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OAG

Office of the Auditor General

Extracts of the Summary of Key Findings of the Annual Report of the Auditor General for the Year Ended 31st December 2016

Issued by the Auditor General

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MESSAGE OF THE AUDITOR GENERAL TO THE PUBLIC ON THE RELEASE OF THE AUDITOR GENERAL'S REPORT FOR THE PERIOD ENDING 31ST DECEMBER 2016

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.

Im pleased to inform you that, we submitted our reports on 30th December 2016 in compliance with the above provisions.

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. I have noted that some issues have not been addressed since my last report and require Government Intervention to improve performance.

I hereby present extracts of some of the key findings of the report that need redress.

John F.S Muwanga
AUDITOR GENERAL
31ST December 2016

VISION : To be an Effective and Efficient Supreme Audit Institution in Promoting 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 : Integrity ,Objectivity, Professional, Competence

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CENTRAL GOVERNMENT KEY ISSUES

1.0 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 30th 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 render commitment charges of UGX.20.9Bn paid in respect of undisbursed funds nugatory.

2.0 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.

3.0 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.

4.0 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.

5.0 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.

6.0 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.

7.0 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;

- Manual interface between IFMS and IPPS which continue to allow changes to the payrolls as they are uploaded onto the IFMS

- Over and under Payment of Salary and pensions
- 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 fraught.

8.0 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 summarizing government commitments

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

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.

9.0 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.

10.0 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.2.318Bn 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.

11.0 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 of 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.

12.0 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.

13.0 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.

14.0 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.116.94 billion. Since inception of ACF in 2009/2010 financial year, the GoU has allocated UGX.210 billion to the facility. The funds received by loan beneficiaries so far amount to only UGX.93.06 billion, 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 million 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.

15.0 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 breached the contract by failing 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).

16.0 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.

17.0 Outstanding subscriptions

I noted that UGX.32.2 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.

18.0 Outstanding Court Awards, Compensations and other liabilities

Government had outstanding amounts in court awards, compensations and other liabilities totaling 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 noted that government has adopted the policy of decentralizing court awards to the respective MDAs. I await the outcome of this policy.

19.0 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.

20.0 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.

21.0 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.0.366Bn 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.698,096Bn. Accordingly, Government should have collected UGX.6.981Bn or UGX.34.905Bn 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.

22.0 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 fulfillment 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.

23.0 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.163million 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.344million (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.

24.0 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..

25.0 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 ,Ophthamology,and Gastro-entorology

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.

26.0 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.

STATUTORY CORPORATIONS KEY ISSUES

27.0 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.

28.0 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.

29.0 Utilization of Land at Namanve Idustrial 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.

30.0 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, exclusively run and operate the 2 ferries on this water route, and 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.

31.0 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 up-country 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.

32.0 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.

33.0 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 comapnies 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 comapnies have not achieved their objectives. This was majorly attributed to inadquate 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.

34.0 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.

35.0 Outstanding advances to contractors

Receivables in form of advance payments to road contractors to the tune of UGX.765.673Bn. 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.

36.0 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 19th 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.

37.0 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.

38.0 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

39.0 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.432 million 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.

40.0 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.

41.0 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.

42.0 Defaulting by the concessionaire of Kilembe Mines Limited

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.

43.0 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.

44.0 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.

LOCAL AUTHORITIES

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

45.0 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:-

No.	Irregularities	Amount UGX
1	Over payment	1,163,414,641
2	Unsupported Pension Payments	9,569,870,082
3	Wrongly Paid Salaries	657,437,536
	Total	**11,390,722,259**

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.

46.0 Procurement Anomalies

33 Local Governments procured items worth UGX .27.548Bn without following Public Procurement Regula-

tions 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 government to develop capacity building strategies to address the understaffing problem. In addition, government is encouraged to invoke the relevant sections of the Law for non-compliance.

47.0 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 of Accounting Officers to enforce accountability controls and lack of an

advances ledger to monitor advances. There is need for Government to enforce controls relating to financial management and accountability.

48.0 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 Government to sensitize tax payers on the relevant taxes and to develop strategies and enforce lawful measures to enhance revenue collections.

49.0 Under staffing

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

No.	Level of understaffing	No of Entities
1	Above 40%	119
2	Between 20%-40%	45
3	Below 20%	143

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.

50.0 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 Government to engage Ministry of Local Government and Ministry of Finance Planning and Economic Development to address the bottle necks.

51.0 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 Accounting Officers 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.

VALUE FOR MONEY

52.0 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.

53.0 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.

54.0 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.

55.0 Promotion of Cotton Production and Facilltation 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.

56.0 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 work places 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.

57.0 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.

58.0 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.

59.0 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. Rebasing 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.

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