



THE REPUBLIC OF UGANDA

OFFICE OF THE AUDITOR GENERAL

ANNUAL REPORT OF THE AUDITOR GENERAL FOR THE YEAR ENDED

30TH JUNE 2014

VOLUME 1

PERFORMANCE REPORT

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LIST OF ACRONYMS

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

LGPAC	Local Government Public Accounts Committee
MAAG	Multilateral Audit Advisory Group
MDA	Ministries, Departments and Agencies
MoFPED	Ministry of Finance, Planning and Economic Development
MoLG	Ministry of Local Government
MoWT	Ministry of Works and Transport
MSU	Management Support Unit
MTEF	Medium Term Expenditure Framework
MTIC	Ministry of Trade, Tourism and Industry
NAADs	National Agriculture Advisory Services
NACS	National Anti-Corruption Strategy
NAGRC	National Animal Genetic Resource Centre
NARO	National Agriculture Research Organisation
NEMA	National Environment Management Authority
NFA	National Forestry Authority
No.	Number
OAG	Office of the Auditor General
PAC	Public Accounts Committee
PAO	Professional Accountancy Organisation
PAYE	Pay as You Earn
PDU	Procurement and Disposal Unit
PEMCOM	Public Expenditure Management Committee
PPDA	Public Procurement and Disposal of Public Assets
PS/ST	Permanent Secretary/Secretary to the Treasury
PSC	Public Service Commission
RDC	Resident District Commissioner
SADCOPAC	South African Development Community of Public Accounts Committees
SAI	Supreme Audit Institution
SNAO	Swedish National Audit Office
UBC	Uganda Broadcasting Corporation
UCC	Uganda Communications Commission
UCF	Uganda Consolidated Fund
UGOGO	Uganda Good Governance
UGX	Shillings
UN	United Nations

UNRA	Uganda National Road Fund
URA	Uganda Revenue Authority
VAT	Value Added Tax
VFM	Value for Money
Vols.	Volumes
VoP	Variation of Price
WB	World Bank
WGEI	Working Group on Audit of Extractive Industries
WHT	Withholding Tax



Vision, Mission and Core Values

Vision

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

Mission

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

Core Values

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

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

FOREWORD BY THE AUDITOR GENERAL



In accordance with my mandate as stipulated under Article 163 of the Constitution of the Republic of Uganda and as amplified by the National Audit Act, 2008, it is my pleasure to present to you the Annual Audit Report on the public accounts of Uganda, for the Financial Year ended 30th June 2014 in five volumes. The first volume of the report covers the general performance of the office, for the Audit Reporting Year ended 31st March 2015

The other five volumes (Vols. 2 a & b, 3, 4 and 5) present detailed findings on audits for the Financial Year ended 30th June 2014. The executive summary which follows this foreword outlines the content of the five volumes which constitute my annual report.

The office prepared and submitted to Parliament for approval a total budget of UGX.92.302Bn, including a funding gap of UGX.40.696Bn. Parliament subsequently approved a total budget of UGX.57.098Bn, for the Financial Year 2014/15 including taxes. As at 31st March 2015, a total of UGX.48.731Bn representing 85% of the approved budget had been released. The office was also allocated UGX.4.919Bn (equivalent to USD.1,767M) for capacity building under FINMAP. By 31st March 2015, a total of UGX.1.823Bn had been released representing 37% of the approved component budget estimates. In addition, the office received UGX.1.244Bn representing 100.3% of the approved budget support from the Government of Ireland, to build office capacity to effectively undertake IT, Value for Money Audits and Regulatory (Financial) audits, thereby improving the quality and impact of audits. The office also received technical support from GIZ equivalent to UGX.6.226Bn. By 31st March 2015, UGX.2.592Bn had been released against the approved budget.

Based on the approved GoU budget of UGX.57.098Bn, the office planned to carry out a total of 1,403 audits which included; 1,387 financial audits and 10 value for money audits and 6 specialised audits. As at 31st March 2015, a total of 1,913 audits including 1,898 financial audits, 10 value for money audits and 5 specialised audits were completed and reported on, while 739 financial audits were still work in progress.

I would like to acknowledge the support, from the Parliament of the Republic of Uganda especially the Committee of Finance, Planning and Economic Development and the Oversight

Committees, the Executive arm of Government, the Development Partners and other stakeholders, which has enabled me to attain 100% physical independence following the commissioning of Audit House and Mbarara regional office and strengthen staff capacity, resulting into successful execution of 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 realised during the year.

John F.S. Muwanga
AUDITOR GENERAL
31st March 2015

EXECUTIVE SUMMARY

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

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

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

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

Volume 2 (a & b) - Audit Report on Central Government Ministries, Departments, Agencies and Public entities;

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 the performance 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, Communication and Public Relations, Legal Services 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. Its first local office was established in Entebbe headed by an Auditor in 1929.

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

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

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

1.2 Mandate and Functions of the Auditor General

The Auditor General's mandate under Article 163 (3) of the Constitution of the Republic of Uganda and as amplified by Sections 13 (1) and 18 of the National Audit Act, 2008, is to audit and report to Parliament on the public accounts of Uganda and of all public

offices including the courts, the central and local government administrations, universities and public institutions of like nature, and any public corporations or other bodies established by an Act of Parliament.

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

1.3 Corporate Plan Implementation

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

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

- i) To improve the quality and impact of audit work so as to promote increased accountability, probity and transparency in the management of public funds;
- ii) To improve the efficiency and effectiveness of internal and external communications to raise the corporate image of the OAG among the key stakeholders;

- iii) To strengthen the financial and operational independence of the Office of the Auditor General;
- iv) To attain higher organisational performance.

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

1.4 Recent Developments

1.4.1 JOINT OAG, IG, PPDA & GIZ Project

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

The project objectives are:

- i) Improvement of effectiveness of external audit;
- ii) Improvement of cooperation of external audit with the relevant stakeholders;
- iii) Strengthen human resource management of OAG;

- iv) Improvement on the quality and reporting of OAG audits;
- v) Strengthening cooperation between OAG, IG and PPDA;
- vi) Strengthen Corruption prevention function of IG.

During the year, the project supported the following activities;

- i) OAG-Corporate Services Division staff retreat;
- ii) Stakeholder engagement strategy development workshop;
- iii) OAG, PPDA and IG Joint meeting and knowledge sharing workshop;
- iv) The Directorate of Forensic Audit workshop in reviewing and updating the Forensic Audit Manual;
- v) The WGEI inaugural conference;
- vi) Capacity building activities for OAG staff in the following areas; IFMS training for Internal Auditors, effective stakeholder engagement, Government financial accounting and reporting, Human Resource management, IT audit; performance audit, taxation of extractive industries, Leadership, Gender audit, Records management, Forensic audit certification, Advanced procurement and contract management and effective negotiation.

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

During the year, OAG rolled out implementation of ISSAIs which replaced ISAs in the audit of all Ministries, Departments and Agencies, as well as Districts, Municipalities and Town Councils.

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

Whilst the enactment of the National Audit Act, 2008 granted office of the Auditor General Financial and Operational independence, the continued dependence on the auditees for office accommodation compromised the office's physical operational independence. However, with support from the Financial Management and Accountability Program (FINMAP), the office

secured funding for construction of the Audit House, with 10 office floors and 3 basement parking floors and a regional office in Mbarara, which commenced in June 2012 and 2013 respectively. At the time of reporting, the Audit House and Mbarara Regional Office were completed and occupied after having been commissioned by the Vice President and the Speaker of Parliament respectively.

In a related development, the office secured funding under the same programme for construction of two additional regional Offices in Moroto and Hoima Districts, to extend audit services closer to the Local Governments, in order to cope with the ever increasing audit entities. By 31st March 2015, land had been procured and procurement of the design consultant was still in the process.



The newly commissioned Audit House. Headquarters for Office of the Auditor General in Kampala



Office Audit House Opening Group Photo, 20th November, 2014

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 2013/14, the Auditor General authorized withdrawals from the consolidated fund amounting to UGX.14,509,788,904,107. The details are in the Table 1 below:

Table 1: Value of Grants of Credits Issued During the FY 2013/14

Expenditure	No. of Warrants Issued	Amount (UGX)
Recurrent	27	7,176,373,110,904
Development	27	5,353,723,443,960
Statutory	4	1,979,692,349,243
Total	58	14,509,788,904,107

2.2 Major Audit Focus during the year

In determining the major focus for the FY 2013/14 audits, the office based its approach on the following:

- i) The National Budget Estimates for the FY 2013/14;
- ii) Accountability Sector Priorities for the FY 2013/14;
- iii) Major findings in the Audit Report for the FY 2012/13;
- iv) The OAG Corporate Plan 2011-16;
- v) The Operational Plan for the Audit Year 2013/14;
- vi) The Risk Matrix

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 FY2013/14 was as summarized in Table 2 below:

Table 2: Major Areas of Focus in the Audit of FY ended 30th June 2014

Audits	Major focus
Financial Audits	<ul style="list-style-type: none">• Budget implementation• Roads management• Final accounts• Procurement services• Unspent balances• Assessment of IT controls in MDA's• Health management• Education management
Value For Money and Specialised Audits	<ul style="list-style-type: none">• Public works, debt management, oil and gas, energy, gender, health and sanitation, urban planning.

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

In the audit period, the office planned to conduct a total of 1,387 financial audits, 10 value for money audits and 6 specialised audits. As at 31st March 2015, the office completed a total of 1,898 financial audits, 10 value for money audits and 5 specialised audits. The 1,898 financial audits included a backlog of 571 audits that were in progress as at 30th June 2014. The details are provided in the Table 3 below.

Table 3: Status of Audit Performance for the FY 2013/14

Audit Entities	Planned Audits	Completed Audits	Percentage	Audits in Progress
Financial Audits				
MDAs	109	105	96%	-
Statutory Authorities	91	76	84%	7
Local Authorities*	1,007	1,561	156%	618
Projects	134	99	74%	84
Forensic Investigations and Special Audits**	46	57	124%	30
Sub-Total	1,387	1,898	136%	739
Value for Money and Specialised Audits				
Value for Money Audits	10	10	100%	-
Specialised Audits	6	5	83%	-
Sub-Total	16	13	81%	
Grand Total	1,403	1,913	136%	

* The 1,561 audits include a backlog of 571 LLG audits that were work in progress by 31st March 2015

**The office received more special audit requests than what was planned for.

2.3.1 Forensic Investigations and Information Technology (FIIT)

The Directorate of Forensic Investigations and IT Audits (FIIT) is responsible for conducting forensic investigations; special audits; and IT audits. In addition, it conducts statutory audits of selected entities that are identified as having a significant risk level by the Office, during the planning process.

During the period 1st April, 2014 to 31st March, 2015, the directorate planned for 46 forensic investigations and IT audits. However, during the period under review, the directorate received one hundred fifteen (115) investigative requests from various stakeholders and by 31st March, 2015, a total of 51 investigation and special audit reports had been issued, 30 investigations were on-going, while 36 were pending. The 36 pending investigations will be considered in the

FY 2015/16. The Directorate also facilitated in the prosecution of three (3) cases that were brought before the courts of law during the year.

In addition to investigative audits, the directorate carried out six (6) Information Technology (IT) Systems audits which included: Debt Management and Financial Analysis System (DMFAS) and Funds Electronic Transfer (EFT) in the Ministry of Finance, Planning and Economic Development; MACS Inventory system in National Medical Stores; E-Campus in Kyambogo University; Navision R2 in National Housing & Construction Corporation; and IFMS TIER II in Ministry of Local Government.

The Directorate also supervised two outsourced special audits on: Bujagali Hydropower Plant Cost Verification, and a Comprehensive Audit of the Government Payroll, as well as managing the audit of the East African Community (EAC) for the year 2012/13. In addition; it conducted 34 statutory audits in five Government Ministries, Agencies and Departments, two Higher Local Governments, and in 12 Lower Local Governments. Details of the audit findings are incorporated in the Annual Report of the Auditor General Volumes 2, 3 and 4. Table 4 summarises the performance of the directorate;

Table 4: Status of Audits Performance of the Directorate of FIIT during the year

Audit Entities	Initial Planned Audits	Revised	Completed Audits	Percentage	Audits in Progress
Statutory Audits					-
MDAs and LGs	34	34	34	100	
Sub -Total	34	34	34	100	-
Forensic Investigations, Special and IT Audits*					
IT Audit	5	6	6	100	-
Forensic Investigations and	41	81	51	63%	30
Sub -Total	46	87	57	66%	30
Total	78	121	91	75%	30

* The office received more special audit requests than what was planned for.

2.3.2 Audit of Central Government Entities

The audit covered 105 MDAs and 37 projects, while 8 project audits were work in progress.

Summary of Major Findings

- **Contingency Provisions for Court awards**

During the year, contingent liabilities in respect of cases before Court under the Ministry of Justice and Constitutional Affairs rose from Shs.2.2 trillion in the previous year, to Shs.4.3 trillion during the year under review thus signifying an increase of 95%. Besides, the Accounting Officer explained that the provision excludes those that intend to sue Government. This situation is untenable and likely to create an additional burden on the public resources. There is need for Government to examine the issue further with a view to establishing the likely causes in order to facilitate Government to arrive at a sustainable solution.

- **Court Awards and Compensations**

Unsettled Court awards and compensations have continued to accumulate over the years, rising from Shs.54bn in 2012 to Shs.164bn in July 2014 and yet Government does not

seem to have adequate budget provision for these obligations. For the period 2012 to 2014, only Shs.13bn was budgeted for. The consequence of this state of affairs has led to interest payments for non-settlement amounting to Shs.60bn. The Accounting Officer attributes this to inadequate provision of funds to clear the arrears. I advised management to continue liaising with Parliament and Ministry of Finance, Planning and Economic Development, to ensure that these accumulated arrears of compensation are cleared.

- **Irregular Payments – Loss, Likely loss and Nugatory Expenditure**

A review of payment certificates revealed irregularities related to payments for works not executed, payments for defective works and payments that could have been avoided with better procurement planning and contract management. The likely losses will crystallize into losses unless management takes measures to have them recovered. The irregular payments

noted for the projects were “likely losses” (Shs.45,315,967,993, USD.1,848,205 and Euro.68,558), “losses” (Shs.300,279,163 and Euro.66,698) and “nugatory expenditure” (Shs.2,464,934,174 and USD.3,663,761).

- **Under absorption of Government Funds**

Projects failed to absorb funds totalling to Shs.217,393,823,773 and Government entities returned unspent balances of Shs.9,412,704,745 to the Consolidated Fund, indicating partial service delivery.

Most affected service delivery areas were; road constructions, agro processing, household income improvement, health and education services. The low absorption capacity was attributed to inefficiencies in the management of procurements, delayed accountability, capacity gap of by contractors, inadequate planning among others. In the circumstances, service delivery is undermined.

I advised management to review the causes and develop strategies to ensure timely implementation of projects and programs.

- **Pension liabilities**

Outstanding Pension liabilities under the Ministry of Public Service increased by UGX.81,245,706,749 (326.2%) during the year under review. This is an indication that the ministry’s rate of accumulation of pension arrears is significantly high, which might not be sustained by Government.

It was further noted that a total of 19,135 pensioners who had attained the maximum pensionable period of 15 years were still on the ministry’s payroll and earning monthly pension, yet they had not furnished the ministry with life certificates. As such, a total of UGX.12,727,686,849 paid in respect of monthly pensions during the year under review could not be supported in the absence of life certificates.

- **Comprehensive payroll verification**

On the request of Accounting Officers, a total of 15,021 records were deleted from the payroll for various reasons which included: death, retirement and/or absconded. Government incurred a total of UGX.39,183,937,122 on these employees in respect of the wage bill from July, 2013, up to the respective periods the individual employees were

deleted from the payroll in the FY 2013/14 alone.

It was also noted that, as a result of the mandatory validation and biometric data capture exercise for government employees, a total of 8,589 employees have not been accounted for by 130 entities/votes, although they remain on the government payroll. These employees are being paid a monthly total of UGX.4,563,318,131 which translates into UGX.54,759,817,572 per annum. There is need for Government to make a follow up on the matter to ensure the affected employees are verified and their biometrics captured in the database.

- **Congested Prisons**

Uganda Prisons Services has experienced an increase in the prisoners' population since the merger and takeover of 174 Local Administrations Prisons in 2006, from a daily average of 19,179 prisoners in 2006 to 41,516 by June 2014. According to management, the available capacity is only 16,040 prisoners. As a consequence, some of the prisons had capacities stretched to over 500%. With the current prisoner numbers, there has been a strain on the facilities, staff and food. The Accounting Officer attributes this to failure to match the growing

prisoner population to the facilities. There is need for government to look into the matter with a view to providing additional resources to support the Uganda Prisons.

- **Inadequate facilitation of Government Analytical Labs**

The Directorate of Government Analytical Laboratories is mandated to provide scientific advisory and analytical services to government departments responsible for administration of Justice and the general public. However, the directorate is inadequately facilitated as evidenced with inadequate infrastructure, limited funding and under staffing. As such, the department was only able to respond to 52.5% of court summons and resolved 35% of the cases received. Not only does the government stand to lose cases as a result, but also the inadequacies delay timely justice. There is need to facilitate the government facility with adequate resources.

- **Settlement of electricity bills**

Government entered into an agreement with UMEME in which the latter was required to offset Government bills that remained outstanding for a period of

more than 60 days. Total Government debt as at 31st January, 2013, amounts to Shs.62.7bn. I noted that there were no regular reconciliations on the escrow account taking into account moneys that Ministries, Departments and Agencies had paid. The Accounting Officers attributed this to lack of information regarding payments from the Escrow Account to enable them undertake the reconciliations. There is need for Government to undertake reconciliation, to avoid any eventual over-payments.

- **Land Matters**

As reported in my previous year audit findings, land matters have again remained an issue featuring in my current year audit report. A number of instances have been noted where Government entities have continued to lose out on land to encroachers. This is notably seen with National Agriculture Research Organisation, Ministry of Agriculture and Fisheries, Uganda Police and Universities. The challenge these entities are facing, results from inadequate resources to have their land surveyed, titled and secured. Further, I noted that the Uganda Land Commission which is mandated to hold Government Land in trust, does not have an updated register

of all the land it holds in trust for Government. There is a need to address land issues in Government Institutions.

- **Redundant Teachers Savings and credit Cooperatives (SACCO) Fund**

During the year, the Government offered to contribute Shs.25bn to the teachers' SACCO fund over a five year period with the objective of enabling teachers' access affordable credit financing. Shs.4,317,423,564 was released to Micro Finance Support Centre during the year under review. The funds have not been accessed by the intended beneficiary teachers, because the fund management had become a source of conflict between Uganda National Teachers Union and the Ministry of Education and Sports. Unless the disagreement surrounding the fund management is resolved, the intended objective will not be achieved.

- **Non-Retention of NTR by Uganda Citizenship and Immigration Control Act (UCIC)**

According to section 3 of the UCIC Act, Non Tax Revenue collected by the entity should be retained and treated as appropriation in Aid. To the contrary, Shs.68,778,391,313 collected in this respect was automatically remitted to

the Consolidated Fund contrary to the UCIC Act. It is noted that due to inadequate funding, the entity has not been able to operate as envisaged. Due to these inadequacies, the processing of passports takes on average 30 days, as opposed to an ideal time of 8 days. Further, it was observed that one officer handles 80 passport applications per day, instead of 50 applications in an ideal situation.

Management attributed this to inadequate staffing, lack of interconnectivity passport issuing system and infrastructure. There is need for Government to consider additional resources for the entity.

- **Delayed Contracts**

It was observed that a number of Government contracts/projects for a total of Shs.39,642,990,522, USD.1,930,524 and Euros.512,288 that had been on-going or were started during the financial year, lagged behind schedule or demonstrated signs of failure. It was also noted that a number of these contracts/projects had exceeded their completion dates while others had been abandoned. These delays ranged between three months and three years. The delays in contract

execution were attributed to insufficient funding and inadequate supervision of contract implementation by the responsible entities. This may have resulted into losses to Government and failure to achieve the intended objectives of the procurements/contracts.

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

- **Payables/domestic arrears**

The total value of payables/domestic arrears increased by UGX.138.166 billion (approximately 12%) from UGX.1.127 trillion in the financial year 2012/2013 to UGX.1.265 trillion in the year 2013/2014. The trend shows a steady increase in the payables figures, which indicates that the current approaches to address the problem are not effectively working. The debt figure may become unmanageable as it appears to be spiralling out of control.

There is need to revisit the current approaches of arrears management with a view to reducing the growth in domestic arrears.

- **Mining/Exploration Licences**

Section 105 of the Mining Act 2013 provides for payment of any royalty assessed to be settled within 30 days. It was observed that 174 companies whose licences had expired, defaulted on arrears of royalties amounting to Shs.850,240,000. Further, 17 licence holders had not provided the required records and audited financial statements to the Ministry of Energy. There was no follow up by management on defaulters, for purposes of compliance. There is need for the Ministry to closely follow up

licence holders, to avoid losses to government.

- **Audit of Kyambogo University**

A special audit was undertaken for the University and it was noted among other findings that a total of 10,486 students were admitted by Kyambogo University without making applications. This was found to be irregular. The University needs to strengthen controls relating to admission of students to the University.

2.3.3 Audit of Statutory Authorities

The audit covered 76 statutory bodies and 62 projects. At the time of reporting, 4 audits were in progress. A summary of key audit findings arising from the audit of Statutory Corporations, Boards, Councils and Institutes are highlighted below:-

Summary of Major Findings

- **Borrowing of funds by Uganda National Examinations board**

Comparison of the budget for conducting national examinations submitted by Uganda National Examinations Board with the budget approved by the Ministry of Education and Sports for the activity, revealed a deficit of UGX.6,454,891,600 arising from approval of lower unit rates than those envisaged by the board.

During the financial year, the Board borrowed UGX.11,068,529,487 as a stopgap measure to address the funding gap experienced in the management and administration of National Examinations. Interest charges on this borrowing amounted to UGX.707,559,660 during the financial year.

Borrowing of funds by the major Examinations Board has got reputational risks, besides exposing it to the risk of

litigation in the event of defaulting on payments. The interest expenditure is an extra cost that translates into higher operations costs for the Board and may subsequently result into higher examination fees for the students.

I advised management to liaise with the Ministry of Education and Sports, and Ministry of Finance, Planning and Economic Development, to ensure that adequate funds are set aside for national examinations.

- **Registration of Medical and dental Specialists**

A review of the annual report for 2014 revealed that out of 1,195 Specialists on the Uganda Medical and Dental Practitioners' Council register, only 757 (37%) renewed their practicing licenses during the year. This not only posed the risk of loss of revenue to the Council, but also endangers the lives of unsuspecting patients seeking for medical services from the non-registered medical practitioners. The anomaly was attributed to inadequate enforcement of the law due to staffing gaps at the Council.

I advised management to establish regional centres in the Regional referral Hospitals, to enable the specialists register with convenience.

- **Legal Suit against Uganda Nurses and Midwives council**

The Uganda Nurses and Midwives Council is mandated to supervise and regulate the training of Nurses and Midwives in Uganda. During the financial year under review, students of Uganda Christian Institute for Professional Development Limited sued UNMC together with the Ministry of Education and Sports and their own Institute, after they were stopped from sitting National Exams, on account of the Institute being illegal. The students were demanding UGX.367,086,000 on the grounds that the Council was negligent in executing its duties of regulating the operations of the Institute. There is a risk of loss of public funds, if the case is decided in favour of the students.

It was also noted that the Council had engaged a private lawyer instead of using the Services of the Attorney General's Office. Management attributed the lack of regulation of institutions to inadequate staffing of the Council. Such developments are indicators of weaknesses within UNMC, to monitor activities of training Institutions.

- **Failure to License Drug Outlets by National Drugs Authority**

The National Drug Policy and Authority Act made it mandatory to have a valid

license for one to operate a Pharmacy or Drug Shop in Uganda. I noted that the Authority is not able to issue annual licenses to all drug outlets by the due date of 31st January. During the year under review, the Authority did not publish the licensed pharmacies and drug shops by the statutory date of 31st March 2014.

Un-licensed pharmacies and drug shops do not only pose challenges to the health authorities but their products may also be a health hazard to the unsuspecting public.

The NDA management attributed their inability to issue licenses to all Pharmacies and Drug shops by the due date to low staffing levels and general complacency of the operators of drug outlets. I recommend that the Authority be provided with capacity to enable it carry out its mandate effectively.

- **Loss of Forest Plantation by National Forestry Authority**

National Forestry Authority reported a loss of a forest plantation valued at UGX.1,327,825,000 which Management attributed to fire destruction of 624.96 hectares in North Rwenzori. The loss was written off from the financial statements without the approval of the Board.

It was also noted that the Authority lacks basic fire fighting equipment to control the forest fires. I advised management of the Authority to obtain board approval for the write off and also plan to acquire fire fighting equipment to control forest fires.

- **Encroachment on Forestry Land**

Section 13 (1) of the National Forestry and Tree Planting Act, 2003 states that a forest reserve shall be managed in a manner consistent with the purpose for which it is declared; while section 13 (2) requires that a forest reserve shall not be put under any use other than in accordance with the management plan.

However, audit noted that in the 517 Central Forest Reserves measuring 1,214,045 Hectares, there was an encroachment on 211,898 Hectares (17.5%). 26 CFRs measuring 69,396 Hectares had been completely taken over by the encroachers. This was attributed to unclear forest boundaries and lack of up to date data regarding forest cover which undermines planning and management of forest resources.

I advised management to endeavour to demarcate the forest boundaries so as to safeguard the forestry resources.

- **Governance in State Corporations**

Governance issues in respect of Boards of Directors continue to feature in my report for the year under review. Some of the issues that persisted and affect good governance were; Lack of board charters, fraud control policies, internal audit function and succession planning, apparent conflict of interest, improper constitution of audit committees and absence of senior management in some cases.

Some of the issues severally or individually affected the following entities; Insurance regulatory authority, Mandela National stadium, National libraries of Uganda, Nakivubo war memorial stadium, Management Training and advisory centre, Uganda National examinations board, Uganda electricity distribution company, Uganda Broadcasting council and National Housing and construction company limited.

In addition analysis of staffing levels in 16 entities revealed that whereas 559 positions were approved, only 295 (52%) positions were filled leaving 264

(48%) vacancies. Staffing gaps have a direct effect on service delivery.

The various Accounting Officers attributed the weaknesses to inadequate funding to cater for consultancies and wages in the budget to facilitate recruitment.

There is a need for Government to look into the matters with a view to have these institutions function as envisaged.

- **Non- Operationalization of Fund Accounts**

Government established fund accounts in a number of instances to facilitate the sustainability of initiatives within certain Government Entities. Some of the Funds include the Road Fund and the Energy fund. However these have not been operationalized as envisaged in their respective Acts.

The Accounting Officers attributed this to lack of commitment by the Ministry of Finance, Planning and Economic Development to have these Funds operationalized. There is need to operationalize the funds as envisaged.

2.3.4 Audit of Local Authorities

The office planned to audit and report on a total of 1,011 Local Authorities comprising of 111 Districts, 22 Municipal Councils, 174 Town Councils, 487 Sub-Counties, 200 Schools and 4 projects. By 31st March 2015, audit of 1,575 Local Authorities had been completed while 618

were in progress. The completed audits included: 111 Districts, 174 Town Councils, 22 Municipal Councils, 13 Regional Referral Hospital, 1,058 Sub-Counties, 196 Schools and 1 project. A summary of the key findings arising from the audit of Local Governments is highlighted below:-

Summary of Major Findings

- **Procurement Anomalies**

74 Local Governments procured items worth UGX. 10,465,872,800 without following Public Procurement Regulations and Guidelines. The amount is comprised of UGX.4,782,047,241 which lacked procurement files , UGX.3,527,866,260 where there was breach of procurement procedures, UGX. 1,205,857,691 involving inadequate contract management and UGX.950,101,608 of unauthorized contract variations. Consequently, it becomes difficult to ascertain whether value for money was achieved. The shortcomings were attributed to lack of technical capacity, understaffing and deliberate flouting of PPDA regulations. There is need for the Accounting Officers to develop capacity building strategies and to engage the ministry of Public Service to address the understaffing problem. In addition, Accounting Officers are encouraged to invoke the relevant sections of the Law for noncompliance.

- **Funds not Accounted for**

Expenditure amounting to UGX. 9,435,229,023 was identified as funds unaccounted for. Consequently, I could not confirm that the funds were utilized for the intended purposes. The delayed submission of accountability may also lead to falsification of documents resulting into loss of funds. This was caused by failure by accounting Officers to enforce accountability controls and lack of advances ledger to monitor advances. There is need for Accounting Officers to enforce controls relating to financial management and accountability.

- **Under Collection of Local Revenue**

24 % equivalent to UGX. 7,928,418,210 of the budgeted local revenue by the Local Governments was not realized. This implies that all planned activities for the year were not implemented. This was attributed to lack of revenue enumeration and assessment and failure to supervise collection of contracted revenue. There is need for the

Accounting Officers to carry out revenue assessments, maintain proper revenue records, sensitize the tax payers and strengthen controls relating to collection of revenue.

- **Irregular Levy of Development Tax**

There were instances of irregular imposition of development tax totalling UGX. 621,849,407 on contracts by some Local Governments in a bid to enhance local revenue collections 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 of service delivery. The Accounting Officers explained that this was an attempt by Councils to raise local revenue for service delivery. There is need for the Accounting Officers to seek for the appropriate authority prior to levying of the tax.

- **Understaffing**

The understaffing in Local Government has not significantly improved over the last two years. In the previous year it was 32.3% which increased to 33% this year. Understaffing adversely affects service delivery to the community. This was attributed to limited wage bill and a

ban on recruitment by the Ministry of Public Service. The Accounting Officers are advised to continue engaging the Ministry of Public Service, the ministry of Local Government and the Ministry of Finance Planning and Economic Development to address the challenge.

- **Assets Management**

Lack of Land Titles

Out of 307 Local governments, 117 entities representing 38% of the Local governments lacked land titles for the land where council properties are located. There is a risk that council land is exposed to encroachment and disputes. The Accounting Officers attributed this to lack of funds to process land titles and the absence of District Land Boards. There is urgent need for the Accounting Officers to prioritize and allocate funds and ensure that the land titles are secured. The District Councils are also advised to ensure that the District Land Boards are constituted.

**Management of Information
Communication Technology
Resources (ICT)**

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

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

- **Financial Reporting**

Financial Statements for Lower Local Governments

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

- Non-adherence to presentation and disclosure requirements as per Local Government Financial and accounting Manual 2007, for example, lack of cash flow statements, schedule of commitments, and others.

- Misstatement of account balances.
- Non- preparation of primary books of accounts such as Ledgers, cash books, and vote books.
- Lack of Board of survey reports
- Lack of Bank reconciliation statements and certificates of Bank balance.
- Unbalanced Budgets
- Lack of other statements, schedules and Notes to the accounts.
- Missing budget figures in income and expenditure accounts.
- Non-disclosure of losses.

Preparation of Financial statements is a stewardship role in which accountability for application of resources entrusted to Accounting Officers is reported to the stakeholders.

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

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

Lack of Standard Financial Reporting Framework for Schools

It was observed that there was no standard financial reporting framework for secondary schools. This was attributed to lack of financial and accounting manual. As a result, there was no uniform classification and coding of account balances, format and presentation of financial statements. Section 29 (2) (b) of Education (Board of

Governors) regulations require the board to prepare within three months financial statements in the form approved by the Minister or district secretary for Education. There is need for the Minister or District Secretary for Education to prescribe the form of the financial statements for the Secondary Schools in consultation with the Accountant General.

2.3.5 Value for Money and Specialized Audits

Value for Money (VFM) audits examine the economy, efficiency, effectiveness and environmental effects of government projects and operations. The audits endeavour to evaluate if activities, programs or projects involving public funds in audited organisations have been managed and conducted with due regard to economy, efficiency and effectiveness. During the FY 2013/2014, the office planned to carry out 10 VFM audits and 6 specialised audits. The specialised audits included 5 engineering audits (under Kampala Capital City Authority, Uganda National Roads Authority (UNRA), Road Fund, Ministry of Works and Transport (MoWT) and Ministry of Education) and 1 Private Public Partnership (PPP) audit. As at 31st March 2015, a total of 10 VFM audits and 5 engineering audits had been completed. The audit of PPP was at the planning stage as arrangements for the technical support were being worked on.

The detailed reports on the 5 engineering audits are incorporated in Volumes 2, 3 and 6 of the Annual Report to Parliament. Below is an outline of the 10 VFM audits and 5 specialised audits.

Value for Money Audits

1. Efficiency of Road Fund Maintenance Activities by Uganda Road Fund;
2. Implementation of National Content in the Oil and Gas Sector by Ministry of Energy and Mineral Development;
3. Acquisition and Utilisation of Medical Equipment under the Uganda Health Systems Strengthening Project, Ministry of Health;

4. Management of Public Debt by Ministry of Finance, Planning and Economic Development;
5. Efficiency study on Delivery of Health Services by the Regional Referral Hospitals;
6. Gender Mainstreaming in Wakiso District (Participatory Gender Audit);
7. Management of Sewage in Urban Areas by National Water and Sewerage Corporation;
8. Implementation of Physical Development Plans by Municipal Councils;
9. Implementation of Transmission Line Infrastructure projects by Uganda Electricity Transmission Company Limited;
10. Management of Investment Land in Industrial Parks by Uganda Investment Authority.

Specialised Audits

Kampala Capital City Authority

1. Rehabilitation of Jinja Road section from Yusuf Lule Junction to Nakawa (Katalima Road Junction) by M/S Energo Projekt Nisco gradnja Ltd.
2. Reconstruction of Mbogo Road (Paved) by M/s Omega Construction Limited
3. Upgrading of Gomotoka Road by Kiru General Services Ltd.
4. Reconstruction/Upgrading and Periodic Maintenance of Kintu/Kitintale(1.0km), Kamuli Link/Ndagire(0.65km), Cannon(0.8km), Circular Drive(0.4km), Valley Drive(0.8km), Corporation(0.27km) Martyrs access(0.35km), Wanaichi(0.4km),Access2(0.1km), UNEB Access(0.35km), Lakeside(1.0km), Radio Maria(0.55km), Mutungo-1(0.75km), Mutungo Ring Road-2(0.75km), Kabalega Crescent(0.9km), Buvuma(0.27km) Roads in Nakawa Division Contractor: M/S Abubaker Technical Services and General Supplies Ltd.
5. Upgrading of drainage Black Spots Contact Phase 1 (Sixth street, Ben Kiwanuka road, Jinja Access, Luthuli-Bandali – Rise, Salaama Road, Kawempe – Ttula road) by M/S Omega Construction Ltd.

Uganda National Roads Authority (UNRA)

6. Design and Build of Kampala – Entebbe Expressway (51.4Km) by M/s China Communication Construction Company Limited (CCCC).

7. Design and Build of Mbarara - Kikagati – Murongo Bridge Road Works from Gravel to Paved (Bitumen Standard) by M/s China Communications Construction Company Ltd
8. Upgrading of Vurra – Arua – Koboko – Oraba Rd to Paved (Bitumen) Standard – 92Km by M/s Chongqing International Construction Corporation (CICO), China.
9. Asphalt Overlay of Kawempe – Kafu Road (166Km) by M/s EnergoprojektNiskogradnja
10. Reconstruction of the Mbarara – Ntungamo – Kabale – Katuna Section of the Northern Corridor Route Lot No.3 (Km 95+000 – Km 150+000) by M/s Reynolds Construction Company (Nig) Ltd.
11. Civil Works for Upgrading of Ishaka – Kagamba road to bituminous standard (35.4Km) by M/s General Nile Company for Roads and Bridges / Dott Services Ltd JV
12. Upgrading of Gulu-Atiak Road to Paved Bitumen Standard (74Km) by M/s China Henan International Cooperation Group Co. Ltd (CHICO)
13. Periodic Maintenance of Muhanga – Kisiizi – Kebisoni Rd (61Km) by M/s Pearl Engineering Co. Ltd.
14. Periodic maintenance Rukungiri-Mitaano-Kanungu (44Km) by M/s NICONTRA Limited
15. Periodic Maintenance of Kazo – Buremba – Nyakaliro (33Km) and Nyakaliro – Kyegegwa (53Km) by M/s Lexman Ltd.
16. Periodic Maintenance of Ngetta- Apala- Adwari road, Lot 10 (46Km) by M/s Mostom Company Ltd.
17. Emergency Repair of Karamoja Flood Damaged Roads: - Package 3; Moroto (Ariamoi) – Lopei – Kotido Road (102Km) by M/s Omega Construction Limited.

Ministry of Works and Transport (MoWT)

18. Construction of Okokorio Ferry Landing site in Katakwi District.
19. Rehabilitation of works of selected community access roads in Wakiso and Luwero districts.
20. Upgrading works of Bugembe – Igenge – Wanyange Road, driveways and Parking areas of Kyabazinga’s New palace and Rehabilitation of Alternative access roads to Kyabazinga `s New palace.
21. Reconstruction of 0.8km tarmac on Moi road in Kapchorwa Town Council.
22. Construction of 1.48km tarmac of NALI estate roads –phase 2 at Kyankwanzi.

Road Fund

23. Various road maintenance activities implemented by District Local Governments

Ministry of Education

24. Various schools construction contracts implemented by the Ministry of Education

Summary of Major Findings

- **Management of Public Debt by Ministry of Finance, Planning And Economic Development**

The most recently published data on Ugandan debt sustainability metrics for domestic and external debt levels indicates that the external indebtedness of Uganda does not present any immediate cause for concern, with large amounts of headroom relative to the sustainability thresholds set out in the Public Debt Management Framework (PDMF). Nonetheless, for domestic indebtedness, there was limited headroom between the debt stocks recorded in 2013 and the recommended thresholds, as set out in the PDMF. Furthermore, the ratio of domestic debt to private sector credit (a key indicator of the risk of government competing with private sector credit) was very close to the maximum recommended level. Interest rates on domestic debt have overall stabilised in recent years relative to their peak in 2011/12. However, they remain a cause for concern due to their high contribution to overall debt service costs and the relatively high yields which they attract

stand in stark contrast to those achieved by comparator nations with similar credit ratings. It was also observed that MoFPED still operates a fragmented Debt Management Unit (DMU) despite its attempts to create an independent Directorate of Debt and Cash Management. There was no clarity and division of roles and responsibilities among the different DMUs. However, efforts to come up with regulations which clearly spell out the roles and responsibilities of key players are commendable.

- **Implementation of National Content in Uganda's Oil And Gas Sector**

Government and the oil companies have made positive efforts to promote national content. However, the overall management of national content by the Ministry of Energy and Mineral Development (MEMD) has not been adequate and as a result, there are challenges in realising the national

content objectives of the Oil and Gas Policy (NOGP), 2008. For example government has not developed criteria for determining and justifying levels of state participation in petroleum activities. For the years 2010-15, there was limited effort by government at both central and local level to develop the capacity of local suppliers for the oil and gas sector. Furthermore, government has not established national content targets, standardized procurement procedures and clear definitions of Ugandan companies and goods. The consequence is that government is unable to properly follow-up and ensure a high degree of Ugandan goods and services in the petroleum sector. For the period 2010-2013 Procurements from Ugandan service providers in the oil and gas sector amounted to USD 329.9 million (28% of total spend).

Furthermore although the overall proportion of Ugandans directly employed in the oil and gas sector rose from 69% in 2012 to 80% in 2014, a wide range of wage differentials between the nationals and expatriates was noted. In some cases expatriates, on average, earned between 5 to 10 times more than nationals. Some

expatriates overstayed past the due date for nationalization of their positions while others were working without work permits.

Whereas all the oil companies had made efforts to train their Ugandan staff, none had fully utilized its training budgets and they had also deviated from planned trainings.

Government has not put in place a plan for training of government officials making it difficult to aggregate the needs for both short and long term skills of government and assess whether the types and mix of trainings undertaken are relevant and actually address these needs. There was insufficient coordination and monitoring. Oil companies had different formats of reporting which hinders monitoring and creates room for differences in implementation of national content provisions

As government finalizes the development of the national content policy and regulations, the Ministry should take advantage of this opportunity to address the above challenges.

- **Efficiency of the Road Fund Maintenance Activities By Uganda**

Road Fund: A Case Study Of Municipal Councils

Owing to the current levels of funding for road maintenance which falls short of the maintenance needs, it is important to ensure that the available resources are utilized efficiently by the designated agencies. Uganda Road Fund (URF) has put in place a system of planning, execution and reporting of URF funded road maintenance activities in municipalities. However, as a result of municipalities using various cost estimation methods and not the method prescribed by URF, and disregarding the planning guidelines, in some instances, wide variations in cost estimation have resulted. The formula being used by URF for funds allocation does not take into consideration the factors as required under section 22(2) of the URF Act and therefore does not allow for efficient allocation of funds to the Municipalities. These factors include: condition of the roads, length of the road network and traffic volumes.

With this, and coupled with inaccuracies in the data the municipalities provide to URF, and a weak monitoring and evaluation system, URF may not be in position to ascertain and monitor the

efficiency of road maintenance activities in the municipalities and thus improve performance in the road maintenance system. If the URF Act (2008) is operationalized to allow URF collect and utilize the Road User Charges (RUCs), it is anticipated that the URF will mobilize much more funds for road maintenance. It is, therefore, important that the URF puts in place proper systems to enforce the efficient utilization of resources.

- **Management of Investment Land in Industrial Parks by Uganda Investment Authority**

UIA procured land for the seven (7) industrial and business parks in the years from 2008 to 2011 at a total cost of UGX 16.6bn. However, development in these parks has been minimal despite the substantial investment by government. Out of the 343 investors allocated land in the different industrial parks only 45 investors, representing 13%, are in operation. In addition, out of the anticipated 57,452 jobs that would have resulted if the land so far allocated had been developed and fully utilised, only 1,345 jobs had been created which, represents a performance level of 2%. Further, out of the anticipated investment of USD 2.04

billion, only USD 169.6 million had been invested, which translates into a performance level of 8%.The minimal progress is largely attributed to lack of a comprehensive long term strategy for the development of all the industrial parks, limited due diligence of prospective applicants and failure by URA to rationalize the resources available for the development of the parks. For example funds have been thinly spread to various activities in the different parks, with no substantial progress in any area that would attract investors. It was also observed that the functions of UIA spelt out under Sec 6 of the Investment Code do not explicitly provide UIA with authority to develop or allocate land to investors as part of its core business.

- **Acquisition and Utilisation of Medical Equipment under Uganda Health Systems Strengthening Project (UHSSP), Ministry Of Health**

The UHSSP had achieved progress in reducing the gaps for medical equipment in the health facilities across the country through the purchase and distribution of an assortment of medical equipment. However UHSSP did not follow the guidelines set out in the Medical Equipment Policy, 2009. During

the process of establishing equipment needs for health facilities, consultations with the users were not done and the planning exercise did not ensure that preliminary requirements such as staffing capacity, space and safety requirements and maintenance plans were addressed. This had in some cases resulted in the purchase of equipment that was not required by the beneficiary facilities, supply of equipment with no staff to operate the equipment, and supplying equipment where there was no space to place the equipment. Most of the equipment that was supplied under UHSSP remained unutilized at the time of audit in the 17 health facilities visited. Some equipment had not been installed and commissioned for use because of lack of space or users to operate the equipment, while in other instances equipment had broken down or the facilities did not have funds and the logistical supplies required to operationalize the equipment. It was also established that equipment worth USD1.7 million did not meet the user requirements while equipment worth USD1.3 million had not been delivered by the contract expiry date.

- **Management of Sewage in Urban Areas by National Water and**

Although NWSC had undertaken steps to improve access to sewerage services, access is still low and has not significantly improved over time, access of the total population serviced by NWSC to sewerage services for the years 2011/12 and for 2012/13 was 6.4% and 6.7%, respectively. Effluent discharged by NWSC to the environment did not meet the effluent standards for the different parameters as set by National Environment Management Authority (NEMA). Some of the sewage treatment infrastructure, especially the stabilization ponds lacked key operational components like filter screens, inflow and outflow measuring devices and fences and were poorly maintained, with overgrown bushes and large volumes of sludge build up. The lack of vital operation data and records at some stations, for example, daily flow data, volume of effluent discharged to the environment, and records about quality and source of influent meant that NWSC could not effectively monitor the sewage treatment process and this could result in pollution.

Sewerage Corporation

- **The Efficiency of Operations of Regional Referral Hospitals In Uganda**

The results of the efficiency study of the operations of RRHs using the data envelopment analysis technique showed that 50% of the RRHs were relatively efficient in the utilization of their resources. The RRHs of Mbale, Moroto, Mubende, Masaka and Hoima were relatively efficient over the three years while Arua, Jinja, Kabale, Lira and Mbarara RRHs were relatively inefficient and hence had room for improvements over all the three years under review. The average inefficiency scores were 6%, 13% and 9% in the financial years (FY) 2011/12, 2012/13 and 2013/14, respectively. This implies that for instance in 2013/14, all the inefficient hospitals had the potential to reduce their inputs by 9% in total, while continuing to produce the same level of output. This potential for improvement is possible if appropriate interventions are made to address the slacks in the utilization of the key inputs such as medicines, infrastructure, /equipment and human resource.

With reduced inefficiency, RRHs stand to reap significant input savings from their activities. This would ensure improvements in the coverage and quality of health services.

- **Gender Mainstreaming in Wakiso District Local Government**

The audit observed that Wakiso district local government had achieved positive gains in gender mainstreaming over the years, especially the development of the

- **Implementation Of Transmission Line Infrastructure Projects By Uganda Electricity Transmission Company Limited**

Whereas the civil, electrical and mechanical works were generally undertaken in accordance with the agreed designs and specifications for the works executed as of March 2015, the progress of the projects was behind schedule which impacted on the timely attainment of the project objectives. This was caused by delayed acquisition of right of way, the long lapse of time between conducting of the feasibility studies and actual compensation of project affected persons and diversion of RAP funds. As a result of the delays, Kabalega Mini-Hydro power plant was operating at idle capacity (generating

district gender policy, among others. However, institutionalizing gender mainstreaming across all the district activities was still a challenge. More efforts in terms of prioritizing the collection and use of gender disaggregated data, funding gender activities, building capacity of staff in gender matters and monitoring were found to be still necessary for the district to achieve its gender mainstreaming objectives.

less power than installed capacity) which cost UETCL US\$3M as compensation for un evacuated power (deemed energy) over the period December 2012 - July 2014. The delays will also lead to project cost overruns due to contract time extensions.

Weaknesses in supervision and monitoring of works were also likely to impact on quality and timely execution of the project works. Whereas interventions were made to acquire a Way leaves Information System (WIS) that would facilitate processing of the person affected files, it was not rolled out to all projects. The failure to operationalize WIS could not guarantee timely processing of RAP compensations.

- **Implementation of Physical Development Plans by Municipalities**

The Ministry of Lands, Housing and Urban Development had not come up with an approved national urban policy to provide a framework for organized urban development in the country, including the creation of new urban areas. Failure by some municipalities to detail and operationalize the Physical Development Plans (PDPs) creates a disjoint between the approved plans and character of different neighborhoods in the urban authorities.

With this, and coupled with inadequate development control mechanisms developers may be provided the opportunity to alter approved plans and construct illegal developments. It was also noted that the current coordination mechanisms through the Area Land Committees had not achieved the desired level of coordination to ensure that land administration and physical planning activities are harmonized.

As a result of these challenges, illegal developments will continue to emerge, thus hampering the attainment of well-planned neighborhoods.

3.0 PERFORMANCE OF THE CORPORATE SERVICES FUNCTION

The Corporate Services Function supports the external audit function by providing financial and administration services, human resources, quality assurance, legal services, communication and stakeholder engagements, Parliamentary liaison and general office operations. This is done through the following departments and units: Human Resource Management and Development, Finance and Administration, Information Technology, Quality Assurance and Audit Development, Parliamentary Liaison, Executive Support, Internal Audit and Risk Management, Legal Unit, Communication and Public Relations and Procurement. The subsequent sections highlight the achievements during the year.

3.1 Human Resource Management and Development

Under objective 4 of the Corporate Plan 2011-16; “attaining higher organisational performance”, the Human Resource Department conducted staff training and continuous professional development activities, staff performance, implemented the new structure and managed staff welfare issues. The following present a summary of the plans and achievements in the year:

3.1.1 Staff Training and Development

The office undertook capacity development in skills enhancement, career development professional areas.

Skills Enhancement

Under skills enhancement, 350 staff trained locally and abroad. The training covered various areas; Public financial management and good governance in the public sector, VFM modular course; IT audit, use of Regulatory Audit Manual, electronic records management, induction for regularised staff, assessment of Public Private Partnerships, management development programme, professionalisation of SAIs, Oracle training, communications management, monitoring and evaluation, report writing, gender audit, audit of public debt, training in oil and gas, training in advanced procurement, contract management and effective negotiation, IT capacity building, strategic human resource management, environmental audit, administrative and secretarial skills, stakeholder management and engagement, facilitation skills, training in petroleum industry and environmental management, fraud and corruption, financial accounting and reporting, IFMS, training in CCTV technology, and RAM e-learning course. In an effort to

efficiently manage the training activity, the office is steadily developing an in-house resource pool to facilitate trainings.

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.

Professional Training

During the period under review, a total of 61 staff were sponsored to undertake professional courses namely; ACCA, CPAU, CISA and CFE. At the time of reporting, a total of 4 officers had completed ACCA and 6 officers had completed CPAU, while 58 staff are continuing with professional studies. The number of professionally qualified staff increased from 106 in 2014 to 116 in 2015 as indicated in Table 4 below:-

Table 4: Number of Professional Accountants

Audit Year	Number at the beginning of the year	Net Increment	Number at end of year
2013/2014	102	4	106
2014/2015	106	10	116

Career Development

The office sponsored 13 staff for career development courses (3 for Masters Degrees, 2 for Ordinary Diplomas and 8 for Bachelor’s Degrees). At the time of reporting, 5 had completed while 8, were still pursuing their respective courses.

3.1.2 Staff Performance Appraisal

The Office has a performance appraisal tool as approved in the HR Manual 2013; this is in line with strategic objective 4, “to attain higher organisational performance”. Accordingly, OAG staff were appraised and formal appraisal feedback given.

3.1.3 Staff Recruitment, Confirmation, Promotion, Transfer and Turnover

The office has been implementing its approved structure in phases, due to wage bill constraints. A total of 32 temporary staff were regularised. These included; 1 Auditor, 1 Executive Assistant, 3 Pool Stenographers, 15 Drivers, 10 Office Assistants and 2 Security Guards. At the time of

reporting, 472 positions out of 528 positions, representing 89.3 % of the approved structure, were filled.

The office confirmed 58 staff, promoted 7 and transferred 3 internally. In addition, a turnover of 3 staff members comprising of; 1 Chief Operating Officer, 1 Auditor and 1 Principal Stores Assistant was realised, due to resignation and normal retirement.

3.1.4 Human Resource Policies

The office is implementing the OAG Human Resource Manual, 2013 as approved and 500 copies have been printed awaiting distribution to all staff.

3.1.5 Staff Welfare

The Office of the Auditor General provides medical healthcare by contracting a reputable medical insurance company to her staff since 2011. This scheme covers all employees, their spouses and a maximum of three other dependants. The scheme also covers all staff members living with HIV/AIDS, as well as those with life threatening illnesses.

3.2 Finance and Administration

Finance and Administration function supports the Audit Function through; provision of financial management and administration services, planning and budgeting, guiding the accounting processes, asset management and availability, preparation of periodic financial, monitoring and performance reports.

For the audit year ended 31st March 2015, the planned outputs were; approval and dissemination of the Financial Management Accounting and Operations Manual, production of FY 2015/16 Budget Framework Paper, FY 2015/16 Budget Estimates, FY 2015/16 Policy Statement, FY 2015/16 Vote Performance Contract and the Annual Operational Plan, Financial Statements for FY 2013/14, (both GOU and donor), Annual Board of Survey Report for the FY ended 30th June 2014, Annual Government Performance Report for the FY 2013/14, Quarterly Progress Reports, and the Semi-Annual Government Performance Report for the FY 2014/15. The subsequent sections provide a summary of the achievements of the function at the time of reporting.

3.2.1 Budget Performance

GOU Funding

In the FY 2014/15 the office prepared and submitted, for approval to Parliament, a total budget of UGX.92.302Bn including a funding gap of UGX.40.696Bn. Parliament subsequently approved a total budget of UGX.57.098Bn including taxes. This comprises UGX.19.587Bn for wage, UGX.20.959Bn for non-wage and UGX.16.539Bn for development including taxes of UGX.0.240Bn.

By 31st March 2015, a total of UGX 48.731Bn representing 85% of the approved GOU budget of UGX 57.098Bn was released.

Support from Development Partners

The office received technical and financial support from three development Partners namely: FINMAP, IRISH AID AND GIZ. The support from each source as at 31st March 2015 is as follows:

FINMAP

The office benefited from the Government of Uganda's six year public financial management reform strategy under FINMAP. This contributed to capacity development and achievement of operational independence of the office. Under FINMAP the office was allocated UGX. 4.919Bn (USD. 1.676Mn) for the year 2014/15. By 31st March 2015, a total of UGX. 1.823Bn representing 37% of the budget had been released.

IRISH AID

The office received a grant of UGX. 1.244Bn from the Government of Ireland to support it in the improvement of the quality of audits through technical capacity building and retooling of the Directorate of Value for Money and Specialised Audits (FVM&SA), Forensic Investigations and IT Audit (FIIT) and other directorates performing financial audits. By 31st March 2015, all the grant amounting to UGX. 1.244BN had been released.

GIZ

The office is also a beneficiary of the German cooperation (GIZ) grant whose overall goal is to promote accountability and transparency in Uganda. Under GIZ, the office obtained technical support of UGX. 6.226BN geared at promoting the effectiveness of external audit through;

human resource development, development of audit manuals and audit tools. By 31st March 2015, a total of UGX. 2.591BN representing 42% of the total budget had been released. Table 1 below presents the approved budget, releases and expenditure for the FY 2014/15.

Table 5: Approved Budget, Releases and Expenditure for the FY 2014/15 (Bn) as at 31st March 2015

Budget Type	Approved Budget Allocation	Released	% of Budget Released	Expenditure	% of Releases Spent
GOU - Recurrent - Wage	19.587	14.404	74%	12.768	92%
GOU - Recurrent -Non - Wage	20.959	17.788	85%	14.676	85%
GOU – Development + Taxes	16.539	16.539	100.0%	13.144	79%
Subtotal - GOU	57.098	48.731	85.0%	40.588	91%
FINMAP	4.919	1.823	37.0%	1.823	100.00%
IRISH AID	1.202	1.244	103%	0.301	29%
GIZ	6.226	2.592	42%	2.592	100%
Total-Donor	12.347	5.659	46%	4.768	84%
Vote Total	69.445	54.390	78%	45.356	90%

3.2.2 Financial and Operational Independence

Objective 3 and 4 aim at strengthening financial and operational independence of the Office of the Auditor General and attaining higher organisational performance of the OAG respectively. Under these objectives, the office commenced the preparation of the Financial Management, Accounting and Operations Manual in the FY 2012/13. At the time of reporting, the final draft was complete and awaiting review and approval by top management. The office is now able to produce its own rules and procedures thus enhancing operational independence and promoting an internal culture of quality financial management.

3.2.3 Compliance with Government Financial Regulations

The office complied with Government financial regulations and submitted the following to the relevant authorities: Annual Financial Statements for the FY 2013/14, Annual Government Performance Report for the FY 2013/14, Half-Year Financial Statements for the FY 2014/15, Semi-Annual Government Performance Report for the FY 2014/15, Budget Framework Paper and Preliminary Budget Estimates for the FY 2015/16. The office also updated the Assets Register as at 30th June 2014. In order to ensure effective participation of key stakeholders in the planning process for the FY 2015/16, the office held a budget conference. All relevant quarterly progress reports were produced and submitted timely. In accordance with the AFROSAI-E planning guidelines for Supreme Audit Institutions, the office prepared an Annual Operational Plan for the FY 2014/15.

Under the Financial Management and Accountability Programme (FINMAP), the Component Work Plan and Budget Estimates for the FY 2014/15 and three quarterly progress reports were prepared to Management Support Unit (MSU) were submitted. In addition, the office participated in all FINMAP III planning activities and was fully represented in the Public Expenditure Management Committee (PEMCOM) meetings. FINMAP supports the Government in strengthening and consolidating reforms in public financial management while PEMCOM assists Government in monitoring the status of public financial management.

3.2.4 Support to Office of the Auditor General

Under this project, the office was supported to procure 4 motor vehicles, assorted office furniture, 3 acres of land for the proposed Hoima and Moroto regional offices and renovate three regional offices in Masaka, Soroti and Arua Districts. At the time of reporting, the office had procured land and the process of acquiring land titles was in progress. An assortment of furniture was procured while the procurement process for the 4 motor vehicles was at evaluation stage.

With FINMAP support, the office planned to develop designs for the proposed Hoima and Moroto Regional Offices. By 31st March 2015, the process of procuring a design consultant for Hoima and Moroto, was at evaluation stage and the contract is expected to be awarded by June 2015.

3.2.5 Construction of Audit House and Mbarara Regional Office

Construction of the Audit House was completed and commissioned in November 2014 by His Excellence the President of the Republic of Uganda. The building accommodates all staff of OAG in Kampala. This has strengthened the physical independence of the Office. In the FY 2015/16, the office shall ensure that the outstanding issues are addressed by the contractor in the Defects Liability Period. In addition, Mbarara Regional Office was completed and commissioned by the Rt. Hon. Speaker of Parliament of the Republic of Uganda in March 2015.



The newly commissioned Mbarara Branch Office

3.3 Information Technology

Information and Communication Technology (ICT) supports the Audit Function of OAG by enabling audit business processes. Its development is crucial for the OAG in attaining higher organisational performance and improving on the efficiency and effectiveness of internal and external communications among other OAG processes.

During the year, the office planned to acquire 55 Laptops; 377 CUG handsets and 8 heavy duty printers; install OAG Wide Area Network at Jinja, Mbale, Masaka and Soroti Regional Offices; maintain subscription for internet, data and CUG and carry out regular maintenance of ICT equipment at both headquarter and regional offices.

The office recently commissioned a new Data Centre at the newly constructed Audit House that will provide more storage and stability to the OAG systems. The new Data Centre shall enable the office to better improve its operational efficiency. The office shall use the old Data Centre to set up a disaster recovery site in Jinja to safeguard against data loss.

The contract for supply of 380 Closed User Group handsets was awarded awaiting delivery. This is aimed at reducing communication costs and enable Auditors have mobile data connectivity in all regions of the country and increase efficiency. The procurement process for 100 laptops under FINMAP was at evaluation stage. Procurements also included heavy duty printers/ photocopiers that were distributed to the branches to improve report production.

The office has in the past year successfully deployed wireless internet services to all its branches, maintained service contracts with service providers and NITA-U to ensure uptime, and achieving greater network stability across the whole office in general.

The major challenges that the department continues to face include inadequate funding and ageing IT equipment which requires replacement.

3.4 Technical Support to Audit Services

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

To achieve objective 1 of the OAG corporate plan of improving the quality and impact of audit work, promoting increased accountability, probity and transparency in the management of public funds, the office is focused on enhancing the audit production processes and report utilisation by stakeholders. The snapshot of the key achievements during the year under review is as follows:

3.4.1 Quality Assurance and Audit Development (QAAD)

The department ensures audit report quality management and standards, in line with emerging local and global trends.

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

In the FY 2014/15, the department planned to finalise the quality control manual and disseminate it to staff; develop Teammate libraries for small entities; develop standardised guidelines on report writing, energy sector audit guidelines, IT audit manual and gender audit manual; customise the performance audit manual in line with ISSAIs; identify and roll out user friendly data analysis tools; carry out hot audit reviews (during audit) and cold audit reviews (after the audit report) and provide technical support to staff implementing the Risk Based Audit Methodology (RAM).

During the year, the department facilitated training of all Regularity Audit staff in the risk based methodology (RAM), as well as offered technical support to all staff, during the implementation of this new methodology. In addition, the department standardised reporting templates for audit reports in Regularity Audit and facilitated training of 150 staff in report writing.

In a wider effort to support the Audit profession in Uganda, the OAG through the department of QAAD also sensitised members of the Institute of Certified Public Accountants (ICPAU) at a workshop aimed at creating awareness on the requirements of the International Standards for Supreme Audit Institutions (ISSAIs) in financial audit, Performance audit and Compliance audit.

On the Quality Assurance function, the department performed and reported on 30 quality assurance audit reviews, including 10 pre-issuance and 20 were post issuance reviews of regularity audits. The department also carried out institutional review on the Human Resource function, with assistance from the Swedish National Audit Office.

3.4.2 Parliamentary Liaison

This function supports the audit process in accordance with the requirement that OAG should maintain a strong relationship with the relevant Parliamentary committees in compliance with ISSAI 20, Principle 7 which demands SAIs to report publicly on the results of their audits and on their conclusions regarding the overall government activities. This support enables the Committees to understand the audit reports and the conclusions well, in order to take appropriate action.

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

Accordingly, the Department of Parliamentary Liaison was established to enhance coordination, offer technical guidance, follow up and document issues that arise during all Oversight Committee sessions. The department therefore seeks to proactively provide support in enhancing the skills of the Parliamentary Committees to read and make effective use of the Auditor General's reports. Below are the achievements of the Department during the year.

3.4.2.1 Support to Oversight Committees of Parliament

PAC

In the FY 2014/15, the department planned to sensitise oversight committees of Parliament on findings in the annual report of the Auditor General for the year ended 30th June 2013, update a database on status of PAC Reports, prepare briefs and provide technical support to PAC during meetings, prepare minutes for all audit reports discussed and carry out verification as recommended by PAC.

During the year, the department provided technical support to Public Accounts Committee in designing a strategy by which audit reports were profiled basing on audit opinions; namely; Disclaimer, Adverse, Qualified and Unqualified opinions. The first three categories of reports were all discussed. The committee discussed 60 financial audit reports and 5 value for money audit reports. By 31st March 2015, the committee had held 102 sessions and discussed 83% of the reports, that is, for 60 entities out of 72.

Parliamentary Liaison further provided support to PAC in discussing 6 reports for foreign missions in America and Asia. The reports for NewYork, Washington and Ottawa covered two financial years of 2011/12 and 2012/13 while the ones for Abu Dhabi, New Delhi and Gouzhou covered the FY 2012/13. The committee is now being provided support and has embarked on report writing for these entities and will be concluded by the end of April 2015. Thereafter, the committee will consider the remaining Value for Money Audit reports.

COSASE

The Parliamentary Liaison also offered technical support to the Committee on Commissions, Statutory Authorities and State Enterprises (COSASE). Fifty six (56) sessions in which 41% of the reports, that is, 30 out of 72, ranging from Financial Years 2010/11 to 2012/13 were discussed. These reports are being finalised and will be ready by the end of April 2015.

LGPAC

Technical support was also offered to Local Government Public Accounts Committee (LGPAC) where 38 out of 304 entity reports representing 12.5% of the reports for FYs 2008/09, 2009/10 and 2010/11 were discussed.

The committee further inherited the following reports which had been discussed and concluded by the previous committee, but were not presented for consideration and adoption;

- a) Report of the Local Government Accounts Committee on the Special Audit Report of the Auditor General on the Public Accounts of Kawempe Division for the FY ended 30th June 2006 and 2007.
- b) Report of the Local Government Accounts Committee on the Special Audit report of the Auditor General on the Public accounts of Kampala District for the Financial Years 2000/2001 -2006/2007.
- c) Report of the Local Government Accounts Committee on the Report of the Auditor General on the Public Accounts of Districts and Municipal Councils for the Financial Years 2005/06.
- d) Report of the Local Government Accounts Committee on the reports of the Auditor General on the Public accounts Committee of Districts and Municipal Councils for the Financial Year 2006/07.
- e) Report of the Local Government Accounts Committee on the Reports of the Auditor general on the Public Accounts of Districts and Municipal Councils for Financial Year 2007/08.

The Committee intends to present these reports to Parliament for consideration and adoption.

3.4.3 Executive Support and Stakeholder Engagement

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

In the FY 2014/15, the department planned to conduct an internal baseline survey across the entire office, process and disseminate the Annual Report of the Auditor General for the FY ended 30th June 2014, process and disseminate 16 sector and 9 regional audit reports for the year ended 30th June 2014, participate in regional entry meetings and undertake follow up on streamlining of the records function at regional offices. The department also planned to finalise the Archival Policy and continue subscribing to recognised publishers, in order to widen knowledge of OAG staff in the audit process.

During the audit year, the office produced 16 sector and 9 regional office audit reports. These reports are intended to:

- reflect sector-wide challenges which have implications on achievement of the 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 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.
- facilitate different stakeholders in follow up of regional audit recommendations and address regional related accountability issues that affect service delivery to the citizenry in that region.

Dissemination of Audit Reports

During the year, a total of 421 of Lower Local Government audit reports were processed and disseminated to audit entities, in a manner that engaged key local government stakeholders. 1,500 copies of extracts of Key audit findings for the financial year 2012/2013 were prepared and 800 copies disseminated to stakeholders. This approach received overwhelming appreciation from the stakeholders who encouraged the Auditor General to maintain the engagement.

To widen public accessibility of the Auditor General's audit reports at an optimum cost, the office reduced production of hard copies of audit reports and increased dissemination of audit reports through uploading audit reports onto the OAG website and through the use of compact disks (CD) to stakeholders. The draft records and archival management Policy was completed and is awaiting management approval. This will facilitate proper management of records in more effective and transparent manor.

Participation in the Inter Agency Forum Activities

The office participated in drafting of the law on special Anti-corruption court; Anti money laundering and asset recovery law; Training manual for Law enforcement agencies; citizens' handbook on anticorruption; development of the National Strategy for fighting Corruption and rebuilding of ethics in Uganda (NACS) (2013-2018). These are Inter Agency Forum activities coordinated by Office of the President in the Directorate of Ethics and integrity and all the quarterly Inter Agency Forum (IAF) meetings.

The office was effectively represented in the bi-monthly Anti-corruption public private partnership (ACPPP) meetings. It also participated in organisation of the anti-corruption week, which was held in December 2014, under sponsorship of GIZ- PoAT project. The activities involved getting feedback from the selected audited entities, media dialogue on their roles towards fighting corruption, Public shows and the Open public day dialogue. These collaborations developed a framework between the Government and non-state actors to promote effectiveness and minimise duplication of efforts and resources, in the fight against corruption and rebuilding of ethics and integrity.

3.5 Internal Audit and Risk Management

The function supports the audit process by providing an independent, objective assurance and consulting function designed to add value and improve OAG's operations, through a systematic

evaluation aimed at improving the effectiveness of risk management, control and governance processes of OAG.

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

The final draft Internal Audit Function Charter was completed and awaits management's approval. The unit produced two (2) quarterly internal audit reports, the third was being concluded; ten (10) investigation reports produced and three (3) special investigations reports completed and submitted for action. Proactive preventive checks, assurance engagements and verifications were carried out on monthly payroll and deliveries to stores. In addition, the OAG payroll was reviewed and all deliveries to the stores witnessed.

The major challenges faced during the year include: understaffing of the Internal Audit Unit, 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 Services

This function supports the audit process by: providing legal advice, opinions and guidance to the Office of the Auditor General; advice on matters pertaining to all legislation and policies; draft or peruse, vet and finalise legal documents.

In the FY 2014/15, the unit planned to sensitise staff on the OAG medical and health benefits offered by the office, restock the legal mini-library, represent AG and OAG in courts of law and other legal forum, prepare legal briefs and opinions for AG and OAG and provide technical support in drafting and reviewing contracts, as well as during PAC meetings. In addition, the unit planned to renew the practicing certificate and attend continuing legal education.

During the year, the unit, with the assistance of external counsel, handled all legal issues that arose against the Auditor General and the office, and effectively represented the Auditor General and the office on legal matters. The unit provided secretarial services to Top Management by; preparing committee minutes and giving legal advice to the meeting in its monthly sitting.

The unit was once again recognised as a Legal Department, fully registered and approved by the Law Council. To-date, the Unit is fit and proper for practice for the year running 2015. The legal

unit was engaged in coordination of court cases from the Anti-Corruption Courts, that arise from audit reports and investigations carried out by the Auditor General. One such case was; Uganda vs. Kasozi & 2 Others, arising from a special audit on alleged embezzlement and false accounting by National Drug Authority staff.

The unit acts as legal security for the office in as far as drafting and review of contracts ranging from service contracts, agreements and memorandums of understanding from both the Audit and Corporate Divisions. As such, it provided technical support to the following operational committees and sub-committees: Quality Assurance Committee, Outsourcing Committee, Contracts Committee, Human Resource Advisory Committee, the Infrastructure Committee and any ad hoc committee assigned duties by the Auditor General. These committees and sub-committees assist the Auditor General in the performance of his administrative function.

The unit with the support of the external counsel are handling litigation against the Auditor General and the Attorney General with regard to recommendations in the Auditor General's reports. The on-going cases include;

- i. Ocip Moses & Others vs. Attorney General and Auditor General, Miscellaneous Application arising from the Auditor General's Annual Report for the year ended 30th June 2012.
- ii. Auditor General vs. Ocip Moses & Others, Court of Appeal, Civil Application No. 52/2014, arising from Miscellaneous Application.

The unit also sensitised 80% of the staff in the use of the approved policies including; the Legal and Compliance Policy, Quality Assurance Policy and Transport Policy. In addition, the unit made legal contribution in the amendment of various laws of Uganda, on behalf of the Auditor General and the office, that directly relate to the Constitutional mandate of the Auditor General, based on requests from the stakeholders, these include; The Public Finance and Management Act, 2015, The Public Procurement and Disposal of Assets Act, 2003 as amended and the Regulations, 2014.

3.7 Communication and Public Relations

This function supports the audit services through ensuring that internal and external stakeholders' information flow is maintained effectively, which is a requirement for any effective Supreme Audit Institution (SAI). Communication is a core strategic imperative for the Office of the Auditor General (OAG). OAG emphasises the importance of communication in its operations based on International Standards of Supreme Audit Institutions (ISSAI 12) which states that the

extent to which a SAI is able to make a difference to the lives of citizens depends on the SAI Principle of Communicating effectively with stakeholders. OAG therefore communicates its audit findings to both its primary and secondary stakeholders. The OAG Communication Policy guides both Internal and external communication to ensure effective communication.

During the year, the Communications Unit with support from the Swedish National Audit Office (SNAO) conducted media training for Branch Heads in the areas of media interviews and communication with stakeholders.



OAG Branch heads pose for a group photo with the Swedish Audit Office media team following a 2-day media training

The Unit also facilitated media coverage for key events in the office such as the submission of the Audit Report to the Speaker of Parliament, the Working Group on the Audit of Extractive Industries (WGEI) Conference, Commissioning of Audit House and Mbarara Regional Office.

In order to enhance relations with the general public, the Communications Unit participated in exhibitions in partnership with the; Inspectorate of Government, Public Procurement and Disposal of Public Assets Authority. The Unit also participated in Government Departments' exhibition during the Uganda Police's centenary celebrations.

To promote the corporate image of the office, the unit prepared and disseminated assorted promotional materials to various stakeholders. These materials included; corporate wear, brochures, tear drops, pull-up stands, diaries and calendars.

To update staff on developments within the office, the Unit attended major events within the office and prepared bi-monthly newsletters. In addition, the Unit worked hand in hand with the IT department to update the website.

The head of public relations attended the annual communication management workshop organized by AFROSAI-E in South Africa and trained in strategic public relations management.

3.8 Procurement and Disposal Function

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

During the FY 2014/15 the Procurement and Disposal Unit planned to prepare and submit to PPDA and MoFPED a Consolidated Procurement Plan, Monthly Plans and progress reports and the prequalified list of service providers for the FY 2014/15. It also planned to hold 24 evaluation and 15 Contract Committee meetings and produce 24 Evaluation Committee reports and 15 sets of Contract Committee minutes. A board of survey for the year ended 30th June 2014 would be carried out and a report produced

During the year, PDU facilitated the procurement of goods and services worth UGX.2.28Bn; facilitated prequalification of 155 service providers, of whom 103 provided services and supplies, which is 67% business opportunity for the prequalified service providers.

In line with statutory and compliance requirement, the PDU prepared and submitted to MoFPED; the consolidated procurement plan for the Financial Year 2014/2015, and 9 monthly procurement reports to PPDA. The prequalification list of providers for works, supplies and services for the FY 2014/15 was updated.

In regard to implementation of the procurement plan, 65 contracts were awarded through 21 Contracts Committee and 14 Evaluation Committee meetings, respectively. The framework contract for repetitive items was reviewed especially for; assorted stationery, assorted tonners and cartridges, as well as tyres and batteries and this reduced time and resources spent on procurement, reduced lead time for delivering supplies, as well as obtaining benefits of scale

without incurring the costs of holding stock or paying for a large volume of supplies or services up-front. The procurement performance measurement system was updated.

4.0 INTERNATIONAL RELATIONS

The OAG has obligation to support and participate in international initiatives, in line with the commitment under INTOSAI. In pursuit of that during the year, the Office of the Auditor General strengthened its relations with a number of International Organisations and other SAIs through knowledge and experience sharing. Staff from the office (OAG) participated in international conferences and undertook international studies, including visits to relevant organisations and other SAIs as well learnt and shared experiences with the SAI of Uganda, through study visits to Uganda.

4.1 INTOSAI and IDI

INTOSAI is an organisation of Supreme Audit Institutions (SAIs) for countries who are members of the United Nations. SAI Uganda is a member and it participated in a number of INTOSAI/IDI activities. In 2013, SAI Uganda (Office of Auditor General-Uganda) was appointed to Chair the INTOSAI Working Group on Audit of Extractive Industries by INCOSAI XXI 2013 in Beijing China. The main objective of the WGEI as working group is to promote the audit of extractive industries within the INTOSAI community in order to promote good governance and sustainable development for the UN post 2015 agenda. Under this responsibility, the chair is required to:

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

During the year, the office organised its maiden international conference on audit of extractive industries with a theme; "Enhancing Supreme Audit Institutions (SAI) contribution in the governance of extractive industries". The conference attracted 34 member SAIs from all over the world of which 16 SAIs (40 participants) attended the conference together with 31 national participants and 2 observers (AFROSIAI-E and World Bank delegates).

Since the WGEI inauguration conference, the office has participated in 6 related meetings namely; Consultative meeting with National Audit Office of Norway in Oslo, Capacity Building Committee annual meeting in Lima- Peru, International Conference on taxation of Extractive industries in Brussels-Belgium, 7th Steering committee meeting of INTOSAI-Donor Cooperation in Paris-France, 6th KSC, Steering Committee Meeting in Cairo-Egypt, 66th INTOSAI, Governing Board Meeting in Vienna-Austria.

4.2 AFROSAI AND AFROSAI-E

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

The office seconded one staff to AFROSAI-E to support the institution in Performance Audit Capacity building for a period of two years. Other staff from the office participated in workshops organised by AFROSAI-E in the following areas; performance audit, audit of extractive industries, quality assurance, technical updates, human resource management, and development, communications, e-learning training and development of training materials, environment audit development workshop and other technical development workshops and meetings. AFROSAI-E and GIZ organised and sponsored a two week study tour to German and Austria for the Senior Management Performance Audit team. In addition, two staff were outsourced by AFROSAI-E to facilitate a workshop for Directors of Audit and executive managers in Pretoria South Africa.

As required by AFROSAI-E, in order to monitor progress in compliance with international standards, the office carried out the annual internal Institutional Capacity Building Framework (ICBF) assessment for the year 2014 and submitted the report to AFROSAI-E. The internal assessment highlighted achievements and gaps towards achieving developed level.

During the year, a staff from the Department of Parliamentary Liaison participated in the SAI-PAC communication training which was initiated by AFROSAI-E in 2012. In addition, the department participated in the review of the SAI PAC training programme at a workshop in Pretoria South Africa with the main objective of extending training to other SAI members which had not yet benefitted from the training.

4.3 Support to other Organisations

The office seconded one staff through the Ministry of Public Service, to support the Audit Chamber of the Republic of Southern Sudan.

4.4 East African Association of Public Accounts Committee (EAAPAC)

The Auditor General and a staff from the Department of Parliamentary Liaison participated in the Annual Conference and General meeting of EAAPAC in Addis Ababa, Ethiopia. The conference resolved to improve SAI-PAC relationship, strengthen PAC and implement PAC recommendations, ensure the independence of SAIs, implementation of Lima (1996) and Mexico (2007) declarations, among others.

4.5 International Delegations

SAI Uganda is part of the International SAI Community and greatly participates and benefits from knowledge sharing with other SAIs. This is done either through participation in International meetings, workshops, seminars, Conventions or study visits. During the period, SAI Uganda was hosted a delegation of Tanzanian Parliamentarians and Malawian Local Government Finance Committee in the spirit of international knowledge sharing.

4.6 Collaborations with Other SAIs

4.6.1 SAI Norway

The office renewed a memorandum of understanding with SAI-Norway for continued support on audit of extractive industries and environment. During the year, the office and SAI Norway collaborated in the following:

- a) An audit plan for review of the recoverable costs in Exploration Areas of (EA) 1 and 3A from 2009 to December 2010 and EA 2 for a period of 2010-to 2011.
- b) Risk assessment matrix for assessing risks in petroleum audits, jointly executed a cost recovery audit for EA1 and 3A for the above mentioned periods, including in-house transfer pricing training.
- c) Management letter for the production sharing agreements (PSA) for the above exploration areas.
- d) A synopsis for the Production Sharing Agreement (PSA).
- e) Workshop between Office of Auditor General Uganda, Norway and National Audit Chambers (NAC) of the Republic of Southern Sudan.

4.6.2 SAI Sweden

The office continued to implement a memorandum of understanding with the Swedish National Audit Office (SNAO) to support the communication unit, Quality assurance department in quality assurance reviews, records management, Value for Money Audit and Specialised audits on peer audit reviews. During the year, SNAO supported;

- Quality assurance team in conducting institutional quality assurance reviews.
- Coached six members from the Directorate of Local Government on quality control reviews.
- Trained heads of regional offices in media related matters.
- Supported Value for Money and Specialised Audits directorate in value for money audit reviews.
- SNAO also sent a high senior management team in the person of Magnus Lindell, who had consultations with Human Resource, Value for Money and Records and stakeholder management of OAG.

4.6.3 SAI USA

The office has a running fellowship arrangement with SAI of United States of America (USA), which sees SAI Uganda sending a staff to Government Audit Office of USA (GAO) for six months attachments yearly. Since then, seven staff have benefited from this arrangement.

4.6.4 SAI India

The office has a running fellowship arrangement with the SAI of India, which sees SAI Uganda sending a number of staff annually to SAI India training institutions, in areas of; environmental audit, information technology audit and performance audit.

5.0 Auditor General's Role in the International Fora

5.1 Membership on International Audit Boards

SAI Uganda has been appointed to serve as a member of the African Union Board of external Auditors. Uganda together with a team of 5 SAIs; South Africa, Algeria, Equatorial Guinea and Cape Verde, audit all African Union activities and projects.

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

5.2 INTOSAI Working Group on Audit of Extractive Industries

SAI Uganda chairs the INTOSAI Working Group on Audit of Extractive Industries (WGEI). As such, it is responsible for coordinating all activities of the Work Group, both within and outside Uganda, aimed at sharing experience in audit of oil extractive industries. These among others include; coordinating research and making periodic publications on findings, hosting and maintaining the Work Group website and organising international knowledge sharing conferences.

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

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

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