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<tr>
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<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>AC</td>
<td>Air Conditioner</td>
</tr>
<tr>
<td>ACCA</td>
<td>Association of Chartered Certified Accountants</td>
</tr>
<tr>
<td>ACPPP</td>
<td>Anti-Corruption Public Private Partnership</td>
</tr>
<tr>
<td>AFROSAI</td>
<td>African Organisation of Supreme Audit Institutions</td>
</tr>
<tr>
<td>AFROSAI-E</td>
<td>African Organisation of English Speaking Supreme Audit Institutions</td>
</tr>
<tr>
<td>AG</td>
<td>Auditor General</td>
</tr>
<tr>
<td>ATAAS</td>
<td>Agricultural Technology and Agribusiness Advisory Services</td>
</tr>
<tr>
<td>Bn</td>
<td>Billion</td>
</tr>
<tr>
<td>CISA</td>
<td>Certified Information Systems Auditor</td>
</tr>
<tr>
<td>COSASE</td>
<td>Committee on Commissions, Statutory Authorities and State Enterprises</td>
</tr>
<tr>
<td>CPAU</td>
<td>Certified Public Accountant of Uganda</td>
</tr>
<tr>
<td>CRS</td>
<td>Corporate Social Responsibility</td>
</tr>
<tr>
<td>EAAPAC</td>
<td>East African Association of Public Accounts Committee</td>
</tr>
<tr>
<td>FIDIC</td>
<td>Fédération Internationale Des Ingénieurs-Conseils</td>
</tr>
<tr>
<td>FIIT</td>
<td>Forensic Investigations and IT Audit</td>
</tr>
<tr>
<td>FINMAP</td>
<td>Financial Management and Accountability Programme</td>
</tr>
<tr>
<td>FY</td>
<td>Financial Year</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>GO</td>
<td>Government of Uganda</td>
</tr>
<tr>
<td>IAAC</td>
<td>Independent Audit Advisory Committee</td>
</tr>
<tr>
<td>IAF</td>
<td>Inter Agency Forum</td>
</tr>
<tr>
<td>ICBF</td>
<td>Institutional Capacity Building Framework</td>
</tr>
<tr>
<td>ICGFM</td>
<td>International Consortium on Governmental Financial Management</td>
</tr>
<tr>
<td>ICT</td>
<td>Information Communications Technology</td>
</tr>
<tr>
<td>IDI</td>
<td>INTOSAI Development Initiative</td>
</tr>
<tr>
<td>IFAC</td>
<td>International Federation of Accountants</td>
</tr>
<tr>
<td>INTOSAI</td>
<td>International Organisational of Supreme Audit Institutions</td>
</tr>
<tr>
<td>ISA</td>
<td>International Standards on Auditing</td>
</tr>
<tr>
<td>ISACA</td>
<td>Information Systems Audit and Control Association</td>
</tr>
<tr>
<td>ISSAI</td>
<td>International Standards of Supreme Audit Institutions</td>
</tr>
<tr>
<td>IT</td>
<td>Information Technology</td>
</tr>
<tr>
<td>KCCA</td>
<td>Kampala Capital City Authority</td>
</tr>
<tr>
<td>KfW</td>
<td>Kreditanstalt für Wiederaufbau (German Development Bank)</td>
</tr>
<tr>
<td>LCV</td>
<td>Local Council Five Chairperson</td>
</tr>
<tr>
<td>LDC</td>
<td>Law Development Centre</td>
</tr>
<tr>
<td>Acronym</td>
<td>Description</td>
</tr>
<tr>
<td>---------</td>
<td>--------------------------------------------------</td>
</tr>
<tr>
<td>UGOGO</td>
<td>Uganda Good Governance</td>
</tr>
<tr>
<td>UGX</td>
<td>Shillings</td>
</tr>
<tr>
<td>UN</td>
<td>United Nations</td>
</tr>
<tr>
<td>UNRA</td>
<td>Uganda National Road Fund</td>
</tr>
<tr>
<td>URA</td>
<td>Uganda Revenue Authority</td>
</tr>
<tr>
<td>VAT</td>
<td>Value Added Tax</td>
</tr>
<tr>
<td>VFM</td>
<td>Value for Money</td>
</tr>
<tr>
<td>Vols.</td>
<td>Volumes</td>
</tr>
<tr>
<td>VoP</td>
<td>Variation of Price</td>
</tr>
<tr>
<td>WB</td>
<td>World Bank</td>
</tr>
<tr>
<td>WGEI</td>
<td>Working Group on Audit of Extractive Industries</td>
</tr>
<tr>
<td>WHT</td>
<td>Withholding Tax</td>
</tr>
<tr>
<td>ZARDI</td>
<td>Zonal Agricultural Research and Development Institute</td>
</tr>
</tbody>
</table>
Vision, Mission and Core Values

Vision

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

Mission

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

Core Values

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

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

In accordance with my mandate as stipulated under Article 163 of the Constitution of the Republic of Uganda and as amplified by the National Audit Act, 2008, it is my pleasure to present to you the Annual Audit Report on the public accounts of Uganda, for the Financial Year ended 30th June 2016. The first volume of the report covers the general performance of the office for the period ending 31st December 2016.

The other two volumes present cross cutting issues and high risk detailed findings on audits for the Financial Year ended 30th June 2016 and Value for Money Audits undertaken from January to December 2016. The executive summary which follows this foreword outlines the content of the annual report.

Our Audit year follows the Calendar year running from January to December hence cutting across two financial years after the Public Finance Management Act, 2015 came into force. Therefore, audit activities for this year have been funded using the budget for the second half of the FY 2015/16 amounting to UGX24.915Bn and the first half of FY 2016/17 amounting to UGX36.718Bn.

The office received financial support from FINMAP and by close of the audit year, a total of UGX 2.08Bn had been spent in staff capacity building and strengthening physical and operational independence of the Office. The office also received Donor support from both GIZ, and the Government of Ireland. Technical support was received from the Norwegian and Swedish National Audit Offices. We express our gratitude.

With the funding above, the office planned to carry out a total of 2,207 audits which included; 2,123 financial audits, 70 Forensic Investigations, 11 value for money audits and 3 specialised audits. As at 31st December 2016, a total of 1,417 audits including 1,323 financial audits, 83 Forensic Investigations, 8 value for money audits and 3 specialised audits were completed and reported on, while 802 financial audits and 3 VFM audits were still in progress. The Office also spearheaded 8 Regional Audits of the African Union and the East African Community.

I would like to acknowledge the support, from the Parliament of the Republic of Uganda especially the Committee of Finance, Planning and Economic Development and the Accountability Committees, the Executive arm of Government, the Development Partners and
other stakeholders, who were instrumental in providing support to enable the Office continue to maintain its physical independence, strengthen staff capacity and successfully execute its statutory mandate, thereby making an effective contribution to improving public accountability and value for money spent. This support has enabled us to continue producing audit reports in a timely manner.

We appreciate the efforts so far the Oversight Committees of the 10th Parliament has put in place in discussion of our audit reports. It has been an incredible performance. In a period of less than 5 months since they were constituted, they have discussed and tabled to the House of Parliament total of 143 reports including 13 reports on statutory authorities state entry and 133 local authorities. These reports have been adopted by the main house. PAC report covering 50 entities and 2 Value for Money is yet to be tabled for adoption by Parliament. With that performance insight we are more than delighted that more reports will be discussed. We hope that this performance will be matched by the Executive in the preparation of the Treasury Memoranda and the follow up through the implementation of the recommendations.

In my report last year, we made improvements in our reporting to reduce the size of our reports by reporting on significant and fundamental crosscutting audit issues and those issues which are of high risk. We have since received feedback and we have engaged a consultant who has held consultative meetings with the oversight committees as part of the process to develop guidelines to effectively communicate our audit results.

Finally, I would like to acknowledge the staff of the Office who worked tirelessly throughout the Christmas season to ensure the availability of this report.

Finally, I would like to acknowledge the staff of the office who worked tirelessly throughout the Christmas season to ensure the availability of this report.

We look forward to your continual support and guidance as we proceed to implement the guidelines which we are confident will produce a report which will enhance our communication of the audit findings.

Thank you.

JOHN F.S. MUWANGA
AUDITOR GENERAL
EXECUTIVE SUMMARY

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

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

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

4. Report on Value for Money Audits conducted from January to December 2016

This Volume of the report is presented in 4 sections as follows;

Section 1: Introduction and Brief history of Office of the Auditor General (OAG), mandate and functions of the Auditor General.

Section 2: Our strategic Performance and planning

Section 3: OAG Annual Performance for January to December 2016

Section 4: Our stakeholder engagement and International Work
1.0 INTRODUCTION

This section covers a brief history, mandate and functions of the Office of the Auditor General.

1.1 Brief History

The External Audit function in Uganda dates back to the 1920s when Uganda was a protectorate and had its accounts audited by the Colonial Audit Office in London. Its first local office was established in Entebbe headed by an Auditor in 1929.

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

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

In 1962, the office started expanding progressively by opening regional offices. To-date, the office has its headquarters at Audit House in Kampala and nine (9) regional offices situated in Gulu, Arua, Mbale, Soroti, Jinja, Masaka, Mbarara, Fort Portal and Kampala. Two (2) additional regional offices in Hoima and Moroto will be operational in FY 2017/18, and this will bring the number of regional offices to eleven (11).

1.2 Mandate and Functions of the Auditor General

The Auditor General’s mandate under Article 163 (3) of the Constitution of the Republic of Uganda and as amplified by Sections 13 (1) and 18 of the National Audit Act, 2008, is to audit and report to Parliament on the public accounts of Uganda and of all public offices including the courts, the central and local government administrations, universities and public institutions of like nature, and any public corporations or other bodies established by an Act of Parliament.

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

Following the enactment of the Public Finance Management Act 2015, Section 82 (4), the Auditor General is required to audit and report to Parliament 6 months after the end of the financial year. This will be the second year of reporting by 31st December, in compliance with the provisions of the law.
2.0 OUR STRATEGIC PLANNING AND PERFORMANCE


During the year, we undertook preparation of the new Corporate strategy for the period 2016-2021 by reviewing the 2011-2016 Corporate Plan, conducting an Office wide SAI-Performance Assessment as well as seeking feedback from the stakeholders.

2.1 Overview of the 2011-16 Corporate Plan Performance

The OAG Corporate Plan covering the period 2011-16 was launched in early 2012 and it ended 30th June 2016. The Corporate Plan had four key objectives that were supported by defined outcomes and a range of planned activities and outputs. The objectives were;

- **Objective 1** - To improve on the quality and impact of audit work so as to promote increased accountability, probity and transparency in the management of public funds;
- **Objective 2** - To improve internal and external communications to raise the profile of the OAG with staff and key stakeholders;
- **Objective 3** - To strengthen the financial and operational independence of the Auditor General; and
- **Objective 4** - To attain higher organisational performance.

The Corporate Strategy enabled us to continue forward momentum in the financial and operational independence of the OAG with 477 staff (as of June 2016). At the end of December 2015, and over the five-year period of the Corporate Plan 2011-16, the OAG achieved the following audit results:

i. **8313** Financial Audits covering: Consolidated Government of Uganda financial statements, central government ministries, departments, agencies, projects, public universities, Uganda missions abroad, commissions and national referral hospitals; and District local governments, municipal town councils, lower local governments, schools and tertiary institutions.
ii. At the beginning of the previous corporate strategy period, there was an audit backlog of four years of lower local government (sub-counties). Currently, there is a one-year backlog as of 2016.

iii. 102 Value for Money and 15 specialised audits.

iv. 140 Forensic Investigations and Information Systems Audits.

In addition, the following were achieved between 2011 and 2016 as per objective;

<table>
<thead>
<tr>
<th>Objective</th>
<th>Achievements</th>
</tr>
</thead>
</table>
| 1. To improve on the quality and impact of audit work so as to promote increased accountability, probity and transparency in the management of public funds | • Quality Assurance and Audit Development unit was established and equipped  
• Knowledge Management Resource centre established  
• Two external quality assurance reviews conducted  
• Partnership established with two SAIs: Sweden and Norway including attending annual international technical update conferences during the period  
• The Parliamentary Liaison Office was created to follow-up audit during oversight Committee meetings  
• Improved audit reporting by introducing crosscutting and key findings  
• A range of audit skills acquired in audit areas such as: Public Works, procurement, Budget, environment, gender, tax and revenue audits, oil and gas, PPPs, forensic audits  
• Implementation of International Standards of Supreme Audit Institutions (ISSAIs)  
• Methodologies for the audit of small entities were developed and implemented  
• Forensic Investigations and Information Technology Audits Directorate established |
### 2. To improve on the efficiency and effectiveness of internal and external communications to raise the profile of the OAG with staff and key stakeholders

- Lower Local Government audit backlog was reduced from four years to one year
- Commenced audit of secondary schools and tertiary institutions in addition to universities
- Parliamentary liaison was established to support Parliamentary oversight Committees and obtain feedback
- Audit reports physically delivered to key stakeholders, and published online to all stakeholders
- Extracts of key findings are annually produced alongside the annual report to Parliament.
- Staff skilled in report writing
- Communication policy developed
- Press conferences held annually
- Internal communication enhanced, for example, quarterly Information flyers, Closed User Group telephone system
- At least one Corporate Social responsibility activity undertaken annually
- Strengthened collaboration with the Inspectorate of Government, Public Procurement and Disposal Authority, Justice, Law and Order Sector Secretariat and other agencies to strengthen accountability and transparency in the use of public funds

### 3. To strengthen the financial and operational independence of the Office of the Auditor General

- Audit House and Regional offices of Mbale, Jinja and Mbarara completed, equipped and occupied
- Completed the design and planning phase for two additional regional offices in Moroto and Hoima
- Estates Unit established and staffed
- Monitoring and evaluation system established
| 4. To attain higher organisational performance | • The Finance and Accounting manual was developed and disseminated  
• External assessment undertaken of OAG performance against the International Standards for Supreme Audit Institutions and other established international good practices for external public auditing  
• Comprehensive training needs assessment for all staff was carried out  
• Supported staff in undertaking professional courses  
• OAG Staff Code of conduct was formulated and circulated to all members of staff  
• Human resource manual was finalised and approved  
• Relationships with Local and International Bodies have been established and maintained, for example, with WGEI, INTOSAI, AFROSAI-E, IDI, ICPA(U), IFAC  
• OAG is a member of the African Union Board of External Auditors to audit all African Union activities and projects. Additionally, the OAG is a member on the Board of External Auditors of the East African Community to audit all East African Community activities and projects  
• The Auditor General was the Vice Chairperson of the United Nations Independent Audit Advisory Committee until 31st December 2014  
• Internal Audit Charter was developed and approved  
• Internal Audit staff have been trained in fraud, value for money and quality assurance activities  
• Timely production of annual budgets  
• Records and Archives management policy was approved, disseminated and implemented |
• A Knowledge Management Office was established and operationalised
• MIS Procurement process commenced after review of all OAG business processes
• Data centre and building management services deployed in Audit House to ensure operational efficiency in communication and utilities

2.2 **SAI - PMF Assessment and Feedback from Stakeholders.**

The Office of the Auditor General conducted an office-wide internal assessment supported by a consultant and an official from the Office of the Auditor General, Norway with technical assistance from German International Cooperation (GIZ). The assessment was done with reference to the Supreme Audit Institution -Performance Measurement Framework (SAI-PMF) developed by the INTOSAI Working Group on the Values and Benefits of SAI. The assessment was undertaken so as to inform the preparation of the new OAG Corporate Plan for the period 2016-21. The assessment covers seven focal areas as set out in the INTOSAI SAI Performance Measurement Framework namely; SAI Reporting, Independence and Legal Framework namely, Strategy for Organisational Development, Audit standards and Methodology, Management and Support structures, Human Resource and Leadership, Communication and Stakeholder Management.

2.3 **Additional Feedback from Stakeholders**

During preparation of the 2016-2021 Corporate Strategy, the office interacted with different stakeholders to obtain feedback and possible areas of improvement regarding our work. These stakeholders included some Members of both 9th and 10th Parliament, Selected Accounting Officers including Local Governments, Anti-corruption institutions, Accountant General, Ministry of Finance Planning and Economic Development, Institute of Certified Public Accountants of Uganda (ICPAU), Development partners, Civil Society and the media.
2.4 **Corporate Plan 2016-21 Goals and Objectives**

2.4.1 **Overview of Corporate Plan 2016-21**

Feedback from the stakeholder engagements, review of the Corporate Plan 2011-2016 and the SAI PMF performance assessment provided a clear and objective basis for OAG plans to enhance and demonstrate on-going relevance to citizens. Therefore the Corporate Strategy 2016-2021 under the strategic theme ‘Enhancing Public Accountability and Making a Difference’ aims to improve our performance.

The theme will be delivered through 3 strategic goals, supported by a set of objectives as indicated in the table below.

<table>
<thead>
<tr>
<th>Goals</th>
<th>Objectives</th>
</tr>
</thead>
</table>
| **Robust reporting** that contributes to accountability, transparency good corporate governance and value for money | • Enhance the independence of OAG reporting  
• Support Parliamentary oversight and scrutiny  
• Convey information and audit results effectively |
| **High quality audit** targeting service delivery achieved through professional approaches and systems | • Manage the expanding range and emerging scope of audit work  
• Ensure high quality, professional, risk-based and real-time audit  
• Demonstrate impact and instil a culture of service delivery in our audit |
| **High performance** and model organisation | • Enhance financial and operational independence  
• Be an influencing and collaborative organisation to raise the profile of the OAG through stakeholder engagement |
- Ensure the highest ethical and professional standards in all of our work
- Manage and enable staff to deliver
- Continuously improve structures and systems to ensure better and efficient performance

The OAG is committed to delivery of this corporate strategy through an implementation plan with clear, achievable and quantifiable objectives and targets. A logical framework has been developed with clear responsibilities and timelines to ensure its delivery.

### 2.4.2 Monitoring and Evaluation

The Corporate Plan 2011-16 proposed the establishment of a Monitoring and Evaluation mechanism to track and assess the performance against the set-out objectives. During the reporting period, a monitoring and evaluation policy was formulated and draft guidelines developed with the support of GIZ.

The M&E system will enable tracking of implementation of the corporate strategy through periodic reports and the results will be annually published in our performance report against key performance indicators.
3.0 OAG ANNUAL PERFORMANCE FOR JANUARY TO DECEMBER 2016

3.1 PERFORMANCE OF OUR AUDIT SERVICES

3.1.1 Grants of Credit Issued

Article 154 (3) of the Constitution of the Republic of Uganda requires the Auditor General, to approve withdrawals of all monies from the consolidated fund. Accordingly, during the Financial Year 2015/16, the Auditor General authorized withdrawals from the consolidated fund amounting to UGX. 18,259,104,333,835. The details are in the Table 1 below:

**Table 1: Value of Grants of Credits Issued During the FY 2015/16**

<table>
<thead>
<tr>
<th>Expenditure</th>
<th>No. of Warrants Issued</th>
<th>Amount (UGX)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recurrent</td>
<td>19</td>
<td>18,142,301,101,055</td>
</tr>
<tr>
<td>Development</td>
<td>7</td>
<td>75,680,895,200</td>
</tr>
<tr>
<td>Statutory</td>
<td>3</td>
<td>41,122,337,580</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>29</strong></td>
<td><strong>18,259,104,333,835</strong></td>
</tr>
</tbody>
</table>

3.1.2 Major Audit Focus during the year

Our overall audit strategy is determined by the Auditor General’s directives during planning and the results of the overall risk analysis using the Shared Overall Risk Assessment (SORA), The National Budget Estimates and Accountability Sector Priorities for the FY 2015/16, previous audit findings, the OAG Corporate Strategy and Annual Operational plans. This helps us to identify risky entities and prioritise resources accordingly. The areas of focus for the audit period include;

The major focus areas of the Accountability Sector to which OAG belongs were:
- Strengthening the adherence to compliance policies;
- Adhering to service delivery standards and regulations;
- Promotion of the culture of public demand for accountability and value for money,
- Intensifying the fight against corruption.
Hence, the major focus in the Audits of the FY2015/16 was as summarized in Table 2 below:

**Table 2: Major Areas of Focus in the Audit of FY ended 30th June 2016**

<table>
<thead>
<tr>
<th>Audits</th>
<th>Major focus</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Audits</td>
<td>• Payroll management&lt;br&gt;• Road construction management&lt;br&gt;• Education management&lt;br&gt;• Asset management&lt;br&gt;• Procurement&lt;br&gt;• Unspent balances&lt;br&gt;• Management of court awards and Compensations&lt;br&gt;• Management of compensations for the affected persons (Development Projects)&lt;br&gt;• Implementation of government programs (NAADs, Agriculture Credit Facility, Operation Wealth Creation)</td>
</tr>
<tr>
<td>Value For Money and Specialised Audits</td>
<td>• Management of petroleum data by Ministry Of Energy And Mineral Development&lt;br&gt;• Construction and Rehabilitation Of Secondary School Infrastructure under the Development of Secondary Education Programme (DSE) by the Ministry Of Education and Sports&lt;br&gt;• Management of procurement and distribution of essential medicines and health supplies by National Medical Stores.&lt;br&gt;• Promotion of Cotton Production And Facilitation of value addition to Uganda’s cotton by the Cotton Development Organisation&lt;br&gt;• Enforcement of Occupational Safety And Health activities at workplaces by the Ministry Of Gender Labour And Social Development&lt;br&gt;• Implementation of Solar Energy Infrastructure in selected Education And Health Facilities under the Energy For Rural...</td>
</tr>
</tbody>
</table>
3.1.3 Status of Audits Performance

During the reporting period January to 31st December 2016, the office planned to conduct a total of 2,123 financial audits, 70 Forensic Investigations, 11 Value for Money audits and 3 specialised audits. As at 31st December 2016, the office completed a total of 1,323 financial audits, 83 Forensic Investigations, 8 Value for Money audits and 3 specialised audits (16 contracts for roads and bridges and 5 contracts for NARO). Details are provided in the Table 3 below.
Table 3: Status of Audit Performance for the FY 2015/16

<table>
<thead>
<tr>
<th>Audit Entities</th>
<th>Planned Audits</th>
<th>Revised Audits Planned</th>
<th>Completed Audits</th>
<th>Percentage (%)</th>
<th>Audits in Progress</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Audits</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MDAs</td>
<td>96</td>
<td>96</td>
<td>88</td>
<td>91.7</td>
<td>8</td>
</tr>
<tr>
<td>Statutory Authorities</td>
<td>100</td>
<td>100</td>
<td>90</td>
<td>90.0</td>
<td>10</td>
</tr>
<tr>
<td>Local Authorities</td>
<td>1809</td>
<td>1786</td>
<td>1037</td>
<td>58.1</td>
<td>749</td>
</tr>
<tr>
<td>Projects</td>
<td>135</td>
<td>135</td>
<td>105</td>
<td>77.8</td>
<td>30</td>
</tr>
<tr>
<td>PSAs</td>
<td>6</td>
<td>6</td>
<td>3</td>
<td>50.0</td>
<td>3</td>
</tr>
<tr>
<td>Forensic Investigations, IT and Special Audits</td>
<td>56</td>
<td>70</td>
<td>83</td>
<td>118.6</td>
<td>2</td>
</tr>
<tr>
<td>Value for Money and Specialised Audits</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Value for Money Audits</td>
<td>11</td>
<td>11</td>
<td>8</td>
<td>72.7</td>
<td>3</td>
</tr>
<tr>
<td>Specialised Audits</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>100.0</td>
<td>0</td>
</tr>
<tr>
<td>Grand Total</td>
<td>2216</td>
<td>2207</td>
<td>1417</td>
<td>805</td>
<td></td>
</tr>
</tbody>
</table>

3.1.4 Financial audit services

The financial audits are conducted annually and cover all Ministries, Departments and Agencies as well as all Local Governments including Districts, Urban Councils and Sub counties. They are sometimes referred to as Regulatory Audits whose Overall objectives are:
• To obtain reasonable assurance whether the financial statements as a whole are free from material misstatements due to fraud or error, thereby enabling the auditor to express an opinion on whether the financial statements are prepared, in all material respects, in accordance with applicable financial reporting framework
• To report on the financial statements, and communicate as required by the ISSAI's in accordance with the auditor’s findings and
• To communicate to the users, management, those charged with management, those charged with governance, or parties outside the entity in relation to matters arising from the audit as required by the standard or by legislation.

3.1.4.1 Financial Audit performance

We planned to deliver 2123 financial audits; however 1417 audits were completed whereas 797 were in progress by the time of reporting. Audits in progress comprise Lower Local Governments and schools. In addition, 6 Petroleum Sharing Agreements recoverable costs were planned but of these, 3 were delivered.

The Office chaired the Audit of the EAC and its organs as well as being a member to the Audit Board of the African Union. The office participated in 8 audits under the EAC and AU.

However, we were unable to realise our plans due to;

o Financial constraints, to complete the audit of Lower Local Government and schools backlogs
o Staff turnover and understaffing

3.1.4.2 FINANCIAL AUDIT KEY FINDINGS

Key Findings in Central Government audits

i. Low debt absorption/non-performing loans

My review of the loan disbursements revealed that several loans appeared to be performing poorly, with some nearing expiry; while others reached the closing date without fully disbursing. As at 30\textsuperscript{th} June 2016, committed but un-disbursed debt stood at UGX.18.1 trillion (comprising of UGX.8.6 trillion multilateral and UGX.9.5 trillion bilateral). Such low levels of performance undermines the attainment of planned development targets and renders commitment charges of UGX.20.9Bn paid in respect of undisbursed funds nugatory.
ii. **Operationalization of the Contingencies Fund**

Section 26 (1) of the PFMA, 2015 (as amended), establishes a Contingencies Fund which shall, every financial year, be replenished with an amount equivalent to a half percent (0.5%) of the appropriated annual budget of Government of the previous financial year. However, during the year under review, I noted that the contingencies fund was not operationalized. Failure to operationalize the Contingencies Fund is irregular and undermines the purpose for which it was created. Furthermore, there is a risk that Government may fail to respond to contingencies/emergency situations as and when they occur.

I advised government to engage the concerned stakeholders to come up with a feasible solution for operationalizing the Fund.

iii. **Government Contingent Liabilities**

A trend analysis of the accumulation of government contingent liabilities over the last four years indicated that the figure has increased from UGX.2.275 trillion in the financial year 2012/2013 to UGX.6.532 trillion in the year under review. Further analysis of this contingency indicated that the bulk of this amount (i.e. over 90%) are as a result of the legal proceedings lodged against the Government.

In the event that all these contingencies crystalize, Government will have to spend substantial amounts which will adversely affect the implementation of other government programs.

iv. **Interest Payments on Public Debt**

Whereas the GOU Public Debt Management Framework, 2013 puts a cap on the ratio of total nominal interest payments to total government revenue at 15%, this ratio has for the first time gone beyond this cap and in the year under review, it reached 16% in relative terms and **UGX.1.75** trillion in absolute terms. The increment was attributed to the high cost on domestic borrowing and an increased share of bilateral loans which are not concessional. Such a rate may not be sustainable in the long run.
v. High Interest Rates on Domestic Borrowing

Analysis of the trend of interest rates for domestic borrowing revealed a significant increment over the last four years (2013: 13.1% and 2016: 19.1%). Accordingly, the differential in interest rates (risk premium) between commercial lending rates and Treasury bill rates is getting smaller each year. This is an indicator of a higher perceived risk by the market in regard to Government borrowing which is manifested by a number of indicators, including among others; increased volume of domestic borrowing arising from increased Government expenditure and downgrading of the sovereign credit rating by Moody’s from ’B1’ to ‘B2’ status.

Under the current circumstances, this has an effect of crowding out the private sector; going by the risk-return relationship, it is more lucrative to lend to Government than to the private sector. If the above trend persists, the cost of finance to Government from the domestic market will become a deterrent to borrowing from the domestic market.

vi. Comparison of IPPS data with National ID Data (Identity Theft)

The Ministry of Public Service initiated a comparison of the biometric data from the National Identification System and the Government of Uganda Integrated Personnel Payment system (IPPS) that revealed 1,629 cases in which the facial image and finger prints of employees were matching but other details like names and date of birth were grossly different. This is an indicator of identity theft and creates suspicion on the authenticity of the documents used by these personnel to acquire employment in the Civil Service. The Ministry of Public Service has so far taken very strong measures to weed these employees from the payroll and ultimately from the civil service as well as forwarding the said names to the IGG for further investigation.

vii. Audit of salary and pension payrolls in government

During the year 2014/15, government decentralized both the salary and pension payrolls which were originally being centrally managed by the Ministry of Public Service. Under the new arrangement, the various Accounting Officers are individually expected to manage the payrolls for their entities. During my audits across government for the year under review, specific examination of the salary and pension payrolls was undertaken, given that
expenditure on salaries and pension by the government entities is a substantial portion, of the entity budgets (UGX.2,133 bn in total as per the 2015/16 budget).

The audits revealed that whereas the policy has had positive impacts including reduction in ghost employees, quicker access to payrolls as well as timely payment of salary and pension, several challenges were identified including the following;

- Over and under Payment of Salary and pensions
- Manual interface between IFMS and IPPS which continue to allow changes to the payrolls as they are uploaded onto the IFMS
- Multiple Salary Payments
- Inadequate Budgeting for Salaries
- Salary Payments to Non Existent Staff
- Non preparation of payroll reconciliations at the district
- Deletion cases still on the payroll
- Unsupported Pension Payments
- Delayed payment of pension
- Double Payment of Death Gratuity processed through the IPPS

I have advised government to consider making further enhancements in the system and issue further guidance to entities on the requirements under the new system, in order to mitigate the occurrence of the challenges mentioned above.

viii. Domestic Arrears (DA)

I noted that the trend of government outstanding commitments/domestic arrears have continued to escalate for the past three years as shown below;

<table>
<thead>
<tr>
<th>Financial Year</th>
<th>Pension arrears</th>
<th>Other Domestic arrears</th>
<th>Total Outstanding Commitments</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013/14</td>
<td>122,442,613,993</td>
<td>1,265,406,925,415</td>
<td>1,387,849,539,408</td>
</tr>
<tr>
<td>2014/15</td>
<td>216,738,848,444</td>
<td>1,108,490,291,820</td>
<td>1,325,229,140,264</td>
</tr>
<tr>
<td>2015/16</td>
<td>561,454,457,691</td>
<td>1,692,936,368,937</td>
<td>2,254,390,826,628</td>
</tr>
</tbody>
</table>

Whereas the consolidated financial statements put the figure of domestic arrears at UGX.2.254 trillion the audited position of the Internal Auditor General puts the figure at UGX.2.700 trillion as at 30th June 2016 leading to a variance of UGX.446Bn. I further noted
that in a number of entities, Accounting Officers are paying for domestic arrears which previously were not disclosed nor budgeted for, and that some entities did not fully disclose their arrears position as a result of the guidance provided by the PS/ST. This scenario points to weaknesses in the commitment control system that continues to enable accounting officers to incur domestic arrears, as well as absence of a clear policy to entities regarding the treatment of arrears that do not meet the criteria set in the guidance.

I have advised Government to review the current policies on commitment control with the aim of enhancing its effectiveness. In addition, Government should provide a clear policy on how to disclose arrears that do not qualify to be recognized in the financial statements as prescribed by the circular from PS/ST.

ix. Mischarge of Expenditures

I noted that during the year under review, a total of UGX.168Bn was charged on items which do not reflect the nature of the expenditure i.e. mischarged. This, despite my recommendations in the previous audit reports. Mischarge of expenditure impacts on the credibility of the financial statements since the figures reported therein do not reflect true amounts expended on the respective items. It further impacts appropriateness of the future budgets since the reported actual figures are misleading.

I was informed by management that the Ministry of Finance Planning and Economic Development has developed a concept note to address mischarges. This is still under internal discussions and once finalized, guidelines to all Accounting Officers on the matter will be issued. I have advised that Government needs to further streamline the budgeting processes and to enforce strict adherence to the provisions regarding reallocation of funds, in order to have this practice contained.

x. Advances through Personal Bank Accounts

Despite my recommendations in previous reports advising Accounting Officers to stop the practice of advancing funds through personal bank accounts, I noted that during the year under review, various entities continued to advance large sums of money onto personal bank accounts. A total of UGX.2.318 bn was advanced to personal accounts by MDAs during the year under review. This is not only contrary to the accounting regulations but also exposes government funds to a risk of loss since staff may be tempted to divert such funds
to personal gain, given that the entities do not have any control over such funds deposited into personal bank accounts.

Management explained that these have been significantly reduced and will further be decimated with the implementation of E-Cash, which is expected to be operational by end of December 2016.

**xi. Special Audit on Land for Education Institutions**

A forensic investigation into the alleged mismanagement of land for ten (10) education institutions around Kampala revealed gross malpractices several of which resulted from inadequate legal and administrative framework of the Uganda Land Commission (ULC). Whereas Article 239 of the Constitution of the Republic of Uganda, 1995 (as amended) mandates ULC “to hold and manage any land vested in or acquired by the Government of Uganda...”, Parliament is yet to enact a specific law (Act) that would define, regulate, and control the functions and operations of the Commission. The absence of such a regulatory framework resulted into a number of malpractices during the allocation of the school/institution land to purported investors by ULC including: Allocation of land without consent by the School management Committees, Boards and other government institutions; poor management and monitoring of lease offers by ULC; irregular transfer of lease into freehold land, mortgaging of leased land in commercial banks before fulfilment of lease terms, under valuation of the school land leading to payment of lesser premiums and ground rent; selling off of leased properties contrary to lease terms; and inadequate compensation to schools with others loosing property during forceful eviction.

I have advised Government to expedite the process of enacting a specific law to define, regulate and control the operations of the Uganda Land Commission. This will go a long way in streamlining the relationship between ULC and other government entities whose land is held in trust by the Commission.

**xii. Special audit on the Uganda Communications Employees Contributory Pensions Scheme (UCECPS)**

The Uganda Communications Employees Contributory Pensions Scheme (UCECPS) was founded by the Government of Uganda and established under an irrevocable Trust in accordance with Clause 89 of Uganda Communications Act, 1997, as a Retirement Benefit Scheme in 1998. The Scheme is required to take care of the pension obligations of the
existing pensioners at the time of its creation; continuing employees of former UPTC; and employees of the newly established entities, namely: Uganda Telecom Limited (UTL), Uganda Posta Limited (UPL), Post Bank Uganda (PBU), and Uganda Communications Commission (UCC).

I noted that the scheme was not properly managed. Government released a total UGX.32.2 billion from 1998 to 2005, which was used to pay for employee benefits and establishment of the Investment Fund. The Scheme received additional funding of UGX.37.7 billion from contributing employers, investment income and sale of property which was all used to pay pension benefits and other administrative expenses. Although the Scheme was set to be self-sustaining after the initial government investment and subsequent establishment of the Investment Fund, by the beginning of 2015 the Scheme had collapsed and could no longer afford to meet its member’s pension obligations. At the time of concluding this report (December, 2016), the Scheme had not paid its members their pension entitlements totalling to UGX.2.6 billion for over one and a half years. The major causes of mismanagement include: lack of a fully constituted Board of Trustees; lack of key policies in funds, investment, benefits, and human resource management; inadequate enforcement of recovery measures on outstanding pension contributions from participating successor companies; failure to interpret and act on actuarial reports which had all along indicated actuarial deficits; poor management of the pension payroll (220 pensioners out of 702, could not be physically verified); poor financial management, including premature redemption of investment assets; adhoc and unplanned retrenchment of staff by successor companies; and poor management of Scheme’s disposable Assets.

Given the current plight of the pensioners, I advised Government to devise an immediate short-term intervention to settle the unpaid pension obligations that have since crystalized, and to revive the scheme investments to be able to sustain annual pension obligations as they continue falling due. However, a major business re-engineering of the scheme is required if it is to meet its long-term pension obligations.

xiii. Implementation of single spine extension services

Government committed to provide support towards the implementation of the single spine agriculture extension system in FY 2015/16 and in the medium term in line with the reform of the National Agricultural Advisory Services (NAADS) that was undertaken to create a
unified Single Spine Extension System (SSES). The approach aims to address the inadequate lack of extension services in the country. Accordingly, Ministry Of Agriculture, Animal Industry And Fisheries (MAAIF) carried out restructuring and established the Directorate of Agricultural Extension at the Centre with 5,173 staff but only 2,624 have been recruited. Inadequate extension workers are likely to affect programs such as NAADS where government so far spent so far UGX.155.8Bn in procurement of agricultural inputs.

There is need for government to expedite the recruitment process to enable provision of extension services throughout the country in order to support agricultural production and productivity.

xiv. Inadequate absorption of Agricultural Credit Facility Loans

The Agriculture Credit Facility (ACF) Scheme was set up in 2009 by the government of Uganda in partnership with commercial banks, credit institutions, Micro Deposit-Taking Institutions (MDIs) as well as Uganda Development Bank Ltd (UDBL) for the purpose of facilitating the provision of medium and long term loans to projects engaged in agriculture and agro-processing.

It was noted that the loan absorption capacity for the funds so far provided by GOU falls short by UGX.116.94bn. Since inception of ACF in 2009/2010 financial year, the GOU has allocated UGX.210bn to the facility. The funds received into the Fund for purposes of disbursements to the loan beneficiaries so far amount to only UGX.93.06bn, implying an under absorption of 56% of the envisaged funds.

In addition, I carried out a verification exercise of the delinquent loans under the scheme as requested by government. I noted that nine (9) loans valued at UGX.2.221bn had been recommended for write-off by Participating Financial Institutions (PFIs) due to non-performance. However, only two (2) loans valued at UGX.21,319,309 could qualify for the commencement of the write-off process as laid down in the Public Finance Management Act, 2015 (as amended).

The low absorption of loans implies that the Scheme is not operating as envisaged. There is a need for government to review the operations of this scheme with a view to increasing the number of beneficiaries accessing these loans.
xv. **Incentive payments to BIDCO**

In April, 2003, government and BIDCO Oil Refineries Limited entered into an agreement for the development of oil palm industry in Uganda. Under article 5(7) of the agreement, GOU was required to pay VAT on the product of the project from all companies envisaged under the project from the first year of the project activities and ending after a period of eleven (11) years from the year of handing over the 26,500 hectares of land at a cost of UGX.27.79Bn after which, the company would then refund the VAT paid by government with interest over a period of eight (8) years in eight equal instalments.

Government has however failed to provide the balance of the 10,000 hectares of land as had then been envisaged. As result, the Ministry has continued to settle all tax obligations on behalf of BIDCO and during this year alone, a total of UGX.12.4Bn was paid. There is a risk that the funds government has paid as VAT on behalf of BIDCO since the date of signing the agreement may not be recovered.

I advised government to expedite the process of acquiring all the required land for BIDCO to enable recovery of VAT payments that amounted to UGX.22.07Bn as initially agreed (based on OAG records).

xvi. **Payment of taxes on behalf of a local hotel company**

According to the agreement between government and a local hotel company, the goods and respective quantities for the construction of the Hotel are limited to the bills of quantities certified by URA. Besides, construction materials were not to be sold or transferred to another person or used for any other purposes.

The company imported ceramic tiles and other construction items worth UGX.12.6Bn for the last five years for completion of the Hotel. However, there was no evidence on file to show that each import was being tracked to the original Bills of Quantities (BOQ) as certified by URA. The Ministry has no mechanism in place to establish the percentage of the import being paid for to the original approved BOQs. Besides, there is no proof that URA is consulted on this matter prior to making each payment to enable a reconciled position.
Further, it was observed that the company appears to have been given an open-ended tax holiday through annual renewals. As a result, the Ministry has continued to settle all its tax obligations since 2013 when the MoU was signed. There was no indication that support to the investor is to stop soon.

I advised the government to reconcile the company imports status clearly indicating how much has so far been imported and paid for and what the balance is in relation to the approved BOQs. In addition, a proper tracing system should be instituted to track all imports to avoid such hitches.

**xvii. Outstanding subscriptions**

I noted that UGX.32.2Bn was budgeted for capitalization of the banks, however, only UGX.21.7Bn was released leading to a shortfall of UGX.10.5Bn. As a result, Uganda lost 1,347 shares in the African Development Bank specifically due to government failure to meet its subscription obligations worth US$.1.293million with further losses expected if a balance of US$.1.655million is not cleared. I also noted that overall outstanding commitments to international organizations as at 30th June 2016 amounted to UGX.27.485Bn in 17 organizations. Failure to make timely subscription will continue to affect the country’s ability to benefit from these international organizations.

There is need for government to consider reviewing and rationalizing the current subscriptions to these international organizations with a view of establishing the most relevant to which government should subscribe.

**xviii. Outstanding Court Awards, Compensations and other liabilities**

Government had outstanding amounts in court awards, compensations and other liabilities totalling to UGX.684Bn as at 30th June 2016. The outstanding amount in Court awards and compensations has been accumulating over the last five financial years raising from 54Bn to now 684Bn. I observed that as a result of government’s failure to pay these court awards on time, the awards have accumulated interest and in some instances the interest has exceeded the principal award. As at the close of the year outstanding interest had accumulated to UGX.175.3Bn.

I advised government to ensure that adequate planning is done to avail funds to prioritize payments for cases with high interest rates. I also note that government has adopted the
policy of decentralizing court awards to the respective MDAs. I await the outcome of this policy.

xix. **Absence of a Policy Framework on the compensation of persons for property lost due to rebel activity**

There have been compensation claims arising out of the past rebel and insurgent activities in the country. I noted that the war claims from eastern, west Nile and northern region are currently among the ones pending and contributing highly to the contingent liabilities of the government. These contingent liabilities amount to UGX.3.564trillion for some of the known cases.

I further observed that in August 2003, the Minister of Internal Affairs was instructed by the Prime Minister, to develop a policy framework by September 2003 to govern the management of compensation of properties destroyed by rebel activity. At the time of writing this report, the policy had not been developed. As such, I was not able to establish how the different categories of liabilities are being accepted, considered and paid by government. In absence of a Policy Framework, it becomes difficult to determine the beneficiaries and the related amounts for compensation.

I advised government to expedite the formulation of guidelines that shall set out controls and manage any concerns that arise out of these claims.

xx. **Case backlogs**

I observed case backlogs across several entities in government. These include; 395,962 cases under prosecution by Directorate of Public Prosecution (DPP), 856 disciplinary cases under Judicial Service Commission, 181,121 court cases for hearing in courts of law under Judiciary and 4,326 pending cases for analysis under government Analytical Laboratories. Because of the backlogs, over 30,000 suspects are on remand in prisons for a long time and under investigations in five Police stations. Delays in settling cases impair the timely administration of justice.

I advised government to come up with robust systems that support efficiency and effectiveness in reducing or eliminating backlogs.
Government could also explore systems such as PROCAMIS procured under DPP to focus on court case administration, court filing and file retrieval, recording of court proceedings and capturing case backlogs.

xxi. Failure to collect royalties from gold exports

During the financial year 2015/16, I noted that the Ministry of Energy and Mineral development assessed royalty and awarded export permits for only 93kgs of gold worth UGX.11.822Bn thereby realizing UGX. 0.365Bn in revenues. However, collaborative reports from the Customs and Excise Department of Uganda Revenue Authority indicated that 5,316 kgs of gold had been exported with a total value of UGX.698Bn. Accordingly, Government should have collected between UGX.6.98Bn and UGX.34.9Bn in royalties using the applicable rates of 1% and 5% for the imported or locally mined gold respectively. I advised management to put in place adequate controls over mineral imports and exports. Meanwhile I await results of the investigations and recovery measures.

xxii. Irregularities in transfer of funds to private universities

During the year under review the Ministry of Education and sports transferred a total of UGX.2.192Bn to various private Universities in partial fulfilment of presidential pledges. However there was no accountability framework for the disbursements. I advised that this makes it difficult to assess whether the funds are applied as intended.

I was informed that government is in the process of preparing an accountability framework and memoranda of Understanding with the Universities. I await results of this action.

xxiii. Under allocation of library funds at universities

Contrary to Paragraph 9 (4) of the Universities and other tertiary institutions regulations, 2005 which requires a university to allocate at least 10% of its budget towards library and information materials, I noted that Gulu University budgeted for only UGX. 0.163Bn for acquisition of new information materials from the total University budget of UGX.45.975Bn equivalent to 0.4%. Similarly Kyambogo University allocated only UGX. 0.344Bn (0.42%) for acquisition of new information materials from the total University budget of
UGX.81.155Bn. I advised them to enhance the budgetary allocation to the libraries as this will enable achievement of the academic mandate of universities.

xxiv. **Performance of the Youth Livelihood Programme (YLP)**

By 30th June 2016, the Youth Livelihood Programme (YLP) had been operating for three years. However, there was no proper accounting framework and/or detailed guidelines for accountability of the revolving funds. Consequently the implementing entities under the programme accounted for funds differently, which is not only a recipe for improper accounting for programme funds but also impedes comparability of accounting reports across the implementing entities. Review of the performance of the programme revealed some weaknesses as indicated below;

- An analysis of recovery of the programme funds in a sample of 35 Districts revealed low recovery ranging from 0% to 86%.
- Overall recoverability as at 28th October, 2016 stood at UGX.5.501Bn (39%) of the UGX.14.2 billion that was due for repayment by the beneficiaries.
- Inspections on sample basis revealed some non-traceable group projects. Consequently UGX. 0.527Bn which had been released to these specific groups may not be recoverable.
- Some projects which had received funding of UGX. 0.673Bn, never signed financing agreements, contrary to the MOU requirements. Consequently there was a challenge of enforceability of responsibilities and obligations.
- I advised government to review implementation of the programme with a view of enhancing its management and sustainability.

xxv. **Costs on treatment abroad**

Review of the Health Sector Ministerial Policy Statement for the year 2015/2016 indicated that reduction of referrals abroad would be a key result area for the ministry. Statistics derived from the Ministry revealed that a total of 140 patients were referred abroad for treatment by the Medical Board over the past three financial years at an estimated cost of USD.2,837,909 excluding flight, upkeep and attendants’ costs. The common ailments for
which reference was made to hospitals abroad were Neurology, Cancers, Heart conditions, Kidney diseases, Orthopaedics, Ophthalmology, and Gastro-enterology

I advised government to come up with a comprehensive Health Sector Strategic plan to develop capacity for treatment of the identified ailments locally so as to be able to serve a bigger population and minimize foreign exchange hemorrhage. Liaison with all relevant stakeholders to mobilize the necessary funding for infrastructure and staffing needs

xxvi. Review of cost recovery statements from oil companies

The Production sharing Agreements signed between Government of Uganda and Oil Exploration and production companies provide that the government auditor will review the cost recovery statements submitted by the companies to ascertain compliance with the provisions of the agreement before confirming recoveries if any. Accordingly, I reviewed cost recovery statements relating to the period 2004-2011 in the sum of US $ 983,063,050 and made the following observations;

- A sum of USD 39,094,724 was determined unrecoverable because of non-compliance with the provisions of the PSAs.
- A sum of USD 41,585,800 was determined unclaimable in accordance with the PSA provisions as commercial Oil and Gas reserves were not discovered in the licensed exploration areas.
- A sum of USD 902,382,526 was considered compliant with the provisions of the PSAs and is therefore recoverable from future oil earnings.
- Having obtained the subsequent cost recovery statements, I have now embarked on the audit of recoverable costs for the period 2012-2015.

Key Findings under Statutory Corporations

i. Implementation of NAADS program

The government through the Cabinet gave a directive that implementation of NAADS be changed from the Agricultural Technology and Agribusiness Advisory Services Project (ATAAS) project mode of provision of agricultural extension services to procurement of inputs for distribution. During the year, UGX.151.818Bn was spent on inputs but a number of challenges were faced by the program including inadequacies in the procurement of
seeds, lack of proper verification of the distributed inputs, quality of inputs, delays in the delivery of inputs, failure to plant inputs and low germination rates.

There is need for government to review the entire supply chain of the inputs with a view of developing measures to mitigate the challenges.

ii. **Lack of guidelines for strategic investments**

Government through the Uganda Development Corporation is undertaking investments countrywide in the areas of fruit processing and others and set up industries in Soroti, Luwero, Kabale and Kisoro districts. These investments cumulatively amounted to UGX.26.6Bn. However, I noted that there was no policy guideline to guide the establishment of these investments. Some of the investments have been undertaken without feasibility studies on marketability and commercial viability.

There is need for government to develop the policy guidelines on how the strategic projects should be brought on board.

iii. **Utilization of Land at Namanve Industrial Park**

Uganda Investment Authority (UIA) has over the years acquired and allocated over 2000 acres of land for industrial development across the country. I noted some matters regarding the utilisation of land at Namanve Industrial Park. These included; unutilised land totalling to 387.5 acres allocated to 88 investors, reallocation of 1,116 acreage of land reserved in the entire park to serve as a green belt recreation area, waste management area, roads, wetlands and residential housing reallocated to investors to set up industrial businesses. Further, it was noted that government handed over to Uganda Investment Authority an approximate area of 1006 hectares (about 2,485.83 acres). However, physical verification conducted by land surveyors reported only 896 hectares (about 2,214.02 acres) of land exists out of the 1,000 hectares handed over. This implies that currently UIA owns less land than originally allocated.

There is need for government to closely monitor the use of land at Namanve for it to achieve the intended objectives.
iv. **Costly arrangement for ferry operations**

In April 2012 government signed a contract with Kalangala Infrastructure Services (KIS) to operate ferry transport services between Bukakata landing site in Masaka and Luuku landing. KIS was to also exclusively run and operate the 2 ferries on this water route and additionally maintain in motorable and all weather condition 38Km of roads on Bugala Island and 66 Km of roads in Bwendero. The concession granted to KIS was for 13 years starting January 2012.

During the year, Uganda National Roads Authority (UNRA) budgeted UGX.10 billion for the full operation of its 9 Ferries across the country. In contrast, UNRA remitted a total of UGX.14Bn to KIS for operations of the 2 ferries between Luuka and Bukakata in Kalangala islands which I find high as compared to the amount UNRA spends for the operations of its 9 Ferries. UNRA is expected to continue remitting to KIS annually which amount increases exponentially at 40% per year and the contract is currently in its 5th year of the 13 implementation period.

According to UNRA, the cost of acquiring a similar ferry like the one operated by KIS in the market on estimate is around UGX.14 to 18Bn. Management acknowledged that the payments made to KIS are too high to only cover reimbursements for running the ferries.

There is need for government to review the appropriateness of this venture.

v. **Delayed Expansion of the National Backbone Infrastructure (NBI) to support the provision of internet services to MDAs**

National Information Technology Authority Uganda (NITAU) had signed an MoU with 74 MDAs for the provision of bandwidth services, billed government UGX.6.611Bn for the provision of the internet services and collected UGX.4.946Bn. However, despite the revenue generated, the Authority has delayed to expand coverage of its wide internet services to include upcountry stations. As a result a number of MDAs had to incur extra costs to acquire internet bandwidth from private operators which would have been avoided if the Authority had fulfilled its mandate. As at the close of the financial year, a sum of UGX.9.053Bn had been paid to private service providers by three (3) of the government institutions alone to obtain internet services.
Low coverage of internet services hampers communication and service delivery in the affected entities and results into extra expenditure by MDAs on the internet services for upcountry offices.

There is need for government to facilitate the Authority to expedite the process of providing internet services countrywide in order to achieve its objectives of providing e-government services.

vi. Under remittance of Gross Annual Revenue (GAR) Levy

An MOU was signed between Uganda Communications Commission (UCC), Ministry of Information and Communications Technology (MoICT) and National Information Technology Authority, Uganda (NITA-U) where UCC was required to remit 50% of the total Levy to the Consolidated Fund while other 50% were to be shared among four (4) ICT sector entities with RCDF taking 50% and the balance was to be shared by three (3) ICT entities in the proportions of UCC 30%, MoICT 25% and NITAU 45%.

During the year, total GAR levy collected by UCC amounted to UGX.46.3Bn and UCC was to release 31.2Bn to ICT sector entities and the Consolidated Fund. However, only UGX.17.6Bn was remitted leaving a balance of UGX.13.6Bn. According to management, the legality of the MOU was questionable as it can be seen as a form of appropriation of public funds contrary to the Constitution of the Republic of Uganda, the Uganda Communications Act 2013 and the Public Finance Management Act 2015 and RCDF regulations, hence the reluctance to implement the MOU. Failure to release the funds hindered the implementation of activities of the intended beneficiary entities thereby affecting their planned targets.

There is need for the Attorney General and the Ministry of Finance, Planning and Economic Development to intervene in order to have the matter resolved.

vii. Defaulting by the concessionaire of Kilembe Mines Ltd

I noted that the Concessionaire of Kilembe Mines Ltd assets has defaulted on key operational terms of the Concession agreement such as, non-payment of annual concession fees of USD 1,760,000, failure to invest the minimum capital expenditures totalling to USD 175 million by December 2016, non-provision of Unconditional Exploration
bank guarantee and failure to submit acceptable Feasibility Study Reports on the Smelter and Tailings Pond Project.

Despite a default notice by government as provided in the agreement, no evidence of corrective action has been taken on the part of the concessionaire. In the circumstances the concessionaire’s ability to comply with the commitments under the agreement are doubtful, implying that the intended objectives of boosting the mineral production, provision of local employment and revenues to the government may not be realised.

viii. **Funding constraints at the Examinations Board**

Review of UNEB’s approved budgets since FY 2012/13 to F/Y 2015/16 revealed that the board had continuously operated with a nil development budget from Government. Consequently, the Board incurs high fixed costs of UGX. 0.5Bn annually on hiring storage space in Industrial Area and Communications House.

I further noted that the board had accrued payables of UGX.1.922Bn as at 30th June 2016 of which UGX. 0.310Bn relates to unremitted PAYE and WHT to the Uganda Revenue Authority thereby exposing the entity to the risk of penalties.

The Board also had funding shortages in 2015/16 of UGX.6.483Bn and the projected shortfall for 2016/17 is UGX.8.092Bn.

As a result of the funding constraints the Board has resorted to short term credit facilities, consequently increasing payables and the cost of managing examinations.

I advised government to ensure timely and adequate funding for the national exams.

ix. **Performance of NEC Headquarters and Subsidiaries**

National Enterprise Corporation (NEC) was established by an Act of Parliament in 1987 with its own Board of Directors. NEC has established several subsidiaries through which it carries out activities in fulfillment of its Mission as set out in the Statute.
It was observed that the government has capitalized the companies to a tune of UGX.44.5Bn to finance their operations. However, the companies over a period of time have continued to make losses. The accumulated losses over the period amount to UGX.31.4Bn. A review of the objectives for which these companies were established indicates that the companies have not achieved their objectives. This was majorly attributed to inadequate structures and resources to support the activities of these companies.

There is need for government to review the operations of these companies with a view to establishing whether the initial objectives are still relevant and design strategies to overcome challenges currently faced by the companies.

x. **Sustainability of RCDF projects**

Government created the Rural Communications Development Fund (RCDF) to support communications interventions in areas that are underserved with the overall goal of ensuring that those areas get access to communications services that are comparable to those in the served areas. In doing this RCDF supported basic ICT integration in the schools and health centres in various districts across the country.

I observed that RCDF spent a sum of UGX.61Bn and UGX.114.9Bn to cater for digital migration and ICT subsidies such as computers and related software to schools and health centres. However the sustainability of the projects appears to be difficult as the beneficiaries of the computers lacked; the ability to manage and operate computers, reliable internet connectivity and speedy integration of ICT into user activity. In addition, high student computer ratio in schools and high costs of internet reduced the impact of implementation of the Fund.

With the above implementation challenges, the Fund may not achieve the intended objectives.

I advised government to engage the relevant authorities with a view to develop a strategy that will sustain the Fund’s ICT initiatives in schools and health centres by funding internet and computer maintenance services.
xi. **Outstanding advances to contractors**

Receivables in form of advance payments to road contractors to the tune of UGX.765Bn remained outstanding in UNRA records at the close of the financial year. I noted that some of these receivables have been outstanding for more than two years which is a reflection of slow moving projects. I informed management that huge outstanding receivables for advance payments tie up government road funds in slow moving projects that would have been utilized for clearance of outstanding certificates.

I advised government to consider reducing the percentage of advance payment to contractors to an acceptable level since they are evaluated on financial capacity (liquidity) and passed during evaluation. Further, the advance recovery period should be reduced to ensure that contractors do not delay the works.

xii. **Winding up of activities of DAPCB**

Departed Asians Properties Custodian Board (DAPCB) was established to take over and manage all assets transferred to it by virtue of section 13 of the Assets of Departed Asians Decree of 1973. On 19\textsuperscript{th} December 2014, cabinet directed the winding up of DAPCB. However, it was noted that the winding up process had not been undertaken to-date. I noted a number of pending activities that need to be undertaken and yet the Board has not acted upon them. These activities include; valuation of properties, preparation of books of accounts and appointment of officers to manage the Board activities during the winding up process. The continued operation of the DAPCB without appropriate structures could lead to loss of the remaining properties.

There is need for government to develop a clear roadmap outlining the activities to be undertaken in the process of winding up and ensuring their implementation.

xiii. **Failure to establish Cotton Revolving Fund**

Government directed that a revolving fund be created to ensure that Cotton Development Authority (CDO) procures lint bales and store in a buffer to allow adequate supply and stability in the cotton prices. Subsequently, government released UGX.10Bn to secure
cotton buffer stocks for value addition. It was observed that government has not realized minimal sales from the buffer stock and the revolving fund has not been put in place as envisaged. I advised that government follows up the matter with a view of achieving the intended Fund objectives.

xiv. **Delayed implementation of the study findings on drought and mortality impact assessment in Uganda Coffee Agriculture**

In October 2015, Uganda Coffee Development Authority (UCDA) commissioned a study on “Drought and Mortality Impact Assessment in Uganda Coffee Agriculture” to analyze and assess the impact of drought and associated risks on coffee production as well as the adaptation strategies used by coffee farmers to manage the risks. The study came up with recommendations which were presented and approved by the Board. These include water harvesting, irrigation technologies, use of shed trees and development of drought resistant varieties. The cost implication for both the studies and proposed options to manage impacts of drought in coffee production was estimated at UGX.39.1 billion.

I noted that management had not implemented the recommendations of the study. A review of the findings and experience from field inspections revealed that UCDA had spent UGX.70 billion on the replanting of coffee in the last two years.

I advised government to consider the recommendations to improve coffee

xv. **Special audit on Uganda Broadcasting Corporation (UBC)**

UBC is a State Corporation established by the Uganda Broadcasting Corporation Act, 2005. A forensic investigation into its operations revealed mismanagement of the Corporation. I noted that for a long period of time from (2011 to 2014) the corporation did not have a functional Board despite the provision in the law. There was no substantive CEO, and no clear mechanism for providing direction. The absence of a functional Board during that period created a power vacuum and deprived the Corporation of a dedicated oversight body that was supposed to govern the organization. As a result, there were no approved management policies, such as Human Resource Policy, Financial Management Policy, Recruitment & Promotions policies, among others. This left most of the decisions at the
discretion of a few individuals, thus leading to anomalies which included: employment of staff with inappropriate qualifications; prolonged stay of staff in acting capacity; revenue mismanagement leading to fraudulent charging of sales commission by UBC staff totalling to UGX. 0.432Bn and loss of future revenue of about UGX.2.5 billion; payment of suppliers through staff personal bank accounts, among others. In addition, a number of Corporation assets, especially from up-country, were not properly managed.

I advised Government to look into the matters noted in my report and have all persons culpable held responsible.

xvi. **Discrepancies between ordered and delivered medicines**

Section 2.3 of the Memorandum of Understanding (MoU) between the Government of Uganda (GoU) and the National Medical Stores (NMS) requires NMS to procure the aggregated requirements of the health facilities and distribute them against orders submitted by the health facility in compliance with the published schedule.

However audit inspection of various health facilities in the 50 Districts revealed that National Medical Stores did not supply all the medicines ordered. An engagement with NMS revealed that there were many considerations that determine the quantities delivered like; Facilities procurement plans, approved budgets of the facilities, Funds available to the facilities, and availability of the essential medicines and health supplies at the time of order processing.

There is need to further enhance the entire medicines supply chain to enable citizens access essential medicines in a timely manner.

xvii. **Non disposal of expired medicines**

Section 1.1.1 (f) of the Memorandum of Understanding (MoU) between the Government of Uganda (GoU) and the National Medical Stores (NMS) requires the Ministry of Health to communicate mechanisms of reducing expiries, carry out periodic collection and disposal of expired medicines from the districts and health facilities in collaboration with Ministry of Local Government and National Medical Stores. However, it was observed that there were expired medicines in 46 districts that had not been collected for disposal for a period ranging from 6months to 2 years. This creates a risk that the expired medicines may end up on the market and be misused.
I advised government to ensure that the expired medicines are disposed off promptly.

xviii. **Analysis of Performance of State Enterprises**

Analysis of the performance of 22 state enterprises revealed the following status;

- Only ten (10) of the enterprises were profitable of which only one (1) declared dividends to the government during the year of audit.
- The liquidity of National Housing and Construction Company, Nakivubo War Memorial Stadium, Uganda Posts Limited and Mandela National Stadium was below the standard threshold of 1. This is an indicator that the enterprises may not be able to cover their current obligations from their current assets.
- Other than Kilembe Mines Limited, the New vision printing and publishing corporation, NEC construction works and engineering limited, and NEC Luweero Industries Limited the rest of the state enterprises had varying degrees of negative Return on Assets.
- Seven (7) enterprises had debt ratios of more than 50% implying that most of their assets are financed by debt.

I advised government to review the operations of poorly performing enterprises with a view of turning them into profit making organizations as envisaged at their establishment.

**Key Findings under Local Authorities**

A summary of the key findings arising from the audit of Local Governments is highlighted below:

- **Payroll Anomalies**

Section (B-a) (7) of the General rules on Payment of Salaries in Public Service Standing Orders, 2010 requires salaries to be paid correctly, promptly and as a lump sum in accordance with the approved salary structure for the Public Service. However, Payroll analysis carried out revealed that a sum of UGX.11.390Bn was paid irregularly. The irregularities include:-
<table>
<thead>
<tr>
<th>No.</th>
<th>Irregularities</th>
<th>Amount UGX.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Over payment</td>
<td>1,163,414,641</td>
</tr>
<tr>
<td>2</td>
<td>Unsupported Pension Payments</td>
<td>9,569,870,082</td>
</tr>
<tr>
<td>3</td>
<td>Wrongly Paid Salaries</td>
<td>657,437,536</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>11,390,722,259</strong></td>
</tr>
</tbody>
</table>

The Accounting Officers attributed the irregularities to challenges encountered during decentralization of salary payments on the Integrated Financial Management system (IFMS) and Integrated Personnel and payroll system (IPPS) and outright errors during the salary payment process. Many of the Accounting Officers explained that they had initiated the process of recovering the overpaid amounts and training of staff to build capacity and address the challenges. I await for evidence to that effect.

- **Procurement Anomalies**

33 Local Governments procured items worth UGX.27.548Bn without following Public Procurement Regulations and Guidelines. The amount is comprised of UGX.1.310Bn which lacked procurement files, UGX.21.225Bn where there was breach of procurement procedures, UGX.4.695Bn involving inadequate contract management and UGX. 0.315Bn of unauthorized contract variations. Consequently, it becomes difficult to ascertain whether value for money was achieved. The shortcomings were attributed to lack of technical capacity, understaffing and deliberate flouting of PPDA regulations. There is need for the Accounting Officers to develop capacity building strategies and to engage the Ministry of Public Service to address the understaffing problem. In addition Accounting Officers are encouraged to invoke the relevant sections of the Law for noncompliance.

- **Funds not Accounted for**

Expenditure amounting to UGX.3.896Bn was identified as funds unaccounted for. Consequently, I could not confirm that the funds were utilized for the intended purposes. The delayed submission of accountability may also lead to falsification of documents resulting into loss of funds. This was caused by failure by accounting Officers to enforce accountability controls and lack of advances ledger to monitor advances. There is need for Accounting Officers to enforce controls relating to financial management and accountability.
• **Under Collection of Local Revenue**

Regulation 32 of the Local Governments Financial and Accounting Regulations, 2007 requires Councils to ensure collection of all budgeted revenue in an approved manner. Review of revenue performance revealed significant under collection of Local revenue in 161 Councils amounting to UGX.17.165Bn.

The shortfall in revenue collection was attributed to failure to carry out revenue enumeration and assessments, non-enforcement of contracts with private revenue collectors, understaffing and incomplete revenue records. There seems to be little effort in ensuring effective collection of local revenue.

I advised the Accounting Officers to sensitize tax payers on the relevant taxes and to develop strategies and enforce lawful measures to enhance revenue collections.

• **Understaffing**

Staffing levels of vacant posts in Local Government has not significantly improved as shown in the table below;-  

<table>
<thead>
<tr>
<th>No.</th>
<th>Level of understaffing</th>
<th>No of Entities</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Above 40%</td>
<td>119</td>
</tr>
<tr>
<td>2</td>
<td>Between 20%-40%</td>
<td>45</td>
</tr>
<tr>
<td>3</td>
<td>Below 20%</td>
<td>143</td>
</tr>
</tbody>
</table>

The levels ranged from 10% in Kibuku District Local Government to 89% in Kamuli Town Council.

Understaffing overstretches the available staff beyond their capacity, creates job-related stress to the fewer staff and negatively affects the level of public service delivery to the community.

This was attributed to limited wage bill and a ban on recruitment by the Ministry of Public Service. The Accounting Officers are advised to continue engaging the Ministry of Public Service, the Ministry of Local Government and the Ministry of Finance Planning and Economic Development to address the challenge. Meanwhile government is advised to address this phenomenon to ensure improvements in service delivery at local level.
• **Under-absorption/Unspent balances**

The Public Finance Management Act (PFMA) Section 45 (3) of 2015 states that an Accounting Officer shall enter into an annual budget performance contract with the Secretary to the Treasury which shall bind the Accounting Officer to deliver on the activities in the work plan of the vote for a financial year submitted under section 13 (15).

However, it was observed that 84 districts had failed to utilise UGX. 13.189Bn by the end of the financial year.

The Accounting Officers attributed under absorption to IFMS failures, delayed delivery of late releases of funds and delayed delivery of services by the contracted suppliers.

I advised the Accounting Officers to engage Ministry of Local Government and Ministry of Finance Planning and Economic Development to address the bottle necks.

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**Assets Management**

• **Lack of Land Titles**

Out of 307 Local Governments, 148 entities representing 48% of the Local governments lacked land titles for the land where council properties are located. There is a risk that council land is exposed to encroachment and disputes which later leads to litigation in courts of law arising from land disputes between the Councils and the Communities.

The Accounting Officers attributed this to lack of funds to process land titles and the absence of District Land Boards. There is urgent need for the Government to prioritize and allocate funds and ensure that the land titles are secured. The District Councils are also advised to ensure that the District Land Boards are constituted.

• **Un-utilized Capacity Building Infrastructure Development Funds Under (USMID) Project**

It was observed that 14 Municipal Councils under the USMID project had not fully utilized funds released to them amounting to UGX.94.783Bn. The unutilized funds were meant for
settlement of VAT, Municipal Development (Municipal Development Grants) and Capacity (Capacity Building Grants).

Failure to utilize the released funds reflects lack of effective implementation of project programs disadvantaging the community who are intended to benefit from the program.

Management attributed the low absorption of the capacity Building funds to the failure of the Municipal Councils to procure key retooling equipment for surveying, engineering and environment among others partly due to lack of technical capacity to procure such specialized equipment. In addition the delay to utilise the infrastructure development funds was attributed to failure to attract responsive bidders for the jobs.

There is need to enhance the absorption capacity to ensure full utilization of the funds released.

3.1.5 **Value for Money Audit services**

Value for Money (VFM)/Performance Audit is referred to as an independent examination/assessment of the efficiency and effectiveness of government undertakings and programs (Ministries, Departments and Agencies (MDA) & Projects with due regard to economy with the aim of creating improvements.

The main objective of VFM auditing is constructively to promote economical, effective and efficient governance; it also contributes to accountability and transparency.

**Economy;** It is about keeping costs of inputs low without compromising quality in procurement and spending on goods and services while implementing Government programs and activities by MDAs.

**Efficiency:** Is about getting the most or best output from available resources.”

**Effectiveness:** “Is the extent to which the entity (MDA), program, project, has achieved its objectives.

3.1.5.1 VFM Topic areas

Value for Money topics are selected through a robust consultative process with key stakeholders namely; Parliament, Civil Society as well as the media and its coverage. The
process also includes reading other literature targeting service delivery concerns and national strategic interventions.

During the year, the office planned to undertake 11 VFM audits and of those, 9 audits were carried out, due to resource constraints. Below is a brief description of the VFM studies undertaken and their respective scopes of coverage:

a) **Management of petroleum data by Ministry Of Energy And Mineral Development**

Petroleum data refers to all the data relied upon by government, oil companies or other actors to determine the existing petroleum potential, extent of reserves, and amount recoverable. It comprises of geological data, gravity and magnetic data, seismic data and well data. The objective of the audit was to assess whether petroleum data is acquired and submitted in accordance with the law, and the extent to which data is verified, stored and disseminated by Petroleum Exploration Development and Production Department in an efficient and effective manner. It was conducted for the period 1998 to 2006 for gravity & magnetic data, the period from 2006 to 2014 for seismic data and the period from January 2013 to June 2016 for well data. This was in order to establish and assess the trend of implementation and enforcement of data management provisions by the relevant actors i.e. GOU and the International Oil Companies (IOCs).

b) **Management of procurement and distribution of essential medicines and health supplies by National Medical Stores.**

National Medical Stores receives funds from the Government of Uganda for procurement and storage of Essential Medicines and Health Supplies (EMHS), and their distribution to the various health facilities countrywide. Owing to public concerns over drug supplies and pricing, the OAG undertook an audit on a selected sample of health facilities to assess the extent to which NMS efficiently provides EMHS in the right quantity at reasonable prices to the public health facilities in Uganda. The scope of the audit covered a period of three years; 2013/14, 2014/15 and 2015/16

c) **Promotion of Cotton Production And Facilitation of value addition to Uganda’s cotton by the Cotton Development Organisation**

Cotton Development Organization (CDO) was created to monitor the production, processing and marketing of cotton in Uganda, promote the distribution of high quality cotton seeds and to facilitate the development of the cotton industry. Owing to challenges faced by the Cotton sub sector such as unstable production, low value addition, the Office
of the Auditor General undertook an audit to assess the extent to which CDO facilitated the achievement of cotton sub sector production targets and earnings of farmers and dealers of cotton production and value addition between the period 2010/11 to 2014/15.

d) Enforcement of Occupational Safety And Health activities at workplaces by the Ministry Of Gender Labour And Social Development

Occupational safety and health (OSH) is defined as the science of anticipation, recognition, evaluation and control of hazards arising in or from the workplace that could impair the health and wellbeing of workers, taking into account the possible impact on the surrounding communities and the general environment\(^1\). OSH therefore deals with the prevention of work-related injuries and diseases as well as the protection and promotion of the health of workers. In Uganda, the Ministry of Gender, Labour and Social Development through the Department of Occupational Safety and Health, is responsible for administration and enforcement of the Occupational Safety and Health. OAG undertook this audit with the objective of determining whether MOGLSD adequately enforced compliance with the Occupational Safety and Health Act, 2006 through workplace registration, inspection and monitoring, education, training and awareness creation. It covered three (3) financial years of 2012/13, 2013/14 and 2014/15.

e) Implementation of Solar Energy Infrastructure in selected Education And Health Facilities under the Energy For Rural Transformation Project II (ERT II) by Ministry Of Energy And Mineral Development

The Energy for Rural Transformation Project II (ERT II) was a strategic effort by the Government of Uganda to provide infrastructure and functioning social services to promote growth and reduce poverty. The purpose of the ERT project was to develop Uganda’s energy and information/communication technologies (ICT) sectors, to be able to make a significant contribution to bringing about rural transformation. Component 3 of the project provided support to the Project Coordination unit and extension of solar energy to implementing sectors of Health, Education, Water, Agriculture and Local Government. This audit focused on implementation of the solar energy infrastructure in rural health and education facilities. The study covered a period of six (6) years (from December 2009 to 30 June 2016).

\(^{1}\) ILO Fundamental Principles of Occupational Health and Safety
f) Financing of Local governments in Uganda through Central Government Grants and Local Government revenues

Local Government Financing is facilitated by MOFPED through the Directorate of Budget and the process involves engagement with the Local Government Finance Commission (LGFC), and Ministry of Local Government, Sectors and local governments themselves. The OAG undertook this audit to assess the extent to which the current measures ensure that financing of local Governments is adequate, fair and equitable. The study covered a period of three (3) financial years from 2013/14 to 2015/16 and focussed on 32 Local Governments comprising 16 districts and 16 municipalities which were selected from 115 districts and 41 municipalities in Uganda.

g) Follow up report on the implementation of audit recommendations by Uganda Bureau Of Statistics on the value for money audit report on production of price indices

The Office of the Auditor General undertook a Value for Money audit on the production of Price indices by Uganda Bureau of Statistics (UBOS) during the Audit year 2013/14 and a report was submitted to The Parliament of Uganda in March 2014. The major objective of that study was to evaluate the process of production of three categories of indices namely: Consumer Price Indices (CPI), Producer Price Indices (PPI) and Construction Sector Indices (CSI), in order to establish the extent to which they could be relied upon to produce credible statistics for decision making. In order to identify the value added by the previous audit, OAG undertook a follow up of the implementation of Auditor General’s recommendations by Uganda Bureau of Statistics.
3.1.5.2 KEY FINDINGS FROM THE VFM AUDIT REPORTS FOR AUDIT YEAR 2016

i. **Management of Petroleum data by Ministry of Energy And Mineral Development**

Petroleum data refers to all the data relied upon by government, oil companies or other actors to determine the existing petroleum potential, extent of reserves, and amount recoverable. It comprises geological data, gravity and magnetic data, seismic data and well data.

Since the 1980s, government and private companies have been collecting petroleum data. Data generated throughout the petroleum value chain must be properly managed because government relies on this data to understand the potential resources it has.

A number of issues were noted in the management of petroleum data:-

The oil companies did not fully comply with submission of reports relating to their drilling, exploration activities and operations as required which resulted in an incomplete database. The department does not have an IT information security policy and procedures to enable it manage information security.

There was no offsite backup and instead data was backed up on data storage tapes which were stored in the physical data storage room. The Crane database was incomplete since it lacked data on seismic surveys and well drilling, including cost database, fluids, cuttings catalogue and rock samples catalogue. The inadequacies in ensuring proper storage and safety of both electronic and physical data, poses a risk of loss of data.

Petroleum Exploration, Development and Production Department (PEDPD) did not have guidelines and procedures for data dissemination and there was no documented criterion for determining the rates for sale of data. The Metadata system that enables easy access to information by authorized users was not put in place thus key information about oil and gas activities was not easily availed to external stakeholders but rather to internal users.
ii. **Construction and Rehabilitation of Secondary school infrastructure under the Development of Secondary Education Programme (DSE) by the Ministry Of Education and Sports**

It was observed that although the Development of Secondary Education programme implemented by the Ministry of Education has to a large extent resulted in provision of additional infrastructure to secondary schools there were notable weaknesses in planning of the programme activities as evidenced by failure to undertake needs assessment before allocation of resources. The audit also noted that funds totalling to UGX 1.27 billion were used for non-programme activities, while utilization of UGX 338 million could not be explained. The audit also noted weaknesses in contract management such as delays in completion of works, payments for unexecuted works, and cases where the completed works did not conform to expected quality.

iii. **Management of Procurement and Distribution of essential medicines and health supplies by National Medical Stores**

Although government has over the years emphasized the importance of efficient and appropriate procurement, storage and distribution of essential medicines and health supplies (EMHS) at all levels of the health management system so as to ensure effective nationwide delivery of the Uganda National Minimum Health Care Package, challenges still exist which need to be addressed so as to ensure that National Medical Stores (NMS) delivers the right quantities of EMHS to public health facilities in Uganda in time and at reasonable prices.

The prices at which NMS procured Anti-Retroviral medicines (ARVs) from the approved local manufacturer were in most cases higher than the donated drug prices which meant that fewer quantities are procured for distribution to health facilities with the available resources. This can result in increased donor dependency which exposes government to a risk of limited availability of ARVs in the event of withdrawal or expiry of donor funding. Owing to the budget constraints experienced by NMS and price variations, most of the sampled health facilities did not receive the quantity of EMHS as planned and ordered for. Whereas efforts were made to deliver EMHS in time, cases of delays were noted. Consequently, stock-outs of essential medicines and health supplies averaging nine (9) to fifteen (15) days were experienced by the selected health facilities thereby hampering service delivery.
iv. **Promotion of Cotton Production and facilitation of Value addition to Uganda’s Cotton by the Cotton Development Organisation**

The Cotton Development Organisation undertook a number of activities aimed at promoting cotton production and addition of value to cotton produced by Ugandan farmers. However, the audit observed that the Cotton sub sector has not performed to its potential level of production and capacity. In terms of cotton production, the sector performed below the projected cotton production capacity by: 247,381 bales, 371,636 bales, and 406,907 bales in 2012/13, 2013/14 and 2014/15 respectively. In addition there was minimal progress in the implementation of the various interventions aimed at adding value to the cotton produced resulting in Uganda exporting on average 95% of all the lint produced without any form of value addition.

In order to support cotton production, CDO and the private sector through their umbrella body, the Uganda Ginners and Cotton Exporters Association (UGCEA) developed and implemented the Cotton Production Support Programme (CPSP). Under this arrangement, the private sector supports farmers through provision of production inputs namely fertilizers, spray pumps and pesticides. UGCEA supports CDO, through the same programme, to provide planting seed and extension services to farmers.

It was noted that this partnership, which is an intervention to support cotton production, does not address the total cotton sector production input requirements since the inputs provided are inadequate to meet the overall cotton subsector input requirements. It was further observed that under this arrangement, CDO’s role is limited to advising, supervising, and coordinating procurement and distribution of inputs.

Government’s dependency on the private sector for key production activities risks the sustainability of the entire sector and enables the private sector exercise influence and control over farmers and CDO.

The current status of the cotton sub sector is a result of non-prioritization of the sector, low investments, and failure by government to fully implement the enabling key government policies such as, the textile policy.
v. **Enforcement of occupational safety and health activities at workplaces by the Ministry of Gender, Labour and Social Development (MoGLSD)**

The Occupational Safety and Health Act, 2006, was enacted by Parliament to provide for the right of persons to work under satisfactory, safe and healthy conditions. However, many workers in Uganda are not aware of their rights to a safe and healthy working environment and have remained exposed to unhealthy working conditions, faulty plants and equipment, dangerous civil works and constructions leading to ill health and death.

Out of the estimated one million workplaces in the country, only 756 were registered by the MoGLSD as at 30th June 2015. There were also delays by workplaces to apply for renewal of their registration certificates. Although the statutory period for renewal for a number of equipment certified between 2012 and 2015 had elapsed as at 30th June 2015, there were notable delays by workplaces to apply for renewal of their equipment certification. There was limited information sharing between the three bodies (Uganda Police, Ministry of Health & MoGLSD) regarding statistics of occupational-related accidents, diseases, injuries and fatalities. As a result the Department of Occupational Safety and Health did not have an up-to-date database relating to occupational accidents, injuries and diseases. Enforcement of the OSH legislation has not been effective due to inadequate awareness and sensitization on OSH standards, limited personnel and logistics, absence of the National OSH Policy and an OSH Laboratory to analyze exposure measurement samples and to test personal protective equipment.

vi. **Implementation of Solar Energy infrastructure in selected Education and Health facilities under the Energy for Rural Transformation Project II (ERT II) by Ministry of Energy and Mineral Development**

The Energy for Rural Transformation Project II (ERT II) under the Ministry of Energy and Mineral Development was set up as a strategic effort by Government of Uganda to provide infrastructure and functioning social service to promote growth and reduce poverty. The objective of ERT II is to increase access to energy and Information Communication technologies (ICT) in rural Uganda.

The audit noted that whereas the Ministry of Energy and Mineral Development has undertaken specific interventions aimed at increasing access to energy through provision of energy technologies under the implementing sectors of health and education,
inadequate planning, failure by the implementing agencies in some cases to use the defined criteria in selection of beneficiaries, and inadequate energy needs assessment resulted in irregular distribution /installation of packages and un-installed packages. This has led to underutilization of energy output. In some instances, vandalism was reported due to poor security measures. Inadequate contract management, monitoring and supervision, led to significant delays in implementation of the Project. It is hoped that with the implementation of ERT III, the lessons learnt will be applied to fulfill the objectives of the project.

vii. **Financing of Local Governments in Uganda through Central Grants and Local Government Revenues**

Financing of local governments is critical to the success of the decentralisation policy. Overtime Government has made improvements in the level of financing of LGs through various policy reforms and increased transfers to the local governments. In spite of these efforts, financing of Local Governments is still a challenge as it has not been matched with the increased demand and cost for services in LGs. In addition, allocations of grants are done without following the prescribed formulae resulting in increased funding gaps. The mismatch between development and recurrent expenditures and decreasing allocations for LGs relative to the sector allocations results in inequitable distribution of resources.

On the other hand, there exists huge potential for Local Governments to enhance their local revenues but owing to various weaknesses not much has been done to exploit that potential. Government needs to invest significantly in the enhancement of local revenues at the local government level.

viii. **Follow up report on the Production of Price Indices by Uganda Bureau Of Statistics**

A follow up was undertaken to assess the status of implementation of the recommendations made by the Auditor General on the Value for Money audit conducted during the Audit year 2013/14 on the production of Price indices by Uganda Bureau of Statistics (UBOS). The objective of the VFM audit, which was submitted to the Parliament of Uganda in March 2014, was to evaluate the process of production of Consumer Price Indices (CPI), Producer Price Indices (PPI) and Construction Sector Indices (CSI), in order to establish the extent to which they could be relied upon to produce credible statistics for decision making. Out
of 23 recommendations made by OAG, 14 were fully implemented, 7 were in the process of being implemented while 2 recommendations had not been implemented by UBOS.

UBOS undertook measures to address OAG recommendations by rebasing the CPI which improved the representativeness and coverage of the sample, updated the weights to fit current expenditure patterns of households. The PPI was also in the process of being rebased. The measures undertaken improve the reliability of the CPI and PPI to a great extent. The CSI had still not been rebased. Rebasings would expand the scope of the CSI, improve representativeness of its sample using a newer and wider sampling frame and enable the collection of more reliable data on wages. It was also observed that UBOS had not yet undertaken studies to establish the difference between rural and urban prices and whether the 8 urban centres sampled adequately represented all urban centres in the country. Consequently, the significance of excluding rural prices from the computation of the National CPI is yet to be established.

3.1.6 **Specialized Audit services**

These types of audits are majorly on engineering works including roads and buildings.

The objectives of the audits are to confirm whether the construction has been made in accordance to specifications, designs and quality. The Office uses highly qualified teams comprising outsourced experts and internal staff. The main audits are being conducted in Uganda National Roads Authority (UNRA), Kampala Capital City Authority and Ministry of Works as well as Ministry of Local Government especially on the markets constructed under World Bank funding.

In the audit year 2016, the following projects were targeted; Uganda National Roads Authority (UNRA), Ministry of Works and Rehabilitation of NARO facilities under the project of ATAAS as indicated below;

The Specific objectives of the technical audit were to:

- To evaluate the existence and effectiveness of internal controls, which are needed for the application of sound engineering principles and practices.
- To obtain reasonable assurance, that road works were executed with reasonable quality, and in accordance with sound engineering principles, practice, technical management policies and specifications
I) **UNRA road projects**

During the financial year 2015/2016, UNRA executed a total of 139 road and bridge infrastructure projects worth UGX 8,569.7Bn. As part of the audit of the financial statements for the year, we undertook a technical audit of a selected sample of eight (8) road and bridge projects with a value of UGX 771Bn which represents 9.0% of the total contracted value of works.

The projects audited include;

a) Capacity Improvement of the Kampala Northern Bypass (21km)

b) Rehabilitation works of selected national roads – Lot 4: Nansana - Busunju (47.6km)

c) Construction of the new Mbarara Bypass and reconstruction of the existing Mbarara Ntungamo section of Northern corridor route (36km)

d) Construction/ Re-construction of strategic Bridges in central region (Kabaale Bridge)

e) Rehabilitation of Kiryandongo – Gulu Road; (Kiryandongo - Karuma – Kamdini road - 59 km)

f) Rehabilitation of Nebbi – Pakwach Road (54km)

g) Construction of Multiple Cell Box Culverts and Drainage Structures and rising 3km access road in swamp on Leresi-Budaka

h) Construction of Apak Bridge on Lira-Abim-Kotido road

II) **Ministry of Works and Transport projects**

During the financial year 2015/16, MOWT implemented 51 public works projects whose contracts amounted to UGX 213,083,855,950. The OAG undertook technical audits on a sample of eight (8) projects worth UGX 31,996,013,590 representing 15% of the total value of the projects.

a) West: Rehabilitation of selected District Roads in Mbarara, Ntungamo, Ibanda and Buhweju Districts/ UGX 2,408,823,080

b) District Road Rehabilitation Unit – North: Rehabilitation of Selected District Roads in Gulu and Amuru/ UGX 3,064,724,555

c) District Road Rehabilitation Unit–East: Rehabilitation of roads in Mbale district UGX 682,432,525

d) District Road Rehabilitation Unit–Central: Rehabilitation of Roads in Luwero District UGX 1,665,185,800
e) Dredging and Re-alignment of River Namanve – Wakiso District - DRRU Central
   UGX 9,462,241,230
f) Construction of Saaka Swamp Crossing Between Kaliro and Palisa Districts Phase-II
g) 14 Islamic Development Bank funded bridges -Lot 1 (Balla, Abalang-3, Agali and Enget)
   UGX 7,173,486,300
h) 14 Islamic Development Bank funded bridges -Lot 2 (Nyawa and Kochi-2)
   UGX 7,129,593,700

III) **Agricultural Technology and Agribusiness Advisory Services (ATAAS) – NARO**

   NARO entered into contracts with five (5) contractors at a value of UGX 15,333,520,682 involving work at thirteen (13) sites as listed below;

   a) Ngezardi Station in Lira District and Nasarri Station in Serere District
   b) Bugizardi Station in Bulambuli District
   c) Nabuzardi Station in Nakapiripirit District
   d) Kazardi Station in Kabale District
   e) Bulizardi Station in Hoima District
   f) Nafirri Kajjansi and Narosec, Entebbe Station in Wakiso District
   g) Mbazardi in Mbarara and Kamenyamigo in Lwengo

3.1.7 **Forensic Investigation and IT Audit services**

   It is the practice of lawfully establishing evidence and facts that are to be presented in a Court of Law. Our forensic audit investigations cover financial fraud and Information Technology systems. This intervention more directly related to fight against corruption.
3.1.7.1 Categorisation of cases received

The graph below shows a trend of cases received per category from 2014 to 2016.

**Graph 2: Showing cases by category**

![Graph showing cases by category]

N.B: Forgeries, embezzlement, computer fraud, payroll fraud and procurement-related fraud may all require digital forensics.

Payroll, embezzlement and forgery cases are our main challenge and exert pressure on our limited resource envelope.

The payroll cases were first detected in financial audits in a few districts including Wakiso, Butaleja and Rakai District Local Governments (DLGs). The office changed its strategy following the risks identified in the financial audits and expanded the scope of payroll investigations to 52 districts. The findings have indicated that the fraud is not as widespread as earlier assessed.

3.1.7.2 FIIT Performance

The Office supported other Government investigative and prosecution institutions, such as: IG, DPP and CIID in investigations and appearing in court as witnesses as well.

In the audit year, we conducted 83 forensic investigations and special audits as per the table below;
<table>
<thead>
<tr>
<th>SN</th>
<th>Audit Description</th>
<th>Planned</th>
<th>Actual</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Forensic investigations and Special audits</td>
<td>66</td>
<td>83</td>
<td>Unanticipated special audits on Payrolls in 50 District Local Governments, while another 33 are still ongoing</td>
</tr>
<tr>
<td>2.</td>
<td>IT audits</td>
<td>4</td>
<td>0</td>
<td>2 audits on-going &amp; 2 deferred to next year; IFMS Investigation reported as a forensic investigation</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>70</strong></td>
<td><strong>83</strong></td>
<td></td>
</tr>
</tbody>
</table>

3.1.7.3 Challenges faced in Forensic Investigations;

Our main challenges to undertaking more forensic audits to match the demand for forensic investigations are;

a) Growing skill requirements and institutional capacity in conducting forensic investigations especially in the field of digital forensics and advanced evidence gathering.

b) Constraints in developing and managing internal processes to effectively manage investigations from requests received, investigations, reporting and witnessing in courts of law. In addition, there have been security concerns among staff while conducting investigations and appearing as witnesses in court.

c) The office acquired some forensic tools with the support of Irish Aid. However the tools are inadequate and annual software licenses for different analysis packages are required to establish a robust forensic laboratory to cope with the scope of demands.

d) The demand and expectation from forensic investigation is increasing. However there are challenges encountered in management of suspected cases before we conduct investigations, as sometimes, cases are reported in an ambiguous manner and when evidence has been destroyed.

To counter these challenges, additional resources are required to build sufficient capacity in conducting comprehensive forensic investigations to adduce appropriate support to criminal prosecution.

3.2 Quality Assurance and Audit Development (QAAD)

Quality assurance is carried out by the Quality Assurance and Audit Development department which undertakes quality assurance reviews, to ensure that audits are carried out in compliance with the relevant auditing standards. The department also provides audit
development, which involves development of audit manuals, guidelines and building staff capacity in conducting financial audits in liaison with the Human Resource department.

For the FY 2015/16, the department planned to provide technical support to staff implementing Regulatory Audit Manual (RAM), develop audit tools, build capacity in use of tools and conduct quality assurance reviews. The tools include development and updating of the Teammate library. Teammate is the audit software used by the office to document the audit work.

A Teammate library is a set of audit procedures developed following the risk-based methodology that complies with the ISSAIs.

During the reporting period, the department had provided refresher training to all staff responsible for Regularity Audit in line with the risk based methodology, as well as offered technical support to all staff during the implementation of the new audit methodology. In addition, refresher training was conducted in the use of teammate software, and a draft guide on the use of Microsoft excel tool for data analysis was developed. VFM teammate library was developed and staff trained in the use of the upgraded audit teammate software 10.4. A five-year strategic plan in line with the office strategic plan for 2016-2021 was also developed.

A tool to assess regularity and performance audit compliance levels with ISSAIs was developed with support from GIZ project for Accountability and Transparency. By December 2016, 23 quality assurance pre-issuance reviews on regularity audits had been prepared and submitted. In an effort to support the Accountancy profession in Uganda, we facilitated a sensitisation workshop for members of the Institute of Certified Public Accountants of Uganda (ICPAU) aimed at creating awareness of the requirements of the International Standards for Supreme Audit Institutions (ISSAIs) used during planning for audits in Financial and Value for Money audits.

### 3.3 Impact of Our Audit Work

Our work leads to beneficial change, savings, recoveries and successful prosecution of those who misuse public funds. In our 2016-2021 Corporate Strategy, we plan to establish a system to measure and track the impact of our audit work. The system will depend on our internal processes as well as external stakeholder performance and feedback. This is
due to the fact our impact is realised through follow up of our audit work by various stakeholders.

However, during the year, we realised both direct and indirect impacts from our work through follow up of our audit reports by Parliament and our collaborative efforts with other stakeholders. The examples of our impact include;

3.3.1 Follow up of the audit recommendations by Parliament

- The Committee on Commissions, Statutory Authorities and State Enterprises (COSASE) recovered a land title for Uganda Broadcasting Corporation for land measuring 23 acres in Bugolobi. The committee also recovered UGX. 35 billion from the Chinese Companies which had been paid to them by Uganda National Road Authority (UNRA) to compensate Project Affected Persons (PAPs) but the companies had not effected.
- Local Government Public Accounts Committee (LGPAC) discussed One hundred and eleven (111) districts and twenty two (22) Municipal councils audit reports for FY 2014/15. Out of this, over UGX 650 was recommended for recovery.
- Public Accounts Committee discussed 28 financial audit reports and 2 Value for money audit reports for the FY 2014/15.

3.3.2 Support to the Director of Public Prosecutions

Our audit and investigation reports which have been used as a basis for prosecution of those who have abused public funds, have resulted in successful prosecution among which include;

- The conviction of Ministry of Public Service Officials who were involved in Irregular Budgeting and Expenditure in Lieu of Social Security Contributions amounting to UGX 88.2Bn for the Financial Year 2010/11 and 2011/2012. In addition, court ordered recovery of funds.
  Meanwhile the Special Investigations report on the Allegations of Impropriety of Pension funds amounting to UGX I65bn in MOPS in the year ended 30th June 2012 is subject of Court proceedings currently on going at the Anti-Corruption Court.

- There are other on-going prosecutions against the former Principal Accountant of the Office of Prime Minister and Others relating to findings of the Auditor General’s Special
In addition, the former Principal Accountant of the Office of Prime Minister and 3 others are being prosecuted using on the findings of the Auditor General’s Reports on the Financial Statements of the Office of the Prime minister for the financial years 2009/2010, 2010/2011, 2011/2012.

3.3.3 Audit of recoverable Expenditure in Oil and Gas exploration

A total of USD 983,063,050 presented by Oil Exploration companies as recoverable expenditure has been audited since 2009. These costs relate to the period 2004 to 2011.

- A sum of USD 39,094,724 was determined unrecoverable because of non-compliance with the provisions of the Production Sharing Agreements (PSA). Of that amount USD 33.4m was audited in this financial year.
- A sum of USD 41,585,800 was determined un-claimable in accordance with the PSA provisions as commercial Oil and Gas reserves were not discovered in the licensed exploration areas.
- A sum of USD 902,382,526 was considered compliant with the provisions of the PSAs and is therefore recoverable from future oil earnings.
- Having obtained the subsequent cost recovery statements, I have now embarked on the audit of recoverable costs for the period 2012-2015.

3.3.4 Impacts arising from collaborative efforts

- The Auditor General’s report was used as a basis for the UNRA Judicial Commission of Inquiry. In addition, evidence and expert advice relating to our audits and financial management in the institution were provided. This has led to high quality Commission of Inquiry report and the President has given an order on follow up of the report. This has triggered further investigations into the alleged mismanagement.

- The office has rendered continued support to IGG on an investigation we initiated into the mismanagement of Ugx10Bn in the Ministry of Local Government for the FY 2014/15 which has led to suspension of the Accounting Officer and remarkable improvements in accountability in the Ministry.
3.4 Other Support Services

These are services rendered by Corporate Services to support the external audit function in delivering the mandate of the Auditor General.

3.4.1 OAG Budget Performance

3.4.1.1 GOU Funding

In accordance with Sections 28 and 29 of the National Audit Act, 2008, the office of the Auditor General is funded by Government of Uganda through appropriations made by Parliament, grants and donations. The OAG funding is illustrated in the table below

Graph 3: OAG Budget FY 2011/12 – FY 2016/17
Figure 1: Pie chart showing OAG Budget source over the past 5 years

From the pie chart, GoU funds our budget by 89% compared to 11% of the Development Partners

Unfunded Priorities for FY 2016/17

In the FY 2016/17 the office prepared and submitted for approval to Parliament, a total budget of UGX.81.07Bn including a funding gap of UGX.33.76Bn. Parliament subsequently approved a total budget of UGX.51.491Bn including taxes. This comprises UGX.19.575Bn for wage, UGX.27.091Bn for non-wage and UGX.4.826Bn for development.

The unfunded priorities include; filling of the staff structure, wage enhancement for office staff, Pension payment, ICT infrastructure Development, staff capacity building, clearing Audit backlog (lower local governments and schools), expansion of Audit Coverage such as, public works audit and replacing aging OAG Vehicle fleet.

By 31st December 2016, a total of UGX 36.718Bn representing 71.31% of the approved GOU budget of UGX 51.492Bn was released.

3.4.1.2 Support from Development Partners

During the period under review, the office received support from development partners.

a) Financial Management and Accountability Programme (FINMAP)

The Office continues to benefit from the Government of Uganda’s four-year (2014/15 – 2017/18) public financial management reform strategy under FINMAP. It has continued to support capacity development initiatives and enhancement of the operational independence of the Office. Under FINMAP the office was allocated UGX.13.231Bn (USD
3.619Mn) for the financial year 2016/17. By 31st December 2016, a total of UGX. 0.120Bn representing 0.91% of the budget had been spent. FINMAP is supporting construction of Hoima and Moroto regional offices, procurement of Management Information System and procurement of Engineering Audit Tools.

b) **Irish Aid**

The office utilised the balance of UGX. 0.903Bn from Irish Aid on training of 200 staff in various professional courses including use of forensic tools, Module 3 and Advanced Value for Money, Oracle financials boot camp, Regulatory Audit and Teammate Champion.

c) **GIZ**

The Office is continues to receive technical support from the German cooperation (GIZ) whose overall goal is to promote accountability and transparency in Uganda. The POAT project will come to an end in March 2017 and we will benefit from a new project, Governance and Civil Society support under the component of strengthening external audit for a period of 2 years ending March 2019. The POAT project supported development of policies, audit manuals and capacity building activities across the Office.

### Table 4: OAG expenditure January – December 2016 (Bn)

<table>
<thead>
<tr>
<th>Budget Type</th>
<th>FY 2015/16 Release (Jan-June)</th>
<th>FY 2016/17 Release (July-Dec)</th>
<th>Expenditure January to December 2016</th>
<th>% of Releases Spent</th>
</tr>
</thead>
<tbody>
<tr>
<td>GOU - Recurrent – Wage</td>
<td>10.407</td>
<td>9.787</td>
<td>20.004</td>
<td>99%</td>
</tr>
<tr>
<td>GOU - Recurrent -Non – Wage</td>
<td>9.586</td>
<td>26.269</td>
<td>31.898</td>
<td>89%</td>
</tr>
<tr>
<td>GOU – Development + Taxes</td>
<td>4.922</td>
<td>0.662</td>
<td>4.939</td>
<td>88%</td>
</tr>
<tr>
<td><strong>GoU Funding</strong></td>
<td><strong>24.915</strong></td>
<td><strong>36.718</strong></td>
<td><strong>56.841</strong></td>
<td><strong>92%</strong></td>
</tr>
<tr>
<td>FINMAP</td>
<td>1.960</td>
<td>0.120</td>
<td>2.080</td>
<td>100%</td>
</tr>
<tr>
<td>IRISH AID</td>
<td>0.903</td>
<td>-</td>
<td>0.903</td>
<td>100%</td>
</tr>
<tr>
<td>DP’s funding</td>
<td>2.863</td>
<td>0.120</td>
<td>2.983</td>
<td>100%</td>
</tr>
<tr>
<td><strong>TOTAL OAG FUNDING</strong></td>
<td><strong>27.778</strong></td>
<td><strong>36.838</strong></td>
<td><strong>59.824</strong></td>
<td><strong>93%</strong></td>
</tr>
</tbody>
</table>
*Irish Aid funds were balances brought forward as a result of MoU extension*

**Graph 4: Analysis of OAG budget by category from FY 2014/15 to FY 2016/17**

<table>
<thead>
<tr>
<th></th>
<th>FY 2014/15</th>
<th>FY 2015/16</th>
<th>FY 2016/17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wage</td>
<td>19.59</td>
<td>19.59</td>
<td>19.58</td>
</tr>
<tr>
<td>Non-Wage</td>
<td>20.96</td>
<td>23.13</td>
<td>27.09</td>
</tr>
<tr>
<td>GoU Dev't</td>
<td>16.54</td>
<td>4.94</td>
<td>4.83</td>
</tr>
<tr>
<td>Total</td>
<td>57.09</td>
<td>47.66</td>
<td>51.49</td>
</tr>
</tbody>
</table>

The GOU Capital Development Fund supported with Donor funds were used to finance our development initiatives whereas the non-wage was used to finance audits.

However, the office has several unfunded priorities such as; filling staff structure, wage enhancement for office staff, ICT infrastructure Development, staff capacity building, clearing Audit backlog (lower local governments and schools), expansion of Audit Coverage such as, public works audit and replacing aging OAG Vehicle fleet.

### 3.4.2 Governance and Compliance

#### 3.4.2.1 OAG Governance

The Parliamentary sub Committee on Finance, Planning and Economic Development, designated as the governance board by the Speaker of Parliament to handle affairs pertaining to the Office of the Auditor General, recognises the role of good corporate Governance. The role of the board is to ensure that the operations and the structures of the office are governed by clearly defined principles to ensure proper governance, transparency and accountability to all stakeholders, through existence of effective systems of self-regulations.

The operations of the governance body are guided by the procedural manual for the Sub-Committee on the Office of the Auditor General, which came into force in May 2011. The
composition and tenure of the Committee is reflective of the 5 year Parliamentary political term.

The current committee membership is in their first year of office and has held 2 meetings whereof, the Corporate Strategy 2016-21 and the Corporate Division structure of the Office was approved for implementation by management.

3.4.2.2 Internal Audit and Risk Management

In line with the strategic objective of the current Corporate Plan 2016-21 of continuously improving structures and systems to ensure better and efficient performance, the Internal Audit supports the Office by providing independent, objective assurance and consulting function that strengthens OAG’s operations. This is through a systematic evaluation aimed at improving the effectiveness of risk management, control and governance processes. During the time of reporting, the following was achieved;

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

The assurance is provided through quarterly reports. Three (3) quarterly internal audit reports (January to September 2016) were produced. The October - December 2016 quarterly report is in draft form. In addition, two (2) internal special audit reports were produced and two (2) are in progress.

Eight (8) investigations covering loss of equipment and inappropriate ethical behaviour were undertaken and reports submitted to the Auditor General. Also proactive preventive checks, assurance engagements and verifications of monthly payroll and deliveries to stores were carried out.

3.4.2.3 Legal Services

The Office has an established Legal Unit whose role is to provide timely legal advice and representation to the Auditor General and the Office, in respect of matters involving the Auditor General’s constitutional and statutory mandates. The unit is further vested with the authority to avert legal risks in the operations of the OAG by emphasising compliance with
the existing legal framework. The unit was inspected and approved for operation as a legal chamber by the Law Council for the year ending 2016 and has a staffing level of two (2) practicing advocates of Courts of Judicature.

During the year, the office was engaged in coordination of Court cases from the Anti-Corruption Courts, that arise from audit reports and investigations reports carried out by the Auditor General. The cases in point are:-

a) Criminal Session No.9 of 2015; Uganda versus Lwamafa Jimmy, Obey Christopher and Kiwanuka Kunsa on Impropriety of Pension Funds in MOPS in the year ended 30th June 2012.


d) Further, in liaison with external counsel, the office defended one (1) civil court case which was filed against the Auditor General arising from a Special Audit Report; Miscellaneous Cause No. 53 of 2016; Walusimbi Wiberforce & Others Vs. Attorney General & Auditor General;

This Application was filed seeking to quash the report of the Auditor General issued and submitted to Parliament after a Special Audit on Mandamus payments by the Ministry of Finance, Planning and Economic Development for FY 2014/15 as requested by the Clerk to Parliament.

Court ruled against the Auditor General.

The ruling not only has an impact on the Constitutional Mandate of the Auditor General, but also his independence in the exercise of upholding accountability and transparency in public financial management.

3.4.3 **Our development initiatives**

In line with Goal 3 of the Corporate Plan 2016 – 21 of being a high performance and model organization and the strategic objective of enhancing financial and operational
independence, the department is tasked to manage, upgrade accommodation, assets and other infrastructure to enhance independence and effectiveness of operations. Our Development initiatives were funded by GOU and Donor support.

3.4.3.1 Donor Support

FINMAP III with funding from KFW has continued to support our major capital development initiatives to enhance our physical and operational independence. The projects include;

- Construction of Hoima and Moroto. The construction is expected to commence in January 2017 and is expected to be completed within 10 calendar months.
- Procurement of furniture, ICT equipment and 4 vehicles necessary for running the above two regional offices.
- Re-construction of the Arua Regional Office. The procurement of Consultancy services for the design was initiated in December 2016.
- Establishment of a Management Information System (MIS). The Management Information System is expected to give the office independent control and management of its systems and procedures. The procurement for a consultant for the Business Process Re-engineering (BPR) necessary for procuring and installing the Management Information System is on-going.
- Procurement of Engineering Audit Tools to reduce reliance on hiring of privately owned tools and to meet the increasing demand for public works audits. The contract for procurement of engineering audit tools was awarded and signed.

3.4.3.2 GOU support towards Capital Development

Under GOU funding for FY 2015/16, the office had an approved capital development budget of UGX 4.826Bn. With these funds, the office procured 4 motor vehicles, carried out renovation works at Gulu and Arua regional offices, compound paving works at Masaka regional offices, office partitioning works and basement parking line markings at Audit House, electrical installations and earthing improvements in all the regional offices. The Office also paid 50% of retention in respect of Audit House to the contractor (the defects liability period was partially extended due to pending works), and carried out routine servicing and maintenance works of the facilities at Audit House which include maintenance of generators, electrical installations, lifts, air conditioning, and plumbing facilities. The office also procured an indoor cleaning cradle for the Audit House.
Compound paving works done at Masaka regional office Arua regional office was repainted ceiling re-done, doors replaced and floor tiled.

Under G.O.U funding for FY 2016/17, the Office has finalized partitioning of office space at Audit House, managing the defects liability period for the works completed in FY 2015/16 in Masaka, Arua, Gulu branches and Audit House.

Additionally under FY 2016/17, the office plans to renovate Mbale branch office, re-paint Jinja and Masaka branch offices. By the time of reporting, these activities were still at the procurement stage.

The office manages the efficient operation and maintenance of facilities at Audit House which include maintenance of generators, electrical installations, lifts, air conditioning, and plumbing facilities. The office also plans to finalize payment of the 50% retention to the contractor in respect of the Audit House project by the close of the current financial year.

3.4.4 Management of our Human Resources

The office has 481 established positions of which 457 (32% Females and 68% Males) are filled reflecting 95% operational capacity compared to 478 positions that were filled at the time of last year’s reporting that reflected 99% operational capacity.

During the reporting period, Human Resource Management and Development Department developed an HR strategy with support of GIZ and was presented to Top Management, pending approval.

In line with the strategic objectives of the current Corporate Plan 2016-21 of Managing and enabling staff to deliver and ensuring the highest ethical and professional standards in all
their work, the Human Resource Department; organised staff training and continuous professional development activities, managed staff performance appraisal process, reviewed the structure of Corporate Services division and managed staff welfare. The subsequent sections provide a summary of the achievements for the reporting period.

3.4.4.1 Staff Training and Development

The office undertook staff capacity development with the support of GOU, Irish Aid, FINMAP III and GIZ to enhance skills, career and professional development. A Training Needs Analysis was conducted and approved during the reporting period, and staff skills were enhanced in various courses (general and specialised) both locally and abroad. These include;

a) **Skilling in Financial Audits**

The office has continued to enhance audit skills of its staff in line with its Corporate Plan objectives. During the period under review, skills enhancement in audit of Procurements (150) and Teammate/RAM (273) was conducted. We also facilitated training of one staff in each of the following disciplines; Advanced excel, Auditing in IT Environment, Extractive Industries, Global Change agents and creativity and e-Governance.

b) **Skilling in Value for Money and Specialised Audits**

During the period under review, staff skills were enhanced in performance audits such as; Quantitative data Training 2nd Module (3 staff), Fiscal Governance Training (3 staff) and Audit Training on Extractive Industries (2 staff).

c) **Skilling in Forensic Investigations and IT Audits**

The office created a directorate for FIIT to undertake special audits and investigations in response to corruption scandals in the country. The directorate is three years old and needs various specialised skills to perform its mandate. During the period under review, skills enhancements were done as follows; Audit Vault Training (2), Forensic Tools Training (3), 2 IT Audit refresher course (2), Cyber Security (2), Advanced Fraud Examiners Course (2) and sponsored 2 staff for the Annual East African Law Society.
d) Continuous Professional Development

In order to support the audit division appropriately, staff in Corporate Division enhanced their skills in; Internal Audit Report writing skills, Alcatel Voice Training, RAM, Evaluation Frameworks for Training, Financial Reporting (IPSAS), Office Management organisational knowledge management, and Managing the Training and Development function.

During the period under review with support from FINMAP III, staff undertook professional courses in ACCA, CPAU, CISA and CFE. At the time of reporting, thirteen (13) staff had completed (ACCA - 8, CPAU-5), while twenty three (23) staff were continuing students. The number of professionally qualified staff in the office has since FY 2015/16 increased at an average rate of 9 as indicated in Table 6 below:-

Table 5: Number of Professional Accountants

<table>
<thead>
<tr>
<th>Audit Year</th>
<th>Number at the beginning of the year</th>
<th>Number at end of year</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014/2015</td>
<td>106</td>
<td>116</td>
</tr>
<tr>
<td>2015 (9 months)</td>
<td>116</td>
<td>121</td>
</tr>
<tr>
<td>2016</td>
<td>121</td>
<td>134</td>
</tr>
</tbody>
</table>

Graph 5: Number of Professional Accountants
e) **Skill enhancement through peer exchange programmes**

The office continued with skills enhancement and management development programs in formal institutions and attachment to relevant organisations and SAIs abroad, as well as workshops and seminars. FINMAP also supported two (2) senior officers to undertake a four-months training course in the International Auditor Fellowship Programme at the Government Accountability Office (GAO).

f) **Staff academic course trainings**

The office sponsored fourteen (14) staff for academic courses; five (5) for Masters Degrees, seven (7) for Bachelor’s Degrees and two (2) for Ordinary Diplomas. At the time of reporting, three (3) staff had completed their studies, while eleven (11) were still pursuing their respective courses. In collaboration with Government of Uganda under Irish Aid and Ministry of Energy, nine (9) staff were sponsored for Masters Degrees in various fields and at the time of reporting, three (3) staff had completed their studies.

3.4.4.2 **Staff retirements**

Twenty staff exited the Office in 2016, and relevant exit interviews were conducted. 15 of these were as a result phasing out the position of Examiner of Accounts following a notice by the Auditor General in 2011, for staff to upgrade and attain a relevant degree.
qualification with a grace period of 5 years. At the elapse of the period, those who had not attained the qualifications were allowed to retire. Additionally, 5 other staff left to pursue other opportunities. The office is grateful for their diligent service.

3.4.4.3 Staff Welfare

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

In compliance with the Workman’s Compensation Act (2000), the Office provides Group Life Assurance to all staff. This covers death and funeral expenses, critical illnesses, total and permanent disability.

3.4.5 Information Technology

In line with the strategic objective of the current Corporate Plan 2016-21 of continuously improving structures and systems to ensure better and efficient performance, Information and Communication Technology (ICT) has been positioned by office as a critical requirement. A key priority is the establishment of a Management Information System (MIS) that will provide a holistic view of the OAG’s performance, operations, potential risks and assessing the impact of our work. The following were achieved in ICT support services during the reporting period.

- MIS implementation was initiated with the procurement of Business Process Re-engineering consultancy contract is before the Solicitor General for approval. The procurement of other MIS components will follow.
- The OAG implemented a Wide Area Network (WAN) including connectivity from Headquarters (Audit House) to Branch Offices (Arua, Gulu, Jinja, Mbale, Soroti, Masaka, Mbarara and Fort Portal) to improve performance, monitoring and evaluation, using innovative and reliable IT solutions.
- Additionally, the Office paid subscription fees for internet and data, and remote connectivity using modems for staff in branch offices.
- Implementation of the new version of the teamMate Audit Management System was reviewed to address challenges experienced by users.
• IT department staff supported training of Top Management in the use of the teamMate software and refresher training for audit staff.
• The IT team received training in management and administration of the ICT network infrastructure.
• The office procured 100 laptops and chargers through FINMAP and issued them to staff, to replace the ageing and damaged stock of laptops. A Board of Survey exercise is currently on-going to dispose of the old ICT equipment. Additionally, regular maintenance of ICT equipment was carried out at headquarters and regional branch offices.
• The office paid subscription fees for the OAG Closed User Group (CUG) with the aim of improving internal communication amongst staff.
• The Office redesigned the OAG website and regularly updated the content in order to improve communication to stakeholders. Additionally, OAG Intranet re-designing to enhance internal Office communication and knowledge sharing is on-going.
• Owing to the heavy reliance of the Office on ICT platforms for data processing, storage (i.e. email, TeamMate), and communication (i.e. CUG, WAN), the office improved its disaster recovery and business continuity ability by acquiring additional storage capabilities that will enable the office provide secure backup facilities to its critical data by having secondary copies of all its critical data.

4.0 STAKEHOLDER ENGAGEMENT AND INTERNATIONAL WORK

We continue to work with different stakeholders in strengthening our audit capability and disseminating audit information, as well as participating in other stakeholder initiatives. Our stakeholders include Parliament, Auditees, Political leaders, the Executive, Oversight bodies, Minister of Finance Planning and Economic Development, Ministers responsible for the MDAs, Institute of Certified Public Accountants of Uganda (ICPAU), the Academia, Development partners, Civil Society, the media and the general public.

4.1 Dissemination of Audit Information

During the period under review, the office disseminated audit information through distribution and delivery of 19,715 copies of entity audit reports (MDA’s and Local Governments), 6094 copies of secondary schools and tertiary institution audit reports, 360 copies Value for Money individual audit reports, 120 copies of the Annual report of the Auditor General to Parliament consisting of OAG Annual Performance, Value For Money,
Central Government and Statutory Authorities and Local Government reports. In addition, 1500 copies of extracts of key findings for the report pertaining to FY 2014/15 were disseminated. 1500 copies of compact disks containing the above reports were also distributed to key stakeholders.

4.2 **OAG Support to Parliamentary Oversight Committees**

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

So as to comply with ISSAI 20, Principle 7 which requires SAIs to report publicly on the results of their audits and on their conclusions regarding the overall government activities, we maintain a strong relationship with the relevant Parliamentary Committees through our Parliamentary Liaison Department. It offers technical support to the Committees in comprehending the audit reports and conclusions to facilitate meaningful discussions.

Our liaison department is responsible for coordinating and following up correspondences and activities with other Parliamentary Committees. This has strengthened our relationship with Parliament.

4.2.1 **Sensitization of Accountability Committees**

Following the conclusion of Presidential and Parliamentary election at the beginning of the year 2016, a new Government and Parliament was ushered in. The new committees of Parliament were constituted in July 2016 and sensitized on; the role of the Office of the Auditor General, the audit process, types of audit reports and opinions, role of Parliamentary Liaison, relationship between the Office of the Auditor General and Parliament and the key findings of the Auditor General’s report for Financial Year 2014/15 at Audit House.
4.2.2 Support to Public Accounts Committee (PAC)

During the reporting period, the department provided technical support to Public Accounts Committee in designing a strategy to discuss audit reports. The committee planned to discuss 40 financial audit reports and 2 Value for Money audit reports by the end of November 2016. By the time of reporting, the Committee had discussed 28 financial audit reports and 2 Value for money audit reports.

In addition, the committee obtained responses from 22 entities with unqualified audit opinions and accordingly we have supported the committees to prepare a report on the entities.

4.2.3 Support to COSASE

The Parliamentary Liaison department also offered technical support to the Committee on Commissions, Statutory Authorities and State Enterprises (COSASE). The committee had discussed 13 reports which were tabled to and adopted by Parliament.

4.2.4 Support to Local Government Public Accounts Committee (LGPAC)

Technical support was also provided to LGPAC from September to December 2016, where the committee held hearings and discussion of audit reports for financial year 2014/15 in the audit regions of Kampala, Gulu, Arua, FortPortal, Mbarara, Masaka, Jinja, Mbale and Soroti. The committee discussed One hundred and eleven (111) districts and twenty two (22) Municipal councils audit reports.

The Committee further held meetings with Ministries of Finance, Planning and Economic Development, Public Service, Health, Education and Sports, Works and Transport, Information Technology, Lands and Urban Development and Local Government to corroborate and obtain information on standards which are set and not being implemented by the line Ministries in the districts. The committee’s report covering the above Local Governments was tabled and adopted by Parliament.

4.3 Communication and Public Relations

Effective communication is crucial to ensuring that the Office’s operations, priorities, objectives, values, ambitions and challenges are better understood by all stakeholders both internal and external. The Communications function therefore, seeks to promote effective internal and external communication. In this
regard, the function supports the office by ensuring that stakeholders’ information flow is effectively managed and maintained as required for any effective Supreme Audit Institution (SAI) based on International Standards of Supreme Audit Institutions (ISSAI 12) which states that, “the extent to which a SAI is able to make a difference to the lives of citizens depends on the SAI Principle of Communicating effectively with stakeholders.”

4.3.1 Communication governance policies

In order to streamline and enhance communication with stakeholders, the Office has a Communication policy, Stakeholder engagement strategy and a draft Communications strategy as well as a draft Corporate Social Responsibility Policy, to govern our communications and engagements with stakeholders.

4.3.2 Our External Communication efforts

The Office improved its official website which is great source of information for our stakeholders. To widen public accessibility to audit products (the annual reports to Parliament, the individual VFM reports and entity financial audit reports for MDAs and Local Governments except the Lower Local Governments), recruitment and procurement adverts, as well as other publications were posted on our website (www.oag.go.ug).

In order to improve awareness about the mandate and functions of the Auditor General, as well as other key players, a documentary was produced and will be posted on the website.

4.3.3 Our Public stakeholder engagements

In order to reach out to a wider population and disseminate audit information, the Office exhibited its work and publications in; the Accountability Sector Exhibition; Anti-Corruption week commemoration exhibitions at CHOGM grounds and at Anti-Corruption division of High Court. During the exhibitions we engaged stakeholders to obtain feedback aimed at improvement in our delivery of services, disseminated extracts of key audit findings and sensitized the public on our responsibilities.
4.3.4 Our improvements in internal communication

We are committed to improving communication with our staff so as to enhance our effectiveness. In this regard, with support from the Swedish National Audit Office (SNAO), the office has designed a new intranet awaiting procurement of Word Press Theme (software) and Top Management approval.

In order to further enhance the OAG brand, souvenirs for OAG visitors, pull-up stands, tear drops and brochures for the WGEI conference held in Mombasa from 24th - 26th August 2016 were procured. The office continues to cover external events and to disseminate information to staff through the internal newsletter. It remains a focal integral component in redesigning and maintaining of the OAG Website.

OAG participating in the Anti-Corruption week exhibitions 2nd - 3rd Dec 2016 at CHOGM grounds

4.3.5 Our Corporate Social Responsibility efforts.

As a body corporate, our staff have arranged and delivered Corporate Social Responsibility activities; supporting girl child education by providing sanitary wear in 10 primary schools namely; Lukalu Umea, Kibibi in Butambala, Bombo Barracks in Kampala, Lwagulwe, Kasala in Masaka, Mpondwe in Kasese, St. Mary's Kaihura in Kyenjojo, Guma Memorial in Mbarara and Kayanja, Bushozi in Buhweju.
As part of our Corporate Social responsibility efforts, the Office participated in the 2016 MTN Marathon under the theme “Run with your heart” to support provision of water to the people of Bududa.

The Office also supported the initiative by Uganda Women’s Network by providing sanitation materials to Uganda Cancer Institute.

Cleaning and sanitation materials donated to the Cancer ward of Mulago by OAG staff

It was our pleasure to participate in these initiatives, and we cherish the spirit of giving back to the community.

4.4 Our Collaborative efforts against Corruption

Our office has stepped up collaboration efforts in the fight against corruption by; signing a MoU with Financial Intelligence Authority on sharing information on illicit financial transactions, drafting a MoU with Inspectorate of Government and PPDA on sharing information and knowledge exchange.

As part of our collaborative efforts with Anti-Corruption agencies, our directorate of Forensic Investigations and IT Audits will continue working closely with other corruption investigative agencies, DPP and Anti-Corruption Court in providing investigation reports as well as witnesses in the prosecution process.
The office also actively participates in the anti-corruption week commemoration activities in partnership with IG, PPDA, DEI and JLOS, supported by GIZ and SUGAR project. During 2016 commemoration period, exhibitions, radio talk shows, TV interviews, barazas, boardroom sessions with selected sectors (Education, Health, Agriculture), local governments (Mbarara, Lira and Jinja) and boardroom sessions with New Vision media group to discuss ways of combating corruption under the theme ‘Reject and Report Corruption-Your responsibility’ were jointly held. Anti-Corruption media print supplements, booklets, brochures and other relevant informative material was disseminated to the public.

4.5 Our International engagements

4.5.1 OAG role in INTOSAI activities

The role of SAIs transcends national borders and is therefore both National and International. The world external government audit community are brought together under International Organisation of Supreme Audit Institutions (INTOSAI) which operates as an umbrella organisation. The organisation has provided an institutionalised framework for supreme audit institutions to promote development and transfer of knowledge, improve government auditing worldwide and enhance professional capacities, standing and influence of member SAIs in their respective countries for more than 50 years. This is in line with the INTOSAI’s motto, ‘Experientia mutua omnibus prodest’, that is, mutual experience benefits all. Through exchange of experience among INTOSAI members it tries to a guarantee that government auditing is continuously progressing in keeping up with modern and emerging trends to meet stakeholders’ needs. INTOSAI is an autonomous, independent and non-political organisation. It is a non-governmental organisation with special consultative status with the Economic and Social Council (ECOSOC) of the United Nations. SAI Uganda is one of its 194 Full Members and 5 Associated Members. OAG as a member’s participates greatly in INTOSAI activities as elaborated below;

4.5.2 INTOSAI Working Group on Extractive Industries (WGEI)

The Working Group on Extractive Industries (WGEI) was established in 2013 under INTOSAI Goal 3: Knowledge Sharing. Subsequently, SAI Uganda was assigned by the INTOSAI Community to chair the working group in the same year. The group currently comprises of 36 members from all five INTOSAI regions.
The scope of the Working group covers oil, gas and solid minerals. The working group aims at promoting the audit of extractive industries (EI) within the INTOSAI community. This will eventually foster good governance and accountability of the extractive industry and ensure that governments manage EI in the best interest of the public. As a result of the WGEI leadership, SAI Uganda hosts the Secretariat. The Community of Practice (CoP) was established as an operational tool by the secretariat, to achieve WGEI objectives and provide a platform for interaction within and beyond INTOSAI.

A steering committee comprising of five SAIs (Norway, South Africa, Iraq and USA) was instituted to support the Chair (Uganda) to deliver the WGEI Mandate.

The 2017 annual meeting was hosted by SAI Kenya in the coastal city of Mombasa as seen in the picture below:

![3rd Annual meeting in Mombasa, Kenya, August 2016 (Mr. John Muwanga, the Chair of WGEI, 10th from the left)](image)

**Achievements of WGEI/COP**

- Exposed WGEI members to priority areas of EI for focus of SAIs in the coming years; whereby, the secretariat through the community of practice conducted training needs assessment where members decided the priority areas. In line with the identified priority areas, SAI Uganda has conducted 3 trainings for the audit of extractive industries in collaboration with AFROSAI-E.

- WGEI developed new networks with non-SAI stakeholders and February 2016 the office the Auditor General Uganda made presentations on the role of SAIs during the Extractive Industries Transparency Initiative (EITI) 7th global congress in Lima, Peru.
• Established a platform for sharing knowledge, best practices and guidance, WGEI has conducted four webinars where member countries discuss common topics and share their views and opinions.
• Higher quality audits are now being undertaken and this has been achieved through trainings and benchmarking, also through the easy access to various reports from various SAIs uploaded on the WGEI website.
• Better understanding and knowledge of EI by SAIs
• Improved ability of SAIs to undertake audits in the industry

4.5.3 Membership of INTOSAI Capacity Building Committee

SAIs play a vital role in holding governments to account for their stewardship of public resources. The INTOSAI Lima declaration (ISSAI 1) identifies that an effective Supreme Audit Institution (SAI) depends on its capacity to recruit, retain, and deploy highly skilled, hardworking and motivated staff. To achieve the above, OAG joined other 50 members of INTOSAI Capacity Building Committee (CBC) mandated to provide avenues for SAIs to institutional capacity-building activities which are of direct relevance to the majority of INTOSAI’s members in compliance with international emerging trends. OAG participated in the 2016 CBC INTOSAI Donor Cooperation annual meeting in Cape Town South Africa together with forty-two other Supreme Audit Institutions.

4.5.4 INCOSAI Convention

OAG participated in tri-annual international convention of Organisation of Supreme Audit Institutions ( INCOSAI) meeting which took place in Abu Dhabi, United Arab Emirates. SAI Uganda was represented by four staff lead by Assistant Auditor General / Audit. We briefed the congress on the progress SAI Uganda has made in carrying forward her assigned international role of leading the effort in promoting audit of extractive industries in the INTOSAI community.

Resources of extractive industries have great potential for improving citizens’ welfare if properly managed. OAG was able to bring home international concept in the audit of sustainable development goals (SDG), principles of how SAIs can help achieve national goals through effective audit methods based on application of Key National Indicators (KNI), the modern trend in Professionalization of SAIs, etc.
4.5.5 INTOSAI Working Group on Environmental Audit (WGEA)

The international effort to ensure the world’s environment remains good, has been embraced by INTOSAI. OAG joined the international effort to ensure the world environment is protected by maintaining membership of the INTOSAI Working Group on Environmental Auditing (WGEA). This working group aims to improve the use of audit mandate and audit instruments in the field of environmental protection policies, by both members of the Working Group and non-member Supreme Audit Institutions (SAIs). The Working Group focus encourages joint auditing by SAIs across borders on environmental issues and policies in line with international environmental accords.
The WGEA and its members believe in the commitment to use the power of public sector audit in order to leave a positive legacy for future generations by improving the quality of the environment, the management of natural resources, and the health and prosperity of the people of the world.

SAI Uganda participated in the October 2016 annual meeting in Jakarta, Indonesia and was represented by four staff.

4.5.6 United Nations Convention against Corruption (UNCAC)

Uganda as a state party to the United Nations Convention against Corruption (UNCAC) participates in the adopted peer review mechanism for review of implementation of the convention by state parties. As a State Party, Uganda’s commitment to full implementation of the Convention is evidenced by its participation in the convention activities, among others. In support of these efforts, the Office of Auditor General has contributed a staff to the seven member team of Uganda Government experts to represent the Republic of Uganda in the review of the state of Burkina Faso. Other Agencies represented on the Uganda team are Inspectorate of Government, Financial Intelligence Authority, Ministry of Justice and Constitutional Affairs, Directorate of Public Prosecution, Uganda Court of Judicature and Office of the President. OAG accordingly sent representation in both the 7th and Resumed Session and training of Governmental experts in the implementations Review Group in Vienna, Austria in June and November 2016.

4.5.7 INTOSAI Development Initiatives

SAI Uganda is a member and participated in a number of INTOSAI/IDI activities. During the year, our staff facilitated in capacity building of SAI Somalia staff in Addis Ababa, Ethiopia, in compliance auditing with support from IDI.

4.5.8 AFROSAI and AFROSAI-E

AFROSAI is a continent-wide organisation of Supreme Audit Institutions (SAIs) of Africa and a Regional African continental member of the INTOSAI. Through participating in the programs and events of AFROSAI-E, member SAIs share knowledge, information and experiences on public sector audit issues. The Office of the Auditor General subscribes as a member.
A staff from Human Resource Department who was accredited by AFROSAI-E to be a regional facilitator of Human Resource Capacity building initiatives continued to provide facilitation services.

Other staff from the office participated in workshops organised by AFROSAI-E in the following areas; performance audit, quantitative data analysis audit of extractive industries, quality assurance, technical updates, human resource management and development, communications, e-fiscal Governance, IT and development of training materials, environment audit development workshop (AFROSAI-E WEGEA) and other technical development workshops and meetings.

As required by AFROSAI- E, in order to monitor the progress of compliance with international standards, the office is conducting its annual ICBF self-assessment for the year 2016 and the report will submitted in early 2017.

4.5.9 Secondment of staff to support International responsibilities

The office continues its secondment of a staff through the Ministry of Public Service (IGAD intervention), to support the National Audit Chamber of the Republic of Southern Sudan. The office also extended secondment of another staff to AFROSAI-E to provide support in Performance Audit Capacity building for a period of two years. These secondments present an opportunity for International exposure (a form of on-job-training) and the experience acquired later benefits OAG when the seconded staffs return after their two year term. This is also recognition, on the part of International community, of SAI Uganda's potential to provide it with quality Manpower.

4.5.10 International Delegations

SAI Uganda is part of the International SAI Community and greatly participates and benefits from knowledge sharing with other SAIs. This is done either through participation in International meetings, workshops, seminars, conventions or study visits. OAG has demonstrated progress in Institutional Capacity development to undertake audits and has become a centre for knowledge sharing in the region.

During the period under review, SAI Uganda hosted delegations from;

- SAI Kenya; this engagement was primarily for knowledge sharing on extractive industries and quality assurance management and reviews.
- SAI Zimbabwe; this benchmarking visit was on SAI Corporate affairs management.
- SAI Zambia; The visit focussed on Quality assurance reviews and management.

SAI Zimbabwe delegation with the Assistant Auditor General-Corporate Services (2nd from left)

4.5.11 Collaborations with Other SAIs

I. SAI Norway

The office is in the second year of implementation of the Memorandum of Understanding (MoU) with SAI-Norway ending 2018. SAI-Norway continued to support audit of extractive industries and environmental audit. During the reporting period, the office and SAI Norway collaborated in the planning and review of the following audits:

a) Management of petroleum data by Ministry Of Energy and Mineral Development

b) Management of procurement and distribution of essential medicines and health supplies by National Medical Stores.

c) Follow up report on the implementation of audit recommendations by Uganda bureau of statistics on the value for money audit report on production of price indices.

d) The Production Sharing Agreement (PSA) audits were planned; detailed procedures were developed and incorporated in the overall audit strategy.

e) Joint PSA desk audits were undertaken, data was reviewed and analysed, and anomalies identified with particular attention to transfer pricing.
II. **SAI Sweden**

The office continued to implement the Memorandum of Understanding with the Swedish National Audit Office (SNAO) in support of the Communication Unit, Quality assurance department Records Management, Value for Money Audit (VFM) and Specialised audits. The MoU ended 31st December 2016 with the possibility of entering a new one in 2017. During the reporting period, SNAO supported;

- Coaching of Value for Money management on strategy, manual, internal procedures and follow up mechanisms for Value for money reports.
- Two workshops on intranet development to improve internal communication and supported production of the OAG video documentary.
- Regional quality assurance first and second module course hosted by the OAG in Kampala where our staff benefitted.
- Benchmarking visit to Sweden on development of the Quality Control manual.
- Coaching on conducting quality assurance reviews.

III. **SAI USA**

The office has a running fellowship arrangement with SAI of United States of America (USA), which sees SAI Uganda sending staff to Government Audit Office of USA (GAO) for 4 month-attachments yearly. Since then, nine staff have benefited from this arrangement and 2 staff are scheduled to attend early next year. During the year, we hosted a delegation from SAI USA to share knowledge on SAI Management experiences.

4.5.12 Our Parliamentary Liaison at Afro-PAC

Our Parliament Liaison staff attended 2nd Afro-PAC Conference with Oversight Committee members where the theme of the workshop was “CURBING ILLICIT FINANCIAL FLOWS IN AFRICA”. The conference was officially opened by President and Commander-in-Chief of the Defence Forces of the Republic of Kenya, H.E Uhuru Kenyatta at Centre of Golden Heart (CGH).
Participants pose for a group photo with H.E President Uhuru Kenyatta (center front row) during the 2nd AGM and Conference for the African Organisation of Public Accounts Committees (AFROPAC) at Safari Park Hotel-Nairobi, Kenya.

4.5.13 AG’s Membership on International Audit Boards

SAI Uganda is a member of the African Union Board of external Auditors together with a team of five SAIs; South Africa, Algeria, Equatorial Guinea and Cape Verde, to audit all African Union activities and projects. During the year, SAI Uganda was selected to Chair this board.

Its responsibility is to spear head the audit of the African Union projects. The Office spearheaded 8 Regional Audits of African Union and the East African Community.

SAI Uganda continues to be a member on the Board of External Auditors of East African Community, together with SAI Kenya, Tanzania, Rwanda and Burundi which audit all East African Community activities and projects.