

THE REPUBLIC OF UGANDA

OAG



Office of the Auditor General

**VALUE FOR MONEY AUDIT REPORT ON
NORTHERN UGANDA SOCIAL ACTION FUND PROJECT
OFFICE OF THE PRIME MINISTER**



MARCH 2010

TABLE OF CONTENTS

Page

EXECUTIVE SUMMARY	IV
INTRODUCTION.....	1
1.0 BACKGROUND TO THE AUDIT.....	1
1.1 MOTIVATION FOR THE AUDIT	1
1.2 DESCRIPTION OF THE AUDIT AREA	2
1.3 STATUTORY MANDATE	3
1.4 MISSION STATEMENT.....	3
1.6 GOAL.....	3
1.7 OBJECTIVES.....	3
1.8 ACTIVITIES.....	4
1.9 ORGANIZATIONAL STRUCTURE.....	4
1.10 FINANCING	4
1.10 AUDIT SCOPE.....	5
1.12 AUDIT METHODOLOGY.....	5
1.12.1 Interviews.....	6
1.12.2 Document Review.....	6
1.12.3 Physical Inspection.....	7
2.0 PROCESS AND SYSTEMS DESCRIPTION.....	8
2.1 ROLES AND RESPONSIBILITIES OF KEY PLAYERS	8
2.1.1 The Permanent Secretary – MoFPED.....	8
2.1.2 Office of the Prime Minister.....	8
2.1.3 National Steering Committee-NUSAF.....	8
2.1.7 The NUSAF District Technical Officer (NDTO).....	11
2.2 SYSTEMS DESCRIPTION	14
2.2.1 Planning /Initiation Process.....	14
2.2.9 MONITORING AND SUPERVISION PROCESS.....	17
3.0 FINDINGS.....	19
4.0 CONCLUSIONS.....	35
4.3 PROCUREMENT PROCEDURES.....	35
5.0 RECOMMENDATIONS.....	37

ABBREVIATIONS AND ACRONOMYS

APO	Assistant Programme Officer
CAO	Chief Administrative Officer
CBO	Community Based Organization
CD	Community Development Initiative
CPC	Community Procurement Committee
CPMC	Community Project Management Committee
CF	Community Facilitator
CRCM	Community Reconciliation and Conflict Management
CIA	Chief Internal Auditor
CSO	Civil Society Organization
DEC	District Executive Committee
DFA	Director Finance And Administration
DOP	Director of Programme
DOS	Director of Systems
DSC	District Sectoral Committee
DTPC	District Technical Planning Committee
FMR	Financial Management Report
GOU	Government Of Uganda
IAA	Internal Audit Assistant
ID	Institutional Development
IDA	International Development Association
DC	Development Communication
LA	Local Authorities
LO	Liaison Officer
PO	Programme Officer
M&C	Monitoring and Evaluation
MIS	Management Information System
NDTO	NUSAF District Technical Officer
NSC	National Steering Committee
NUMU	NUSAF Management Unit
NURP	Northern Uganda Reconstruction Program
NUSAF	Northern Uganda Social Action Fund
OPM	Office of the Prime Minister
STPC	Sub-county Technical Planning Committee
PRA	Participatory Rural Approval
VGS	Vulnerable Group Support

EXECUTIVE SUMMARY

The Office of the Auditor General is required under Article 163 (3) of the Constitution of the Republic of Uganda to conduct financial and value for money audits in respect of any project involving public funds. This mandate is amplified by section 21(1) of the National Audit Act 2008 which requires the Auditor General to carry out value for money audits for purposes of establishing economy, efficiency and effectiveness in the operations of any Department or Ministry.

The Northern Uganda Social Action Fund which operated under the Office of the Prime Minister was mandated to improve the livelihood of people of Northern, West Nile, North East and Eastern Uganda by empowering communities in 29 districts by enhancing their capacity to systematically identify, prioritize and plan for their needs within their own value systems.

The Northern Uganda Social Action Fund (NUSAF1) was initiated by Government of Uganda in 2003, after realizing that despite significant gains in reducing poverty recorded throughout most of Uganda, the North and East had lagged behind. The Project was therefore implemented in the Districts of the North, West Nile, North East and Eastern Uganda.

The Office of the Auditor-General carried out a Value for Money Audit to assess the operations of the NUSAF Project in empowering Communities and improving their livelihoods, identify challenges and their causes. The Audit provides possible recommendations that would address the challenges on the follow up programmes.

The Audit was carried out in accordance with INTOSAI Auditing Standards and Guidelines. Those standards require that the Auditor should plan the audit in a manner, which ensure that an audit of high quality is carried out in an economic, efficient and effective way and in a timely manner. This report covers a five year period from January 2004 to January 2009. The audit focused on the Community Development Initiative and Vulnerable Group Support Sub projects of the Northern Uganda Social Action Fund, under Office the Prime Minister.

The audit covered the districts of Arua, Nebbi, Gulu, Lira, Pallisa, Soroti, Nakapiripirit, Kitgum, Apac, Katakwi, Kotido and Moroto.

MAJOR FINDINGS

The audit revealed the following deficiencies in the implementation of NUSAF Project;

- Over funding of Subprojects amounting to shs 1,254,096,160=
- Incomplete and unsuccessful Subproject to the tune of shs 16,608,021,628=
- Only 5% of the 642 CDIs i.e. 32 subprojects were supervised and monitored by the District Sector Specialist\District Engineer.
- Accountabilities for funds received by subprojects were not submitted in accordance with project financial regulations. The audit found that 40% of the 642 CDIs i.e. 257 of the subproject received more than one tranche prior to the submission of previous accountabilities.
- Out of the 1,048 VGS subprojects 64% i.e. 667 of the projects funded and implemented by the communities operated for an average of eight months and closed.

Recommendations

- It is recommended that OPM through NUMU and the NUSAF should build capacity at all levels of management for follow up programmes.
- OPM through NUMU and NUSAF should ensure that measures are instituted to enable Sub Projects to be properly designed, appraised and closely monitored.
- The OPM should institute a study to re-assess the incomplete sub projects and those not commissioned with a view to re-activate them under NUSAF II. This should aim at addressing the underlying causes of non-completion and commissioning with the motive to salvage the loss that arose from earlier resources injected and ensure that the community benefits from the intended services envisaged from the subprojects.

CHAPTER 1

INTRODUCTION

1.0 BACKGROUND TO THE AUDIT

The Performance audit on the NUSAF1 Project has been conducted in accordance with Article 163 (3) of the Republic of Uganda, and section 21(1) of the National Audit Act 2008. The audit focused on the management of the Northern Uganda Social Action Fund Project, in the 29 districts of Northern, West Nile, North East and Eastern Uganda where it was implemented.

1.1 MOTIVATION FOR THE AUDIT

Uganda faces considerable challenges in meeting its poverty eradication objectives to reduce absolute poverty to less than 10% of the population by the year 2017.

Geographical desegregation of poverty dynamics suggests that one third (33.3%) of the chronically poor are resident in Northern Uganda.

The Northern Uganda Social Action Fund (NUSAF) was developed by Government of Uganda after realizing that despite significant gains in reducing poverty recorded throughout most of Uganda, the North had continued to lag behind and indeed fallen further into poverty. NUSAF strived to improve the livelihood of people of Northern Uganda, by empowering communities in 29 districts to enhance their capacity in their own value systems.

The NUSAF project was jointly funded by the World Bank and GOU to a tune of \$120m equivalent to Uganda shillings One hundred and eighty billion (shs180b). By December 2008, the project had funded a total of 9,324 sub projects.

However, in spite of this high level intervention , there arose wide spread complaints regarding the Project mismanagement which threatened the project's ability to fully achieve its objectives.

Statistics on Poverty trends (UBOS 2008) indicated that there was a proportionately increasing difference in the poverty gap index between the Northern region and other regions; 60.7% of the population in the North still lives below the poverty line while Eastern 35.9%, Western 20.5% and Central 16.4%.

The Office of the Auditor-General carried out a Value for Money Audit to assess the operations of the NUSAF Project in empowering Communities and improving their livelihoods, identify challenges and their causes. The Audit provides possible recommendations that would address the challenges that were faced under the NUSAF Project.

1.2 **DESCRIPTION OF THE AUDIT AREA**

The NUSAF Project was one of the services in the PEAP under taken by the Government of Uganda, aimed at reducing poverty levels and increasing the standard of people living in rural areas. The Objective of the project was to empower rural communities and improve livelihoods of vulnerable groups such as women, People living with HIV, the youth in war affected areas of North and Eastern Uganda.

The Project started in February 2003, under the Office of the Prime Minister. Funding for the programme comprised IDA funding by World Bank and counterpart funding by Government of Uganda.

Implementation of the Project was divided into five (5) regions, namely; West Nile region comprising the districts of Arua, Nebbi, Moyo, Yumbe and Adjumani; Acholi Region , comprising of Gulu, Amuru, Kitgum and Pader; Teso Region – Soroti, Katakwi, Pallisa, Kumi, Bukedea, Amuria, Kaberamaido and Budaka; Lango Region – Lira, Amolator, Apac, Oyam and Dokolo and; Karamoja region-Moroto, Kotido, Nakapirpirit, Abim and Kaabong.

The Project strived to improve the livelihood of people of Northern Uganda by empowering communities in 29 districts by enhancing their capacity to systematically identify, prioritize and plan for their needs within their own value systems.

The nuclear of NUSAF institution was the community that would serve their own community. Sub-projects were formed according to identified community needs that were categorized in the following components; Community Development

Initiative (CDI), Vulnerable Group Support (VGS), Community Reconciliation and Conflict Management (CRCM) and Institutional Development.

1.3 **STATUTORY MANDATE**

The Northern Uganda Social Action Fund operated under the Office of the Prime Minister. This office which is mandated to lead Government business in Parliament is responsible for the coordination and implementation of government policies across ministries, departments and other Public institutions including Policy and Management issues. The Office is also responsible for pacification and Development of Northern Uganda, Luwero Triangle and Karamoja Region. The NUSAF Project came into existence following the signing of a Development Credit Agreement between the Republic of Uganda and the International Development Association (IDA) on 7th August 2002.

1.4 **MISSION STATEMENT**

The Northern Uganda Social Action Fund shares the Office of the Prime Minister's Mission, that is "To instill and maintain efficient and effective systems in Government that enable Uganda to rapidly develop"

1.5 **VISION STATEMENT**

The Northern Uganda Social Action Fund shares the Office of the Prime Minister's Vision, that envisions "A public sector which is responsive and Accountable in steering Uganda towards Rapid Economic Growth and Development"

1.6 **GOAL**

To "Empower communities in Northern Uganda's 29 districts, located in the North and East, by enhancing their capacity to systematically identify, prioritize and plan for their needs within their own value systems, while implementing sustainable development initiatives that improve socio-economic services and opportunities, thereby contributing to improved livelihoods"

1.7 **OBJECTIVES**

- To Strengthen community participation, Leadership development and encourage sustainable utilization and mobilization of natural resources.

- To Improve quality and access to social services and community-initiated infrastructure.
- To Provide and facilitate support to vulnerable groups, especially the youth, women and people infected and affected by HIV and conflict.
- To Support community reconciliation and conflict management through local institutions and Civil Society Organization (CSOs).
- To provide institutional support to build capacity to manage the Project, disseminate information, monitor and evaluate activities as well as strengthen the local government institutions that provide technical support to the Project.

1.7 **ACTIVITIES**

- Promoting awareness, by disseminating information through education and communication to the communities.
- Participatory micro planning done through situational analysis, needs and resource identification.
- Sub-Project formulation and selection of CPMCs.
- Desk and Field Appraisals of Sub-Projects.
- Approval of Sub Projects.
- Building and enhancing the capacity of communities and other stakeholders through training.

1.8 **ORGANIZATIONAL STRUCTURE**

At the National level, is the National Steering Committee that oversees the implementation of the programme. NUMU is headed by an Executive Director (ED), assisted by four directors: The Director of Programmes, The Director of Systems, Directorate of Finance and Administration and The Chief Internal Auditor. The Organization structure for the project is as shown in Appendix (IV).

1.9 **FINANCING**

The NUSAF project was funded by the Government of Uganda (10%), and the World Bank International Development Association (IDA) (90%). Details are summarized below:

Table: 1 Funding to NUSAF Project

Source/Financial Year	IDA Funds (USD)	GoU Funds (Shs.)
2004	15,729,595	-
2005	23,381,056	-
2006	30,511,394	-
2007	36,075,455	7,773,183,784
2008	12,679,110	258,200,317
2009	1,839,920	221,701,596
Total Amount	120,216,530	8,253,085,697

Source: OAG Analysis of NUSAF Financial Reports

1.10 AUDIT SCOPE

The Value for Money audit was carried out on the Northern Uganda Social Action Fund (NUSAF), a project under the Office of The Prime Minister. The audit focused on Vulnerable Group Support (VGS) and the Community Development Initiative (CDI) components of the project. The study covered a period of five (5) years from July 2004 when project activities commenced to January 2009.

Thirteen (13) out of the twenty nine (29) Districts in Uganda were sampled for the Audit. The sampled districts include; Arua, Nebbi and Yumbe in the West Nile region; Gulu, Kitgum, in the Acholi region; Lira and Apac in the Lango region; Soroti, Pallisa and Katakwi in the Teso region; Kotido and Moroto and Nakapiripirit in the Karamoja region.

1.11 AUDIT METHODOLOGY

The audit was conducted in accordance with International Organization of Supreme Audit Institutions (INTOSAI) standards. Those standards require that performance audit should be planned in a manner which ensures that an audit of high quality is carried out in an economic, efficient, effective and timely manner.

The following were the data collection methods used.

1.12.1 **Interviews**

Interviews were conducted at the NUSAF Management Unit with the Ag. Director Finance & Administration, the Project Administrator and Internal Auditor. Chief Administrative Officers at the various districts were interviewed. The NUSAF District Technical Officers in the districts were interviewed to ascertain the operation of Subprojects. CPMC and Community members were also interviewed. The interviews were done with the aim of obtaining information on how the project is implemented and to ascertain the challenges faced.

1.12.2 **Document Review**

In order to obtain an understanding of the administration and operations of the project the following documents were reviewed:

- The Financing Agreement
- Management Reports
- The Programme Implementation Manual
- The Programme Financial Manuals.
- The Auditor Generals reports on the programme.
- Community Development Initiative and Vulnerable Group Support Handbooks.
- The Community Based Procurement and Stores Manual
- The Office of the Prime Minister policy statements 2006/07,2007/08 and 2008/09
- The Operational Manual 2005
- The Administrative manual

In order to establish the various performance indicators of the project and the present performance status as perceived by various stakeholders of the project, we reviewed the following documents;

- Statistics from the Uganda Bureau of Statistics.
- Press reports.
- Monitoring and Evaluation Reports
- Projects Aide Memoirs (Donors Supervision Reports).
- Technical Monitoring reports.
- Progress reports
- Financial Accountability reports.

1.12.3 **Physical Inspection**

In the districts visited, we inspected sub-projects such as Classroom blocks, Teachers Houses, Health centers, Boreholes, Metal Fabrication, Skill Training, Community Markets and Feeder Roads constructed under the CDI component.

The VGS Subprojects inspected included Cattle re-stocking schemes, Piggery, Poultry, Goat rearing, Bee-keeping among others. This was done with the aim of establishing the existence of the sub-projects, whether the facilities are in use and of benefit to the communities.

CHAPTER 2

PROCESS AND SYSTEMS DESCRIPTION

2.1 ROLES AND RESPONSIBILITIES PLAYERS

2.1.1 The Permanent Secretary – MoFPED

The Permanent Secretary is the chief executive of MoFPED. The Permanent Secretary is the signatory to the Development Credit Agreement establishing NUSAF. The Ministry of Finance Planning and Economic Development processes NUSAF withdrawal application for the replenishment of funds from the World Bank. It also allocates and releases Government of Uganda counterpart funds to the NUSAF Projects.

The PS authorizes the NUSAF Management Unit (NUMU) to open and operate the IDA and GoU account in Bank of Uganda. The Ministry also documents and shares with other Donor Agencies information on the performance of the NUSAF project.

2.1.2 Office of the Prime Minister

The Office of the Minister of State for Northern Uganda Rehabilitation in the OPM has the central role of coordinating and spear heading the planning and management of NUSAF activities. It also undertakes advocacy and resource mobilization for development and support for the activities of NUSAF. During project preparation, the OPM was responsible for managing the Multi-Sectoral Task Force(MTF), Policy Committee (NPC) and the NUSAF project.

2.1.3 National Steering Committee-NUSAF

The NUSAF National Steering Committee was established by the Office of the Prime Minister and was chaired by the Permanent Secretary. The Committee comprised of representatives of civil society, key sector ministries, Donor groups, Local authority representatives, local opinion leaders, NGOs/CSOs, Interfaith Organizations, and NUMU Executive Director as its secretary.

It carries out review of progress reports compiled by NUMU and where necessary provides technical guidance on issues raised in progress reports, monitoring and evaluation exercises.

The committee is also responsible for providing policy and management guidance to NUMU in consultation with the Minister of State for Northern Uganda Rehabilitation. It also assesses whether project funds have made the desired impact on the beneficiary communities.

2.1.4 NUSAF Management Unit

The NUSAF Management Unit (NUMU) is responsible for the day-day operations of the Fund in accordance with the provisions of the Operational Manual and other appropriate legal instruments as agreed to between the Government of Uganda (GoU) and the funding agency. NUMU is headed by an Executive Director (ED), assisted by four directors. The Director of Programmes, is responsible for providing technical oversight to all programme activities (CDI, VGS and CRCM), including managing budgets with support from programme specialists. The Director of Systems is responsible for providing strategic guidance to all support services. Director Finance and Administration, is charged with the task of managing all the finances, and key administrative functions under the guidance of the ED. The Chief Internal Auditor is responsible for ensuring that policies and procedures of NUSAF are adhered to in order to uphold a strong internal control.

The Management Unit is responsible for consolidating, developing and harmonizing annual plans as submitted by the District Executive Committees (DECs). It manages IDA funds on behalf of GOU by ensuring that the Special Account is replenished regularly and that GOU counter-part funds are received in time. It also ensures that funds for the sub-project are channeled directly to the communities after ensuring that all conditions have been met. It organizes training for PRA facilitators, to enable the participatory rural appraisal processes. NUMU works with District/Sub county Councils in the development and review of delivery benchmarks, carries out desk and field appraisals, facilitates the decentralized management of NUSAF activities and carries out overall monitoring and evaluation of Sub- projects.

2.1.5 The Executive Director- NUSAF

The Executive Director heads the NUSAF Management Unit and provides overall leadership in the continuous development, coordination and control of the NUSAF

project. He manages the Development Credit Agreement (DCA) with the World Bank in liaison with Donor Agencies.

He has a responsibility to Develop and institute project management systems tools, procedures and plans to ensure that activities of NUSAF are carried out efficiently and effectively to alleviate poverty in the targeted communities.

The Executive Director has also a responsibility of ensuring that the NUSAF activities and operations are in line with the requirements of the operational Manual and development policies of Government of Uganda. He is assisted by the Director Finance and Administration who ensures that funds are released to Subproject accounts and the Director of Programmes who is responsible for managing budgets in accordance with the project financial regulation.

The Executive Director makes periodic reviews of NUSAF operational and management policies, systems and procedures, resource development, project delivery, and communication of the Project work with Government, Donors and stakeholders.

He reports periodically on NUSAF activities as required by the Operational Manual, by ensuring that performance of action plans, quarterly and annual reports are accurately and timely prepared, presented and executed.

2.1.6 **District Local Governments**

The Local governments have a responsibility of incorporating community activities into the district plans and budgets. They receive Sub-project Interest Forms from communities through the DTPC; DLGs also carry out desk, field appraisals and approval of sub-projects through the DEC.

Districts are responsible for providing and ensuring that technical supervision and monitoring is done by the sector specialists and the NDTO. The CAO coordinates the relevant sectoral experts or consultants appointed by NUMU in evaluating the efficiency and effectiveness of completed sub-project/facilities.

2.1.7 **The NUSAF District Technical Officer (NDTO)**

- The NUSAF District Technical Officer is responsible for the proper execution of the Funds activities in the district in accordance with the requirements stated in the Operational Manual.
- S/he Prepares and submit to the DTPC the annual work programme and budget of the Fund to the district, through the CAO to the District Council for approval.
- The NDTO facilitates the disbursement of funds to sub-project accounts by ensuring that the justification for expenditure are prepared and submitted with complete documentation in time. S/he carries out sensitization of the communities to provide knowledge about the existence of opportunities for intervention.
- The NDTO receives project proposals and is also responsible for coordinating and carrying out desk and field appraisal of sub-project proposals.
- S/he co-ordinates the implementation of sub-projects and carries out monitoring and support supervision of critical project delivery stages.
- S/he Prepares and submits to the DTPC quarterly and annual physical implementation and Fund performance reports. The CAO then submits the reviewed reports to the District Council for adoption and subsequent submission of the same to NUMU.
- The NDTO ensures that the Accounts Assistant prepares quarterly and annual financial reports for timely submission to the District Council and NUMU Liaises with all stakeholders of the Fund in the district.
- S/he assists CPMC in controlling procurement, delivery and storage of project materials.
- S/he, then visits the sub-projects to verify whether activities have been carried out as planned and if found satisfactory, the sub-project is handed over to the beneficiaries.
- S/he coordinates training needs and capacity-building activities of the Fund at the district and community levels and ensures that the DTPC assesses capacity of CSOs/CBOs/NGOs to participate in implementation of NUSAF sub-projects at community level and establish an effective information management system for the Fund at District level.

2.1.8 **District Accounts Assistant**

In order to ensure the smooth flow and full accountability for the Fund's resources at district level, a NUSAF District Accounts Assistant is appointed in the office of the NDTO. S/he undertakes accounting duties within prescribed policies and procedures of NUSAF and the local authorities. The Accounts Assistant is technically supervised by the Chief Finance Officer in the District but administratively reports to the CAO as part of NDTO's team. His responsibilities include checking documents submitted for payment to ensure their validity, accuracy and completeness and correcting errors and irregularities. S/he liaises with the NDTO to ensure that justification reports tally with relevant tranches before forwarding to NUMU for payment.

The Accounts Assistant participates in audits of community sub-projects and provides support to communities in the preparation of sub-project accountabilities.

2.1.9 **District/Sub County Executive Committee**

The Local Authority Executive Council is responsible for policy formulation, overseeing the implementation and monitoring of Council programmes, coordinating the work of NGOs, addressing problems forwarded by Lower Councils and annually evaluating the performance of Council against the approved work plans.

In the implementation of NUSAF, the DEC/MEC/SCEC performs the following functions on behalf of the Districts, Municipal and Sub county Councils.

- Ensures that the Districts carry out NUSAF operations in accordance with the Operational Manual and Memorandum of Understanding entered into with the OPM.
- Approves draft annual work Programmes and budget proposals of the District before submission to the National Steering Committee through NUMU.
- Reviews and endorses funding for all District/Municipal Council sub-project proposals recommended by the District Technical Planning Committee chaired by the CAO. The DEC also approves the criteria for determining sub-projects to be implemented by CPMC.

2.1.10 **District/Municipal Technical Planning Committee**

The District/Municipal Technical Planning Committee is responsible for the appraisal and technical support during implementation and monitoring of sub-projects at the district/municipal level. The District/Municipal Technical Planning Committee has a responsibility of creating awareness among stakeholders and Advocacy of NUSAF. It also facilitates the Participatory Rural Appraisal processes to allow participation of communities in identification and planning for their subprojects.

The Committee appraises sub-project proposals and approves them for endorsement by the District Executive Committee and District Local Council; it also supervises and monitors sub- projects implementation.

2.1.11 **Sub-County Technical Planning Committee**

Where capacity exists, the Sub county Technical Planning Committee receives community action plans and tables them to the sub county Council for review.

Members of the SCTPC liaise with DTPC to execute the functions of appraisal and approval of community sub-project action plans thereby ensuring technical compliance with sector norms, standards, guidelines and procedures.

2.1.12 **The Community**

This is the level at which all interventions are initiated by the members of the community. The communities define and identify their needs, agree on identified priorities and fill subproject interest forms picked from a community facilitator who also assists the groups in writing subproject proposals using a standard format. The proposals for the subproject are then submitted to sub county and district authorities for desk and field Appraisals. The communities democratically elect members from among themselves to form a community project management committee (CPMC) responsible for managing the sub-projects. The communities also carry out accountability and monitoring of sub-projects. Procurement at the community sub-project level is done by a duly constituted community procurement committee (CPC) which can use any or a combination of specific procurement method.

2.1.13 **Community Facilitators (CF)**

Communities identify a community Facilitator to support them in mobilization and selection of priority needs. Community Facilitator distributes sub-project interest forms to interested groups in the community and s/he also assists them to fill the forms and develop sub-project proposals. The CPMC assist the community in organizing and managing the sub-projects. The communities pay the CF based on a negotiated fee, which is part of the sub-project cost.

2.1.14 **Civil Society Organizations/Non Government Organizations**

Representatives of Civil Society, Non-Government and the Private Sector Organizations have responsibility of supporting communities during the participatory Rural Appraisal process where community needs are identified, developed and prioritizing sub-projects is done. The CSOs/NGOs also support the District technical planning committee in carrying out desk and field Appraisals of sub-projects, provide managerial advice to CPMCs in order to enhance completion and sustainability of those sub-projects. The CSO/NGO takes responsibility in matters concerning procurement for the sub-projects on behalf of the community, acting as a Third Party Procurement Agent (TPPA).

2.2 **SYSTEMS DESCRIPTION**

2.1 **Planning /Initiation Process**

At the National level, the Office of the Minister of State for Northern Uganda Rehabilitation in OPM has the central role of coordinating and spearheading the planning and management of activities of NUSAF. The Office of the Prime Minister is responsible for special needs development and interventions of the North through NUSAF. While the NUSAF Management Unit consolidates annual plans as submitted by the District councils. At the Community Level, Communities initiate the creation of Sub Projects by identifying a community facilitator to support them in mobilization and selection of priority needs. NGOs and CBOs play an active role in the participatory planning process by assisting communities in identifying priority needs. A community facilitator distributes sub-project interest forms to interested groups in the community. S/he also assists them to fill the forms and develop sub-project proposals which go through the appraisal and approval processes. The

District council then incorporates all approved community sub-projects into the sector plans and budgets.

2.2.2 **Participatory Rural Appraisal Process**

This is a process of identifying community needs, developing and prioritizing sub-projects. The NDTO's and CSO's carry out sensitization of communities, which includes a discussion of principles, procedures and activities of communities. This is intended to bring to the knowledge of the communities, the existence of opportunities for interventions that benefit them and establish the community's choice on the possible intervention or sub-projects proposals. This process is intended to stimulate demand and help start the process of project preparation by the communities.

2.2.3 **Appraisal Process**

The application submitted to the NDTO will be subjected to an appraisal process to ensure that it meets the criteria for funding by NUSAF. The first step is the desk appraisal, which checks the completeness of the application form whether it meets the district development objectives, sector specific appraisal benchmarks and sector norms.

The second step is the Field Appraisal which confirms that the proposal is a community priority and technically feasible and assesses the communities' capacity and readiness to implement the sub-project. The field appraisal will ascertain the communities understanding of the sub-project, appropriateness of the design, technical specification of the proposed materials and the availability of Land/Location for the sub-project.

2.2.4 **Approval Process**

A Summary report of all sub-projects that have been successfully appraised and costed is reviewed by the District Technical Planning Committee and submitted to the District Executive Committee for Approval. NUMU samples applications received to ensure that the principles and criteria in the Operational Manual are applied to the approved sub-projects. Communities are informed of the approval by the Chief Administrative Officer, including information relating to logistical arrangements to prepare the communities for implementation.

2.2.5 **Funds Disbursement Process**

The NUSAF Management Unit receives its funding following an application to the Ministry of Finance Planning and Economic Development for the replenishment of funds. The MoFPED processes NUSAF withdrawal application for funds and releases the World Bank and Government of Uganda counterpart funds to the NUSAF Projects. Once a number of sub-projects have been approved by the DEC the Chief Administrative Officer requests for the required funds from NUMU to be directly disbursed to the sub-projects accounts. NUMU studies the financial procedures in each of the districts with a view to gradually transfer funds to sub-projects and other implementing agencies in the respective districts. A list of approved sub-projects is submitted to Bank of Uganda for disbursement to sub-project accounts which is done in four tranches.

2.2.6 **Sub Project Launch Process**

The Launch ceremony is organized by the CPMC and included in attendance CPMC members, others community leaders, NUSAF staff and Local Government Officials. At this ceremony, the key elements of Financing/Triplicate Agreement are emphasized. As part of the ceremony, NUSAF Officials and CPMC Members sign 3 copies of the Financial Agreement. The CPMC/CSO members are also given a cheque for the first tranche of funding.

2.2.7 **Implementation Process**

Sub-Project implementation starts when funds have been received into sub-project accounts. This is done prior to the arrangements for launching ceremonies which takes place after training of communities. Execution of sub-project activities is carried out by CPMCs who are supported by Local service providers.

During implementation of the subprojects, CPMC is responsible for the day to day management of the subprojects through organizing a work program, mobilizing resources including the community's contribution for the planned activities and carrying out monitoring and evaluation of subprojects.

2.2.8 **Procurement process**

The procurement process adapted by Communities begins by preparing procurement plans. This involves consulting community members and identifying

requirements, bills of quantities, prices, procurement methods, package contracts and preparing procurement schedules. This activity is done by the Community Procurement Committee before submission of the project.

Request for quotations is made to at least three qualified bidders or to a single supplier in the case of direct procurement. Purchases above shillings 35 million are forwarded to the district. This is also done by the Contract Procurement Committee within 5 days after training the Community Project Management Committee/Community Procurement Committee.

Evaluation of the quotations is done by the CPC within 5 days from date of closure of receipt of bids and opening of bids. Prices and bidders names are recorded, the lowest evaluated bidder is selected and the contract award is then recommended to CPMC. A bid evaluation report is then written for ex-post financial review.

Award of Contracts is announced to all bidders and a report of the decision to award the contract is submitted to the NDTO who also receives a letter of acceptance from the successful contractor.

2.2.9 **Monitoring and Supervision Process**

Field Monitoring and supervision during project implementation is carried out by the District Technical Planning Committee, District Sector Specialist, District Executive Committee, NUMU and communities. The NDTO is responsible for supervision of critical project delivery stages. S/he monitors all active projects at least once a month. The NDTO use the existing formats to monitor and report progress on monthly and quarterly basis. Members of the CPMC also monitor the subprojects on a monthly basis, DEC and village council undertake monitoring while members of the DTPC and Sub-county Technical Planning Committee carry out supervision on a quarterly basis.

2.2.10 **Commissioning Process**

After completing a sub-project, it is commissioned and handed over to the community by the DTPC/STPC/DEC and SEC. The time limit for completion of community projects is expected to be 12 months. The CAO organizes relevant sectoral experts or consultants appointed by NUMU to evaluate the completed sub-

project/facility on the basis of technical performance, evaluates the extent to which the construction or equipment functions, the extent of use of the facility or service and analysis of the number and composition of people benefiting from the sub-project.

2.2.11 **Post -Completion Process**

After six months of completion and commissioning, the CAO will organize for relevant sectoral expert appointed by NUMU to evaluate the completed sub-project or facility on the basis of: the technical performance and the extent of use of the facility or service analysis of the number of people benefiting from the subproject. A Post-implementation committee is set up for operation and maintenance of the sub-project. At this stage the community obligation is evaluated, that is, the degree to which the community has met its obligations to manage, maintain and repair equipment, including collection of user fees and promoting the use of services. The extent to which the local government or sector achieved it's agreed objectives will also be evaluated.

CHAPTER 3

FINDINGS

3.1 DISBURSEMENT OF FUNDS

3.1.1 Budgeting and Budgetary Control

The NUSAF Financial Manual requires that funds released to Subprojects, should be consistent with the terms and conditions of the Subproject contract. Accordingly funds were to be transferred to Subprojects based on the amount stated in the Budgets and disbursement requests from the Subprojects. The Director of Programmes was responsible for managing the Project budget and adjusting budgets according to sector requirements.

The audit revealed that 20% of the 2,650 CDI (i.e. 530) Subprojects that were audited received funds above the budgeted amount. It further established that 10% of the 5,306 VGS Subprojects i.e. 531 received funds above subproject budgets. The study noted that there was no evidence of justification of the adjustments by the Director of Programmes. Below are the details:

Table: 2 Funding to Community Development Initiative Subprojects

District	No. of CDI Sub Projects	NUSAF Budgeted Amount (Ug shs)	Total Amount Disbursed	Amount Disbursed above the Budget	Excess funds Returned	Total Funding above the Budgets
Adjumani	33	1,290,454,335	1,304,276,460	13,822,125	-	13,822,125
Apac	251	8,282,607,445	8,411,660,018	129,052,573	-	129,052,573
Arua	363	12,912,830,645	13,063,222,140	150,391,495	20,838,575	129,552,920
Gulu	116	4,194,856,145	4,199,887,521	5,031,376	-	5,031,376
Kabera maido	46	2,098,858,568	2,114,325,851	15,467,283	-	15,467,283
Katakwi	180	7,250,443,600	7,290,111,109	39,667,510	5,357,619	34,309,893
Kitgum	100	4,326,914,033	4,421,699,504	94,785,471	-	94,785,471
Kotido	165	7,019,670,196	7,064,113,175	44,442,979	-	44,442,979
Kumi	201	8,383,015,814	8,438,906,135	55,890,321	-	55,890,321
Lira	210	8,930,096,966	8,957,445,725	27,348,759	-	27,348,759
Moroto	116	5,000,498,408	5,098,553,747	98,055,348	-	98,055,348
Nakapiripirit	93	3,699,482,883	3,715,602,185	16,119,301	-	16,119,301
Nebbi	125	4,377,642,509	4,405,043,195	27,400,686	22,647,895	4,752,791
Pader	83	3,502,235,520	3,647,851,710	145,616,190	41,863,997	103,752,193
Pallisa	283	9,798,135,274	9,866,541,116	68,405,842	-	68,405,842
Soroti	210	5,698,949,675	5,762,622,581	64,572,906	-	64,863,997
Yumbe	75	2,514,176,008	2,562,925,507	51,034,634	50,912,845	121,789
TOTAL	2,650	99,277,682,877	100,324,787,675	1,047,104,798	141,620,931	905,483,867

Source: OAG Analysis of NUSAF Disbursement Trackers

Table: 3 Funding to Vulnerable Group Support Subprojects

District	No. of VGS Sub Projects	NUSAF Budgeted Amount (Ug shs)	Total Amount Disbursed	Over funding	Returned funds	Total Over Funding
Adjumani	196	2,74,108,148	2,082,954,597	8,846,449	-	8,846,449
Apac	649	6,506,356,111	6,556,243,645	49,887,534	-	49,887,534
Arua	377	4,344,439,719	4,354,215,783	9,776,064	6,080,000	3,696,064
Gulu	495	7,240,871,453	7,255,357,573	14,486,120	-	14,486,120
Kaberamaido	164	2,204,598,949	2,231,755,438	27,156,489	-	27,156,489
Katakwi	171	1,696,609,670	1,760,753,539	64,143,869	28,774,057	35,369,819
Kitgum	644	7,956,990,384	8,000,220,608	43,230,224	-	43,230,224
Kotido	70	740,641,481	747,607,166	6,965,685	-	6,965,685
Kumi	308	2,694,847,832	2,779,644,836	84,788,004	-	84,788,004
Lira	503	5,356,629,526	5,368,143,678	11,514,152	-	11,514,152
Nakapiripirit	53	426,595,535	431,095,535	4,500,000	-	4,500,000
Nebbi	276	2,383,743,200	2,389,275,384	5,532,184	-	5,532,184
Pader	305	3,834,736,691	3,860,066,764	25,270,073	7,075,850	18,194,223
Pallisa	416	3,005,512,848	3,010,836,848	5,324,000	-	5,324,000
Soroti	261	3,191,192,734	3,210,947,196	10,754,462	-	10,754,462
Moyo	126	1,085,492,977	1,098,266,448	12,773,471	-	12,773,471
TOTAL	5,306	57,139,614,015	57,537,336,861	397,722,846	49,110,553	348,612,293

Source: OAG Analysis of NUSAF Disbursement Trackers

Over funding of Subprojects was attributed to lack of effective internal audit function which did not have an internal audit manual to guide staff working in this department. For instance the internal audit department did not pre-audit payments. In addition the study revealed that NUSAF had designed an excel spread sheet known as "subproject tracker" for purposes of managing funds disbursed to the sub projects. The audit was not availed with evidence of independent review of the system, implying errors could not easily be identified\detected and addressed in a timely manner.

As a result, 1,061 sub projects received funds above the budgeted amounts totaling to shs.1,444,827,644= out of which shs.190,731,484= was recovered leaving a balance of shs.1,254,096,160= without proper justification rendering the expenditure wasteful.

Management Response

Management attributed over funding of Subprojects to multiple tranching of subprojects funds using a manual system both at the district and NUMU which led to errors. They stated further that, they later installed and operated a computerized SUN Accounting System in March 2008 which helped minimize the human errors. Secondly, management relied on District Trackers for Accountability and tracking sub project disbursements in the absence of a computerized accounting system. These District Trackers also had limitations in terms of tracking errors.

3.1.2 Maintenance of financial Records by Subprojects

NUSAF subprojects were supposed to maintain a simple cash book and to utilize standard accounting forms. Prior to the sub- project launch, CPMC\CSO members were supposed to be trained to ensure consistency and compliance with NUSAF procedures. Training was to be conducted for five days. The purpose of the training was to assist in upholding transparency and accountability in delivery of project activities.

The audit revealed that 70% of the subprojects in a sample of 642 i.e 449 CDI sub projects, did not maintain a Cash book and did not make use of the standard accounting forms.

The poor record keeping was caused by inadequate training of subproject members and lack of follow up training regarding financial matters. Illiteracy among the Subproject members also affected the ability of members to maintain financial records.

In the absence of proper financial records at the CDIs, it was difficult to verify, reconcile and update financial information of the sub projects by NUMU and NDTO which led to over funding of sub projects.

3.1.3 **Procurement procedures**

The procurement was based on the following procedures:

1. The community placing adverts in public places (Local bidding).
2. Sending invitations to at least three firms (Local shopping).
3. Direct contracting (Direct Selection of a contractor among the community)
4. Community participation using their own equipments and tools.

For effective community participation in procurement, the communities were required to constitute Community procurement committees comprising of five members which were responsible for procurement of all goods and services required in the implementation of the sub projects.

The study ascertained that, out of the 642 CDI Subprojects visited 60% i.e 385 did not have Community Procurement committees, while only 40% ie 257 had constituted Community Procurement committees.

The audit further revealed that 50% i.e 128 out of the 257 CDI's which had constituted procurement committees did not follow procurement guidelines.

This was due to inadequate training of the members of the Subprojects at the pre-launch.

75% of the committee members interviewed at the sub projects were of the view that procurement was not adequately covered during training.

Failure to follow the Community Based Procurement Guidelines led to sub projects cost escalation and failure to attain economy.

3.1.4 **CIVIL WORKS**

Under the Community Development Initiative component, supervision was essential for ensuring quality control and cost effectiveness of sub-projects.

The NUSAF district technical officer and the District Engineer were responsible for conducting Supervision and monitoring of civil works under construction on a monthly basis to ensure quality control and cost effectiveness of sub-projects. In addition the Community Based Procurement and Stores Manual required that for all

construction work, certification would be done at every stage by the relevant sector specialist before payment was made.

The documentation review and interviews conducted during the field study revealed that only 33% of the 642 CDIs i.e. 212 of the Subprojects were monitored by the NDTO on monthly basis.

The audit also revealed that only 5% of the 642 CDIs i.e. 32 Subprojects were supervised and monitored by the District Sector Specialist/District Engineer.

It was further established that 80% out of the 642 CDIs i.e. 514 Subprojects did not have payment certificates attached to payment vouchers.

Documentation review and interviews revealed that staffing gaps and laxity of the sector specialists (District Engineers) and NDTO's, was the cause of inadequate supervision of civil works. Verification of civil work revealed that lack of proper supervision of the civil work resulted into poor quality civil works of the sub projects.

The audit ascertained that 54% of the buildings had cracked floors, 26% had walls with cracks, 10% had broken windows and 10% had broken doors.

Lack of close supervision of the civil work resulted into poor quality civil works of the sub projects; as was in the case of Panyangara health Centre in Kotido District where a staff house was plastered but without a verandah and appeared deserted.

Figure: 3 Poor quality Civil Works



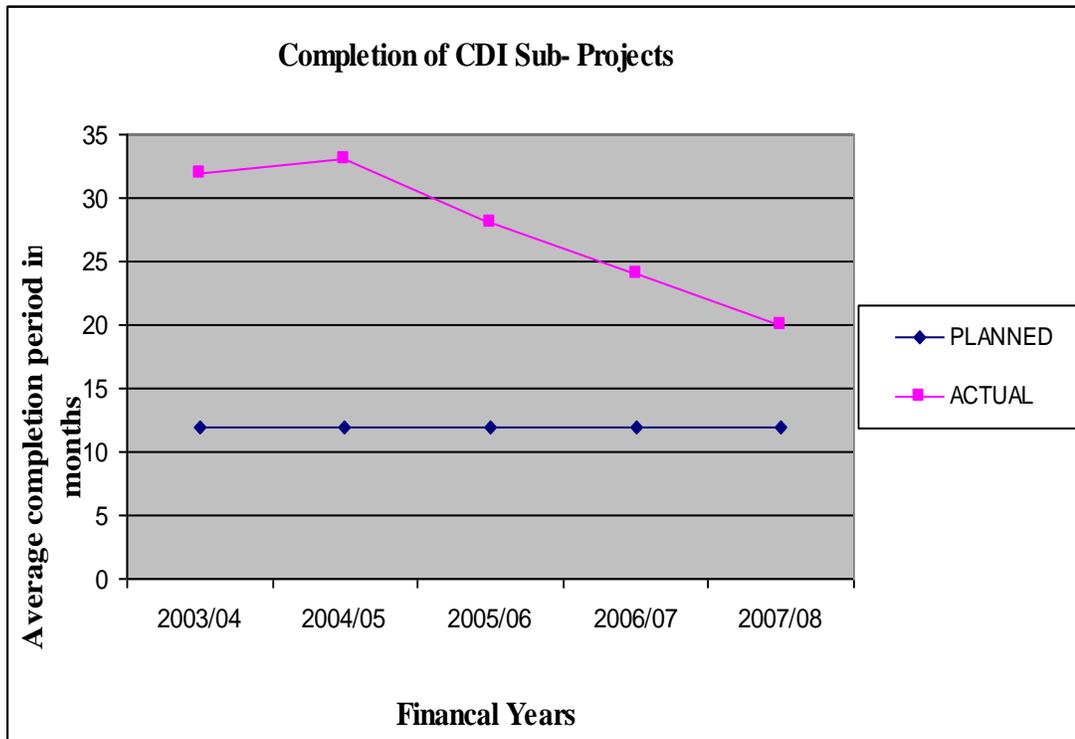
Source: OAG Field Inspections

3.1.5 **COMPLETION OF SUBPROJECTS**

The time limit for completion of community Subprojects was set at twelve months. The audit revealed that out of 642 CDI projects, only (31%) i.e. 199 sub projects were completed in time while 69% i.e. 443 were not completed on schedule.

The audit established that the average completion time for construction of CDI sub projects during the NUSAF project life was 27 months as reflected in the graph below.

Table: 5 Completions of CDI Subprojects



Source: OAG Analysis of NUSAF Progress Reports

The delays in completion of sub projects was attributed to delays in disbursement of funds to sub projects, non adherence to procurement guidelines and lack of proper monitoring and supervision by Technical experts. The delay in completion of the sub projects led to extension of NUSAF project life, additional administrative costs and cost escalation.

3.1.6 **Disbursement of Funds to Subprojects**

At the Sub-project launch, an initial deposit in form of a cheque was supposed to be given as the first tranche of funding to start the project.

The audit revealed that transfer of funds to some subprojects was not done at the launch. Through document review, it was noted that, in the year 2004/05, disbursements to subprojects was done on average 10 months after the launch (2005/06; 6 months, in 2006/07; 5 months, and in 2007/08; 7 months).

As a result of delays in disbursement of funds, the Subprojects could not complete their activities on schedule and according to their work plans.

3.1.7 **Submission of Accountabilities**

To ensure full accountability of funds remitted to each district and other implementing Agencies, funds were supposed to be transferred to Subproject in tranches upon receipt of accountabilities of the previous release.

The audit found that 40% of the 642 CDIS i.e. 257 of the sub projects received more than one tranche prior to submission of previous accountabilities.

The study further revealed that accountabilities for funds received by subprojects were not submitted in accordance with project norms. For instance according to the Auditor General's report of NUSAF for the year ended 30th June 2008, the age analysis of the advances revealed that an amount of shs 262,506,090= had been outstanding for more than twelve months.

The audit further revealed that out of the total of 2,322 CDIs sub projects, 20% i.e 475 sub projects had not submitted accountabilities amounting to shs. 2,607,315,491= at the close of the project in September 2009 as shown below.

Table: 4 Un-Submitted Accountabilities

District	No. of CDI Sub Projects	No. of Subprojects with Un Submitted Accountabilities	Percentage of Un Submitted Accountabilities	Amount of Un Submitted Accountabilities
Adjumani	33	3	9%	2,502,500
Apac	251	52	20%	163,270,712
Arua	363	20	5%	33,880,246
Gulu	116	18	15%	26,569,887
Katakwi	180	25	13%	23,297,582
Kitgum	100	15	15%	68,977,283
Kotido	165	37	22%	285,864,832
Kumi	201	129	64%	102,560,987
Lira	210	23	10%	80,742,677
Nakapiripirit	93	28	30%	225,334,546
Nebbi	125	18	14%	44,524,226
Pader	83	45	54%	117,235,323
Pallisa	283	47	16%	37,873,545
Yumbe	75	10	13%	47,402,390
Moyo	44	5	11%	10,015,468
TOTAL	2,322	475	20%	2,607,315,491

Source: OAG Analysis of NUSAF Disbursement Trackers

The Failure of Subproject members to follow disbursement procedures and submit Subproject accountabilities on time was attributed to inadequate training and mentoring of the members of the Subproject on financial matters and high illiteracy rate among members.

The delays by sub-projects members to present accountability affected the liquidity of NUSAF and consequently affected timely completion of Subprojects. For instance Acholi Community water supply project in Moroto District was abandoned after sinking pipes as shown below:

Figure 2 Abandoned project



Source: OAG Field Inspections

3.1.8 **Commissioning of Completed Subprojects**

The CAO is required to organize relevant sectoral experts or consultants appointed by NUMU to evaluate the completed sub projects\facility on the basis of technical performance, evaluate the extent to which the construction or equipment functions were satisfactory, the extent of use of the facility or service and analysis of the number and composition of people benefiting from the sub project.

The audit noted that out of the 449 completed sub projects, 30% i.e 135 were not commissioned and were not functional because they lacked basic facilities, of which 50% i.e 67 Health centers lacked medical equipment and staff houses, 30% i.e 41 were classroom blocks which needed furniture and 20% i.e 27 teachers houses which did not have toilets and bathrooms and therefore were using school facilities instead.

The Audit also revealed that out of 449 completed CDI subprojects, 60% i.e 270 were completed and functional. Districts of Teso and west Nile regions namely; Arua, Soroti Pallisa and Nebbi were noted to have Community Development Initiative subprojects that were of good quality civil works and beneficial to the communities.

An example of such properly completed project is Ciforo Youth skills training centre in Adjumani District in which training activities were going on as shown below:

Figure: 4 Complete and functioning project



Source: OAG Field Inspections

However, some projects were incomplete and of the 213 Incomplete CDI Subprojects, 60% i.e. 128 were from the Education Sector which comprised of Classroom blocks, Teachers houses; Dormitories, Laboratories and Community Halls. 20% i.e. 43 were from the Water Sector, comprising of Boreholes and Piped water supply systems. 5% was from the Road Sector i.e. 11 incomplete sub projects, which are feeder Roads, Bridges and Culvert installations, 15% i.e. 32 were from the Health sector, including Maternity Wards, Out Patient Department and Medical Staff house.

Failure to complete CDI Subprojects in time was attributed to delays in disbursement of Subproject funds, non adherence to Procurement Guidelines regarding civil works and lack of effective supervision and monitoring.

Table: 6 Number of Incomplete CDI's by districts.

District	Number of CDI Sub Projects	Number of Complete Sub Projects	Number of Incomplete Subprojects	Percentage Of In Completion	Funds Spent on Incomplete Sub projects
Arua	99	89	10	10%	264,673,513
Apac	125	57	60	48%	2,065,684,326
Gulu	40	30	10	35%	232,972,482
Pallisa	20	17	3	15%	282,679,278
Kitgum	35	27	8	22%	328,134,785
Kotido	70	44	26	37%	1,110,852,315
Moroto	75	34	41	54%	2,545,963,364
Nakapiripirit	48	19	18	37%	712,265,019
Kumi	35	23	12	34%	245,828,270
Lira	30	20	10	33%	300,258,788
Nebbi	15	13	2	13%	38,000,000
Katakwi	40	11	12	30%	794,854,546
Soroti	10	9	1	10%	85,874,359
Total	642	449	213	33%	9,008,041,045

Source: OAG Field inspection and analysis of NUSAF Progress reports

The incomplete CDI sub projects meant that they were unsuccessful and did not achieve the purpose for which they were intended and the expenditure on such sub projects was wasteful.

3.1.9 Performance of VGS Subprojects

Vulnerable Group Support Subprojects were expected to be operational in order for the vulnerable groups to develop, manage and ensure sustainability of the subprojects.

The audit revealed that out of the 1,048 VGS Subprojects, 64% i.e 667 of VGS Subprojects, funded and implemented by the communities operated for an average of (8) eight months and later closed.

Below are the details:

Table: 7 Number of Unsuccessful VGS Subprojects by districts.

District	Number of VGS Sub Projects	Number of Functional VGS Sub Projects	Number of Unsuccessful VGS Subprojects	Percentage of Unsuccessful VGS subprojects (%)	Funds Spent on the Unsuccessful VGS Subprojects
Arua	160	84	76	48%	490,751,419
Gulu	90	42	48	53%	564,668,522
Kitgum	120	30	90	75%	1,071,340,941
Moroto	163	32	131	80%	1,606,004,812
Nakapiririt	100	22	78	78%	1,158,611,389
Katakwi	70	30	40	57%	453,290,290
Nebbi	60	21	39	65%	359,228,494
Lira	110	37	73	66%	1,134,713,308
Pallisa	50	37	13	26%	108,128,000
Soroti	40	21	19	48%	151,654,350
Apac	85	25	60	71%	501,589,058
Total	1,048	381	667	64%	7,599,980,583

Source: OAG Data Analysis and Field inspections

Audit inspections found that districts in Teso region had VGS Subprojects performing fairly well, followed by west Nile region. However, VGS Subprojects in Karamoja region performed poorly.

The Audit also revealed that the Category of VGS Subprojects that performed fairly well were the Vocational Skill Training, which involved Carpentry, Metal Fabrication, Tailoring, Leather Workshop among others.

Sub-projects involved in Income generating activities like Diary Farming, Cattle restocking, Piggery, Goat Rearing and Bee keeping performed poorly. An example of such is kajoko Youth animal Traction in Pallisa District where 36 members changed the project to heifer rearing but without records of the members signing for the heifers.

Figure: 5 Income generating activities



Source: OAG Field Inspections

Out of the 667 Unsuccessful VGS 60% i.e 400 were involved in Income Generating activities, 20% i.e 133 were Vocational Skill Training, 10% i.e 67 were Time and Labour saving Technologies, 5% i.e 33 were Family Support Activities, and 5% i.e 33 Counseling Activities.

During Interview, reasons given for the unsuccessful VGS Subproject were: (49% i.e. 327) due to project mismanagement, (13% i.e. 87) due to members disintegrating or relocating, (22% i.e. 147) due to death of Animals and 16% i.e. 107 due to items (Tools or Animals) being shared amongst members. This affected the ability of members to sustain the VGS subprojects hence affecting the overall goal of the VGS component which was to use targeted interventions in a participatory, equitable and sustainable manner in improving the social livelihoods of the members of the subprojects.

Poor Performance of Vulnerable Group Support Subprojects was attributed to inadequate Monitoring and Supervision, inadequate Field Appraisals, poor Community participatory Appraisal & Training, ineligible Subproject group composition, projects not launched and inadequacies in approval process of Subprojects.

Most vulnerable Group Support subprojects operated for less than a year and as such there were no long term benefits to members from the Subproject which failed. Example of such projects is Gborogborocu borehole in Yumbe District where the borehole broke down and it appears the community is not capable of repairing it.

Figure: 6 Short lived project



Source: OAG Field Inspections

As a result of short life span and existence of incomplete sub projects, the community did not benefit from the services they were expected to receive from shs 16,608,021,628= incurred on these sub projects.

CHAPTER 4

CONCLUSIONS

From the audit findings above, the following conclusions have been made in light of the study carried.

4.1 DISBURSEMENT OF FUNDS

Over funding of sub projects to the tune of shs 1,254,096,160= without proper approvals rendered the expenditure nugatory.

As a result of delays in disbursement of funds, the Subprojects could not complete their activities on schedule and according to their work plans.

The delays by sub-projects to present accountability affected the liquidity of NUSAF and consequently affected timely implementation of Subprojects.

4.2 MAINTENANCE OF FINANCIAL RECORDS BY SUB PROJECTS

In the absence of proper financial records at the CDIs, it was difficult to verify, reconcile and update financial information of the sub projects by NUMU and NDTO which led to over funding of sub projects.

4.3 PROCUREMENT PROCEDURES

Failure to follow the Community Based Procurement Guidelines led to sub projects cost escalation and failure to procure with due regard to economy.

4.4 CIVIL WORKS

Lack of close supervision of the civil work resulted into poor quality civil works of the sub projects.

4.5 COMPLETION OF SUB PROJECTS

The delay in completion of the sub projects led to extension of NUSAF project life, extra administrative costs and cost escalation.

4.6 **COMMISSIONING OF COMPLETED SUB PROJECTS**

As a result of short life span and existence of incomplete sub projects, the community did not benefit from the services they were meant to receive out of shs 16,608,021,628= incurred on the sub projects.

CHAPTER 5

RECOMMENDATIONS

In light of the above findings and conclusions the following recommendations have been made to facilitate the implementation of NUSAF II developed to consolidate the gains of NUSAF I.

5.1.1 DISBURSEMENT OF FUNDS

The NUSAF Management Unit should ensure that cash books and standard accounting forms are kept by Subprojects. NUMU should computerize all data regarding Subproject budgets and funding. The information should be captured in the accounting package and reports produced monthly for reconciliation with the districts.

5.1.2 It is recommended that OPM through NUMU and the NUSAF District Technical Officers, carry out effective Supervision and Monitoring of Subproject financial records on a monthly basis.

5.2 MAINTENANCE OF FINANCIAL RECORDS BY SUBPROJECTS

5.2.1 Independent checks should be done, on data entered into the accounting package/Disbursement tracker, to ensure that funds disbursed to subprojects are in accordance with subprojects budgets and disbursement requests, where discrepancies exists, immediate remedial steps should be taken by NUMU and the CAO's.

5.2.2 The Office of the Prime Minister through NUMU should ensure adequate training of the Community Subproject Members on financial matters, to enable Subproject members gain skills to prepare and keep accounting records like simplified cashbooks and standard accounting forms.

5.2.3 It is recommended that OPM through NUMU ensures that Initial Disbursement of Funds to Subprojects be done at the launch of the sub project.

5.2.4 NUMU Should also institute measures to ensure that CPMC Members make timely submission of accountabilities.

5.3 **PROCUREMENT PROCEDURES**

NUSAF Management Unit and NDTO's should ensure that subproject Procurement Committees are constituted and members adhere to set procurement guidelines. In addition NUMU should ensure that the Community Procurement Committee members are adequately trained and able to execute the procurement guidelines.

5.4 **CIVIL WORKS**

District Engineers/Sector Specialists should carry out adequate monitoring of Civil Works on a monthly basis, and ensure that the Payment Certificates are issued at every stage of civil work before payment is made by the subprojects.

5.5 **PERFORMANCE OF VULNERABLE GROUP SUPPORT SUBPROJECTS**

5.5.1 The NUSAF Management Unit, through the NDTO's, should adequately supervise the training to ensure that the Community Subproject Members receive the knowledge required to manage and operate the Subprojects and avoid failure of the VGS subprojects.

5.5.2 NUMU should ensure that all Subprojects that have been submitted to the District Technical Planning Committees are thoroughly reviewed before approval and endorsement by the District Executive Committees. This will ensure that subprojects that do not meet principles and criteria's in the Operational Manual are not endorsed for funding.

5.5.3 It is also recommended that all Subprojects which have been approved and endorsed for funding, be Launched by representatives from NUMU, DLG, NDTO's and Members of the Subproject before implementation. This is to ensure that subprojects funded are on the ground and do exist.

5.6 **COMMISSIONING OF COMPLETED PROJECTS**

The OPM should institute a study to re-assess the incomplete sub projects and those not commissioned with a view to re-activate them under NUSAF II. This should aim at addressing the underlying causes of non-completion and commissioning with the view of salvaging the loss that arose from earlier resources injected and ensure that the community benefits from the intended services envisaged from the subprojects.

John F. S. Muwanga
AUDITOR GENERAL

25TH MARCH 2010

Organizational Chart

