auditor General with the stakeholders. To capture the stakeholders' expectations, the office undertook stakeholder baseline survey in 8 districts and 8 urban councils. The objective was to use their views to improve audit reports to meet their expectations for better utilization. Parliament independently engaged a consultant to assess the institutional impact of the office of the Auditor General on delivery of its mandate. The findings of both surveys indicated that a wider section of stakeholders are impressed with the work of Auditor General, however, more effective engagement needs to made with them thus calling for more manpower and financial resources.

During the year, 1,307 backlog Lower Local Government audit reports were processed and disseminated to audit entities in an open manner that engaged key local government stakeholders. During that interaction, they were requested to take up and follow matters raised in the audit reports. This approach received overwhelming appreciation from the stakeholders who encouraged the Auditor General to maintain the engagement. There are, however, more backlog of unprocessed reports pending due to inadequate funding.

To widen public accessibility of Auditor General's audit reports at minimum costs, the office reduced production of hard copy of audit reports and instead increased dissemination through electronic means by uploading audit reports onto the OAG website and distribution through less costly compact disks (CD) to stakeholders, most of whom already have computers at home or office.

3.5 Internal Audit and Risk Management

Internal Auditing is an independent, objective assurance and consulting function designed to add value and improve an organization's operations through a systematic evaluation aimed at improving the effectiveness of risk management, control and governance processes.

In order to promote a proactive approach in identifying, evaluating, reporting and managing risks associated with the attainment of the objectives of the Corporate Plan, the Unit developed an enterprise-wide risk management framework, which awaits management's approval. The unit produced four quarterly internal audit and three special investigations reports. Proactive preventive checks and verifications were carried out including on monthly payroll and deliveries to stores respectively.

The major challenges faced during the year includes; understaffing, lack of a separate risk management unit, lack of convenient transport facilities and inadequate capacity in use of computer based audit packages.

3.6 Legal Representation

The OAG has a Legal Unit/Department that is fully registered and approved by the Law Council. The Unit provides useful, accessible, and timely legal advisory services to the Auditor General and the OAG and therefore plays a pivotal role in the execution of the Audit and Corporate functions.

The Unit, with the assistance of external counsel, oversees all legal issues that arise against the Auditor General and the Office and effectively represents the Auditor General and the Office on legal matters.

During the year, the Legal and Compliancy Policy was prepared and approved. This policy will provide reference guide to ensure that all laws of Uganda with a direct or indirect impact on the performance of the Office are observed, respected and adhered to. The Unit also developed Governance Charter which is pending approval. The Unit provided technical support to various committees of the office which include: Infrastructure Committee, Outsourcing Committee, Contracts Committee, Human Resource Advisory Committee and Top Management.

In collaboration with the external counsel, the unit successfully defended the Auditor General and won 11 cases of which 10 relates to Haba Group (U) Ltd and one relating to Comtel

Intergrators Africa. The effect of these successes not only applauds the independence of the Auditor General but also cost saving for the Government of Uganda.

In addition, the Unit made legal contribution in the amendment of various laws of Uganda, on behalf of the Office, which included: The Public Procurement and Disposal of Assets Act, 2003 as amended and Regulations; The Public Finance and Accountability Bill and the Petroleum Exploration and Production laws.

3.7 Communication and Public Relations

The Communication and Public Relations Unit is responsible for formulation, implementation, monitoring and review of internal and external communication strategies; strengthening client engagement and creation of an organizational culture that promotes open dialogue. The Unit works with Technical Support Services Department to ensure effective management of all stakeholders for improved dissemination, utilization and impact of audits.

During the year, the Unit completed the communications policy which is pending approval by top management.

In order to streamline corporate social responsibility activities within the office, the unit developed a related policy which is in its draft stage.
To promote the corporate image of the office, the unit prepared and disseminated promotional materials to various stakeholders. These materials included: brochures, lapel pins, office diaries and calendars.

In addition, the unit participated in the PPDA exhibitions and Golden Jubilee exhibitions. A total of 250 participants visited the OAG stalls to gain knowledge on various OAG activities.

The Director Corporate Services, Mr. Maxwell Poul Ogentho (extreme right) and the Senior Knowledge Management Officer, Mamtaz Ismail (extreme left) interacting with clients at the OAG stall during the PPDA exhibition at Speke Resort Munyonyo

To update staff on developments within the office, the unit prepares and disseminates OAG Bi-monthly Information flyer. In addition, staff members keep in touch and share information on developments within the office through the Intranet and the Website.

During the period, the unit participated in important corporate social responsibility activities which culminated in mobilizing voluntary contributions amounting to Shs 6.5m towards "Namirembe Cathedral Tegula Project".

3.8 Procurement and Logistics (PDU)

Together with the contracts committee, the PDU is entrusted with managing the procurement and disposal function in the office.

As a statutory and compliance requirement, the unit prepared and submitted timely the consolidated Procurement Plan for the Financial Year 2011/12 to MOFPED. In addition, 12 monthly procurement reports were prepared and sent to PPDA. The pre-qualification list of providers for works, supplies and services for the FYs 2012/13 to 2014/15 were updated. During the year, 64 contracts were awarded through 21 contracts committee and 42 evaluation committee meetings respectively.

Following the recommendations in the board of survey report for the FY ended 30^{th} June 2011, a total of 293 Units were disposed. To further improve on efficiency in micro procurements, the office adopted a policy of undertaking framework contracts for repetitive items to ensure timely delivery of supplies, reduced costs of holding stock and lead time for delivery of supplies.

4.0 International Relations

During the year, the Office of the Auditor General maintained its relations with a number of International Organizations and other SAIs for knowledge and experience sharing. Staff from the office (OAG) participated in international conferences and undertook international studies including visits to relevant organizations and other SAIs to learn and share experiences with them.

4.1 INTOSAI and IDI

INTOSAI is an organization or association of Supreme Audit Institutions (SAIs) of countries who are members of the United Nations. IDI is the training arm of the INTOSAI through which members of INTOSAI share knowledge, skills and information through training. The Office of the Auditor General subscribes to and is a permanent member of INTOSAI.

As part of OAG's international obligation, the office contributed one expert staff to the INTOSAI facilitator training for measurement of SAIs performance internationally.

4.2 AFROSAI and AFROSAI-E

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

During the year, six staff attended trainings by AFROSAI in various areas including; Technical Update and 3i workshops; management of SAI/PAC relations; IT audit aimed at boosting IT audit in the region; communications and human resource workshops. OAG staffs were co-opted on the team which prepared guidelines for audit of extractive industries. Three participated as AFROSAI-E external reviewers for SAI Zambia, Kenya and South Sudan and four staff provided expertise services as Value Money trainers for AFROSAI-E in Ethiopia. As required by AFROSAI, in order to monitor progress in compliance with international standards the office carried out the ICBF assessment for the year 2012 and the report was submitted to AFROSAI in time.

4.3 Other SAIs

During the year, 3 staff were trained in performance audit and environmental audit SAI India, 1 senior staff attended an international auditors fellowship program at the United States Government Accountability Office, 5 staff were facilitated for benchmarking in energy audits at the Office of the Auditor General of Norway and 4 staff were facilitated for benchmarking in performance audit at the Swedish National Audit Office.

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

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

As a member of the committee, the Auditor General attended all the four meetings during the year including the annual meeting with the United Nations Secretary General.

UN Secretary-General, Ban Ki-Moon (3rd from left) meets with members of the Independent Audit Advisory Committee (IAAC). 2nd from left is the Auditor General of Uganda, Mr. John F.S. Muwanga who is a member of the Committee.

4.5 World Bank Multilateral Audit Advisory Group

The Auditor General of Uganda was a member of the Multilateral Audit Advisory Group (MAAG) of the World Bank.

The World Bank Group established a Multilateral Audit Advisory Group (MAAG) that is specifically tasked with advising the Audit Committee of the World Bank (WB) on audit requests from the SAIs. The roles of MAAG include: assessing compliance of the SAIs with the agreed terms of references for the audit, assessing adherence to the agreed group rules, and providing objective comments on the resulting audit reports.

4.6 International Consortium on Government Financial Management (ICGFM)

The ICGFM works globally with Governments, Organizations and individuals who are interested in developments in public financial management. The Consortium brings together diverse Government entities, Organizations and individuals who include financial management practitioners at all levels of Government.

During the Financial Year 2011/12, two senior officers participated in this important international knowledge sharing conference in Miami, Florida, USA.

4.7 International Delegations

Due to the improvements in the quality of performance and autonomy of the Office of the Auditor General as well as the successful adoption of efficient and effective audit tools and methods in auditing; computerized accounting and financial management Systems, (such as the IFMS), the office received a stream of International Delegations with intention of sharing experiences and establish partnerships with SAI Uganda. In the period under review, the office hosted delegates from the following SAIs and institutions:

- The Swedish National Audit Office;
- The Chinese National AuditOffice;
- Office of the Auditor General of Norway;
- The Association of Chartered Certified Accountants.

The Auditor General Mr. John F.S Muwanga poses for a group photo with staff and a delegation from the Office of the Auditor General of Norway.On the 1st Row,2nd from right is H.E The Ambassador of Norway Mr. Thorbjorn Gaustedsaether.

4.8 Audit of International Organisations

During the year, 2 OAG staff participated in the audit of accounts of the East African Community.

5.0 Registration of Accountants

In accordance with Section 18 of the Accountants Act, 1992, during the year, the Auditor General registered a total of 357 accountants.

Appendix I: Un Audited Financial Statements of OAG for the year ended 30th June 2012