EXTRACTS OF FINDINGS OF THE

AUDITOR GENERAL'S ANNUAL REPORT TO PARLIAMENT

2017

Office of 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 2017

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 19 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.

In accordance with the above provisions, the report was submitted to Parliament on 29th December 2017.
The report focuses on the audit matters and emerging trends that may need urgent attention by those charged with Management and Governance of the audited organisations to improve public accountability in the processes of delivering public service. Individual audit reports have also been submitted separately to Parliament and will be available to the public on our website in due course.

As part of our agenda to inform our stakeholders about results of our audits, extracts of findings have been prepared for circulation. The extracts include audit findings from Government Ministries, Departments and Agencies, Commissions, Statutory Authorities And State Enterprises, Local Governments and Value For Money Audits.

I take the pleasure to thank all stakeholders for the continued support in delivering our mandate. Thank you.

John F.S. Muwanga
Auditor General

29th December 2017

INTRODUCTION

During the audit year ending December 2017, we conducted a total of 1,342 financial audits, to obtain reasonable assurance whether the financial statements are free from material misstatements due to fraud or error thereby enabling the Auditor General to express an opinion.

In addition, 34 Forensic Investigations and Special Audits were conducted based on the internal assessments and requests from stakeholders. Some results of the investigations and 13 specialised audits (infrastructure Engineering Audits) have also been included in the individual entities financial audit reports and others are conducted for Court purposes.

Eight (8) Value for Money audits (studies) were also concluded and the key findings and their recommendations have been included in this extract. The Key findings are summarised below;

1.0 GOVERNMENT MINISTRIES, DEPARTMENTS AND AGENCIES (MDAS)

1.1 SINGLE SPINE EXTENSION SYSTEM

The Government, through the Ministry, committed to provide support towards the implementation of the single spine agriculture extension system (SSES) in the medium term starting 2015/16 financial year in line with the reform of the National Agricultural Advisory Services (NAADS) to create a unified single spine extension system. However, as pointed in my previous report, the initiative has continued to face challenges in obtaining the required personnel.

For instance, I noted that the total planned number of staff to be recruited at District, Municipality and Sub county levels was 5,000. However, by close of the financial year 2016/2017 the number of positions filled was only 2,760 leaving a staffing gap of 2,240. The current extension to Farmer ratio is 1:1800 which is substantially lower than the recommended ration of 1:500.

I also observed that Local Governments were unable to attract some professionals like in Veterinary, Entomology, and Agriculture Engineering. Failure to provide agricultural extension services to farmers, more especially at the Sub County level hinders the Ministry from increasing agricultural production and productivity. Farmers are denied access to inputs procured, new technologies generated, training on utilization of inputs and services rendered by sector projects that require the extension system such as NAADS, NUSAF, etc.

The Accounting Officer attributed the situation to inadequate resource performance of the District Service Commission and lack of specific professions.
There is need for government to prioritise and expedite the recruitment process to enable provision of extension services throughout the country in order to support agricultural production and productivity. This will in turn support the government's strategic interventions in Agriculture.

1.2 INADEQUATE PERFORMANCE OF THE INTEGRATED PERSONNEL AND PAYROLL SYSTEM (IPPS)

In 2010, Government began implementing the Integrated Personnel and Payroll System (IPPS) at a contract price of USD. 4,437,817 as part of the Public Service Reform Program with the aim of putting in place an all-inclusive Human Resource Management system that would enhance accountability, strengthen establishment controls and ultimately be a repository for all employment data pertaining to a public officer and pensioner.

I noted that despite spending a total UGX. 904.5million that is UGX. 188.2 million (2015/16) and UGX. 716.4 million (2016/17) on IPPS system costs, the IPPS still faced a number of technological and operational concerns; for instance there was no integration between IPPS and IFMS to date, and frequent reports of network challenges experienced by system users across government.

Furthermore, the IPPS modules to be implemented were payroll management, pension system, training Management, establishment control, leave Management, performance measurement, succession planning, time and attendance and recruitment Management. However, only payroll Management, pension Management and establishment control were operational.

The system challenges were mainly attributed to the failure to test the IPPS system compatibility with IFMS after completion of phase 1 as stipulated in the contract before implementing the system across government.

The implementation of IPPS system was not effective and did not yield the expected benefits.

Government should ensure that in future a proper needs assessment and feasibility study is conducted for the acquisition of a new payroll system in order to avoid wasteful expenditure.

1.3 DECENTRALIZATION OF PENSION MANAGEMENT

In Financial Year 2014/15, Government partially decentralized Pension Management with the Planning (budgeting) and processing of files done by MDAs and LGs. The implementation of the IPPS Pensions Module was effected on 1st October, 2014. The module was expected to have automatic transmission of results from the active payroll to the pension payrolls and immediate payment of Commuted Pension Gratuity (CPG) upon retirement, timely processing of retirement requests and improved accountability through regular system checks.

I noted that pension and gratuity was decentralized with arrears amounting to UGX.199Bn which were disaggregated by votes and transferred to MoFPED. However, to date only UGX.7.4Bn (3.7%) of UGX.199Bn had been paid to 1,238 pensioners from 26 votes. Furthermore, a review of the report on the assessment of the effectiveness of the decentralization of pension Management revealed that only 37 districts were monitored during the financial year 2016/17.

The Management of the pension decentralization is not yet satisfactory. The pensioners are unlikely to receive their pension on time.

There is need for Government to empower the MDAs, and districts to streamline the pension Management process through capacity building and regular supervision. Management should also ensure establishment of a comprehensive pensioners' database, which should regularly be updated.

1.4 ESTABLISHMENT OF A ROAD CRASH DATABASE SYSTEM (RCDS)

The objective of Government to establish RCDS was to enable the establishment of a well-functioning reliable Road Crash Data System (RCDS) that contributes to improved road crash data collection, analysis and utilization. The system would enable the Ministry of Works and Transport to make informed decision based on concrete evidence and be able to make specific interventions.

Accordingly, the MOW entered into a contract for consultancy services of USD. 1.83 million and Government was to contribute UGX. 685.3 million. At the time of writing this report, USD.1.5 million and UGX.483.9 million had been paid out to the consultant leaving an outstanding balance to the contract of USD. 375,074.80 and UGX. 201.4 million respectively.

However it was noted that the Road Crash Data System (RCDS) had not been completed and therefore was not functional following cancellation of funding by the World Bank. In essence, it will require MoFPED to finance the project to completion.
I noted that equipment such computers and CPS devices procured for the project were in store utilized.

There is a likelihood of loss of the investment funds earlier spent, as the final project outputs have not been achieved.

Non-completion of the project has deprived the Ministry of establishing an effective and well-functioning Road Crash Data System (RCDS) in Uganda that would serve all the different stakeholders in road safety like NRSC, UNRA, KCCA, MoWT, and Local Governments among others in providing a reliable database for future evidence-based road safety interventions and enhancement in Road safety research.

The Accounting Officer attributed the delay in completion and operationalizing of the Road Crush Database System to lack of funds. There is a need for government to prioritize and allocate funds.

1.5 INADEQUATE FACILITIES FOR PEST CONTROL, SEED AND CROP CERTIFICATION

Section 11 of the Agricultural seed and plant Act, 1994 requires the Minister for the purposes of the Act, to establish a national seed testing laboratory under the National Seed Certification Service.
The laboratory is meant to provide pesticide and residue analysis so that pesticides brought into the country are of the right quality and the ingredients conform to the industrial standards. Inspection of the department of crop inspection and certification, and pest control in Namalere revealed that the Laboratory was underutilized because certain components had not been supplied since 2010.
Further, the Laboratory is not yet fully equipped to undertake analysis. The Laboratory also has missing equipment and reagents necessary for the analysis.

It was also noted that the post-entry quarantine station (PEQS), charged with the responsibility of ensuring that plants and plant products that have been allowed into the country do not pose any plant health concerns to the country is currently operational but with key inadequacies to handle this important function which greatly affects the crop sub-sector.

The inadequacies of the laboratory are due to various equipment shortcomings which include: Inadequate refrigeration capacity (temperature ranges), non-functional ice maker, inadequate capacity of autoclave machine, recycled consumables (which reduce accuracy of tests, substandard microscopes).

Lack of adequate laboratories for the department exposes the whole agricultural sector to risks of inferior crop varieties being imported into the country including failure to control the new invading pests.

There is need for government to secure resources to have the laboratory

1.6 CONSTRUCTION OF 14 BRIDGES IN NORTHERN UGANDA-IDB (LOAN NO. UG –006)

Government of Uganda received a loan from the Islamic Development Bank (IDB) towards the construction of fourteen (14) small Bridges in the Northern and North Eastern of Uganda. The loan agreement was signed on 24th November 2008 and became effective in April 2009. After the revision of the contracts the completion date for the works was extended to 31st July 2017.

The Government of Uganda was to co-fund US$.1.185 million representing 10%, while IDB would contribute US$.10.642 million. The works were clustered into 4 lots implemented under the Ministry of Works and Transport.

However it was observed that Lot-4 was cancelled and funds to a tune of UGX.6bn were returned to the Bank due to non-performance. As a consequence, construction of Ajeleck, Opot and Ojanal bridges were not undertaken. This is an indicator that the project was not properly managed.

There is need for government to ensure proper due diligence is undertaken on contractors and supervision enhanced to avoid wastage of borrowed funds.

1.7 SUPPLY OF TEA SEEDLINGS TO FARMERS IN KIGEZI SUB-REGION, BUHWEJJU AND KABAROLE FOR THE FINANCIAL YEAR 2013/2014

I undertook a special audit of the supply of tea seedlings to farmers in Kigezi sub region, Buhwejju and Kabarole for the financial year 2013/14.

The audit focused on the preparation, distribution of tea seedlings and farm Management practices of farmers in the 5 Districts of Kisoro, Kanungu, Kabale, Buhwejju and Kabarole district. The following was observed:-

1.7.1 INAPPROPRIATE LAND TOPOGRAPHY

The slope of the land for tea growing is critical. According to best agronomical practices, the recommended slope should range between 10 to 20%. Any slope that is below 10% risks heavy water logging while any slope above 20% risks severe loss of soil by erosion which is detrimental to the proper growth of tea seedlings.

According to the 94 farms visited in the 5 districts, the gradient was too steep in some areas whereas some farms were located in deep swamps that were prone to waterlogging. I noted that the gradient slope of the sampled farms ranged from 2.53% to 78.38% which indicated that some farms had a gradient exceeding 20% which in this case was not suitable for tea growing. Out of a sample of 94 farms, 53 farms (representing 56%) exceed 20% acceptable gradient while 19 farms (representing 20%) were located in low lying areas that were prone to waterlogging (below 10% gradient). 22 farms (representing 24%)were in the acceptable range.
I observed that the topography was not considered at all in selecting sites for tea growing as indeed some farms were lost due to water logging.

There appears not to have taken technical consideration in the growing of tea in the region. This is likely to affect the success of the programme which could lead to a substantial loss of investment in excess of UGX.100Bn so far invested into the programme since 2013/14 to-date.

Management should train and supervise the new extension workers in ensuring that in future, the tea seedlings are grown on suitable slopes and terrain for proper growth of tea. Technical considerations should be taken into account while implementing the programme.

1.7.2 UNACCOUNTED FOR ACREAGE AND SEEDLINGS

I reviewed the supply of tea seedlings vis-a-vis the acreage planted. The total estimated acreage of the 64 farms sampled was 937.517 acres in the 5 Districts. However, the measured acreage of these farms was 473.581acres resulting into additional acreage of 463.936 acres that could not be traced. It was noted that 4,440,507 seedlings were supplied instead of the recommended 2,369,333 seedlings resulting into excess supply of 2,071,174 seedlings valued at UGX. 932 million at a market rate of UGX. 450 per seedling. Further, I noted that 27,000 seedling supplied to the Zatwoshaho Joy to Bukinda seminary and Bukinda Parish, could not be traced to particular tea farmers in Kabale District.

I noted that there was no proper mechanism to verify the acreage prior to supply of seedlings. There is a risk that seedlings were supplied to non-existent farms.

Management should establish a mechanism of verifying actual acreage of land prior to distribution of the tea seedlings. This should be a basis for determination of number of seedlings supplied to the farmers and paid to the suppliers.

1.7.3 FAILURE TO PROVIDE EXTENSION SERVICES

According to the project design, the lead Agencies were required to provide advisory services to the farmers, including among others farm siting, land preparation, planting of tea seedlings, weeding and pruning and water control, harvesting and transporting the tea leaves.
It was noted that NAADS paid UGX. 1.4Bn to 2 Lead Agencies in the Districts of Kisoro and Kanungu to provide extension services to farmers. However, all the farmers interviewed indicated that no extension services were provided during the planning period.

Because of inadequate extension services, I noted that the quality of planting materials greatly deteriorated at the time of planting due to poor handling and long distances of transportation of tea seedlings in Buwheju, Kanungu and Kabale Districts. In most cases the nurseries were very far from the farms where the materials were to be planted leading to delays in delivery of seeds.

There is need for the programme to review its approach to providing extension services with a view to targeting the single spine programme under MAAIF which is aimed at providing extension services to the country.

1.8 THE FALL ARMY WORM (FAW) ATTACK

Uganda was attacked by the Fall Army Worm (FAW) pest in the year under review and the damage it caused was visible country wide. Audit noted that a national task force was brought together; comprising members from the MAAIF, NARO, Uganda National Farmers' Federation (UNFFE), OWC to respond to the disaster. However, a review of the Ministry response to the FAW revealed inadequate funding to the emergency outbreak of the fall army warm.

The Ministry required UGX. 4.11Bn to handle the emergency, however only UGX. 2.1Bn was provided representing 51% of the required funds.
Further, the appointment of this task force was never formalized; and thus operating without a legal framework despite the enormous task being critical to the sector.

Inadequate funding for the emergency activity resulted into losses to farmers and food insecurity to the nation. The informal nature of the task force and inability to fund its operations may hinder their performance, hence may lead to slow response to such attacks in the future.

Government should formalize and facilitate the task force to keeping abreast with the new developments in regard to the FAW so as to mitigate future invasions.

1.9 UNTITLED REFINERY LAND

Included in the financial statements of the Ministry of Energy and mineral development is an amount of UGX. 54.3Bn, relating to land acquired in Hoima District for the construction of the refinery. However, the land lacks a title owing to a court injunction[1] stopping the district Land Board from issuing land titles in the area.

Since government has plans of starting the construction of the refinery, this encumbrance may become an impediment to the process.

Management stated that it was in consultation with the Ministry of Justice to address the matter.

I await the results of the consultations.

1. Bunyoro Kitara Reparation Agency Vs the District Land Boards of Hoima, Bullisa, Masindi, Kiryandongo, Kibaale, Kakumiro and Kagadi.

1.10 UNCOLLECTED ROYALTIES FROM GOLD EXPORTS

The Mining Regulations, 2004 require that minerals obtained under a mineral right or under a mineral dealer's licence may only be exported under an export permit granted by the Commissioner at the Directorate of Geological Surveys and Mines (DGSM) in the Ministry of Energy and mineral development. However comparison of Gold exports recorded by the directorate with the exports figures declared to customs and excise department of the Uganda Revenue Authority revealed the following anomalies;

- The Directorate of Geological Surveys and Mines issued Gold export permits for only 16.281 kilograms, compared to records from Uganda Revenue Authority, which indicated that 8,691 kilograms of Gold, valued at USD 339.09 million were exported from Uganda in the financial year 2016/17;

- The Gold exports permits for an exporter were supported by export permits from the Ministry of Tourism, Trade and Industry as opposed to being issued by DGSM (MEMD), which was contrary to the Mining Act, 2003. There was equally no evidence of payment of royalties on the exported gold.

The above implies that, during the financial year, the country lost revenue ranging from USD 3.39m to USD 16.95m in royalties from the undeclared gold exports and imports depending on the applicable rates of 1% and 5% for the imported or locally mined gold respectively.

Although Management admitted that the exporter does not make any declaration of gold exports to the Commissioner claiming they were offered a tax waiver by MoFPED, there was no evidence to this effect.
A similar observation was reported in my report for the previous year. Management stated that an Inter-Agency approach to resolve the matter has now been adopted.

Management is advised to expedite investigation of the discrepancies with a view to recover the prescribed royalties.

1.11 DEFAULT ON PAYMENT OF ANNUAL MINERAL RENT FEES

Section 106(1) and (2) of the Mining Act, 2003 requires exploration and mining companies to pay mineral rent fees annually. However, I noted that UGX. 2.71Bn in rent fees was outstanding as at 30th June 2017.
The failure to collect annual mineral rent fees by the Directorate may lead to loss of government revenue.

Management stated that it had written letters to the mineral rent defaulters and intends to publish their names. It has also communicated to both URA and the Solicitor General's office to follow up and prosecute the persistent defaulters.

I wait results of Management action in this regard.

1.12 UNDISTRIBUTED ROYALTIES

Section 98(2), of the Mining Act, 2003 requires royalties to be shared by the Government, Local Governments and owners or lawful occupiers of land. Review of records however revealed that various land owners were not paid the prescribed 3% of the of the royalties amounting to UGX.354.3 million as at 30th June 2017.

The practice denies the landowners the revenues arising from use of their land, which potentially can affect the relationship between mineral right holders and landowners.

Management explained that although they had compiled a list of landowners entitled to share royalties, some landowners who were required to submit their bank details through the Chief Administrative Officers and proof of land ownership had not met the criteria.

I advised Management to streamline and expedite the process of identifying the entitled landowners so as to effect the payment of royalties as stipulated in the law.

1.13 NON-PAYMENT OF ROYALTIES BY A PRIVATE COMPANY

According to Section 98(1) of the Mining Act 2003, all minerals obtained or mined in the course of prospecting, exploration, mining or mineral processing operations shall be subject to the payment of royalties on the gross value of the minerals based on the prevailing market price of the minerals at such rates as shall be prescribed.

It was observed that by the end of the financial year 2016/17, a private Company had not paid royalties amounting to UGX. 679.6 million. This was caused by the failure by the directorate of geological surveys and mines to enforce payment.

Management stated that a notice of non-payment has been issued to the Company.

I wait the outcome of Management's action in ensuring payment of outstanding royalties by the Company.

1.14 STANDARD GAUGE RAILWAY - LAND ACQUISITION

Government plans to undertake construction of standard Gauge Railway at an estimated development cost of USD. 12.8Bn. It has been observed that there have been delays in carrying out disclosure after securing approvals of the land assessment reports from CGV and effecting payments to the beneficiaries and this has affected the rate at which compensations is being made thus affecting provision of right of way for the construction of the SGR.

The delays were attributed to;

- Delayed compensation: Out of 3,481 Project Affected Persons (PAPs) planned to be compensated in 5 districts, only 2,053 PAPs had been compensated at the time of audit constituting 59% with 41% outstanding.

- Delayed valuation; Valuation of PAPs in 4 districts had not been completed therefore the process of compensating the PAPs could not start.

- Slow rate of acquiring ROW; there were delays in acquiring Right of Way (ROW) for PAPs that had been fully paid up. Only 60km in Tororo and Butaleja districts had been demarcated considering that 59% PAPs in the districts had been compensated already.

Slow progress of the project increases costs as PAP's valuations tend to increase with each passing year.

Further, harmonization of implementation with partner regional states may not be achieved as it was noted that the partners were ahead of schedule, which may affect service delivery.

Government should ensure that the land acquisition process is expedited so as to enhance progress of the project in line with the regional partners.

1.15 EXPRESS PENALTY SCHEME (EPS)

Section 179 of the Traffic and Road Safety Act, empowers the Uganda Police Force to enforce the Express Penalty Scheme (EPS). The major objectives of the scheme were:-

- To have minor offences handled expressly to reduce the work load at Police Stations.
- To reduce congestion at the Police Station and Courts.
- To reduce inconveniences to motorists who commit offences which are considered minor in the Traffic and Road Safety Act.
- The scheme is also important for generating non-tax revenue for the Uganda Police and Government in general.

It has been noted that enforcement under this scheme is inadequate. Tickets are currently issued manually to traffic offenders throughout the country.
Lack of computers with internet connectivity in almost all stations outside Kampala and issuing tickets to offenders manually makes it difficult for traffic officers to reconcile with URA EPS defaulters.

Because of the challenges noted above, revenue has not been collected as anticipated. Over the past 10 years, revenue from penalties to a tune of UGX.52.6Bn has remained outstanding.

Many offenders have continued to default after realizing that Police could not follow up on unpaid tickets, therefore the outstanding amount is likely to increase.

The Police Force should strategize to ensure effective implementation of the EPS.

1.16 OUTSTANDING COURT AWARDS AND COMPENSATIONS

I observed that unsettled court awards and compensations amounted to UGX. 676.8Bn. The outstanding amount in Court awards and compensations had been accumulating over the last five financial years from UGX. 54.Bn in 2011/2012 to UGX. 676.82Bn in 2016/17.

Because of the unpaid court awards, interest amounting to UGX. 168Bn has accumulated. In certain cases, the interest had more than doubled the principle amounts.

I advised the Accounting Officer to liaise with relevant authorities for improved funding with a view of minimizing penalties and the related charges.

The Accounting Officer should also categorise and communicate to MDAs their contingent liabilities to enable them disclose in their respective financial statements.

1.17 LACK OF STRATEGIC PLANS FOR MDAs

Section 8 (1) of the National Planning Authority Act 2012, states that the Authority shall be the National Coordinating body of decentralized planning.
Section 8 (5) of the same Act states that a Ministry or a sector shall prepare a plan, and submit it to the Authority whose duty shall be to harmonize all plans for Ministries or Sectors for purposes of formulating a National Plan. The Authority also uses the entity Strategic Plans to assess their individual performance.

A review of the summary status of strategic plans submitted by sectors and MDAs revealed that fifty one (51) entities with a budget of UGX. 4.483 trillion lacked strategic plans.
It was therefore difficult for the Authority to assess the entity's performance. In the absence of individual Strategic Plans, the entity may not be able adequately prepare the Sector Development and National Development Plans.

I advised Accounting Officer to utilize its mandate and ensure that all entities comply with the requirements of the Act.

1.18 NUGATORY EXPENDITURE

Government during the period under review paid UGX.2.74Bn as payments for delayed settlements of obligations arising from contracts for Construction Services, Court awards. This expenditure is considered wasteful as the expenditure could have been avoided had these been settled in time.

I noted that the payments are to continue in the near future as a number of the obligations have not been fully settled and there are no concrete plans to clear these obligations.

There is need for government to have a central database where Accounting Officers will be submitting the status of these obligations so that Government can plan better in terms of prioritizing for settlement and also monitoring the causes of these avoidable expenditures.

1.19 OUTSTANDING TAX PAYMENTS

Section 35 (1) of the Value Added Tax Act, and the project funding agreements require VAT to be paid by the Ministry/Department as Government counterpart funding. In addition the Income Tax Act, 1997 (as amended) sections; 119 and 116 require entities to deduct withholding tax and PAYE respectively.
Section 123(1) requires the entities to remit the withheld taxes within 15 days following the month in which deduction was made.
Examination however revealed that various entities contravened the tax laws by;

a) Failure to pay the VAT of UGX. 37.55Bn,
b) Payment of VAT to non- registered service providers of UGX. 86.6 Million,
c) None deduction of WHT of UGX. 261million,
d) None remittance of WHT of UGX. 1.12Bn ,
e) None deduction of PAYE; UGX. 54 million and
f) None remittance of WHT; UGX. 1.72Bn.

The practice not only denies the government revenue for funding the national budget but also attracts penalties and fines which further constrain the cash flows of the affected entities.
Failure to settle the taxes may also adversely affect future project financing in the case of donor funded projects.

I advised the entities to ensure that the respective tax obligations are settled without further delay as required by the tax laws. For donor funded projects, the projects ought to liaise with the Ministry of Finance, Planning and Economic Development to ensure that adequate counterpart funding is provided to settle taxes as required in the financing agreements.

1.20 LAND MANAGEMENT WEAKNESSES

The Ministry of Lands, Housing and Urban development is responsible for promotion of registration, administration, regulation and valuation of Land in the country. The Ministry undertakes this role through various methods including; the client charter, strategic plan, policy statement and various laws. It also performs its duties in liaison with Uganda Land commission in the case of Public land.

Examination of performance of its roles revealed a number of weaknesses that require redress and these include; delays in processing land registration documents ranging from 13 to 134 days contrary to the prescribed period of 2 to 20 days, low level of registration of land which is as low as 5% in rural areas, delay in completion of revision of land policies, laws and regulations whereby the respective bills prepared in 2013/2014 still remain as drafts.
I also observed that the Ministry lacks a land value data bank which would provide indicative property values for the purpose of assessing various fees such as stamp duty.

As a result of the weaknesses mentioned above, various institutions have faced challenges in registering their land for example; Mulago National Referral Hospital whose 10 plots are awaiting registration and National Forestry Authority which is still awaiting valuation of its land by the Chief Government Valuer. I further noted that in some cases land titles for public land were issued to private individuals. For example 174 land titles were irregularly issued to private individuals in various Central forest reserves (CFR) among which are Zirimiti CFR in Mukono district and Kitubulu CFR in Wakiso district. Failure to demarcate and obtain titles has also resulted into loss of forest reserves noticeably in Budongo range which has suffered 100% encroachment. Forest encroachment has adverse effects on the environment.

In response Management indicated that implementation of the Land Information System shall address some of the challenges and that Uganda Land Commission is in the process of establishing an inventory of all Government Land. In addition it was stated that the processes of revising policies, laws and regulations, and developing the National Land Value Data Bank are on-going.

I advised Management to expedite the improvement processes to enable rational, efficient and effective Management of both public and private land as they will safeguard public property, protect the natural forests and enhance the business environment.

1.21 INADEQUATE FUNDING OF THE YOUTH LIVELIHOOD PROGRAMME (YLP)

Examination revealed that out of the initial 5 year programme budget of UGX. 265Bn only UGX.114.9Bn had been released to the programme over the four year period to 30th June, 2017 resulting into a funding gap of UGX. 150Bn (56.67%).

Inadequate funding of the programme may constrain the achievement of the intended programme objectives of improving livelihoods of the poor and un-employed youth.

Management explained that the Ministry shall continue engaging MOFPED to ensure that the YLP Funds are released in line with the initial approved amount for the 5-year period.

I await results of Management's engagement with MoFPED.

1.22 TREND IN DOMESTIC ARREARS

A review of the trend of the disclosed government outstanding commitments/domestic arrears for the past three (3) financial years since 2014/15 showed that the amounts have continued to escalate, despite the implementation of the commitment control system by government. In my discussions with the Accounting Officers across Government, the following common causes of domestic arrears have been observed;

a) Budget cuts across government.
b) Under budgeting for certain items.
c) Failure to operate within the appropriated resource envelope.
d) Diversion of appropriated funds through Mischarges.
e) Early closure of the IFMS limits time for re-presenting bounced payments.
f) Enhancement of salaries without matching resources by Universities.
g) Weak and ineffective commitment control system.

I further noted that in a number of entities, Accounting Officers were paying for domestic arrears which previously were not disclosed to the tune of UGX. 87,537,492,907.

I observed that domestic arrears totaling to UGX.1,117,692,936,922 were paid during the year by various entities but could not be traced in the approved budgets. This renders the expenditure un-authorized and therefore irregular.

I further observed that a total of UGX.27,755,340,095 was not properly supported with adequate documentation such as: invoices, demand notes, tax assessments and contracts to confirm delivery of the goods and/or services.
Further analysis of the stock of domestic arrears revealed existence of multi-year contracts worth UGX. 81,258,326,983 which were not backed by Parliamentary approvals and evidence of the projects existence within the Medium Term Expenditure Framework (MTEF).

I have advised that there is need to have a holistic review of the major causes of domestic arrears with a view of addressing such causes, if a sustainable solution is to be attained across government.

1.23 MISCHARGE OF EXPENDITURE – UGX. 83,861,075,961

The Government Chart of Accounts defines the nature of expenditures for each item code. The intention is to facilitate better and consistent classification of financial transactions and also track budget performance per item. A review of the expenditures revealed that various entities charged wrong expenditure codes amounting to UGX. 83,861,075,961. This leads to financial misreporting and undermines the budgeting process and the intentions of the appropriating authority as funds are not fully utilised for the intended purposes.
It further impacts on the appropriateness of the future budgets since the reported actual figures are misleading.

This practice has continued despite my recommendations in the previous audit reports and was attributed to laxity by the Accounting Officers to enforce strict budget discipline.

The PS/ST in his response highlighted the various steps Treasury has taken to address the issue of mischarges arising in Government including making all mischarges a personal responsibility of the Accounting Officers, as well as having internal audit to follow up the matter.

I have advised that Accounting Officers should observe high budgetary discipline and enforce strict adherence to the provisions regarding reallocation of funds, in order to have this practice contained.

1.24 CONTINGENT LIABILITIES – UGX. 7,456,199,576,133

A contingent liability is a possible future cash outflow whose occurrence is dependent on an event which is not under the control of an organization. Including an amount as a contingent liability in the financial statements implies that management's assessment shows a possibility of a cash outflow in future. I observed that Government contingent liabilities have increased to UGX.7,456,199,576,133, up from UGX.6,532,497,083,522 reported in the previous year.

My further analysis of these liabilities indicated that over 90% is as a result of the legal proceedings lodged against the government. The trend appears unsustainable in the event that a significant percentage crystallizes into liabilities.

I have advised Government to keenly explore the causes of the accumulation of contingent liabilities with a view of curtailing further increment.

1.25 PROVISION OF COUNTERPART FUNDING FOR GOVERNMENT PROJECTS

I observed that Government entered into financing agreements with various development partners, in which it committed to provide counterpart funding through various implementing ministries.
However, I noted that government through MOFPED did not provide counterpart funding to the tune of UGX. 43,708,375,637 to a number of projects across government.

The failure by government to honour its counterpart funding is attributed to lack of prioritization during its budget financing. This practice affects implementation of project activities and is a violation of the terms and conditions of the donor agreements which in turn affects the country's credibility.

Government should ensure that it prioritizes payment of project counterpart funding as agreed upon in the funding agreements.

1.26 INCREASED PAYMENT OF COMMITMENT FEES ON UNDISBURSED DEBT

Commitment fees are paid for debt which has been contracted but not yet disbursed. A trend analysis of commitment fees paid over a four year period revealed a consistent increase over the years with a 281% increase between 2015/16 and 2016/17. The increase in commitment fees is as a result of the failure by GoU to draw down and absorb contracted government debt.

Furthermore a review of GoU loans revealed an increase in undisbursed loans from UGX. 5.69 Trillion in FY 2013/14 to UGX.18.4 Trillion in FY 2016/17.

This has increased government expenditure on debt repayment in form of payment of high commitment fees, and denied government of the funds that could have been put to financing other budgetary needs. In addition, this has caused unnecessary tax burden to the taxpayers.

Management explained that commissions and commitment charges arose as a result of payment of management fees on one-off payments on newly signed loans. However, as I noted above, the increase in payment of commitment fees is majorly due to failure by GoU to draw down and absorb contracted government debt.

I advised Government to identify and resolve any bottlenecks hindering the smooth implementation of projects/programmes and activities so as to increase its loan/debt absorption rates.

1.27 INCREASING INTEREST PAYMENTS

A review of interest payments revealed that in the financial year 2016/2017, the debt office was again in breach of its debt management policy.
I observed that the interest payments increased to 17% of total government revenue (excluding grants) which is 2% above the set target of 15%.
In absolute terms, the interest payments increased from UGX. 981,367,279,594 in financial year 2013/14, to UGX. 2,286,754,186,964 in financial year 2016/17. This was attributed to increased government borrowing at commercial rates.

The Government, like in the previous year, has not complied with its debt management policy, thus resulting into a 2% points above the set target of 15%. This undermines the government efforts in monitoring its debt sustainability levels.

The Accounting Officer in his response explained that the increased interest payments on external borrowings is due to the shift from more concessional borrowing to non-concessional borrowing to meet the increased demand for Government infrastructure development.

I advised government to monitor its debt sustainability levels with a view of maintaining it within the set limit as per the debt management policy.

1.28 GOVERNMENT INVESTMENTS INITIATED BY INDIVIDUAL VOTES

Instruction 14.7.2 of the Treasury Instructions requires the Accountant General to maintain an Investment Ledger for investments made and separate accounts in respect of the investments held. The ledgers shall be in a form that will clearly show the following, Particulars of the investment, Nominal amount, if any, of investment, Current Value, Income received, actual cash paid representing the capital invested and the duration of the investment.

I observed that several votes incorporated different investment companies as shown in the table below without following any government policy and were therefore not recognized as government investments;

S/N	Vote	Company Name
1	Apac District Local Government and 4 sub-counties	Maruzi Local Government development Forum
2	Masindi Local Government	Masindi Community Education Foundation Limited
3	Adjumani DLG, Arua DLG, Koboko DLG, Maracha DLG, Moyo DLG, Nebbi DLG, Yumbe DLG	Mayank Development Association
4	Rukungiri DLG	Rukungiri Power Company Limited
5	NARO	NARO Holdings Ltd

I observed that, government has no policy to guide the incorporation, management and winding up of such companies.

The continued incorporation and management of such companies in the absence of a guiding policy exposes Government to challenges in management of such companies and litigation risks on winding up.

I advised the PS/ST to develop policies to guide on the incorporation of investment companies by other Government agencies and Local Governments.

1.29 FAILURE TO OPERATIONALIZE THE CONTINGENCIES FUND

In the year under review, financial statements were prepared in respect of the Contingencies Fund in accordance with the requirements of Section 26(15) of the PFMA, 2015; however, I did not obtain any evidence that funds were set aside to respond to urgent unforeseen disasters as envisaged by the law, and there was no bank account opened in respect of the Fund. As such, the contingencies fund was never operationalised as required by the law.

Failure to establish and operationalize the Contingencies Fund is a violation of the law and undermines the objectives of the requirements in the Act. There is a risk that expenditures meant to be paid from this Fund were irregularly incurred from other sources/votes.

I advised the Minister to operationalise the Contingencies Fund as provided for in the Act.

1.30 SUPPLEMENTARY EXPENDITURE ON NATURAL DISASTERS OUTSIDE THE CONTINGENCIES FUND

I noted that, as a result of natural disasters during the year under review, the Ministry of Finance, Planning and Economic Development issued supplementary budget allocations to the Office of the Prime Minister (amounting to UGX. 25bn) and to the Ministry of Agriculture, Animal Industry and Fisheries (UGX. 2.1bn).

However, I noted that the funds were authorised and paid as an ordinary supplementary under section 25 of the PFMA 2015, instead of a special supplementary under section 26 of the Act.

The practice violates the Act, deprives the country of an appropriate organized mechanism of responding to disasters and distorts the budgeting process. It in a number of instances, results into insufficient address of the disaster which may be detrimental to the nation.

It also disguises the emergency expenditure since the financial statements for the Contingencies Fund show nil withdrawals.

I advised the Secretary to the Treasury to ensure that expenditures of emergency nature and for natural disasters are expended through the Contingencies Fund.

2.0 COMMISSIONS, STATUTORY AUTHORITIES AND STATE ENTERPRISES

2.1 UN-BILLED REVENUE FROM THE ASSETS LEASED TO UMEME BY UEDCL

From the review of the Lease Assignment Agreement (LAA) entered into by and between Uganda Electricity Distribution Company (UEDCL) and UMEME Limited on May 17, 2004, UEDCL is entitled to Depreciation and Return on Investments on the Assets assigned for use to UMEME Limited by UEDCL on the date of signing of the agreement and subsequent investments made by UEDCL.

However, UEDCL has neither invoiced nor received such income from the commencement of agreement up to date. If this Depreciation and return on investments was billed and collected by UEDCL, it would amount to UGX 11.156Bn (2015: UGX.13.665Bn) and the cumulative disallowed value from 2005 to date is approximately UGX.129.075Bn.

This non-compliance with the Lease and Assignment Agreement provisions negatively affects future investments of the Company. In addition, the Company did not comply with the matching concept of accounting, as well as IPSAS 32.

Management in its response stated that the Company has continued to engage Electricity Regularity Authority and other parties so as to have the matter resolved.

I await the outcome of the company's continued engagement with ERA.

2.2 SHARE CAPITAL NOT PAID UP FOR UGANDA NATIONAL OIL COMPANY

I noted that the share capital of Uganda National Oil Company was UGX.10Bn, comprising 10,000 ordinary shares each with a share value of UGX.1 million each. The Ministry of Energy and Mineral Development (MEMD) had a shareholding of 51% while the Ministry of Finance, Planning and Economic Development (MoFPED) had 49%, as per the Articles of Association of the company. However, by the time of audit none of the shareholders had paid for the shares of the Company.

Meanwhile for the Company to operate in the initial period, a total of UGX 1.3Bn was disbursed to UNOC by the Ministry of Energy and Mineral Development to meet Company operational expenses.
The failure by the shareholders to pay up for the share capital greatly hindered the Company's operations.

I advised that the Company to engage the shareholders with a view to ensuring that they meet their obligations so that the entity can undertake its activities geared towards fulfilling its mandate.

2.3 LACK OF CLARITY ON THE FUNDING OF UGANDA NATIONAL OIL COMPANY

Article 49 of the Petroleum (Exploration, Development and Production) Act, 2013 establishes the Uganda National Oil Company which was subsequently incorporated under the Companies Act 2012. The role of the company is to manage Uganda's commercial aspects with regard to petroleum activities and the participating interests of the state in the petroleum agreements.

The role of the company further includes the Management of the business aspects of the state with regard to petroleum, proposing new upstream, midstream and downstream ventures, both locally and internationally and developing expertise in the oil and gas sector.

However it is not specifically stated how the company will be financed. For the company to duly undertake its daily operations and its obligation, as a participant in the joint ventures and production sharing agreements and government representative in the refinery and pipeline, it needs an established source of income.

The failure to provide funding would hamper the company from undertaking its obligation thereby affecting the timely completion of projects and would eventually make it default on any joint ventures with other International Oil Companies.

I advised Management to engage the Ministry of Finance Planning and Economic Development to ensure that funds are provided to the Company to enable it manage the country's commercial aspects with regard to petroleum activities and the participating interests of the state in the petroleum agreements.

2.4 INADEQUATE SUPERVISION OF KARUMA AND ISIMBA HYDRO POWER PROJECTS

Uganda Electricity Generation Company Limited is overseeing the construction of Karuma and Isimba Hydro Power Projects (HPPs). Review of the progress reports for the Karuma Dam revealed a number of anomalies, including; failures in the quality assurance/quality control procedures, quality control results likely being false in some occurrences and therefore being unreliable, poor quality of concrete lining causing cracks in some sections of the dam.

Under the Isimba HPP, progress reports revealed inadequate supervision of the Engineering Procurement and Construction (EPC) contractor, which resulted in poor concrete quality on site, cracking, cold joints, honeycombing and failed concrete repairs.
These are indications of lack of capacity and inadequate experienced personnel by the Owner's Engineer to resolve site problems.

Although the contract for the Consulting Engineer for the Isimba HPP expired in September 2017 and has not been renewed due to poor performance, the same Engineer is still supervising the Karuma HHP causing concerns about the quality of the works at the dam.

The above anomalies may lead to high maintenance costs for the projects.

Management was advised to closely monitor and supervise the EPC contractor and the owners engineer to ensure that they fulfil their obligations under the respective contracts.

2.5 NON-COMPLIANCE WITH THE CONCESSION AND ASSIGNMENT AGREEMENT IN THE MANAGEMENT OF NALUBALE AND KIIRA HYDRO POWER COMPLEX

Uganda Electricity Generation Company Limited signed a Concession and Assignment Agreement (CAA) with a private firm, in which the later was granted the right and obligation to operate and maintain the Nalubale and Kiira Hydro Power Complex.

During audit, I noted that UEGCL undertook monitoring visits to the Complex and noted instances of non-compliance by the firm to the CAA. These included non-repair works at two (2) turbines, ASR cracks on Nalubale dam and Power house and delayed execution of 13 projects since 2013.

Whereas the non-compliance issues were noted throughout the period under review, UEGCL did not enforce compliance by the firm. There is risk that the Nalubale and Kiira Hydro Power Complex may not be in proper working condition by the time of handing back to UEGCL, at the end of the CAA.

Management was advised to enforce compliance to the CAA by the firm.

2.6 WEAKNESSES IN CONCESSIONS MANAGEMENT BY UGANDA WILD LIFE AUTHORITY

Section 14 (1) of the Uganda Wildlife Act provides that the Executive Director of Uganda Wildlife Authority may, with the approval of the board, enter into any suitable commercial or collaborative arrangements with any person for;
(a) The Management of a protected area or a portion of the protected area;
(b) The provision of services and infrastructure in a protected area; or
(c) The Management of a species or a class of species of animals or plants.

However, a review of the monitoring reports regarding concession Management revealed major breaches of the terms by the concessionaires as outlined below;

i. Whereas Clause 3.6 of the concession agreements between Uganda wildlife authority and concessionaires require the later to prepare and submit an operating plan within three months of the signing of the agreement, six Concessioners have neither submitted plans nor started operating since they signed the contract agreements for a period ranging from 2 to 11 years.

ii. Examination revealed that the authority had uncollected revenue amounting to $209,546 at the close of the financial year under review contrary to Clause 2.2 of the concession agreements.

iii. In another case, a concessionaire continues to collect revenue to date without a legal agreement, despite expiry of the concession on 9th Dec 2015.

In response, Management attributed the non-performance to the concessionaires' inadequate financial base and loss of interest thereof. It was further indicated that in future extensive due diligence would be undertaken before signing agreements with applicants.

Management is advised to review performance of all the concessions and take necessary action as prescribed in the agreements.

2.7 IMPLEMENTATION OF DIGITAL MIGRATION POLICY

The objectives of the digital migration policy included: ensuring that the whole country was covered by digital signal by June 2015 line with the International Telecommunication Union Geneva RRC-06 guidelines through installation and maintenance of all equipment & facilities for digital migration.

The implementation of the digital migration policy commenced in 2012 and was spearhead by Uganda Communications Commission (UCC) which invested at US$.20m in the procurement and installation of equipment. In June 2015, UCC handed over the digital signal network of 18 operational transmission sites to a company contracted by UBC to manage the digital signal transmission sites.

A review of contract Management reports conducted by the regulator (UCC) during the year revealed the following;

a) The digital network covers only Central & greater Kampala and in 17 Districts instead of the whole country as planned.

b) Pay TV operators carry free to air content which makes content providers reluctant to pay for the services on the free to air platform thus denying the signal distributor revenues (tariff fees) to maintain the digital network.

c) The 17 Digital Terrestrial Transmission remote sites were off air since September 2016 due to the contractor's failure to renew the satellite program feed service agreement with the service provider- (M/s Eutelsat). In addition the sites experienced power disconnection due accumulated electricity bills and lack of generator fuel.

d) All transmission equipment were not maintained for over 4 years and are not insured against disasters thus there is a risk of losing the investment I the digital network.

e) The contractor lacks the technical capacity to manage all the transmission sites across the country.

Under the circumstances, the intended benefits of digital migration such as more channels and diverse content may not be achieved.

There is need for government to review the contract with a view to having the envisaged services provided.

2.8 INCREASING DESIGNATED AGENCIES AGAINST A FIXED BUDGET UNDER THE UGANDA ROAD FUND

The Uganda Road Fund budget for the last three years has largely remained funded at the same level of about UGX.417Bn with corresponding releases below the budgeted amount.

A review of the URF budget allocations revealed that the number of implementing agencies overseeing the District Urban and Community Access Roads (DUCAR) network has continued to grow implying the need for additional resources but this has not been the case. In 2015 the road fund agencies comprised of 111 Districts, 22 Municipalities, 174 Town Councils, 1113 sub counties and 2 authorities while to date the districts, municipalities and Town Councils have increased to 121, 41 and 214 respectively as shown in the Table below;

S/N	DESCRIPTION	2015/16	2016/17	2017/18
1	(Budget (Billion	417.93	417.84	417.39
2	Authorities	2	2	2
3	Districts	111	115	121
4	Municipal Councils	22	41	41
5	Town Councils	174	179	214
6	Sub-counties	1,113	1,129	1,155

According to RF proposed course of action of road maintenance, the country requires UGX.800Bn per year which is well above the current year budget of UGX. 417Bn.

Increasing number of agencies without corresponding budgetary increments implies less maintenance of the national road network as a lot of funds are channelled to the administrative costs of the new units thus limiting available funds for maintenance.

Government should revisit the matter with a view of ensuring that any additional agency is provided for with an incremental budgetary provision.

2.9 UNCERTAINTY OF GOVERNMENT PROPERTY IN KENYA

According to the 89th meeting of the Uganda Property Holdings Board, Kenyan Parliament recently passed a new law (Land Amendment Act, 2016) prohibiting foreign individuals, Companies and Governments from owning land 25kms from the border or second tier from Ocean and also non-renewal of expired leases for non-Kenyans. Based on the communication, Management wrote to the Minister of Finance, Planning and Economic Development (MoFPED), the Attorney General and other relevant Government stakeholders informing them of the development.

Part of government property under UPHL is leasehold. I observed that the new law directly affects 8 of the Company's property and as such, creates uncertainty on the actions of the entity and diverts UPHL from implementing its objectives and mandate. A case in point was the shelving of the plans to purchase land in Lamu at a cost of UGX. 1Bn.

The new law does not favour UPHL and therefore has negative effects on the strategic intents of the Company.

Ministry of Finance should engage the relevant institutions such as Ministry of Foreign Affairs, Office of the Prime Minister and use of the East African Community to resolve the matter.

2.10 INADEQUATE MONITORING OF THE ANNUAL ELECTRICITY METER CONVERSION TARGETS OF A LICENSEE

The Electricity Regulatory Authority (ERA) approved a 7 years Prepayment meter Roll-out Plan presented by UMEME Ltd and is supposed to monitor the implementation of the Plan. The Plan requires connection of a total of 863,000 customers both retrofitted and new customers from 2013 to 2018. The company's target is to have all domestic and small commercial installation retrofitted by 2018 and the progress of the conversion is submitted to ERA through annual compliance reports.

It was however noted that, although the roll out had been ongoing for five years, actual conversion for retrofitted customers was 267,829 (51.4%) out of 521,000 against the targeted 87% as at the end of 2017.

Failure to meet the targets hinders the company from achieving the intended objectives of reducing losses, costs, as well as increasing connections and improving customer services.

In response, Management explained that it has engaged the company on the deviations and steps are being taken to address the challenges faced in the prepayment conversion project.

Management is advised to increase the frequency of monitoring the company performance, other than the annual compliance monitoring approach as this will ensure timely interventions aimed at achieving the agreed targets.

2.11 NON-COMPLIANCE WITH STANDARD ELECTRICITY CONNECTION PERIOD

According to the standards for Quality of Service related to access to supply, customer service and network operations approved by Electricity Regulatory Authority (ERA), UMEME Ltd is required to connect applications for electricity in a specified period ranging from 10 to 30 days.

However, review of the company's quarterly performance reports revealed non-compliance with specified days ranging from 8% - 46% of the applications. The practice denies customers timely services, and has the effect of causing disenfranchisement and its attendant costs.

In response, Management stated that the company has been engaged to ensure enhancement of compliance levels in the 2017/18 financial year.

Management is advised to enforce compliance by the company to ensure customers access quality and reliable electricity supply services as prescribed.

3.0 LOCAL GOVERNMENT

3.1 UTILIZATION OF MEDICINES (TRACER) AND HEALTH SUPPLIES

(i) In 76% of districts and Municipal Councils, it was observed that an amount of UGX. 4.5Bn was not properly accounted for. This shortcoming could be attributed to mismanagement or poor record keeping. Unaccounted for medicines and Health supplies may lead to rampant medicine stock-outs which hamper service delivery and occasion widespread public outcry.

Accounting Officers were advised to ensure that all the necessary records for the items are properly maintained, monitored and any variances investigated and that optimum amount of medicines and health supplies are available at health facilities at all times.

(ii) Health facilities were experiencing persistent stock-outs of the 11 sampled Tracer drugs. The stock out ranged between one to ten tracer drugs. Notably, mama kits were out of stock for 320 days and coartem for 285 days. The stock-outs may be a result of failure by NMS to supply drugs in the quantities ordered by Health centres and lack of reliable information on drugs usage and stocking positions.
The stock-outs erode patient confidence in the health sector which leads patients to explore inappropriate and expensive alternatives of health care.

The Accounting Officers were advised to liaise with National Medical Stores (NMS) to ensure continuous optimum stock of medicines and health supplies.

(iii) There were expired medicines and health supplies in 40 Health Facilities which had not been disposed of. The expiry of the drugs may be a result of excess stocking of slow moving drugs.
The cost of destruction of expired drugs is high and there is a risk of them getting redistributed back to the market.

The entity should liaise with NMS to ensure that expired or damaged stock is destroyed in accordance with the regulations.

(iv) Out of 118 health facilities, 98 (83%) were experiencing high rate of understaffing ranging from 80% in Kalisizo Hospital in Rakai District to 9% in Iganga Hospital. In 38 Districts and Municipal Councils, the understaffing included critical positions in medicine Management.
This is attributed to limited wage bill and ban on recruitments.

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.

The Accounting Officers were 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.

3.2 INADEQUATE CONTROLS SURROUNDING MANAGEMENT OF DOMESTIC ARREARS

There has been persistent accumulation of domestic arrears to unmanageable levels which has led to settlement of arrears that are not authorized and unbudgeted for, inadequately supported and in some instances there has been inadequate recognition and disclosure of the domestic arrears.
The variances between the reported figures in the financial statements and the amounts verified by Internal Auditor General formed a basis of my qualification of consolidated GOU financial statements for the year ended 30th June 2016.

Consequently, domestic arrears were considered a key audit matter which needed to be examined to assess the adequacy of the internal controls surrounding Management of domestic arrears.
In 141 Districts and Municipal Councils, an amount of UGX. 45.66Bn was irregularly incurred as domestic arrears outside the approved estimates appropriated by Parliament.

I further observed that there was no budget provision for settlement of domestic arrears totalling to UGX. 1.40Bn posing a risk of diversion of funds for settling the obligations.
This may be as a result of existence of a weak and ineffective internal control system over the control and Management of domestic arrears.
For example, the government commitment control system was not adhered to. The delayed settlement may lead to possible litigation, diversion of funds and or payment of fines and penalties.

The Accounting Officers were advised to liaise with the responsible authorities and have the arrears cleared.

3.3 REVENUE PERFORMANCE

3.3.1 CENTRAL GOVERNMENT GRANTS SHORTFALL

Section 45 (3) of the Public Finance Management Act, 2015 provides 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) of the said Act.

I observed that 67 entities budgeted to receive UGX. 1.013 trillion out of which UGX. 862.5Bn was received, translating into an 85% out-turn for the financial year. This left a shortfall of UGX. 147.8Bn, representing (15%) of budget estimates. This may be a result of budget cuts and delays in release of funds.

The Accounting Officers were advised to engage the relevant authorities and ensure that budget deficiencies are addressed so that all the allocated funds are released and all activities are implemented according to the budget as approved by Parliament.

3.3.2 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 and the revenue banked intact in Council accounts.

A review of revenue performance revealed significant under collection of Local revenue in 26 Councils amounting to UGX. 14.40Bn. This was attributed mainly to natural calamities and non-compliance by the tax payers.

The Accounting Officers were advised to sensitize tax payers on tax compliance and to develop other strategies to enhance revenue collections.

3.3.3 UNDER-ABSORPTION OF FUNDS BY THE MUNICIPAL COUNCILS (MCS)

All the 14 Municipal Councils (MCs) failed to utilize or absorb all their Municipal Development Grants (MDG) and Capacity Building Grants. The total un-spent balances at the close of the financial year amounted to UGX.125.6Bn and this comprised grants received during the year amounting to UGX. 100.6Bn and un-spent balances brought forward from the prior year amounting to UGX. 25.2Bn.

Notable among the poor performing MCs were Mbarara, Hoima, Fort Portal and Jinja which failed to even utilize funds brought forward from the previous year.

Management attributed the under-absorption of funds to delays in the procurement process; delayed execution of works by some contractors and delayed submission of certificates by contractors after completion of works.

I recommended to the Project Management to design strategies to improve absorption of funds by the Municipal Councils. Municipal Councils that fail to utilize previous year funds should not be advanced more funds.

3.4 ACCOUNTING AND CONTROLS

3.4.1 FUNDS NOT ACCOUNTED FOR

Regulation 43 (2) of the Local Government Financial and Accounting Regulations 2007, require Administrative advances to council employees to be authorized by the Chief Executive and accounted for within a month.

During the year under review an amount of UGX. 1.38Bn lacked supporting documents. Consequently, I was unable to confirm that the funds were utilised for the intended purposes.

The Accounting Officers were advised to ensure that the funds are properly accounted for or else recovered from the responsible officers.

3.4.2 ASSETS MANAGEMENT

a) Lack of land titles

Regulation 9 (j) of the Local Government Financial and Accounting Regulations, 2007 require the Accounting Officers to ensure safe custody of all assets of Council. Out of 156 Local Governments, 46 entities representing 29% of the Local Governments lacked land titles for the land where council properties are located.

In the absence of the land titles, the land is exposed to the risk of encroachment and disputes.

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.

b) Low absorption/Unspent Balances

The Public Finance Management Act (PFMA) Section 45 (3) of 2015 provides 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).

It was observed that the Districts and Municipal Councils had failed to utilise UGX. 22.32Bn by the end of the financial year.
The failure to implement all the planned activities may have been a result of lack of capacity, IFMS challenges or may be an indication of inefficiency.

The Accounting Officers were advised to engage Ministry of Local Government and Ministry of Finance Planning and Economic Development to address the bottlenecks.

c) Mismanagement of public resources

I observed that a number of forest reserves and wetlands had been encroached on either illegally or through unclear allocation of land titles, notably; Zirimiti Central Forest Reserve, in Mukono District, Kitibulu, Nonve and Bukasa forest reserves in Wakiso District, Kabojja and Lubigi swamps in Wakiso District, encroachment in Chala Swamp in Moyo District and Lake Birinzi in Masaka District.
This threatens their existence and the environment.

The Accounting Officers are advised to follow up the matter with the relevant authorities and ensure that forest reserves and wetlands are protected from encroachment to ensure sustainable environment.

d) Receivables

Paragraph 2.3.2.3 of the Local Governments Financial and Accounting Manual, 2007, states that money owed to Council represents an asset that is idle, as it denies the Council the opportunity of using the money to provide services promptly.

Seven (7) Local Governments failed to collect outstanding revenue from different sources amounting to UGX. 6.093Bn. This was attributed to laxity on the part of the Accounting Officers to follow up collection of the debts.

Uncollected revenue adversely affects service delivery and have an additional risk of loss of revenue.

The Accounting Officers were advised to develop debt recovery strategies to ensure that the outstanding amounts are collected.

3.4.3 HUMAN RESOURCE

Understaffing

The following table shows the level of understaffing in the Districts.

		FY 2016/17
.No	Level of understaffing	No of Entities
1	Above 40%	34
2	Between 20% - 40%	36
3	Below 20%	13
	Total	83

The under-staffing levels ranged from 7% in Mpigi District Local Government to 77% in Kapchorwa and Mubende Districts.

Under-staffing 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 were 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.

4.0 VALUE FOR MONEY

4.1 RELIABILITY OF THE GOVERNMENT ANNUAL PERFORMANCE REPORT PRODUCED BY THE OFFICE OF THE PRIME MINISTER (FOCUS ON THE HEALTH AND AGRICULTURE SECTORS)

The Government Annual Performance Report (GAPR) is a comprehensive assessment of the performance of all government entities and the outcome of public spending in a given financial year and is prepared by the Office of the Prime Minister (OPM).

The GAPR provides a basis for accountability of the use of government resources and outlines the key areas of good performance, under-performance, and opportunities for policy redress.
It also includes an assessment of the progress made in the implementation of important actions agreed upon during the previous cabinet performance retreats.
The objective of the GAPR is to provide timely and accurate information to policymakers, particularly cabinet and parliament, on the performance of Government.

The objective of the audit was to assess the reliability of the information compiled and published in the GAPR by the Office of the Prime Minister (OPM) with specific focus on the Agriculture and Health Sectors under the FY 2016/17.

There are overlaps in the mandate and activities performed by OPM and the National Planning Authority (NPA) in regard to the monitoring, evaluation and reporting of the performance of government Ministries, Departments and Agencies (MDAs).
This has been caused by inconsistencies in the monitoring and evaluation roles and responsibilities conferred upon NPA and OPM under the NPA Act, the National Policy on Public Sector Monitoring 2013 and the NDPII monitoring and evaluation framework resulting in NPA and OPM performing almost similar activities and each producing a report which, to a large extent, would serve the same purpose.

Over the past three years, UGX 14.8 billion and UGX 12.5 billion was spent by OPM and NPA for M&E related activities, respectively. Due to the overlap, as well as poor coordination between these entities, the participation of NPA in the production of GAPR is limited, yet its input is critical to ensure comprehensiveness and hence reliability of the GAPR.

The GAPR should reflect the progress government is making towards the achievement of the goals and objectives set in the National Development Plan (NDPII).

Whereas the Health and Agriculture sector plans were aligned to NDPII, only a few of the Ministries, Departments and Agencies (MDAs) under these two sectors had their strategic plans aligned to the NDPII. The majority of the MDAs either had no strategic plans or had draft plans that are not aligned to the NDPII.
This was caused by limitations in the Programme based Budgeting System (PBS)/ Output Budgeting Tool(OBT), non-enforcement of sanctions for compliance and capacity gaps in the fields of monitoring and evaluation within the MDAs.

There were also inconsistencies between the agriculture and health sector related information contained in the GAPR and that in the NDPII due to non-alignment of the PBS/OBT to the NDPII. Inconsistencies between targets achieved in sectoral performance reports and GAPR were due to the delays in the issuance of sector performance reports which implied that revisions and recommendations in the final sector performance reports were not taken into consideration during the finalization of the GAPR and the subsequent planning process.
Consequently, the GAPR does not accurately reflect the progress government is making against the objectives set by the national development plan.

The final GAPR 2016/17 had not been published at the time of the audit (November 2017). There are no detailed guidelines issued by OPM for the production and reporting of the GAPR.

It was also noted that the target audience at the cabinet retreat, which is the forum where the GAPR is discussed and resolutions on the way forward made, had been expanded to include all ministers, district political leaders, all accounting officers and their respective technical staff thus running a risk of the focus of the retreat shifting from accountability to dissemination with less time for debate and focus.

Whereas the Office of the Prime Minister has undertaken specific actions aimed at increasing the reliability of the GAPR, the overlap in roles with other players coupled with the inadequate quality control and assurance at OPM and MDAs, and delayed issuance of the final GAPR may impede the relevance and utilisation of the GAPR recommendations.

4.2 GOVERNMENT'S PREPAREDNESS FOR THE IMPLEMENTATION OF PPPS

Public-Private Partnerships (PPPs) in the Ugandan context refer to contractual agreements between the public and private sector to finance, construct/renovate, manage and maintain public infrastructure or provide a public service. PPPs involve the optimal sharing of risks and rewards by the concerned parties in a bid to deliver the desired policy outcomes while safeguarding the public interest.

To date, a total of 26 PPP projects valued at USD 2,964 million have reached financial closure. The Ministry of Finance, Planning and Economic Development (MoFPED), through the PPP Unit, is charged with the responsibility of creating an environment conducive to the implementation of PPPs. PPP activities are guided by the PPP Policy framework of 2010 and thePPPAct,2015.

The regulations to operationalise the PPP Act, 2015 and the specific guidelines critical for guiding and supporting the effective implementation of PPPs are not yet in place. The PPP Committee reports to the Permanent Secretary and Secretary to Treasury (PS/ST) who is also the head of the committee. Although it may have some advantages, it creates a role conflict which may impair the PS/ST's oversight responsibility over the PPP activities.

Section 11(5) of the PPP Act requires the Permanent Secretary of the MoFPED to develop a framework that harmonises the relationship between the PPP Unit with other departments in the MoFPED.
However, both the Project Analysis and Public Infrastructure (PAPI) department and the PPP Unit have developed contradicting reporting structure of the PPP Unit with one having a direct reporting relationship to the PS/ST and another requiring the PPP Unit to report to the Director Budget.

Despite its critical importance to the functioning of the Unit, the position of Director (head of the PPP Unit) had not been substantively filled at the time audit but had someone who has been acting in this position since 2015. In addition, the key positions of the PPP unit namely: communication expert, project finance expert, legal expert, technical expert, and technical specialist were vacant.

Thus the PPU unit cannot provide the technical, financial and legal expertise to the PPP Committee and the contracting authorities as required under the Act.

The current funding arrangements under the Ministry have created uncertainties in the financing of PPP activities resulting in delays to put in place the capacities needed for the effective implementation of the PPP function.

PPPs require significant upfront detailed feasibility analysis and preparation in order to design a robust structure that meets the government development objectives. However, the Project Development Facilitation Fund which is meant to support the activities of the PPP unit and the contracting authorities in the preparation phase of PPP projects, and provide a source of liquidity to meet any arising contingent liabilities had not been established by the time of the audit.

The Unit has not yet established a comprehensive monitoring and evaluation framework to support the implementation of PPP functions. Without such a framework, contracting authorities may not be properly directed towards the achievement of the PPP objectives.

Whereas PPPs were embraced by the NDPII as a vital source of financing the infrastructural gap that the country is currently facing, the existing gaps in the operationalisation of the PPP Act pose a challenge in creating a suitable control environment for the implementation of PPPs.

To ensure realization of the expected benefits of the PPP program, it is important that a comprehensive and supportive regulatory and institutional framework is fully operationalised and streamlined and the necessary capacities provided to the PPP Unit to allow it to implement its mandate.

4.3 THE COMPENSATION OF PROJECT AFFECTED PERSONS UNDER THE REFINERY PROJECT BY THE MINISTRY OF ENERGY AND MINERAL DEVELOPMENT

When Government decided to construct an oil refinery in Kabaale, Buseruka sub-county, Hoima district, Ministry of Energy and Mineral Development (MEMD) was tasked with compensation and/ or resettlement of an estimated 7,118 Project Affected Persons (PAPs) in this area, guided by a Resettlement Action Plan (RAP). This VFM audit aimed to assess whether MEMD adequately compensated the PAPs in a timely manner.

There were notable achievements in the compensation of PAPs in the refinery project. MEMD successfully compensated 99% of the PAPs who were eligible for compensation. Some infrastructure works such as construction of 46 residential houses and improvement and expansion of Buseruka Health centre have been completed and handed over to the Ministry. The quality of the infrastructure was to a great extent assessed as satisfactory.

The foregoing notwithstanding, significant delays were noted in the overall implementation of the project. Initially meant to last 8 months, the project is still not complete over 4 years after inception.
There were delays in payment of PAPs and construction of resettlement infrastructure, as well as implementation of key activities of the RAP such as procurement of a consultant to undertake monitoring and evaluation of the project, construction of schools and places of worship, and implementation of the livelihood restoration programme.
These delays necessitated extending the contract of the RAP implementing consultant (Strategic Friends International) five times and increased the cost of the consultancy services by UGX 1,239,760,000.

The approved methodology for valuing property permanent in nature was not always followed during the valuation of customary land, resulting into a loss of UGX 295,750,800 to government and UGX 16,172,100 to the PAPs.

Other anomalies noted were use of unapproved/obsolete valuation rates in almost all the years of compensation; non-uniform application of the rates; failure to adhere to the PAPs' proposals during construction of resettlement houses; and inadequate grievance-handling mechanisms.
All these led to delays in the compensation process also affected project acceptance.

4.4 REGULATION OF LABOUR EXTERNALIZATION BY MINISTRY OF GENDER, LABOUR AND SOCIAL DEVELOPMENT (MGLSD)

The Labour Externalization programme is a Government of Uganda strategic initiative intended to facilitate recruitment of Ugandan migrant workers to decent employment opportunities and promote the protection of their rights and welfare in destination countries. The programme is implemented under the Ministry of Gender, Labour and Social Development (MoGLSD) and is responsible for licensing and regulating private recruitment companies/agencies; and signing bilateral agreements on behalf of Uganda with countries interested in importing labour from Uganda.

The VFM audit, which covered a period of three financial years from FY 2014/15 to FY 2016/17, examined the extent to which MoGLSD has implemented the measures put in place to facilitate recruitment of Ugandan migrant workers to decent employment opportunities and safeguard their welfare in destination countries.

In order to facilitate the recruitment of Ugandan migrant workers to decent employment opportunities, the MoGLSD was expected to conduct sensitization and awareness activities; license recruitment agencies; accredit foreign principals; supervise and monitor operations of recruitment agencies; and put in place a mechanism to handle grievances arising out of inhumane treatment and exploitation of the workers.

The MoGLSD has registered some achievements under the Labour Externalization Programme. For instance by the time of the Audit (November 2017), MoGLSD had licensed 79 private recruitment agencies; and also facilitated recruitment of an estimated 70,000 Ugandan migrant workers to jobs in UAE, Saudi Arabia, Jordan, Bahrain, Oman, Qatar, Iraq, Somalia, Afghanistan and Mali.
The Ministry had also negotiated and signed bilateral labour agreements with the Kingdom of Saudi Arabia and Government of Jordan.
Inspite of these achievements a number of areas were noted for improvement.

Regulations and Guidelines on recruitment and placement of Ugandan migrant workers abroad were not disseminated as planned, because the revised regulations were yet to be approved. This meant that key stakeholders central to the recruitment of migrant workers had limited information on the laws and processes on recruitment and management of migrant workers, since they did not have copies of the Regulations and Guidelines.
Whereas the Ministry had licensed 79 recruitment agencies, there was no evidence that updated lists of licensed agencies were being shared with key stakeholders. Further still, MoGLSD had in some cases issued recruitment licenses and approved job orders for companies that did not have valid bank guarantees.
It was also noted that the penalty for operating without a license was not deterrent.

The Ministry had not accredited any foreign principal/ employer and yet they were approving manpower requests from these foreign principals/ employers. In addition, the Ministry was not verifying the manpower requests to establish the existence of the employing person, and its capacity to hire workers at acceptable rates and desirable conditions. The Ministry was weak in enforcing compliance and ensuring that adequate due diligence was done.

Although the Ministry was supposed to conduct routine/regular inspection, spot inspections, and inspections before issuance of license or in case of transfer of office; the only inspections carried out were before issuance of license and on transfer of office. This was attributed to the fact that the Ministry had not allocated adequate resources to conduct all the prescribed inspections.

Whereas there were a number of complaints at both the Ministry and the Ugandan Embassies visited, there was no proper documentation and tracking of complaints from the time they were lodged to conclusion and feedback.

To facilitate the recruitment of Ugandan migrant workers to decent employment opportunities, the weaknesses noted need to be addressed in order to effectively promote and protect the interests and well-being of the workers deployed overseas.

4.5 MANAGEMENT OF MUNICIPAL SOLID WASTE BY MUNICIPALITIES

This audit sought to examine the extent to which selected municipalities manage solid waste, identify the challenges faced, underlying causes and make recommendations to address them. The audit covered three financial years: 2014/15, 2015/16, and 2016/17.

Based on the procedures performed, it was observed that none of the seventeen (17) municipalities assessed was managing solid waste in a satisfactory manner. Ten (10) of the seventeen (17) were managing this function in fairly satisfactory manner while seven (7) municipalities performed below expectation.

Whereas the process of formulation of a National Solid Waste management policy commenced in 2012, the policy was still in draft form at the time of audit. Without an approved policy, a national solid waste management strategy cannot be developed and as such the country is exposed to a risk of disjointed planning, duplication of activities and uncoordinated management of solid waste by key players.

Although the municipalities developed and approved strategic plans to guide management of solid waste, a number of key activities in these plans had not been implemented by the time of audit. This was mainly because the plans were unrealistic and the municipalities also did not identify sources of funding for most of the planned activities.
Failure to implement planned activities negates the purpose of planning, and makes it difficult to transform and improve the solid waste management function within these municipalities.

The current estimated average garbage collection level is forty percent (40%) of all the waste that is generated. This therefore implies that sixty percent (60%) of all waste generated is not collected for appropriate treatment and disposal resulting in inconvenience to the public, environmental pollution, and posing a risk to public health.

Treatment of waste collected was not done in compliance with the NEMA solid waste management regulations or the compost plant operations manuals. In some cases, the treatment process was found to be a source of pollution of the environment. This was mainly because of the weak supervision of the waste treatment processes.

It was also noted that a number of key records and documents relating to management of municipal solid waste were either non-existent or not up-to-date, which affected other activities, particularly planning and decision making. This was due to weak system of monitoring and follow-up by NEMA and non-prioritisation of this activity by the municipalities.

No municipality undertook an audit of the effects of their activities on the environment contrary to the NEMA regulations. There was also no evidence of follow-up by NEMA to enforce compliance with this regulation.

The management of municipal solid waste in Uganda is still a challenge as demonstrated by the majority of municipalities collecting less than 50% of the waste generated.

Government and municipalities need to prioritize the management of solid waste through strengthening and raising the profile of the solid waste management function.

4.6 IMPACT OF THE PROMOTION OF RICE DEVELOPMENT (PRIDE) PROJECT

The PRiDe project was implemented by Ministry of Agriculture, Animal Industry and Fisheries (MAAIF), National Agricultural Research Organization (NARO), National Agricultural Advisory Services (NAADS) and the Japan International Cooperation Agency (JICA).
The project covered 45 districts across the country, and was implemented over a five year period (2011 - 2016).
The overall project goal was to increase income from rice production in the target districts and the project purpose was to increase rice production in the target districts of the Project. Increase in rice production was to be achieved through increasing the rice yield.

Following the completion of the PRiDe project in 2017, the Auditor General decided to undertake a VFM audit to assess the impact of the PRiDe project on the rice yield of the beneficiary farmers.
Analysis of survey data showed that, compared to 2012, both the beneficiary and the non-beneficiary farmers generally had a lower yield in 2016/17.
The average rice yield of beneficiaries dropped from 485kgs to 136kgs (a 72% reduction) while that of non-beneficiaries dropped from 539kgs to 366kgs (a 32% reduction).

The reduction in the yield of the beneficiary farmers was higher over time than the non-beneficiary farmers because the beneficiary farmers were more impacted by the challenges in the farmer extension system since this was a new variety with few farmers selected and thus few farmers to share knowledge on how to overcome the various challenges.
The observed reduction in yield could not support the purpose of the project to increase production of rice in the target areas. Analysis showed that participation in the project did not have a positive impact on the yield of beneficiaries between 2013 and 2016/17.

For the PRiDe project to meet its intended goals and outputs, the one kilogram seed model was developed. Under this model, after the training of rice farmers, one kilogram (1kg) of foundation rice seed was given to each farmer to plant. The project expected each farmer to grow the foundation seed and harvest between 30-50kgs of seed during the first season of planting. It was further envisaged that during the second season, the farmer would plant the 30-50kgs of seed and harvest at least 1 to 3 tons of rice grain.

It was noted that only 45% of the sampled beneficiary farmers met the minimum harvest at the end of the first season of 2013. In addition, during the second planting season of 2013, only 4% obtained the minimum harvest of 1 ton. This shows that the one kilogram model was not as successful as envisaged hence impacting on production of rice in the target districts.

Some implementation challenges were identified that limited the success of this model and these are discussed below:
The farmers did not receive any extension services in the form of a site visit and technical guidance from an extension worker during the project period.

In the absence of extension services, farmers faced various challenges including crop failure, pests and diseases, and mixing of the PRiDe varieties with other local varieties at the time of harvest.
As a result, most of the beneficiary farmers interviewed either stopped growing the rice variety after the first season or proceeded to grow it in the second season but harvested less than the expected minimum.

Only a few of the beneficiary farmers utilized key recommended post-harvest practices such as drying, pest control and storage in the production of seed yet these practices were important for the sustainability of the quality of the rice planted and the yield obtained.

The training of farmers conducted by the PRiDe project at the time of delivering the rice seed in 2013 was insufficient in terms of design and content; it was mainly in form of classwork or workshop and not followed up with demonstration on a farm.

PRiDe project staff assumed that whoever would be trained would successfully implement the one kilogram model and thus did not consider any other critical factors such as experience of the farmer in rice growing and availability of suitable land. Beneficiary farmers were expected to avail at least one acre of land in the second season to grow the seed harvested in the first season however most of the selected beneficiary farmers interviewed had less than one acre of land which was not enough to sustain rice growing under this model.

There was late delivery of rice seeds to the beneficiary farmers. Due to the late delivery, some farmers delayed to plant which led to poor rice maturity and harvest.

Monitoring of the project activities was weak and in addition, the PRiDe project did not collect any baseline data to provide a basis for the interventions that were being implemented and ensure proper tracking of project progress.
81% of the beneficiary farmers interviewed had abandoned the growing of rice varieties provided by the project by 2016/17 which implies that the project goal of increasing the rice production in the target districts was not achieved for the beneficiaries of the project.

For future implementation of projects of this type, critical success factors such as extension services, training, and monitoring and evaluation need to be prioritized to ensure achievement of the project outcomes.

4.7 IMPLEMENTATION OF WATER AND SANITATION INFRASTRUCTURE PROJECTS BY NATIONAL WATER AND SEWERAGE CORPORATION (NWSC)

National Water and Sewerage Corporation (NWSC) is a state owned enterprise that operates and provides water and sewerage services for urban centres entrusted to it, on a commercially viable basis. The towns under the mandate of NWSC are gazetted by the Ministry of Water and Environment (MWE); the coverage has since grown from the three indigenous towns of Jinja, Entebbe and Kampala in 1972 to 174 towns by 2016.
To match the increased demand for its services, the Corporation focused on infrastructure growth and, has over the years implemented various projects with the aim of enhancing service delivery.

A value for money audit was undertaken to assess the economy, efficiency and effectiveness of project implementation by NWSC. The study sampled nine infrastructure projects implemented between 2010 and 2016.
The value of the individual projects ranged from UGX 1.7 billion to approximately UGX 210 billion (2016 exchange rates).

Based on the procedures undertaken, the audit revealed that in spite of the progress made in putting in place the necessary infrastructure to alleviate the increased demand, some of the infrastructure projects experienced delays in project implementation and there were weaknesses in project planning, procurement and construction supervision.

Design criteria for some sampled projects did not adequately address the projects' needs, underestimated demand and excluded some necessary items/equipment which has led to increased and/or unanticipated project costs.

Designs and design reviews were not clearly documented in three of the locally funded projects; it was therefore not possible to review the adequacy of the designs and to use such documents to inform future designs.

The procurement processes in a number of cases did not allow competition or significantly reduced competition, as a large number of bidders were disqualified based on technicalities. In half of the projects, works procurements were completed with only a single "responsive" bidder in spite of the size the contract. This was found in both large (donor funded) and small (NWSC funded) projects, making it a systemic, rather than an isolated problem.

In one of the projects sampled, lack of a design Engineer led to disqualification of some firms bidding for this project yet the Contractor's design engineer was never used, Invitations to Bid (ITB) conditions were selectively ignored for some projects while in another instance, bidders for one of the projects were disqualified for not identifying source countries for the equipment yet this had not been required in ITB.
Due to these, NWSC may not have obtained the services at the most economical price.

All projects evaluated experienced construction delays of between 5mths and 34months resulting in extension of time and additional costs of EUROs 9,324,992.96 and UGX 1,234,860,000. Whereas justifiable reasons were provided, these should be used as lessons for better planning of future projects.

For four of the five locally funded projects, site records were generally not available or detailed enough and for completed projects, project completion was not documented. Without records there is a risk that any problems or malfunctions arising from construction works activities would be difficult to determine.

There were instances of poor quality works in individual sites resulting from poor supervision. Honeycombs, broken slabs, cracked slender steel tank supports and warped steel support strips were visually evident on some of the works.

4.8 FOLLOW UP REPORT ON VFM AUDIT REPORT ON SOLID WASTE MANAGEMENT BY KAMPALA CAPITAL CITY AUTHORITY

In 2010, the Office of the Auditor General (OAG) conducted and submitted to Parliament, a Value for Money (VFM) audit on the management of solid waste by Kampala City Council (KCC).
The audit, which sought to ascertain the extent to which KCC had established a solid waste management system to manage garbage collection in the city for the period 2002 to 2007, covered all the five (5) divisions of the City namely Central, Nakawa, Rubaga, Kawempe and Makindye.
KCC was replaced by Kampala Capital City Authority (KCCA) in 2011, after the coming into effect of the Kampala Capital City (KCC) Act, 2010.

The purpose of this follow-up audit was to: establish the extent to which KCCA had implemented the recommendations in the 2010 VFM report mentioned above; assess whether or not there have been improvements in management of solid waste in the city; and ascertain whether any new recommendations are needed.

The audit team noted that out of the eight (8) recommendations made in the Auditor General's report of 2010, 5 were fully implemented while 3 were partially implemented.

KCCA undertook measures to address OAG recommendations by putting in place a solid waste database to aid the planning process, undertaking awareness campaigns, enforcing Solid Waste Management By-Laws, promptly paying wages of staff involved in refuse collection and transportation and the development of a proper supervision, monitoring and control mechanism.

However, it was observed that the casual workers had old protective gear and KCCA did not have a protective gear replacement policy. The Policy is meant to guide in procurement, replacement and distribution of the protective gear.
Also, out of 1,500 tonnes of garbage generated daily, only 1,000 tonnes were being collected due to inadequate number of garbage trucks.

Finally, whereas the concessionaires were awarded to cover all the 7 zones, one of the zones (Zone II) had no private garbage collector due to the failure of the contracted private collector to raise the required trucks and

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