THE REPUBLIC OF UGANDA

REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF PUBLIC PROCUREMENT AND DISPOSAL OF PUBLIC ASSETS AUTHORITY (PPDA) FOR THE YEAR ENDED 30TH JUNE 2015

OFFICE OF THE AUDITOR GENERAL 
UGANDA
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<th>Meaning</th>
</tr>
</thead>
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<tr>
<td>RT</td>
<td>Right</td>
</tr>
<tr>
<td>HON</td>
<td>Honourable</td>
</tr>
<tr>
<td>PPDA</td>
<td>Public Procurement and Disposal of Public Assets Authority</td>
</tr>
<tr>
<td>ROP</td>
<td>Register of Providers</td>
</tr>
<tr>
<td>ISAs</td>
<td>International Standards on Auditing</td>
</tr>
<tr>
<td>ISSAIIs</td>
<td>International Standards of Supreme Audit Institutions</td>
</tr>
<tr>
<td>FINMAP</td>
<td>Financial Management and Accountability Programme</td>
</tr>
<tr>
<td>MoFPED</td>
<td>Ministry of Finance, Planning and Economic Development</td>
</tr>
<tr>
<td>ICT</td>
<td>Information Communications Technology</td>
</tr>
<tr>
<td>MTEF</td>
<td>Medium Term Expenditure Framework</td>
</tr>
<tr>
<td>PPMS</td>
<td>Procurement Performance Measurement System</td>
</tr>
<tr>
<td>PDE</td>
<td>Procurement and Disposal Entity</td>
</tr>
<tr>
<td>NSSF</td>
<td>National Social Security Fund</td>
</tr>
<tr>
<td>BoU</td>
<td>Bank of Uganda</td>
</tr>
<tr>
<td>IFMS</td>
<td>Integrated Financial Management System</td>
</tr>
<tr>
<td>HRMS</td>
<td>Human Resource Management System</td>
</tr>
<tr>
<td>PFMA</td>
<td>Public Finance Management Act</td>
</tr>
<tr>
<td>TAIIs</td>
<td>Treasury Accounting Instructions</td>
</tr>
</tbody>
</table>
REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF PUBLIC PROCUREMENT AND DISPOSAL OF PUBLIC ASSETS AUTHORITY (PPDA) FOR THE YEAR ENDED 30TH JUNE 2015

THE RT. HON. SPEAKER OF PARLIAMENT
I have audited the financial statements of PPDA for the year ended 30th June, 2015 as set out on pages 6 to 40. These financial statements comprise of the Statement of financial position, the Statement of Financial Performance, Statement of Changes in Equity and Cash flow Statement together with other accompanying statements, notes and accounting policies.

Responsibility of the Directors
The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with the requirements of the Public Finance Management Act, 2015 and the modified Basis of accounting and the Financial Reporting Guide, 2008 for such internal controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility
My responsibility is to express an opinion on the financial statements based on the audit. I conducted the audit in accordance with International Standards on Auditing. Those standards require that I comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the Auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risks assessments, the Auditor considers the internal controls relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the Authority’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the
directors, as well as evaluating the overall presentation of the financial statements. I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my opinion.

**PART “A”**

**Opinion**
In my opinion the financial statements of PPDA for the period ended 30th June, 2015, are prepared in all material respects, in accordance with Section 51 of the Public Finance Management Act, 2015 and the Financial Reporting Guide, 2008.

**Report on other legal requirements**
As required by the PPDA and the National Audit Act, I report to you, based on my audit, that:

i. I have obtained all the information and explanations, which to the best of my knowledge and belief were necessary for the purpose of my audit.

ii. In my opinion, proper books of account have been kept by the Authority, so far as appears from my examination of those books; and

iii. The statement of financial position and statement of financial performance are in agreement with the books of account.

John F.S. Muwanga

**AUDITOR GENERAL**

KAMPALA

15th November, 2015
PART "B"

DETAILED REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS
OF PUBLIC PROCUREMENT AND DISPOSAL OF PUBLIC ASSETS AUTHORITY
(PPDA) FOR THE YEAR ENDED 30th JUNE, 2015

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

1.0 INTRODUCTION

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

2.0 BACKGROUND INFORMATION

The PPDA Act 1 of 2003 was passed by Parliament in November 2002 and assented to by His Excellency the President in December 2002. The law was gazetted in January 2003 and brought into effect by the Minister of Finance, Planning and Economic Development on 21st February 2003. The Act set up the PPDA Authority as the principal regulatory body for public procurement and disposal.

The Authority’s vision is “A world-class procurement and disposal system that is transparent, accountable and efficient”; and its mission is “To regulate and facilitate public procurement in Uganda by setting standards, building capacity and monitoring compliance and ultimately contribute to socio-economic development”.

3.0 OBJECTIVES

The objectives of the Authority are:

- To ensure the application of fair, competitive, transparent, non-discriminatory and value for money public procurement and disposal standards and practices;
- To harmonize procurement and disposal policies, systems and practices of the central government, local governments and statutory bodies;
To set standards for the public procurement and disposal systems in Uganda;
To monitor compliance of procuring and disposing entities; and
To build procurement and disposal capacity in Uganda.

4.0 **AUDIT OBJECTIVES**

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

a. Whether the financial statements have been prepared in accordance with consistently applied Accounting Policies and fairly presents the revenues and expenditures for the period and of the financial position as at the end of the period.

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

c. Whether goods and services financed have been procured in accordance with the Government of Uganda procurement regulations, and to evaluate and obtain a sufficient understanding of the internal control structure of the organization, assess control risk and identify reportable conditions, including material internal control weaknesses.

d. Whether the management was in compliance with the Government of Uganda financial regulations.

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

5.0 **AUDIT PROCEDURES PERFORMED**

The following audit procedures were undertaken:-

a. **Revenue**
   Obtained schedules of all revenues collected and reconciled the amounts to the cashbooks and bank statements.

b. **Expenditure**
   The payments vouchers were examined for proper authorization, eligibility and budgetary provision, accountability and support documentation.
c. **Internal Control System**
   Reviewed the internal control system and its operations to establish whether sound controls were applied throughout the period audited.

d. **Procurement**
   Reviewed the procurement of goods and services by the Authority during the period under review and reconciled with the approved procurement plan.

e. **Fixed Assets Management**
   Reviewed the use and management of the assets of the Authority during the period audited.

f. **Authority’s Financial Statements**
   Examined, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessed the accounting principles used and significant estimates made by management; as well as evaluated the overall financial statement presentation.

6.0 **ENTITY FINANCING**

The Authority was financed with transfers from the Treasury of UGX 8,579,200,431 out of an approved budget of UGX 10,766,047,751. This implies that only 79.69% of the budget was funded.

7.0 **CATEGORIZATION AND SUMMARY OF FINDINGS**

7.1 **Categorization of findings**

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

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 High significance</td>
<td>Has a significant/material impact, has a high likelihood of reoccurrence, and in the opinion of the Auditor General, it requires urgent remedial action. It is a matter of high risk or high stakeholder interest.</td>
</tr>
<tr>
<td>2 Moderate significance</td>
<td>Has a moderate impact, has a likelihood of reoccurrence, and in the opinion of the Auditor General, it requires remedial action. It is a matter of medium risk or moderate stakeholder interest.</td>
</tr>
<tr>
<td>3 Low significance</td>
<td>Has a low impact, has a remote likelihood of reoccurrence, and in the opinion of the Auditor General, it requires remedial action. It is a matter of low risk or low stakeholder interest.</td>
</tr>
</tbody>
</table>
reoccurrence, and in the opinion of the Auditor General, may not require much attention, though its remediation may add value to the entity. It is a matter of low risk or low stakeholder interest.

7.2 **Summary of Findings**

<table>
<thead>
<tr>
<th>No</th>
<th>Finding</th>
<th>Significance</th>
</tr>
</thead>
<tbody>
<tr>
<td>8.1</td>
<td>Accounting Manual not updated</td>
<td>High</td>
</tr>
<tr>
<td>8.2</td>
<td>Shortfall of GoU releases</td>
<td>Low</td>
</tr>
<tr>
<td>8.3</td>
<td>Lack of Fleet Management Policy</td>
<td>Low</td>
</tr>
</tbody>
</table>

8.0 **DETAILED FINDINGS**

8.1 **Accounting Manual not updated**

I observed that there was no updated documented financial management controls and procedures to support the current accounting processes and procedures because the Authority lacked an updated Finance and Accounting Manual as the existing one of 2004 required review. The introduction of the Output Budgeting Tool (OBT), IFMS, IPPS, Single Account System and PFMA, the manual has been seen to be inapplicable. The areas of budgeting, funds releases, EFT payments and accountability have changed over time.

Management explained that they engaged a consultant to update the Authority accounting manual and the consultant failed to deliver as expected. The Authority has planned to re-budget for the activity and ensure the Accounting Manual is updated accordingly.

I informed the Accounting Officer of the importance in updating its financial manual and advised that the manual is urgently reviewed.

8.2 **Shortfall of GoU releases**

The Authority had budgeted to receive transfers from Treasury amounting to UGX.10,766,047,751 but only UGX.8,579,200,431 was released, creating a shortfall of UGX.2,186,847,320. The shortfall affected the authority cash flows and limited implementation of planned activities such as procurement audits, legal reforms in
improving efficiency in public procurement and disposal, capacity building program and staff training.

I advised the Accounting Officer to liaise with stake holders to ensure approved funds are provided for the smooth running of the institution.

8.3 **Lack of Fleet Management Policy**

Best practice requires organizations to put in place a fleet management policy to guide on the usage, maintenance and replacement of its fleet. It was noted that the Authority did not have a fleet management policy which would have guided on management on use and replacement of old vehicles. As a result, the authority still maintains motor vehicles which have been in use for over ten (10) years and whose book values had been fully depreciated. See the table below; I sampled 5 old vehicles owned by the entity and noted these vehicles had actually exceeded the government age limit of 5 years and had gone beyond 250,000 kilometearage on the road.

<table>
<thead>
<tr>
<th>Reg. No</th>
<th>Description</th>
<th>Date of Acquisition</th>
<th>Period in service</th>
</tr>
</thead>
<tbody>
<tr>
<td>UAA630F</td>
<td>Double Cabin Pick-Up</td>
<td>Jan. 2003</td>
<td>12 yrs, 6 months</td>
</tr>
<tr>
<td>UAA410F</td>
<td>Toyota Hiace Mini Bus</td>
<td>Jan. 2003</td>
<td>12 yrs, 6 months</td>
</tr>
<tr>
<td>UAA431F</td>
<td>Subaru Forester</td>
<td>July 2004</td>
<td>11 Years</td>
</tr>
<tr>
<td>UAA432F</td>
<td>Subaru Forester</td>
<td>July 2004</td>
<td>11 Years</td>
</tr>
<tr>
<td>UAA766E</td>
<td>Nissan Primerra</td>
<td>July 2004</td>
<td>11 Years</td>
</tr>
</tbody>
</table>

The Accounting Officer explained that they have developed an asset management policy to guide on the management of fleet but this document was still in a draft form awaiting Board approval.

I advised the Accounting Officer to ensure that a fleet management policy is established.

9.0 **STATUS OF PRIOR YEAR AUDIT RECOMMENDATIONS**

The status of the prior year audit recommendations is summarized in the table below:

<table>
<thead>
<tr>
<th>Issue raised</th>
<th>Status on Implementation</th>
</tr>
</thead>
<tbody>
<tr>
<td>01 Un-transferred balance to the UCF of UGX.80,415,051</td>
<td>The un-transferred balances (UGX 80,415,051) net of bank charges was transferred as follows; Implemented</td>
</tr>
<tr>
<td>No.</td>
<td>date</td>
</tr>
<tr>
<td>-----</td>
<td>------------</td>
</tr>
<tr>
<td>1</td>
<td>10.07.2014</td>
</tr>
<tr>
<td>2</td>
<td>12.08.2014</td>
</tr>
<tr>
<td>3</td>
<td>22.06.2015</td>
</tr>
<tr>
<td></td>
<td>Total</td>
</tr>
</tbody>
</table>

The bank account was closed in September 2014. Since then all NTR is collected through URA –e-Tax portal

02 Un-implemented sale of vehicles

During the FY2014-2015 the Authority acquired three new cars and also disposal off two vehicles no UAA 630E and UAA 967F. Two more vehicles will be dispose off this financial year after purchasing two more vehicles.

03 Understaffing and High staff turn over

During Financial Year 2014-2015 the Authority recruited Seven (7) new staff bringing staff filled position to 84 out of the approved structure of 102. The remaining vacant positions will be filled in FY2015-2016. The Recruitment process of Fifteen (15) is already under way.

04 Lack of capacity in Oil and Gas Sector

In FY2014-2015 the Authority with support from Ministry of Energy local trained fifteen (15) in Oil and gas. More four (4)staff will train this financial year

05 Lack of PPMS verification reports

During the FY2014-2015 the Authority carried verifications in one hundred and twenty (120) entities covering a total of 2,500 contracts.

06 Non – Compliance and delayed data capture into PPMS

There is significant improvement in data entry as indicated by the increment of contracts entered into the system from 20,080 in FY 2013/14 to 37,555 in FY2014/15. Furthermore, the Authority has developed Government Procurement Portal (GPP) that integrates PPMS with other existing procurement IT tools such as Register of Providers and Tender Portal it envisaged that this will increase compliance to data capture in the system.

07 Lack of common average price list for services

The current common average price has been expanded to cover some services such as garages, air tickets. Furthermore, the Authority has established a committee to cover other complex services such as consultancy services the committee is expected to give report this financial year.