



THE REPUBLIC OF UGANDA

OFFICE OF THE AUDITOR GENERAL

**ANNUAL REPORT OF THE AUDITOR
GENERAL**

FOR THE YEAR ENDED 30TH JUNE 2013

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 Organization of Supreme Audit Institutions
AFROSAI-E	African Organization 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 Organization 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 2012/13 in five volumes. The first volume of the report covers the general performance of the office, for the Audit Reporting Year ended 31st March 2014.

The other four volumes (Vols. 2, 3, 4 and 5) present detailed findings on audits for the Financial Year ended 30th June 2013. The executive summary which follows this foreword outlines the content of the five volumes which constitute my Annual Report.

The office prepared and submitted, for approval to Parliament, a total budget of UGX 88.767Bn including a funding gap of UGX 27.561Bn. Parliament subsequently approved a total budget of UGX 61.606Bn, for the Financial Year 2013/14 including taxes. As at 31st March 2014, a total of UGX 53.248Bn representing 86.4% of the approved budget was released. The office was also allocated UGX 2.277bn for capacity building under FINMAP. By 31st March 2014, a total of UGX 1.834bn had been released representing 81% of the approved component budget estimates. In addition, the office received UGX 0.980Bn representing 100% of the approved budget support from the Government of Ireland, to support the establishment of the Directorate of Forensic Investigations and IT Audits.

Based on the approved GoU budget of UGX 61.606Bn, the office planned to carry out a total of 1,061 audits which included 1,045 financial audits, 10 value for money audits and 6 specialized audits. As at 31st March 2014, a total of 1,136 audits including 1,119 financial audits, 11 value for money audits and 6 specialised audits were completed and reported on, while 548 financial audits were in progress.

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

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

John F.S. Muwanga

AUDITOR GENERAL

31st March 2014

Executive Summary

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

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

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

- Volume 1 - Annual Performance Report of the Office of the Auditor General;
- Volume 2 - Audit Report on Central Government Ministries, Departments and Agencies;
- Volume 3 - Audit Report on Local Authorities including Regional Referral Hospitals;
- Volume 4 - Audit Report on State Enterprises, Commissions and Statutory Corporations;
- Volume 5 - Value for Money and Specialized Audit Reports.

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

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

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

Section 3, presents a performance review of the Corporate Services function in the following areas: Human Resource Management and Development, Finance and Administration, Information Technology, Technical Support Services, Internal Audit and Risk Management, 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. The OAG evolved overtime from being headed by an Auditor in 1929, to having a substantive Auditor General being appointed in 1952 in Kampala.

In 1962, the office started expanding progressively by opening regional Offices. To-date, a total of nine (9) Regional Offices are operational being situated in Gulu, Arua, Mbale, Soroti, Jinja, Masaka, Mbarara, Fort Portal and Kampala. The office has secured funding for construction of the planned two additional regional Offices in Moroto and Hoima Districts, to cope with the ever increasing audit entities and extend audit services closer to the Local Governments.

1.2 Mandate and functions of the Auditor General

The Auditor General's mandate under Article 163 (3) of the Constitution of the Republic

of Uganda and as amplified by Sections 13 (1) and 18 of the National Audit Act, 2008, is to audit and report to Parliament on the public accounts of Uganda and of all public offices including the courts, the central and local government administrations, universities and public institutions of like nature, and any public corporations or other bodies established by an Act of Parliament.

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

1.3 Corporate Plan Implementation

The period under review was the third year of implementing the five year Corporate Plan, for the period 2011-16. The Corporate Plan provides policy direction in the Planning and Budgeting processes.

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

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

corporate image of the OAG among the key stakeholders;

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

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

1.4 Recent Developments

1.4.1 Implementation of ISSAI's

During the year, OAG commenced the process of adoption of implementation of International Standards of Supreme Audit Institutions (ISSAIs) that were issued by INTOSAI, for use in the audit of public sector. The standards have been piloted in eight (8) audits and will be rolled out to all financial audits, in the Audit Year 2014/15. Implementation of ISSAIs will improve the quality of audits and address issues that affect citizens' livelihood.

1.4.2 Establishment of the Directorate of Forensic Investigations and IT Audits

Following the fraud that took place in the Office of the Prime Minister and the Pensions Department in the Ministry of Public Service, during the last financial year,

there was a growing concern from the public, Development Partners and key stakeholders, that similar fraud could be taking place in other Government entities. Given the mandate and responsibilities of the Auditor General, it was deemed necessary that the office regularly undertakes forensic audits into various aspects of Government activities and undertakings.

During the FY 2013/14, a fully-fledged Directorate of Forensic Investigations and IT Audits, with a staff compliment of 47 was established, to carry out extensive examinations and investigations of irregularities and their underlying records in high risk entities and reported cases. At the time of reporting, 42 positions had been filled.

In addition, the office received UGX 0.980Bn from the Government of Ireland to support the establishment of the directorate. The funds were used to acquire; 47 laptops, 3 desktops, one photocopier, 10 portable scanners, 10 evidence gathering cameras, two field vehicles, forensic tools and facilitating training in use of the Forensic audit Manual.

1.4.3 Upgrading of the Technical Support Services Function

In line with objective one of the OAG Corporate Plan 2011- 16, "To improve the quality and impact of audit work, so as to promote increased accountability, probity and transparency in the management of public funds", in the FY 2011/12, the office established the Department of Technical Support Services with three units namely: Quality Assurance and Audit Development, Executive Support and Parliamentary Liaison. However, as stakeholders demands increased, there was need to strengthen the function to match the workload. As a result, all the units were upgraded to Departments headed by Managers.

1.4.4 Construction of the Audit House and Regional Offices

The enactment of the National Audit Act granted the Office of the Auditor General

human resource independence and to some degree a wider scope of financial independence, due to the enhanced autonomy. However, continued dependence on the auditees to provide office accommodation for our staff members posed a challenge, as our operational independence could be questioned.

With support from the Financial Management and Accountability Program (FINMAP), the office secured funding for the construction of the Audit House with 10 office floors and 3 basement parking floors.

The construction commenced in June 2012 and by the time of reporting, construction of the superstructure for all the 10 floors of the Audit House was complete, while internal and external finishes for civil works as well as AC, ICT and electrical installations were in progress as seen in the picture overleaf.



Construction status of Audit House, Kampala, March 2014.

Under the same arrangement, the Auditor General commissioned construction of Mbarara Regional Office in March, 2014. The two projects are expected to be completed by end of this calendar year, 2014. Below is the artistic impression of the Mbarara Regional Office to be constructed at Kamukuzi Hill.



An Artistic impression of the proposed Mbarara Regional Offices



The Auditor General, John F.S. Muwanga at the ground-breaking ceremony of the construction of Mbarara Regional Office on 18th March 2014. L-R: Mr. Deusedit Tumusiime, LCV Chairperson Mbarara District; Mr. Nickson Kabuye, RDC Mbarara District; Mr. John F.S. Muwanga, The Auditor General of Uganda; Mr. Johnson Mutesigensi, Project Coordinator FINMAP.

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 2012/13, the Auditor General authorized withdrawals from the consolidated fund amounting to UGX 12,079,854,793,312. The details are in the Table 1 below:

Table 1: Value of grants of credits issued during the FY 2012/13

Expenditure	No. of Warrants Issued	Amount (UGX)
Recurrent	32	4,411,004,154,523
Development	17	5,796,671,624,985
Statutory	7	1,872,178,713,804
Total	56	12,079,854,493,312

2.2 Major Audit Focus during the year

In determining the major focus for the FY 2012/13 audits, the office based its approach on the following:

- i) The National Budget Estimates for the FY 2012/13;
- ii) Accountability Sector Priorities for the FY 2012/13;
- iii) Major findings in the Audit Report for the FY 2011/12;
- 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 FY2012/13 was as summarized in Table 2 below:

Table 2: Major Areas of Focus in the Audit of FY ended 30th June 2013

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• Country readiness for oil• Health management• Education management
Value For Money and Specialised Audits	<ul style="list-style-type: none">• 10 Audits which should include environmental and gender audit and cross boarder audit.

2.3 Performance of the Audit Function

In the audit period, the office planned to conduct a total of 1,045 financial audits, 10 value for money audits and 6 specialised audits. The office completed a total of 1,119 financial audits, 11 value for money audits and 6 specialised audits. The 1,119 financial audits included a backlog of 66 schools that were in progress as at 30th June 2013. The details are provided in the Table 3 below.

Table 3: Status of Audit Performance for the FY 2012/13

Audit Entities	Planned Audits	Completed Audits	Percentage
Financial Audits			
MDAs	97	106	109%
Statutory Authorities	67	75	112%
Local Authorities	715	834	117%
Projects	113	77	68%
Forensic Investigations and Special Audits	53	27	51%
Sub-Total	1,045	1,119	107%
Value for Money and Specialised Audits			
Value for Money Audits	10	11	110%
Specialised Audits	6	6	100%
Sub-Total	16	17	106%
Grand Total	1,061	1,136	107%

2.3.1 Forensic Investigations and Information Technology (FIIT)

As a result of the increasing demand for accountability of public funds, the number of forensic investigations and special audit requests from stakeholders has been steadily increasing. During the year, a separate directorate for Forensic Investigations and Information Technology was established to audit all risky government entities, conduct forensic audit investigations in identified areas, special audits and the audit of Government information technology infrastructure and systems.

In the period under review, the directorate planned to conduct a total of 13 forensic investigations and IT audits. By 31st March 2014, the directorate had completed and reported on 6 financial audits, 2 IT audits and 2 special audits. The audits were reported on under the Volumes 2, 3 and 4 of the Annual Report of the Auditor General for the year ended 30th June 2013.

In addition, 10 forensic examinations of case files forwarded by the Criminal Investigations and Intelligence Directorate of the Uganda Police Force were also handled by the Directorate, while another 6 forensic investigations were still on-going by 31st March 2014.

2.3.2 Audit of Central Government Entities

The audit covered 106 MDAs and 57 projects, while 5 project audits were in progress.

Summary of Major Findings

- The Constitution of the Republic of Uganda 1995 (as amended) requires the Public Service Commission (PSC) to consist of a chairperson, Vice chairperson and seven members appointed by the president. However, it was noted that all the nine (9) commission member's contracts had expired and the commission activities were at a standstill. Without a constituted commission, recruitments, promotions and handling of disciplinary cases under Government entities could not take place. This has greatly affected service delivery in the MDA's. There is need to urgently put the commission in place.

- The Parliamentary Public Accounts Committee recommended that UNRA harmonizes with OAG the variation of price (VOP) position on all contracts where anomalies had been noted. By the time of writing this report (31st March 2014), this exercise was underway and the VOP position for two contracts had been ascertained by the two parties. The joint verification exercise established that a total of Shs.33,207,607,133 had been certified as excess in respect of these two contracts.
- Despite adopting the commitment control system, the total value of domestic arrears payable have continued to increase over the years as shown in the table below:-

Table 1: domestic arrears for the last three years

Details	Amounts (UGX)		
	2010/2011	2011/2012	2012/2013
Domestic arrears	473,654,629,150	763,186,161,377	1,127,241,181,530

The current status shows a steady increase in the domestic arrears figures, clearly indicating that the current approaches to address the problem are not working. The debt figure may become unmanageable,

as it appears to be spiralling out of control.

- A total of UGX.32,353,289,676 and Euros.2,474.05 was paid to various contractors for works that had not been executed. Of this amount, UGX.1,289,505,648 was for works not executed and UGX.31,063,784,028 for costs that should have been avoided, if proper contract management procedures had been followed.
- In my previous year audit report, I observed that a number of Accounting Officers were paying various irregular allowances such as: consolidated allowances, weekend allowances and monthly allowances to cater for extra income for staff. During the year under review, several MDAs continued with this practice and paid periodic consolidated allowances to staff with no proper justification as these were not activity based, rendering such a practice irregular. The Ministry of Public Service indicated that it was currently discussing options to motivate public Officers given that government had failed to implement the pay policy of 2006 due to financial constraints.

- I advised the Accounting Officer to ensure that this matter is comprehensively addressed since it is affecting the whole service. It is important that the Ministry of Public Service (MOPS) and Ministry of Finance Planning and Economic Development (MoFPED) explore options and propose to government a viable course of action to address the pay issue and stop the payment of consolidated allowances outside the provisions of the Standing Orders.
- Expenditures from various entities totaling to UGX.97,896,448,777 were charged on items which do not reflect the nature of the expenditure. Such a practice impacts on the credibility of the financial statements, since the figures reported therein do not reflect true amounts expended on the affected expenditure items. I however, noted an improvement where by the previous year's mischarges amounted to UGX.256,976,089,113. There is still need for Accounting Officers to enforce strict adherence to the provisions regarding reallocation of funds.
 - A number of Accounting Officers advanced a total sum of UGX.16,284,144,090 to their staff, through their individual personal accounts. I noted a reduction of 76% as compared to the previous year amount of UGX.67,085,008,004. Although there has been an improvement in absolute terms, I advised the Accounting Officers to avoid the practice as it is contrary to regulations, highly risky and exposes government funds to loss since Accounting Officers have no control over individual's bank accounts.
 - A total of UGX.65,862,390,381 advanced to staff to carry out activities in various entities remained un-accounted for by the time of audit contrary to the Public Finance and Accounting Regulations. Delays in accounting for funds may encourage falsification of documents.
 - During the year under review, a total of UGX.49,816,466,501 was repaid to various development partners, as a refund for their misappropriated funds that had occurred in the Office of the Prime Minister, during the previous financial year. It was noted that although government obtained a supplementary appropriation for the

refund in question, there is need to ensure that the appropriate organs of government follow up this matter in order to eventually recover the funds from the responsible officials.

- Review of the Government Loan portfolio revealed that as a result of low levels of loan disbursements, these loans were attracting high commitment fees which could have been avoided. This is because, the more money that remains undisbursed, the more commitment fees that accrues from such a loan. Accordingly, commitment fees paid during the year 2012/2013 have increased by 40% from UGX.9.023 billion in 2011/2012 to UGX.12.7 billion in 2012/2013.
- It was observed that the judiciary has key vacant positions that are likely to affect the provision of judicial services. These vacant positions noted include that of the Chief Justice and head of Court of appeal, 8 Justices of Court of appeal, 4 Justices of the Supreme Court and 8 High Court Judges. There is an urgent need to have the vacancies filled.
- In August 2010, the Ministry of Public Service (MoPS) engaged a

consultant to conduct a comprehensive review and restructuring of Government Ministries, Departments and Agencies (MDAs), aimed at addressing structural redundancies, inconsistencies, weaknesses, duplications and performance gaps in key service delivery sectors of Government. However, two and a half years later in April 2013, the Ministry of Finance Planning and Economic Development informed MoPS that the recommendations of this exercise could not be implemented as a result of budget constraints. Accordingly, the Ministry and other MDAs were unable to implement the recommendations of the review and restructuring exercise and this has impacted on their ability to perform efficiently and effectively.

- During the year under review, a number of MDAs did not remit taxes amounting to UGX.28,306,339,889 contrary to the requirements of the Income Tax Act. This unpaid tax included UGX.26,890,278,456 relating to WHT deductions from payments to suppliers UGX.116,155,137 PAYE and VAT UGX.1,135,189,149. The failure to deduct and remit taxes directly

impacts on collections by the Uganda Revenue Authority.

- Tax refunds totalling UGX.49,056,655,413 are due on behalf of Ministry of Finance Planning and Economic Development. The refunds arise from tax incentives to various entities; however, the ministry lacks documented criteria in selecting and approving the tax incentive beneficiaries. There is need to streamline this process by providing clear guidance to avoid biased selection of beneficiaries.
- A total of UGX.231,426,034,484 was spent by various government Ministries, Departments and Agencies on repairs and maintenance of motor vehicles without technical pre and post inspections to determine the extent of the defects on the vehicle and thus the repairs required. This was attributed to lack of proper guidelines on how this activity was to be carried out. Lack of technical pre-repair and post repairs inspections/certificate of completion exposes the entities to risks of loss of funds through over invoicing, payment for no work done and recycling of old parts by the garages. During discussions with the

Accounting Officer of MOWT, I advised that the ministry expedites the review currently being undertaken regarding the motor vehicle repairs and maintenance guidelines to enable Accounting Officers comply with the requirement.

- Uganda Road Fund Act required management to collect road user charges. However, Uganda Revenue Authority is collecting this revenue on their behalf and remitting the funds to the UCF. Due to this conflict, the management of URF has failed to operationalise the provision of the Act which hampered the activities of other entities.
- In support to the Agriculture Sector value chain (Textile sub-sector); Government has been paying import taxes on raw materials. It was noted that two companies instead imported semi/finished textiles (Bed sheet material, Bales polyester and viscose rayon staple fibre, cartons polyester viscose, texturized yarn and polyester bed sheet material etc.). A total of paid UGX.642,902,785 as taxes for these imports. This is against the purpose for which the incentive was established.

- Uganda Good Governance (UGOGO) under judiciary planned to spend UGX.4,018,000,000 to undertake various activities during the year. The records regarding the receipts of expenditure and details of activities undertaken were not accessed. Discussions with management revealed that the Accounting Officer does not have control over the project and despite the intervention of the PS/ST, the project management remains outside the set recommended government structures. There is need to have the operations of this project streamlined to enable proper government operation and scrutiny.
- I observed that only 28 out of the 230 prisons found country wide had water borne toilets. The prisoners continue to use the bucket system as a toilet facility. This system is not only unhygienic but also humanly degrading. The Accounting Officer indicated that in order to address the issue, Uganda Prisons Service requires UGX.2.64 billion to improve the living conditions of the prison community. Government should consider providing resources for this activity.
- The arrears figure for court awards and compensations rose by 200% from UGX.82b in the year 2011/12 to UGX.164bn in the year under audit. This raises the question of the extent to which government is making efforts to minimize court awards and compensations. Discussions with the Accounting Officer attributed this to laxity on the part of the concerned entities to provide the necessary information for the cases. He further stated that it was important for government to decentralize the payments of court awards and compensations to the entities where the causation of the award/compensation is. This would enable linkage of payment/loss directly with the cause of the loss and would resultantly enhance accountability.
- It was observed that a number of Government contracts/projects for a total of UGX.99,768,530,540, Us\$.8,688,122.11 and Euros.940,720 that had been ongoing or were started during the financial year lagged behind schedule or demonstrated signs of failure. It was noted that a number of these contracts/projects had exceeded their completion dates while others

had been abandoned. There appeared to be inadequate supervision by the responsible entities and laxity in enforcing contract terms. This could have resulted into losses to Government and failure to achieve the objectives for which such contracts/projects were entered into.

- Government owns land through a number of Government entities. These entities are however facing challenges of protecting this land from illegal claimants/encroachers. The challenges include lack of titles and the inability to physically secure the properties due to inadequate resources. The most affected institutions are NARO, LDC, Prisons, Gulu University, and NAGRIC among others. Firm action to protect and secure government land needs to be undertaken.
- I observed that a number of Government assets that are not in use or require repair have remained idle in stores or garages. This leads to further loss and in certain instances theft of parts of these items. There is need to adhere to the recommendations of Board of

Surveys in order to dispose off the uneconomical assets.

- There has been continued deterioration of Government properties/Buildings due to inadequate maintenance. The most affected are the police, prisons, Judiciary, NARO, UBC, Health and Missions abroad, which have structures that require major overhauls or maintenance. The Accounting Officers attributed this to inadequate allocation of capital development fund to address the matter. There is need for Government to deliberately address infrastructure needs of Government agencies.
- UGX.294,721,969,000 was spent under Uganda Global Fund to fight Aids, Tuberculosis and Malaria Project –Malaria Round 10 component. The amount was meant for medicines and Pharmaceutical products and equipment and for procurement supply and chain management. Records on the utilization of the funds were not availed for audit.
- Parliament appropriated a total of UGX.10.769 trillion for MDAs during the year under review. However, a

total of UGX.8.246 trillion was actually released leading to a shortfall of UGX.2.523 trillion (23% of the budget). A total of 66 government entities were affected.

- I noted that there were several inter project borrowings and these borrowings involved donor funded projects while others were

Government of Uganda projects. For Instance in UNRA and MOLG the borrowings amounted to UGX.189,122,590,242 and UGX.916,601,532 respectively. Although in most cases funds would be refunded, this practice could lead to delays in implementation of Government projects.

2.3.3 Audit of Statutory Authorities

The audit covered 75 statutory bodies and 18 projects. At the time of reporting, 4 audits were in progress.

Summary of Major Findings

- Uganda Communications Commission (UCC) is charged with implementation of the Digital Migration policy. The migration process from analogue to digital broadcasting was planned to last about two and half years effective July 2009 and the national broadcasting digital signal coverage would be covering 50% of the population by 2010, 80% of the population by 2011 and close to 100% by 2013 at which stage the analogue signal would be switched off. A review of the progress revealed that the commission was unable to complete the tasks despite a substantial investment of

UGX.9,406,880,719 during the financial year.

- It was also noted that URA has Memoranda of Understanding (MOUs) with various individual tax payers. The arrears of taxes under this arrangement increased from UGX.8,153,545,149 in the previous year to UGX.37,194,597,895, in the current year. Five (5) companies alone accounted for 77.90% of the total debt. There is a risk of defaulting by the taxpayers.
- Good corporate governance practices require the existence of a properly filled governance structure that provides a mechanism for

formulation and implementation of policies, decision making and monitoring of actions within corporations. It was noted however that a large number of corporate entities did not have governing boards/councils that were operating effectively. There were entities without strategic plans, failure to institute key operational policies and weak internal audit departments. In the circumstances, the entities operated without oversight and strategic direction and this affected achievement of national objectives.

- Review of the staffing status of a sample of 18 statutory authorities revealed that out of the establishment of 1,870 positions, only 1,164 are filled leaving 706 vacancies. This represented 38% understaffing, which has the effect of demotivating the overworked staff and constraining service delivery. I have advised management of the entities to continuously review their staffing needs and sequence recruitments in accordance with identified priorities.
- The National Forestry Authority (NFA) had 45 cases pending in court as of 3rd May 2013. The matters in

contention included; Encroachment on forest reserves, land ownership disputes, alleged impounding of timber, illegal erection of masts, unlawful evictions and boundary conflicts among others. During the year the entity paid UGX.861,539,549 and accrued UGX.1,312,682,451 in legal expenses and court wards. I have advised management that a sustainable solution to the court cases would involve properly demarcating the central forest reserves and liaising with all stakeholders to address the matter.

- MDAs continue to experience poor management of assets manifested in inadequate fixed assets registers and undocumented usage of government vehicles. As a result, valuation and maintenance of the assets remains a challenge. Vehicle maintenance costs are not regularly assessed and remain high. I have advised the affected entities to ensure Fixed Asset Registers are maintained and updated regularly. Vehicle repairs should be properly regulated by way of prior assessment of required repairs and post verification of repairs carried out.

2.3.4 Audit of Local Authorities

The audit covered 834 Local Authorities, 2 projects and 13 special audits. By the time of reporting, audit of 332 Lower Local Governments, 200 schools and 1 project was in progress.

Summary of Major Findings

- It was noted that the Ministry of Public Service erroneously remitted a sum of UGX.6,933,851,159 in respect of Local Service Tax to 47 Local Governments instead of UGX.207,930,000 resulting into excess payment of UGX.6,725,921,159. The cause of the error requires investigation.
- There were discrepancies of UGX.17,995,491,792 between the funds indicated as transferred to the Local Governments by Ministry of Finance, Planning and Economic Development and what was reported in the final accounts as received by the Local Government.
- 24% equivalent to UGX.12,484,063,336 of the budgeted local revenue by the Local Governments was not realized. There is need to involve the communities in tax planning and administration of local revenue to enhance revenue collections. In addition there is also need to strengthen controls relating to collection of these revenues.
- There were instances of Irregular imposition of development tax on contracts by some Local Governments in a bid to increase the level of local revenue, without approval of the Minister for Local Government contrary to the regulations. There is a risk that such charges could compromise on quality of works and increased costs of service delivery.
- Expenditure amounting to UGX.17,040,364,920 was identified as funds un accounted for. There is need for Accounting Officers to enforce controls relating to financial management and accountability.
- A lot of investments in terms of computers and related software and accessories have been undertaken in Local Governments without man power and proper procedures to manage these equipment. There is a risk of wastage in the absence of such measures. The Ministry of Local Government should liaise with the Ministry of Public Service to address this challenge.

- The trend of understaffing in Local Governments has not decreased. This impacts negatively on the expected service delivery to the local communities. Our review indicated that under staffing ranges from 7%-86%. The Ministry of Local Government should continue to liaise with the Ministry of Public Service and that of Finance Planning and Economic Development to address the challenge.
- There were a number of cases where land on which some Local Governments' facilities are located, is in dispute. There is urgent need to obtain title deeds for all the land owned by the Local Governments to safeguard against loss of Public property.
- The inspection of Universal Primary Education Schools revealed challenges arising from under funding. These include among others inadequate classrooms, latrines, teachers and dilapidated infrastructure. These challenges require urgent attention by all the stake holders.
- There were procurement anomalies noted relating to non-availability of procurement files, breach of procurement procedures, unauthorized variations and inadequate contract management amounting to UGX.18,264,166,478. These could have contributed to the instances of incomplete works and shoddy works noted.

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 endeavor to evaluate if activities, programs or projects involving public funds in audited organizations have been managed and conducted with due regard to economy, efficiency and effectiveness. During the FY 2012/2013, the VFM audits were conducted in accordance with the International Organizations of Supreme Audit Institutions (INTOSAI) standards.

The Directorate carried out eleven (11) VFM audits in various sectors during the year. In addition 6 specialised engineering audits were undertaken and the detailed reports are to be issued separately and summarised under Volume 2 of the Annual Report to Parliament. The audits undertaken include;

Value for Money Audits

- Revenue Forecasting by Ministry of Finance, Planning and Economic Development.
- Regulation and Monitoring of drilling waste in the Albertine Graben by NEMA.
- Gender Mainstreaming in the Water Sub sector.
- Implementation of the Infrastructure Component under the Markets and Agriculture Improvement Project.
- Management of the Loan Portfolio by Micro Finance Support Centre.
- Implementation of Water for Production programme by Ministry of Water.
- Management and Handling of Child Adoption Process in Uganda.
- Implementation of the Agriculture Credit Facility.
- Implementation of the Vegetable Oil Development Project.
- Implementation of the Fuel Marking Programme.
- Production of Indices by the Uganda Bureau of Statistics.

Specialised Audits

- Road and Bridge Contracts implemented by Uganda National Roads Authority (UNRA);
- Road and Bridge Contracts implemented by Ministry of Works and Transport;
- Road and Bridge Contracts implemented by Kampala City Council Authority (KCCA);
- Road Maintenance Contracts under the District Livelihood Support Programme;
- Construction of Chieives' Houses, health Centers and other Facilities under the Office of the Prime Minister;
- Construction of fish landing sites under the fisheries development project in the Ministry of Agriculture, Animal Industries and Fisheries.

Summary of Major Findings

- **Revenue Forecasting by the Ministry of Finance, Planning and Economic Development**

Revenue forecasts are predictions of future funding availability, given a set of assumptions about future scenarios. There has been tremendous improvement towards financing of the country's national budget using domestic revenue

which currently stands at approximately 80% of the National budget. However, an assessment of the effectiveness of the tax revenue forecasting process revealed that there is lack of formal rules and hence a well-structured process to guide the revenue forecasting process.

There was no documentation to explain how the revenue forecasting process was done and how tasks and timelines were set. The lack of a formal process of revisions also casts doubts on the validity of the forecasts and may expose them to discretionary adjustments. This affects the accuracy of the forecasts and poses difficulty in the assessment of the performance and viability of the forecasts. The revenue forecasts were limited in scope to only the Central Government operations which only include tax revenue forecasts. The Local Government operations and some Non-Tax Revenue were not included in the revenue forecasts because of mandates given to the Local Government through various legislations. Gaps of coverage in revenue forecasts mean that the Government and public lack a clear picture of the overall resources available to the country.

In addition the models used by MoFPED to forecast revenues and GDP were not robust enough to achieve the comprehensiveness required in revenue forecasting. In the absence of clear documentation and publication of processes and data/models used, the forecasts fall

short of assuring the public of the credibility of the revenue forecasts.

- **Regulation and Monitoring of Drilling Waste Management in the Albertine Graben**

The audit of the regulation and monitoring of drilling waste management in the Albertine Graben established that although NEMA has made positive strides in ensuring effective and sustainable management of drilling waste in the Graben, some weaknesses were still noted as follows:-

- The existing regulations and guidelines on waste management are inadequate and do not address storage, treatment and disposal of drilling waste.
- Supervisory and monitoring activities of drilling waste in the Albertine Graben is still limited by the inadequate staff and inadequate environmental monitoring by District Environment Officers and limited coordination by NEMA of the multi-sectoral agencies in the environment pillar.
- The current waste management practices expose a larger part of the

Albertine Graben to potential environmental risks which would have been avoided if treatment and disposal had been done immediately. These practices are also not sustainable and economically viable since the companies are running out of space for consolidation and it will cost the government twice in terms of paying for both the treatment and disposal of the drilling waste.

These need to be addressed if sound and prudent use of the environment and natural resources (oil and gas) in Uganda is to be achieved.

- **Management and Handling of Child Adoption Process in Uganda**

It was established that the Ministry responsible for youth and children (MOGLSD) had not developed guidelines to govern Legal

Guardianship. As a result, the courts continued to rely on their discretionary powers to exercise judicious decisions on matters relating to child adoption. Prospective adoptive parents that do not meet the eligibility requirements for gaining legal custody of children under the children's Act are finding it easier to use legal guardianship orders. There were gaps in the performance of probation and welfare Officers in the adoption process. It was noted that districts did not prioritize activities on social welfare and children matters. On average, less than 0.02% of the total budget was allocated to District Probation and Social Welfare Officers. As a result, the government's alternative care framework has remained an idea on paper and has not been implemented since the persons entrusted with the implementation have grossly neglected their roles.

3.0 Performance of the Corporate Services Function

The corporate services function supports the external audit function by managing financial, human resources, administrative, quality assurance, legal services, communication and stakeholder engagements, Parliamentary liaison and general office operations through the following departments and units: Human Resource Management and Development, Finance and Administration, Information Technology, Quality Assurance and Audit Development, Parliamentary Liaison, Executive Support, Internal Audit and Risk Management, Legal Unit ,

Communication and Public Relations, Procurement and Logistics. The subsequent sections highlight the achievements during the year.

3.1 Human Resource Management and Development

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

3.1.1 Staff Training and Development

The office finances its capacity building programs from two main sources: Government of Uganda and Development Partners. During the period under review a total of 504 staff were supported through training in various areas, which included; 30 staff training in professional courses (ACCA, CPAU, CISA and CFE), 17 staff for career development courses (4 for Master’s Degree, 3 for Post Graduate Diploma and 9 for Bachelor’s degree) and 457 staff for skills enhancement trainings.

At the time of reporting a total of 3 Officers (10%) had completed CPAU, while 27 staff (90%) were still continuing with professional studies. The number of professionally qualified staff increased by 4% from 102 in 2013 to 106 in 2014 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
2012/2013	98	4	102
2013/2014	102	4	106

In regard to career development courses, 2 staff (22%) had completed career development courses while 15 (88%) were continuing with their studies.

Under skills enhancement, of the 457 staff trained, 27 staff were trained abroad and 430 locally. The training covered various areas; engineering audits, VFM audit module 3; IT Audit, use of Regulatory Audit Manual, VFM audit, electronic records management, induction for new Audit staff, assessment of Private Public Partnerships, facilitation of management development

programme, professionalisation of SAIs , use of forensic audit manual, use of econometrics, AFROSAI-E technical update, communications management, media interviews and communication for Top management, continuous professional development workshop for procurement Officers, IT capacity building workshop, continuous professional development workshop for ACCA, ISACA East African Information Security, FIDIC 1999 conditions of contract training module, audit of oracle database security and controls, strategic Human Resource Management and Oil and gas audit. In an effort to efficiently manage the training budget, 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 organizations and SAIs abroad, as well as workshops and seminars.

3.1.2 Staff Performance Appraisal

The office is currently using the main public service performance appraisal tool. Accordingly 253 (57.8%) out of a total of 438 staff were appraised, while 91 (20.8%) were still in process of completion by the time of reporting while 94 (21.4%) were new and not eligible for appraisal. The formal appraisal feedback was also provided to all staff who were appraised. In line with strategic objective 4, "to attain higher organizational Performance", the office developed and adopted a new Performance Management Tool for use in the subsequent periods.

3.1.3 Staff Recruitment, Confirmation, Promotion, Transfer and Turnover

Due to financial and accommodation constraints, the office is implementing the approved staff structure in phases. The office recruited 94 staff comprising of 85 Auditors, 2 Accountants, 1 Accounts Assistant, 1 Driver, 2 Executive Assistants and 2 Pool Stenographers. During the period of review, 6 staff were confirmed.

The office promoted 72 staff while 44 staff members were transferred internally.

In addition, a turnover of 31 staff members comprising of 9 audit staff and 22 non audit staff was realised due to normal retirement, voluntary retirement, transfer of service to mainstream public service and the office lost 1 staff due natural death. May the Almighty God rest her soul in eternity. The office has been implementing its approved structure in phases. At the time of reporting, 438 positions out of 528 positions representing 82% of the approved structure were filled.

3.1.4 Human Resource Policies

During the Audit Year, the OAG Human Resource Manual, 2013 was approved and its implementation is on-going.

3.1.5 Staff Welfare

The Office of the Auditor General continued with the implementation of the medical health care scheme introduced in the year 2011 which covers all employees, their spouses and a maximum of three other dependents. The scheme also covers all staff members living with HIV/AIDS, as well as those with life threatening illnesses. In addition, the office continued with its group life assurance scheme which provides group life cover.

3.2 Finance and Administration

3.2.1 Financial and Operational Independence

To achieve corporate plan objectives 3 and 4, of "strengthening financial and operational independence of the Office of the Auditor General" and "attaining higher organizational performance", the office commenced the preparation of the Finance and Accounting Manual in the FY 2012/13. At the time of reporting, the final draft of the Manual was complete and awaiting review and approval. The office can now produce its own rules and procedures to its satisfaction and that of stakeholders, thus providing operational independence and promoting an internal culture of quality financial management.

The office complied with Government financial regulations and submitted the following to the relevant authorities: Annual Financial Statements for the FY 2012/13, Annual Government Performance Report for the FY 2012/13 and the Semi-Annual Government Performance Report for the FY 2013/14, Semi-Annual Financial Statements for the FY 2013/14, Budget Framework Paper and Preliminary Budget Estimates for the FY 2014/15. The office also updated the Assets Register as at 30th June 2013. In order to ensure effective participation of key stakeholders in the planning process for the FY 2014/15, the office held a high Level planning meeting and a budget conference. All relevant progress reports were produced and submitted timely. This enabled the office to live by example in ensuring transparency and accountability for the appropriated resources. In accordance with the AFROSAI-E planning guidelines for Supreme Audit Institutions, the office prepared an Annual Operational Plan for the FY 2014/15.

The office is committed to providing a conducive and secure working environment for all staff. During the year, the office planned to renovate 3 regional Offices in Masaka, Jinja and Fort Portal districts, acquire 4 motor vehicles and an assortment of furniture. At the time of reporting an assortment of furniture had been delivered, renovation works at the three regional Offices were in progress while the contract for the supply of 3 motor vehicles had been awarded. The office has a challenge of inadequate transport facilities. It has a fleet size of 50 operational vehicles of which 52% are due for disposal. As a result, the office is incurring high operation and maintenance costs on such vehicles. To minimise such costs, there is need to replace obsolete vehicles and increase the fleet size to meet the office demand for field vehicles. This will ultimately increase audit coverage, improve quality and timeliness of audit reports and reduce the rate of accumulation of audit backlogs.

Under FINMAP, the office prepared and submitted the Component work plan and budget estimates for the FY 2013/14 and three quarterly progress reports to Management Support Unit (MSU). In addition the office participated in all FINMAP III design activities and was fully represented in the Public Expenditure Management Committee (PEMCOM). 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.

3.2.2 Budget Performance

In accordance with Section 33 of the National Audit Act, 2008 and Section 5 of the Budget Act, 2001, Office of the Auditor General prepared and submitted for approval to Parliament, a total budget of UGX 88.767bn including a funding gap of UGX 27.561bn. Parliament subsequently approved a total budget of UGX 61.606bn for the Financial Year 2013/14 including taxes. In addition, the office had a component budget of UGX 2.277Bn under Financial Management and Accountability Programme (FINMAP) and UGX 0.980Bn under Irish Aid for capacity building.

As at 31st March 2014, a total of UGX 53.248bn representing 86.4% of the approved GoU budget was released. Under FINMAP, the office got a release of UGX 1.834Bn (81%) from the FINMAP approved component budget of UGX 2.277Bn. In addition, the office got a release of UGX 0.980 Bn from Irish Aid representing 100% of the approved budget.

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

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

Budget Type	FY 2012/13		FY 2013/14		MTEF Projections	
	Approved	Actual Outturn	Approved	Outturn as at 31 st March 2014	FY 2014/15	FY 2015/16
Recurrent	38.204	38.023	43.410	35.293	40.746	42.932
GoU - Development	20.720	20.271	18.196	17.955	0.860	0.725
Total	58.924	58.294	61.606	53.248	41.606	43.657
FINMAP	3.342	0.590	2.277	1.834	-	-
Irish Aid	-	-	0.980	0.980	-	-
Total	62.266	58.884	64.863	56.072	41.606	43.657

3.3 Information Technology

Information and Communication Technology (ICT) development is considered a critical requirement for the OAG in attaining higher organizational performance and improving on the efficiency and effectiveness of internal and external communications.

Following the recruitment of new staff that the office planned for, it procured and issued 80 laptops to improve staff productivity on the Office Audit Management System, TeamMate. The procurement process for an additional 75 laptops and 5 projectors was in progress. The laptops are to replace the existing obsolete laptops while the projectors are expected to improve on training and presentation capability.

The office also upgraded its centralized power backup systems to replace the aging system that was procured in 2006. This has led to stability of OAG critical systems and improved efficiency.

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

3.4 Technical Support Services

To achieve objective 1 of the OAG corporate plan, “to improve on the quality and impact of audit work so as to promote increased accountability, probity and transparency in the management of public funds”, the office is focused on enhancing the audit production processes and report

utilization by stakeholders. In this regard the units of Quality Assurance and Audit Development, Parliamentary Liaison and Executive Support were upgraded to departments. The subsequent sections present a snapshot of the achievement of the three departments during the year under review.

3.4.1 Quality Assurance and Audit Development

During the year, the office planned and achieved the following: a draft of the Quality Control Manual was under review, eight hot reviews of pilot projects implementing ISSAIs were in progress and a report will be produced by end of April 2014, a methodology for audit of small entities was developed and approved, a review on the extent of the use of teammate programs and procedures was carried out and a report produced and three teammate libraries covering Local Authorities, Central Government and Value for Money audits were updated.

Following approval of the Regularity Audit Manual in the FY 2012/13, the department facilitated a training programme on the use of the manual which commenced in the FY 2013/14

3.4.2 Parliamentary Liaison

The Department of Parliamentary Liaison was established to enhance coordination, follow up and documentation of issues that arise during all PAC sessions.

Support to Oversight Committees of Parliament

In accordance with Article 153 of the Constitution of the Republic of Uganda, Parliament through its oversight Committees, perform 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 Accounts Committee (LGPAC) for Local Governments and the Committee on Commissions, Statutory Authorities and State Enterprises (COSASE).

The Department of Parliamentary Liaison was established to enhance coordination, offer technical guidance, follow up and document issues that arise during all PAC 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.

The Office of the Auditor General is required to maintain a strong relationship with the relevant Parliamentary committees in compliance with ISSAI 20, Principle 7. This bond enables the Committees to appreciate and understand the audit reports, and enable them to take the most appropriate action under the prevailing circumstances.

During the year under review, the Department of Parliamentary Liaison provided technical support to the Public Accounts Committee by designing a strategy which enabled discussion at once of two audit reports for each entity for Financial Years 2010/11 and 2011/12 in order to clear the backlog.

The Parliamentary Liaison team also provided technical support to all the Accountability Committees of Parliament during discussion of audit reports and preparation of reports to the plenary. By March 2014, the Public Accountability Committee (PAC) had held 124 sessions and discussed 65 reports representing 87% of the 72 reports it had planned to discuss. The committee discussed 13 reports for foreign missions in Africa and Canberra for Financial Year 2011/12 and at the time of reporting, the committee reports to the plenary were being prepared and they are expected to be concluded by the end of May 2014. In addition, the committee prepared and submitted to Parliament four reports on Office of the Prime Minister, Compensation to Dura Cement, Compensation to Beach side Development Services (NFA) and Jinja-Bugiri road. At the time of reporting, three of these reports had been adopted by Parliament.

In respect of the Committee on Commissions, Statutory Authorities and State Enterprises (COSASE), the team provided support to forty six (46) sessions in which 17 reports representing 24% of the 72 reports it had planned to handle, ranging from Financial Years 2004/05 to 2011/12 were discussed. Three reports on Uganda Revenue Authority, Uganda Investment Authority and Uganda Development Bank were prepared and presented to the floor of Parliament. The rest are in draft form and have been handed over to the new leadership.

The Local Government Public Accounts Committee (LGPAC) discussed 33 out of 304 entity reports representing 11% of reports for FY 2010/11 were discussed. The committee also discussed the value for money audit reports on Feeder roads and NAADS programme that were conducted in selected districts. The committee further managed to finalise reports for 61 entities in respect of FYs 2008/09 and 2009/10, and tabled them to Parliament. Twelve of the reports had been discussed and adopted by Parliament.

Provision of International Support

The Department of Parliamentary Liaison also participated in the SAI PAC Communication training which was initiated by AFROSAI-E in 2012. During the year, the Manager Parliamentary Liaison jointly facilitated the training of staff of Office of the Auditor Generals in Kenya, Uganda and Zimbabwe. Twenty five staff members in each of these SAIs were trained in the SAI PAC Communication using the Tool Kit.



Mr. Okecha Casiano (first row, second from left) with staff of Office of the Auditor General, Zimbabwe at the close of SAI PAC Communication Tool kit training in November 2013.

Participation in East African Association of Public Accounts Committee (EAAPAC)

The Auditor General and Manager Parliamentary Liaison attended a five day workshop of the 7th Annual Conference and General meeting of EAAPAC, in Juba South Sudan, where the Auditor General made presentations to the conference.

At the end of the conference, resolutions were adopted 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.

3.4.3 Executive Support and Stakeholder Engagement

During the year the office undertook to produce and disseminate abridged versions of the OAG reports based on sectors. 16 sector audit reports were produced and they are yet to be disseminated. These reports are intended to:

- reflect sector wide challenges which have implications on achievement of the sector imperatives and the present challenges that the sector need to address in order to achieve agreed sector imperatives;
- provide an opportunity to link audit issues raised in the sector resource management to objectives set by the sector which, if not addressed, may continue to impact negatively on service delivery within the sector;
- accord the sector institutions the opportunity to match their individual audit concerns against jointly agreed sector priorities;
- reinforce the concept of joint responsibility and opportunity for sector institutions to support each other and benefit from group synergy in the implementation of audit recommendations to ensure that the achievements of the sector imperatives are not jeopardized as a result of a member institution's failure to play its role in the implementation of audit recommendations.

During the year, a backlog of 925 out of 1,211 Lower Local Government audit reports were processed and disseminated to audit entities in an open manner that engaged key local government stakeholders. In addition, 9 regional audit reports and 600 copies of extracts of Key audit findings were prepared and disseminated to stakeholders. During that interaction, they were requested to take up and follow matters raised in the audit reports. This approach received overwhelming appreciation from the stakeholders who encouraged the Auditor General to maintain the engagement.

The department participated in the prequalification process of private audit firms that conduct audits on behalf of the Auditor General and also provided support to the outsourcing committee that outsources audit firms to conduct audits on behalf of the Auditor General.

To widen public accessibility of the Auditor General's audit reports at minimum cost, the office reduced production of hard copy of audit reports and instead increased dissemination through

uploading audit reports onto the OAG website and distribution through less costly compact disks (CD) to stakeholders.

During the year, the office also participated in the legal drafting of the 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) under Inter Agency Forum coordinated by Office of the President in the Directorate of Ethics and integrity and all the quarterly Inter agency Forum (IAF) meetings.

In addition, the department participated in the training of Northern Uganda anti-corruption coalition in Gulu-March 2014 and a field consultative meeting and follow up on issues of service delivery in Rwenzori sub region in the four districts of Ntoroko, Bundibugyo, Kamwenge and Kabarole, in July 2013.

The office was effectively represented in the bi-monthly Anticorruption public Private Partnership (ACPPP) meetings. This is a collaboration framework developed between the Government and Non state actors to promote effectiveness and minimize duplication of efforts and resources in the fight against corruption and rebuilding of ethics and integrity.

3.5 Internal Audit and Risk Management

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

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

The final draft Internal Audit Function Charter was completed and awaits management's approval. The unit produced three quarterly internal audit reports, the forth was being concluded; and 4 special investigations reports were completed and submitted for action. Proactive preventive checks and verifications were carried out including on monthly payroll and deliveries to stores respectively. In addition, the OAG payroll was reviewed and all deliveries to the stores witnessed.

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

3.6 Legal Services

The OAG Legal Unit was once again recognized 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 2014.

The Unit provides useful, accessible, and timely legal advisory services to the Auditor General and the OAG, and therefore plays a pivotal role in the execution of the Audit and Corporate functions. The Unit, with the assistance of external counsel, oversees all legal issues that arise against the Auditor General and the office, and effectively represents the Auditor General and the office on legal matters.

During the year, the Legal 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. The responsible field Auditor is usually summoned as a State witness in defence of the Auditor General's Report or the state. The cases in point are:

- 1) Uganda vs Dr. Agel Yovantino Akii & Anor; HCT-00-CO-CSC-203/2011 arising from a Special Audit Report on Capital Development Expenditure in Gulu Referral Hospital.
- 2) Uganda vs Dr. Mukisa Emmanuel & 3 ors, HCT-CO-ACD-00-CSC 192/11 arising from a Special Audit of Wakiso District Health Sector for the Financial Years 2008/09 and 2009/10.
- 3) Uganda vs Ocepa Geoffrey & 2 ors, CSC 52/2012 arising from a Special Audit Report on Apac District Health Department for the Financial Year 2009/10.
- 4) Uganda vs Tumukunde Gibson CRB280/2012 arising from a Financial and Engineering Audit of Ntungamo District roads.
- 5) Uganda Vs Mukalere Thomas & Anor Court Case No. 0175/2010 arising from the Special Audit of the Ministry of Works Payroll.

The Unit developed Governance Guidelines 2013, for the creation and operationalisation of Committees and Sub-committees in the OAG. These approved Guidelines provide guidance to members of staff of the various committees and sub-committees in discharging their respective

duties and creates a channel of communication for the necessary internal control and proper governance of the office.

The Unit also provides technical support to the following operational committees and sub-committees: Top Management Committee, Quality Assurance Committee, Outsourcing Committee, Contracts Committee, Human Resource Advisory Committee and the Infrastructure Committee. These committees and sub-committees assist the Auditor General in the performance of his administrative function.

In collaboration with the external counsel, the unit handles litigation against the Auditor General with regard to the Auditor General's Report recommendations and the OAG in as far as the corporate status as envisaged under the National Audit Act, 2008. The ongoing cases include;

- 1) Ocip Moses & ors vs Attorney General and Auditor General, Miscellaneous Application No. 060/2013 arising from the Auditor General's Annual Report for the year ended 30th June 2012.
- 2) Auditor General vs Ocip Moses & ors, Court of Appeal, Civil Application No. 52/2014 arising from Miscellaneous Application No. 060/2013
- 3) Godfrey Magezi vs Attorney General & 6 others; East African Court of Justice (EACJ) Ref. No. 5/2013 arising from the audited financial statements for National Medical Stores for the Financial Year ended 30th June 2011.

The Unit further engaged in the sensitization of 40% of audit staff on the approved policies i.e 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 upon request from the stakeholders these include; The Public Finance and Management Bill, 2013, The Public Procurement and Disposal of Assets Act, 2003 as amended and the Regulations, 2014, The Accountant's Act, 2013.

3.7 Communication and Public Relations

Communication is a fundamental part of any effective Supreme Audit Institution (SAI). It is a core strategic imperative for the Office of the Auditor General (OAG). For the work of the OAG to have impact, and to justify funding, there is a need to communicate the findings clearly to Parliament, the audit entities, wider stakeholders and to the public in general. Equally, there is need to communicate effectively to staff. Communication is one of the African Organisation of English-speaking Supreme Audit Institutions' (AFROSAI-E) strategic imperatives. This emphasizes

that maintaining effective and efficient external and internal communication is paramount to the success of a Supreme Audit Institution.

During the year, the OAG Communication Policy was approved. The Policy provides guidance and the manner in which the office communicates its operations internally and externally. The policy is envisaged to enhance fruitful and sustainable relations within the office and indeed with all OAG's valued stakeholders, providing exchange of information and feedback. In addition, the policy will enable the OAG to fulfill its strategic imperative under the AFROSAI-E capacity building framework on communication.

The Senior Public Relations Officer attended the annual Communication Management Workshop organized by AFROSAI-E in South Africa, as a facilitator.

With support from the Swedish National Audit Office (SNAO), the unit conducted media training for OAG Top Management in the areas of media interviews and communication with stakeholders. The Unit also facilitated media coverage for key events in the office, like the Norwegian Petroleum conference which was aimed at exploring ways to ensure accountability and transparency in Uganda's oil industry.

In order to streamline Corporate Social Responsibility (CSR) activities within the office, the Unit commenced preparation of a CSR Policy and at the time of reporting, the policy is awaiting approval.

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

To update staff on developments within the office, the Unit prepared and disseminated five bi-monthly Information flyers. In addition, staff members keep in touch and share information on developments within the office through the Intranet and the Website.

3.8 Procurement and Logistics (PDU)

Together with the Contracts Committee, the PDU is entrusted with managing the procurement and disposal function in the office.

During the year, as a statutory and compliance requirement, the unit prepared and submitted; the consolidated Procurement Plan for the Financial Year 2013/14 to MoFPED, and 9 monthly

procurement reports to PPDA. The pre-qualification list of providers for works, supplies and services for the FY 2013/14 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 updated.

4.0 International Relations

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

4.1 INTOSAI and IDI

INTOSAI is an organization or association of Supreme Audit Institutions (SAIs) of countries who are members of the United Nations. In October 2013, 4 delegates lead by the Auditor General attended XXI-INCOSAI Convention in Beijing China. During the Convention, INTOSAI Council appointed SAI Uganda to Chair a subcommittee on Knowledge sharing on Audit of Extractive Industries. The role of the Chair includes the following;

- The main task for the WGEI Chair is the initiating, planning and coordination of the Working group activities and projects on Extractive Industries. The Chair will ensure activities planning and coordination; focus on keeping the WG aligned with the INTOSAI Strategic Plan's Goal 3.
- To 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. The Chair is also responsible for receiving WGEI meeting minutes and communications, and displaying documents and relevant information on the WGEI Website.

- To be in charge of coordinating work with other INTOSAI bodies, so as to avoid overlap of activities on matters of common interest.

4.2 AFROSAI AND AFROSAI-E

AFROSAI is a continent-wide organization of Supreme Audit Institutions (SAIs) of Africa and a Regional African continental member of the INTOSAI. Through participating in the programs and events of AFROSAI-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.

During the year, staff from the office attended workshops organised by AFROSAI-E in the following areas; performance audit, audit of extractive industries, implementation of the regularity audit manual, quality assurance, technical updates, human resource management and development, and professionalisation of SAIs.

Staff from the Office of the Auditor General were outsourced by AFROSAI-E to facilitate during the SAI/PAC Communication Workshop in Harare -Zimbabwe and Kenya and the Human Resource Workshop in South Africa. In addition, one staff participated in the AFROSAI-E peer review in Mauritius,

As required by AFROSAI-E, in order to monitor progress in compliance with international standards, the office carried out the Institutional Capacity Building Framework (ICBF) assessment for the year 2013 and the report was submitted to AFROSAI-E in time.

4.3 Relationship with Other SAIs

The office signed memorandum of understanding with other SAIs aimed at strengthening technical cooperation. During the year, the Swedish National Audit Office facilitated 2 staff for experience sharing with SAI-Kenya, Tanzania and AFROSAI-E communication experts in Stockholm- Sweden. Another staff is attending international auditors fellowship program at the United States Government Accountability Office.

The Office of the Auditor General of Norway facilitated 5 staff for benchmarking and attending reviews on environmental audit at the National Audit Office Norway. 2 staff were also facilitated to attend a consultative meeting on how to organize and manage the Workgroup on the Audit of extractive industries.

In addition, the National Audit Office of Norway has been conducting joint reviews in audit of Oil and Gas whereas; the National Audit Office of Sweden conducted peer reviews on performance audits, provided guidance in quality assurance and Audit Developments and guidance on streamlining our archiving systems.

4.4 Professional Accountancy Organizations Development Committee (PAODC)

The Assistant Auditor General of SAI Uganda was appointed on the Professional Accountancy Organizations Development Committee of International Federation of Accountants (IFAC) for a term of three years up to 2016. During the period under review, the Assistant Auditor General attended one meeting that was held in March 2014.

IFAC is the global organization for the accountancy profession dedicated to serving the public interest by strengthening the profession and contributing to the development of strong international economies. The Professional Accountancy Organization (PAO) Development Committee focuses on addressing the challenges facing the development of strong professional accountancy organizations (PAOs) in emerging and developing countries.

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

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

As the current Vice Chairperson of the committee, the Auditor General attended all the four meetings during the year and is currently the

4.6 World Bank Multilateral Audit Advisory Group

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

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

4.7 International Consortium on Government Financial Management (ICGFM)

The ICGFM works globally with Governments, Organizations and individuals who are interested in developments in public financial management. The Consortium brings together diverse Government entities, Organizations and individuals who include financial management practitioners at all levels of Government. The office regularly facilitates staff to attend this conference.

4.8 International Delegations

Due to the improvements in the quality of performance and autonomy of the Office of the Auditor General, challenges faced by the office to cope with emerging accountability trends, the office has continued to receive several delegations on follow up of audits reports and sharing on how the office is combating the negative accountability trends. These include;

- a) A Delegation led by the Auditor General of Norway to attend a joint Conference on strengthening petroleum audits in the Office of the Auditor General Uganda.



The Outgoing Auditor General of Norway Mr. Jorgen Kosmo, centre addressing Top Management. On his left is the Auditor General of Uganda Mr. John F.S Muwanga

- b) A delegation from the Republic of Ireland led by the H.E Ambassador Anne Webster under Irish Development.



The Auditor General Mr. John F.S Muwanga signing a Memorandum of understanding with the Irish Ambassador to Uganda Her Excellency Anne Webster. The PSST Mr. Keith Muhakanizi and Mrs. Keto Nyapendi Kayemba, Assistant Auditor General look on.

- c) A delegation from Germany led by the Minister for Economic Cooperation and Development, Mr. Dirk Niebel, to discuss support requirements by OAG and cooperation mechanisms.



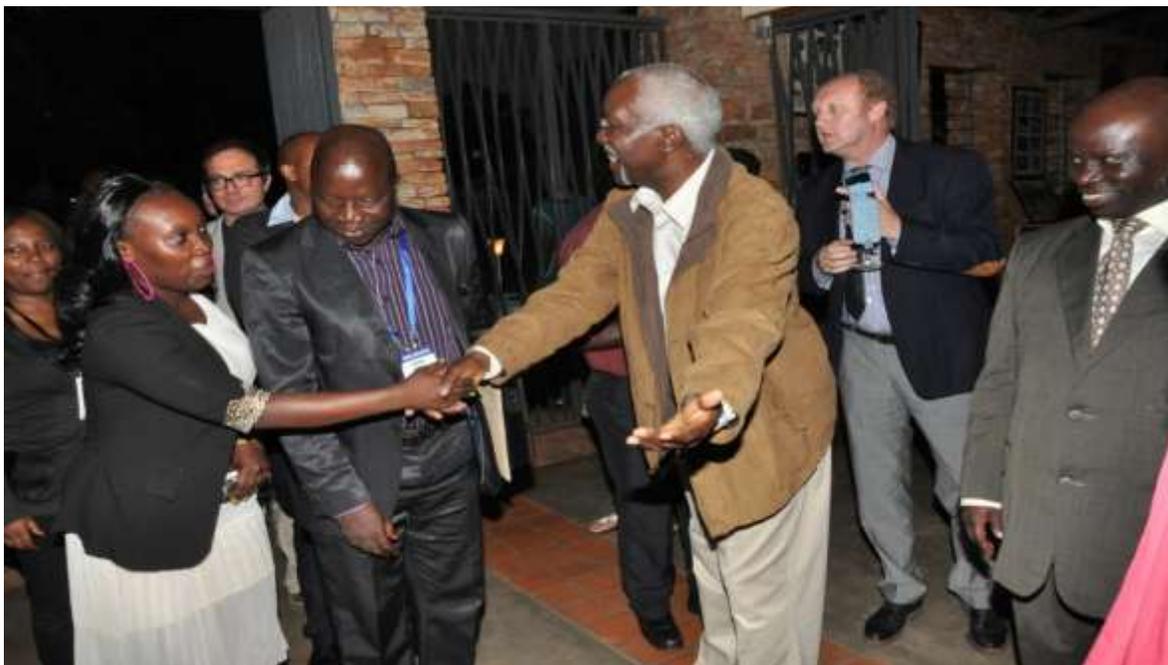
The Auditor General Mr. John F.S Muwanga (centre, first row) poses for a group photo with OAG staff and a delegation from Germany led by the German Federal Minister for Economic Cooperation and Development, Mr. Dirk Niebel (1st row, 3rd from right)

- d) A delegation from Swedish National Audit Office (SNAO) undertaking a peer review on Value for Money Audits, with OAG staff.



e) Delegates from South African Development Community of Public Accounts Committees (SADCOPAC) and Eastern African Association of Public Accounts Committees (EAAPAC).

The Auditor General hosted delegates from SADCOPAC and Eastern African Association of Public Accounts Committees (EAAPAC) who attended the joint accountability conference from 3rd to 8th May 2013 in Uganda. The Auditor General hosted them to a cultural dinner at Ndere Centre which according to the delegates will always be a memory to cherish.



The Auditor General (first row, 3rd from right) welcoming the delegates to Ndere Cultural Centre

4.9 Audit of International Organisations

During the year, the Auditor General of Uganda took over the audit of East African community. A 4 member team joined other 8 members from other East African Community SAI's to conduct the joint audit for the year ended 30th June 2013. The Audit report will be issued in May 2014.

5.0 Registration of Accountants

In accordance with Section 18 of the Accountants Act, 1992, during the year, the Auditor General registered a total of 70 accountants. However, the Accountants Act 2013 (Amended) transferred this mandate to the Secretary of the Institute of Certified Public Accountants of Uganda.

Appendix II: Regional Offices

1. **ARUA** Regional Office
2. **GULU** Regional Office
3. **FORTPORTAL** Regional Office
4. **JINJA** Regional Office
5. **KAMPALA** Regional Office
6. **MASAKA** Regional Office
7. **MBALE** Regional Office
8. **MBARARA** Regional Office
9. **SOROTI** Regional Office