

REPUBLIC OF UGANDA

OAG



Office of the Auditor General

**FINANCIAL AND VALUE FOR MONEY AUDIT OF BUILDING AND
CONSTRUCTION UNDER JUSTICE, LAW AND ORDER SECTOR**

FINAL REPORT



MARCH 2011

Value for Money Audit of Building and Construction
under Justice, Law and Order Sector

TABLE OF CONTENTS

Abbreviations	2
Acknowledgements	3
Background	4
Objectives of the Consultancy	4
Value for Money Audit Findings and Recommendations	6
Key Findings	7
Planning Process	7
Implementation, Monitoring and Supervision	10
Performance of contractors	16
Recommendations	18

LIST OF TABLES

Table 1: Showing contract variations over 15% of the original contract price	13
--	----

ABBREVIATIONS

ASTU	Anti Stock Theft Unit
BoQ	Bills of Quantities
CADER	Centre for Arbitration and Dispute Resolution
DPP	Directorate of Public Prosecutions
DPS	Development Partners
EU	European Union
FY	Financial Year
GAL	Government Analytical Laboratories
GoU	Government of Uganda
JLOS	Justice, Law and Order Sector
JSC	Judicial Service Commission
LDC	Law Development Centre
MoFPED	Ministry of Finance, Planning and Economic Development
MoGLSD	Ministry of Gender, Labour and Social Development
MoIA	Ministry of Internal Affairs
MoJCA	Ministry of Justice and Constitutional Affairs
MoLG	Ministry of Local Government
MoWT	Ministry of Works and Transport
OAG	Office of Auditor General
PDRP	Peace, Development and Re-construction Programme
PPDA	Public Procurement and Disposal Authority
PWDs	People With Disabilities
SWAP	Sector Wide Approach to Planning
TAT	Tax Appeals Tribunal
ToR	Terms of Reference
UGX	Uganda Shillings
ULRC	Uganda Law Reform Commission
UPF	Uganda Police Force
UPS	Uganda Prisons Services
URSB	Uganda Registrations Services Bureau
VAT	Value Added Tax
VfM	Value for Money
WC	Water Closet

ACKNOWLEDGEMENTS

The Office of the Auditor General (OAG), Government of the Republic of Uganda wishes to recognize with sincere gratitude the Justice, Law and Order Sector (JLOS) Secretariat and all the Institutions it oversees for their cooperation rendered during the Financial and Value for Money (VfM) Audit of the building projects implemented under the JLOS Sector-Wide Approach to Planning (SWAP) Development Budget during FYs 2005/06 to 2007/08.

As the sector takes root in bringing together institutions with closely linked mandates, more effort is needed on the part of all stakeholders to support this mechanism through which all SWAP development funds will be channelled to the institutions through the JLOS Secretariat. Accountability should be key in ensuring that all the projects implemented achieve their intended purpose and have sustainability arrangements in full force.

The Office of the Auditor General also recognizes the tremendous efforts of COWI Uganda, Kisaka & Company and Design Int. Ltd, consultants, for their time, commitment to the assignment and the high integrity exhibited during the consultancy period.

Finally, the OAG wishes to recognize the financial support given by the Development Partners towards promoting the Justice, Law and Order sector and to this assignment in particular.

BACKGROUND

The Justice, Law and Order Sector (JLOS) is a sector-wide approach adopted by Government to bring together institutions with closely linked mandates for administering justice, and maintaining law and order, into developing a common vision, policy framework, unified objectives and plan over the medium term. JLOS focuses on a holistic approach to improving access to and administration of Justice through a sector-wide approach to planning, budgeting, programme implementation, monitoring and evaluation.

JLOS activities are funded from the GoU Development Budget under *vote: 007: Support to Justice, Law and Order Sector* under the Ministry of Justice and Constitutional Affairs, with the Solicitor General as the Accounting Officer. The budget support consists of funds channelled by JLOS Development Partners (DPs) into the GoU Consolidated Fund. The DPs support the sector in two ways:

- i. Through a basket fund arrangement where funds are channelled through the JLOS Secretariat who in turn remits the funds to respective Institutions based on work plans.
- ii. Directly funding the sector institutions without physical funds remitted through JLOS Secretariat.

The Office of the Auditor General contracted COWI Uganda Ltd in association with Design Int. Ltd and Kisaka & Company to undertake a financial and value for money audit of buildings under the Justice Law and Order Sector (JLOS) constructed during the period FY 2005/06 to FY 2007/08.

OBJECTIVES OF THE CONSULTANCY

The purpose of the audit was to provide an independent opinion as to whether the funds and other resources that had been applied to construct buildings for various JLOS Institutions were:

- i) inadequate, adequate or excessive;
- ii) well utilised on planned activities; and
- iii) have provided the intended outputs and thus achieved value for money.

The Funding for the activities implemented by JLOS Secretariat was provided by the Government of Uganda (GoU) and multi-lateral Development Partners (DPs) through a basket funding arrangement.

The Audit Methodology

The Consultancy team, reviewed work plans for FYs 2005/06 to 2007/08 based on the recommendations of the JLOS taskforce of 19th May 2009 that required projects funded with DANIDA and Netherlands support also to be sampled.

After consultations with the various institutions that were responsible for the implementation of the JLOS building constructions, and adhering to the ToR, the consultant was able to identify all the projects to be covered under this assignment. The projects are in eight institutions namely:

- i) Uganda Prisons Services – 11 of 13 projects sampled
- ii) Uganda Police Force – 21 of 35 projects sampled
- iii) The Judiciary – 8 of 14 projects sampled
- iv) The Directorate of Public Prosecutions – 4 of 6 projects sampled
- v) Ministry of Internal Affairs – all 3 projects sampled
- vi) Ministry of Gender, Labour and Social Development – all 5 projects sampled
- vii) Ministry of Justice and Constitutional Affairs – all 3 projects sampled
- viii) Law Development Centre – only 1 project was sampled

A total of 80 building construction projects were compiled from the JLOS institutions' work plans and progress reports for the period FYs 2005/06 to 2007/08 as per the ToR scope of work and the Task Force decision of 19th May 2009 of including projects funded directly to Institutions. Of the 80 projects, the Consultant selected 56 projects (70%) to be subjected to the audit which included a thorough desk document review and field (physical) inspection.

The total cost of the sample space was Shs.26,967,096,390 of which the sampled projects for audit total Shs.18,290,052,108 (68%).

The consultant selected the works to be subjected to in-depth physical assessment using the past experience gained on previous audits of a similar nature. The consultant used the following criteria in selecting the projects in reference:

- i. Building projects implemented by all JLOS institutions funded through JLOS Secretariat,
- ii. Building Projects implemented by all JLOS Institutions funded directly by the DPs,
- iii. The contract amounts – the selected projects were a representative of projects of different contract values i.e. very high to very low;
- iv. Project Status – Building Constructions that were completed and in use.
- v. Project Status– Building Constructions that were in progress but of particular interest to verify e.g. force on account projects
- vi. Abandoned projects
- vii. Economic availability of the institutions' technical staff to witness the audit

The VfM audit involved both technical and financial audits.

The Technical audit involved physical verification of the projects implemented or being implemented and actual takeoff of the quantities done as compared to the quantities paid for. The quality of materials and workmanship was observed and where necessary pictures were taken. The Financial audit involved the review of how the projects were planned, procured, and followed the payment process. Finally, the audit captured the assessment of projects handover, commissioning for use, level of utilisation as well as Operation and Maintenance arrangements under effectiveness.

Value for Money Audit Findings and Recommendations

The following paragraphs and table provide a status listing of key findings, recommendations and corresponding responsibility centre for each of the thematic areas of: planning, procurement, implementation, payment procedures, commissioning/ handover and utilization. The conventional VfM formula was applied to each of the implemented projects and a complete assessment was done for completed projects. The audit also provided an analysis with regard to the performance of contractors and the performance of the contracts committees.

This report noted the areas needing improvement for the future implementation of the programme and thus findings from all the JLOS Institutions audited are presented in this report so as to be shared amongst themselves.

KEY FINDINGS

PLANNING PROCESS

There was general compliance to the planning guidelines as set by JLOS Secretariat in nearly all participating Institutions. However, there is need to provide more guidance to the departments under each institution on the statement of project descriptions.

The development plans for the buildings were included in most of the Institutions' work plans for respective Financial Years (FYs), submitted to and approved by the JLOS Secretariat Steering Committee for funding under SWAP Development Fund.

Some participating Institutions are not giving adequate opportunity to the beneficiary departments to adequately participate in the identification and prioritisation of development issues. In Uganda Prisons Services, in particular, it was not possible to identify any prison department that actively participated in the planning process for identification of projects for SWAP Funding as there were no records at the various prison departments, more especially upcountry, where planning is expected to initiate. Documentation was poor or non-existent as all documents were kept at the head offices.

Some of the sampled projects particularly those implemented in earlier years of JLOS, did not have project profiles and clear project descriptions. This was very much evident in the Ministry of Gender, Labour and Social Development.

PROCUREMENT PROCESS

The Procurement process under most of the sampled contracts was generally handled in accordance with PPDA guidelines and regulations, 2003. PPDA guidelines seek to clarify and expedite the process of requesting, purchasing and hiring of goods and services in all public institutions.

Twenty nine (29) projects were procured using Open Domestic Bidding while for sixteen (16) projects, Restricted Domestic Tendering was used. One (1) project was procured using Direct Procurement while two (2) projects were procured using Force on Account.

1. Tender Documentation, Valuations, Certification and Cost Control

In a number of cases copies of contracts and other tender documents could not be accessed due to poor records keeping and retrieval systems. Bidding documents for

some projects were inadequate. The correlation between the Bills of Quantities and the works specifications was lacking. In some cases (e.g. Entebbe Police barracks toilet block and sewer line) appropriate drawings were not provided to bidders, thus making it difficult for contractors to reasonably price their bids.

There were many instances of weaknesses in cost control and cost control documentation. Often it appeared that payments were simply made to match the project sum without necessarily correlating payment to actual works satisfactorily done. Many instances of actual quantities on site being less than what is indicated in the payment certificate or more than that indicated in the payment certificate were noted.

There were also a number of instances where the payment certificates include items that were not implemented at all or that were not satisfactorily implemented. This undermined the enforcement of the rectification of defects by the contractors as they had already been paid for the works.

The Ministry of Works Engineers did not provide adequate supervision as they were busy elsewhere. This was the case not only in the MoGLSD but also in other participating Institutions, like UPS, UPF and others where MoWT was responsible for checking the works done and payments were made by the Institutions.

2. **Force on Account**

There were two instances where the Force on account procurement option was used, namely: Renovation of Namalu Prison and construction of Luzira Prison Staff houses Complex. It was noted that in both cases best value for money was not delivered as poor standard of work was being delivered.

However, management responded that the main reason for adopting this method was because the prison structures had been badly ravaged and the department did not have all the funds needed to do a major reconstruction. The renovations were carried out over a 5 year period whereby no business contractor would have accepted such a long period of time. The Department opted to use prisoners' labour and the department technical staff. A waiver was requested and obtained from PPDA for the use of Force on Account on the two projects.

It was also established that the overall cost of each unit in Luzira and Namalu was less than the cost of a similar facility elsewhere where private contractors were used.

However, this practice to use force on account as a procurement option has been discouraged for future projects implementation.

3. **Weak and unprofessionally drafted Contracts**

In a number of cases the copies of contracts seen were rather weak. This was the case in almost all Renovation of Remand Homes contracts under the MoGLSD where some contracts were found to be one to two pages. These contracts lacked details of specifications as expected in a standard contract document, to avoid the supplier or contractors taking advantage of employers.

Management responded that it was true most of the contracts were weak due to the staff responsible for this activity not being qualified. However, in future, they would be sending all contracts to the Solicitor General for clearance before they are officially signed.

4. **Poor Procurement Records Management & Retrieval**

The Audit Team noted that there was inefficient methods of retrieval and management of procurement documents within the implementing authorities. This was witnessed in the length of time it took for the auditors to receive bids submissions, evaluation reports, minutes of contracts committees, award letters and copies of contracts.

5. **Lack of Engineers' Estimates (Reserve Prices)**

The Procurement process was further flawed by some of the audited contracts that lacked the Engineer's estimates to guide the Evaluation Committees during their assessment and awarding of contracts. It is advisable that bids should normally be within the 5% range of the engineer's estimates.

The following projects were found to have lacked Engineer's Estimates:

- UPF-Construction of Mid-Western Regional Police HQ. Hoima
- Renovation of Nsambya Police Barracks
- Construction of Katakwi ASTU Police HQ
- Construction of Bukedea, Pader and Katakwi ASTU Zonal Police offices

- Construction of Pallisa and Entebbe Chief Magistrate’s courts
- Construction of DPP offices in Luweero, Moroto and Kasese
- Construction of Immigration offices at Malaba.
- Construction of Ministry of Justice Regional office, Mbarara.

6. **Variations or Addenda of construction contracts**

The PPDA regulations require that contract variation for extra works or services exceeding 15% of the original contract sum must be cleared by PPDA. The Contract amendments are governed by Regulation 262, Sub-sections 5&6 of the PPDA Regulations, 2003. It is also a requirement that a new contract for the variations stating the terms and conditions of the works must be prepared.

A total of eleven (11) project activities had addenda or Variations issued, two (2) of which were above the 15% ceiling requiring PPDA clearances. The variations for the construction of Gulu Regional Laboratory MoIA were not cleared by PPDA and a new contract was not prepared as required. However, variations for the Construction of the LDC Complex at Makerere (Phase 1) were approved by the contracts committee and also cleared by PPDA. (See table 1)

Table 1: showing contract variations over 15% of the original contract price and requiring PPDA clearance

s/r	Contract	Original contract	Revision	%	Revised contract	Remarks
1	Construction of Gulu Regional Laboratory MoIA	436,445,468	68,998,544	15.8	505,444,012	PPDA clearance not obtained
2	Construction of LDC Complex at Makerere (Phase 1)	366,195,631	261,274,233	71.3	627,469,864	PPDA clearance obtained

IMPLEMENTATION, MONITORING AND SUPERVISION

a) **Supervision and Project Management**

While Institutional Engineers / Engineering Department seemed to be certifying projects, there did not seem to be systematic mechanisms for the supervision and monitoring of project implementation. This was particularly evident in the defects

that were identified by the audit team on the completed structures that could have been corrected during the construction phase.

In Uganda Prisons Services for example, it was found out that most of the projects sampled were managed and supervised internally. The UPS Engineering Department has limited capacity for the supervision of all the projects undertaken and which are spread all over the country.

The workmanship of most of the finished facilities visited was, however, fair.

In Uganda Police Force, DPP and Ministry of Internal Affairs, it was found out that most of the projects sampled were managed and supervised by inadequately staffed Engineering Departments. The Departments have limited capacity for supervision of all projects undertaken, which are spread all over the country.

Although, the workmanship of most of the finished facilities visited was fair, some projects were abandoned while others stalled as indicated below:

- i. Abandoned projects included:
 - Construction of Bukedea, Pader and Katakwi Police ASTU Zonal HQ; Dokolo and Pader Police Stations and Barracks; and Entebbe Police Sewer line Overhaul,
 - Construction of DPP Regional offices, Amolatar
- ii. Stalled projects included:
 - Construction of Kaberamaido, Amuria Police Barracks and Stations and Kira Division Police HQ
 - Construction of Malaba Boarder Post Immigration office.

In the Ministry of Gender, Labour and Social Development, the level of supervision on the projects visited was generally weak, and evidently affected the standard of the works. All the sites visited had poor to fair standard of workmanship.

In The Judiciary and Ministry of Justice and Constitutional Affairs, where most of the projects visited were designed and supervised by a team of consultants, the projects seen were generally of a good standard.

It was also noted that where Supervision and Project Management were undertaken by The Supervisory Team from the Ministry of Works and Transport, an Institution which is overstretched with very few supervision personnel, the projects visited were generally of poor workmanship and evidently affected the standard of finished works and timely completion. This affected the projects undertaken by the Law Development Centre, UPF, UPS, Ministry of Gender, Labour and Social Development and Ministry of Internal Affairs.

b) Follow up on disbursements

Some cases were noted where there was no adequate follow up on disbursements by the Secretariat in order to avoid unauthorised diversion of funds from one project to another. A case in point is the construction of Store and Armoury at ASTU HQ – Katakwi under UPF. The ASTU Headquarters building was constructed but the store has yet to be done. Construction of Ngarium - Katakwi ASTU Zonal Offices has never started although the funds were disbursed.

c) Contract Enforcement

In many instances, time control was generally weak. Many projects were not implemented based on specific time frames, even where the contract stipulated that the contractor was to regularly submit a program of works.

Time overruns occurred in many projects, with some projects even taking more than double the contract period. This is a reflection of inadequate initial planning and under-estimates of the time required to complete the project. On the other hand, in the construction industry, many contractors, particularly local contractors, do not have the skill/discipline of working with time frames. This trend demands extra effort from project supervisors if the projects are to be delivered within the allocated time frames.

Some of the contracts that exhibited management weaknesses included: the Government Analytical Laboratories in Gulu and Mbale; and the immigration offices in Malaba for the Ministry of Internal Affairs. All were well past the contract completion dates yet there was no documentation/ communication from the contractor, the supervisor or the client regarding time extension. There was no evidence of any attempt to initiate dialogue on breaking the stalemate that had been reached. The

projects had therefore not achieved their intended objective, and required a purposeful intervention to chart a way forward.

Some cases were noted where contractors were fully paid yet the defects liability period had not elapsed. At Gulu Remand Home staff housing, for example, the contractor was fully paid before the end of the defects liability period. The defects list was issued after payment. The contractor was off the project yet a number of defects were still pending, and in some cases the defects were being made good at the end users expense.

d) Project Definition

There were some weaknesses in project definition. For example, it is inconceivable to provide housing without sanitation yet a number of housing projects were implemented with no provision for bathrooms and toilets. Examples of this scenario included: construction of Namalu staff houses and completion of one block of low cost houses at Rukungiri prison.

e) Institutional Bureaucracy

In two instances, completed staff houses were not yet occupied because of Institutional Bureaucracy. At Kisoro and Amolatar Police Barracks, completed staff houses were not yet occupied because of apparent ambiguity on who is to give the go ahead for occupants to move in.

f) Disability Provisions

Provision for PWDs access to the public buildings, wherever it was provided, was mostly limited to an external ramp at the veranda, with no provision for access into the building as there was often a step from the veranda into the building. Inside the buildings, the door widths and circulation space e.g. at WCs were generally insufficient for disabled (PWD) access, and without supporting anchors. This is an inadequacy in design. The only place where provision for PWDs concerns was adequate was at the LDC Complex.

FINANCIAL MANAGEMENT

The payment process under most of the sample contracts was generally handled in accordance with The Public Finance and Accountability Act, 2003 and the Public Finance and Accountability Regulations, 2003. The Act seeks to clarify and expedite the process of paying for goods and services in all public institutions.

a) Inadequate attachments

Payments to contractors for finished works were particularly noted to have inadequate attachments. Such attachments would include interim certificates, measurement sheets, and payment history and a copy of the contract documents.

b) Poor Payment Records Management and Retrieval

The Audit Team noted that there was inefficient methods of retrieval and management of financial documents within the implementing authorities. This was witnessed in the length of time it took for the auditors to receive payment vouchers and related documents and in some cases documents were not received at all.

Institutions complained that the documents had been taken to the JLOS Secretariat for accountability and that they had not been returned.

c) Delays in Payment Executions

There were notable delays in processing and effecting payments to contractors due to bureaucracy and poor documentation. It was noted under technical findings that delays in effecting timely payments to contractors could have affected the timely delivery of services by limiting the contractors' cash flow and causing works to stall. For example, the construction of Kolir - Bukedea ASTU Zonal Offices and Lapono – Pader ASTU Zonal Offices had stalled due to late payments for certified works.

d) VAT deductions

It was noted that at JLOS Secretariat, VAT deductions were made at source. This should not have been the case, only WHT should have been deducted at source. It is the responsibility of the Contractor or Service provider to remit VAT returns to URA.

e) **Disbursement of insufficient Funds**

Sometimes funds received by the Institution were not sufficient for the implementation of the project in question. Often the money sent did not take into account the VAT component and the Institution was left with the burden of finding alternative sources of funding to meet the VAT. The Ministry of Gender, Labour and Social Development was given money for the purchase of a Double Cabin Pickup without the VAT component and were forced to divert funds from other budget lines to cover the shortfall.

Another example was the Government Analytical Laboratory (GAL) under the Ministry of Internal Affairs, were given Shs.62, 000,000 for the construction of a cold room without the money to cover the cost of drawings. The money is still on their account pending acquisition of approved technical drawings.

HANDOVER, UTILISATION, OPERATION AND MAINTENANCE OF COMPLETED PROJECTS

JLOS, through the participating Institutions, has invested much money in infrastructure projects but there is inadequate provision for the operation and maintenance of completed projects.

Institutions did not have budget allocations for maintenance works for the constructed facilities. In some cases, even basic maintenance activities like cleaning, rectifying loose lighting fittings, re-fitting items that may have fallen out etc were neglected. UPF institutions in particular were poorly maintained e.g. Katwe Police station toilet block. UPS generally had well maintained, clean facilities with the exception of Luzira Prison Staff Housing and Namalu Prison

At an Institutional level, instances of neglect, poor cleanliness and lack of routine maintenance on completed and occupied projects were also pronounced on upcountry magistrates' courts like: Kapchorwa, Moyo and Yumbe Courts.

Many of the projects that had been completed and in use had not been handed over transparently.

PERFORMANCE OF CONTRACTORS

The standard of workmanship exhibited by contractors undertaking the various projects was generally fair. Nonetheless, there were a few cases where the standard of work was very poor e.g. Construction of Malaba Immigration office.

Contractors did not carry out Materials tests for most of the audited projects. In some instances, there was weak enforcement of specifications and the standard of some fittings used was poor or not appropriate e.g. window stays and fasteners in many projects were already broken/not functional especially for staff housing where there is high occupancy.

Some contractors exhibited some form of incompetence through poor workmanship, lack of basic technical competence, and non-commitment to the provisions of the contract when constructing.

Aquifer International Ltd., for example, abandoned works on construction of prison wards at roofing level and two staff houses at walling stage for Ibuga Government Prison. The company also obtained an advance payment on submission of a forged Advance Guarantee document.

M/s Alpha- Gama Engineering Enterprise Ltd. was the sole contractor for all the three projects implemented by MoJCA. The same contractor had contracts with other Institutions under JLOS at the same time. The use of the same contractor on many different contracts potentially raises questions on his ability to execute the works in accordance with the provisions of contract due to too much work overload.

Performance of Contracts Committees

In the majority of projects audited, the Contracts Committees of the various Institutions performed their statutory functions very well, exceptions being in a few cases when revisions to the original contracts were not ratified by the committees.

On the whole, the quality of works done under the projects audited was found to be good and the facilities were providing the services for which they were intended.

The delivery of justice in the country has greatly improved; where court sessions used to be held in rented rooms, delivery is now held in permanent court buildings.

The DPP regional offices are now providing closure legal guidance to the communities. The Uganda Police Force has also benefited from increased police stations, improved transport facilities and communication equipments. The various prisons constructed under the JLOS SWAP development funds have improved the living conditions of the inmates. Prison and Police staff have benefited from housing although more is still required. The rehabilitation of Remand Homes at various stations in the country has led to separation of adult from Juvenile offenders as provided for internationally.

RECOMMENDATIONS

From the audit findings, for the benefit of all the stakeholders in the construction industry in Uganda and all the JLOS Institutions, the following recommendations were made. The recommendations are based on the findings arising out of this audit and the various observations received from the stakeholders involved in the implementation of this programme, hitherto referred to as the Participating Institutions of JLOS. It is hoped that at the end of this exercise, the stakeholders and beneficiaries will have learnt valuable lessons which will be of great assistance for future implementation of similar programmes.

Technical Recommendations

a) Contract Enforcement

Enforcement of Contractual clauses should be addressed either by outsourcing supervisory consultants or by building internal capacity i.e. by recruiting appropriate technical staff; or a combination of both options so as to improve delivery of the institution's projects.

b) Valuations and Certification

The contract supervisors should be keen at taking off or measuring accomplished work items together with the contractors.

c) Disability Provisions

All contracts from the design stage should take into consideration equity issues or cross-cutting issues. Considerations for PWDs access to facilities and issues of gender and environment should be key in the design and implementation of JLOS projects.

d) Maintenance

The JLOS institutions should budget for adequate funds for maintenance of built facilities for sustainability purposes.

e) Project Definition

All projects to be implemented should undergo strict appraisals to ascertain viability e.g. a case for Ngarium-Katakwi ASTU Zonal offices had not taken off because of a land wrangle. Important aspects, like provision of bathrooms and toilets should be captured in appraisal reports.

f) Force on Account

The Force on account contracts, if inevitable, could be improved upon by employing a full time skilled supervisor to oversee the implementation of the works, otherwise, this procurement method should be discouraged.

g) Further Audit

Further Technical audit should be conducted for projects that were in progress at the time of this audit.

Financial and Procurement Recommendations

a) Dissemination of planning guidelines

The Institutions' Planning Units must ensure that planning guidelines as spelt out by JLOS Secretariat are adequately disseminated and that all participating Institutions understand and are aware of the various allocations under the

various projects/programmes planned for funding under the JLOS-SWAP Development Fund.

b) Profiling of projects

The Personnel assigned the responsibility of coordinating the planning function in each Institution must ensure that all the projects included in the development plans have detailed profiles written according to the standard format.

c) Open Domestic Competitive Bidding Method

The Audit Team strongly recommends that the Open Domestic Competitive Bidding method be the norm to ensure transparency in securing contractors. With a good planning mechanism in place, cases of using emergencies as an excuse for using Direct procurement method could be avoided, unless otherwise as stated in PPDA Regulation 110 (2) a-c.

d) Cost Estimates

In order to avoid further flaws in the Procurement process, confidential Cost Estimates should be prepared for all future projects. It is nice to note that this audit has one of its components, the production of Standard Building Designs and Costing. The Ministry of Works and Transport should also have an up-to-date 'schedule of rates' for the construction sector. The bids should normally be between 10-15% ranges of the engineer's estimates.

e) Addenda or Variations for Extra Works

Addenda or Variations for extra works cannot be avoided in the construction industry but they should be authorised by the Contracts Committee and where the sum is above 15% of the original contract value PPDA clearance should be sought.

f) Proper Filing of Documents

The Secretaries to the various contracts committees should ensure that copies of all documentation relating to given contracts were properly kept. Each contract

must have a separate file where key documents are kept and made available for easy reference.

Accounting and Finance officers and Internal Audit sections must ensure that copies of all documentation relating to a given contract are properly attached to the payment requisition.

g) Unauthorized Payments

In order to avoid unauthorized payments, proper attachments should accompany all payment vouchers. These include: a copy of contract agreement, letter of contract award, interim certificates or in case the contract is complete, a penultimate completion certificate must accompany the voucher. This will help the paying authorities to avoid making unlawful or unauthorized payments. The paying officer should always insist on obtaining a receipt from the recipients.

h) Unnecessary Delays in Payments of Contractors

The implementing agencies should avoid unnecessary delays in payments of Contractors' certified works. Contractors should be made aware of the time it takes for them to be paid after certification of the works. This helps them to adequately plan for their cash flow for affective and timely implementation of the works.

i) Budgeting and Budgetary Control

Annual work plans and budgets for the funds were at the time of audit being done by Participating Institutions and submitted to the JLOS Secretariat for discussion, approval and disbursement. Many beneficiary Institutions, like Regional Police offices and Police Stations, Reception Centres or Remand Homes, Prisons Farms Institutions, like Rwimi and Ibuga Prison Farms etc, expressed the desire to be involved in the planning process because they had their priorities which they felt should have been funded.

It is therefore recommended that beneficiary institutions are involved in the planning process.

j) Follow up on Disbursements to Implementing Institutions

In order to avoid diversion of funds from one project to another without proper authorisation by the Implementing Institutions there must be adequate follow up on Disbursements by the Secretariat. A clear follow up procedure either by monthly progress reports from the Institutions to the Secretariat or inspection visits by the Secretariat to the various project sites must be encouraged.

k) Accountability for Funds received

Proper and timely accountability for funds received by Participating Institutions is a prerequisite for improved performance. The system of reporting should be strictly enforced by the Secretariat and adhered to.

l) VAT deductions

Value Added Tax should be paid to the Contractors and Service Providers for them to statutorily perform their duty of submitting monthly VAT returns to Uganda Revenue Authority.

m) Handover and commissioning of completed projects

Accounting officers of the various benefiting Institutions must ensure that all completed projects are handed over and commissioned. During the commissioning, the roles of beneficiaries in project operation and maintenance must be clearly spelt out. The assets must be included in the assets Register and projects identified in accordance with the guidelines.

John F. S. Muwanga

AUDITOR GENERAL

KAMPALA

29th March, 2011