Message of the Auditor General to the public on the release of the Auditor General's report for the period ending 31st December, 2020

In accordance with my audit mandate set out under Article 163 of the Constitution of the Republic of Uganda, 1995 (as amended) and the National Audit Act, 2008, I hereby present to you the Annual Audit Report on the Consolidated Public Accounts of Uganda; Local Government; and Summary Statement of Financial Performance of Public Corporations, and State Enterprises and Companies in which Government has a controlling interest.

In delivering my mandate, I audited financial statements and cross cutting thematic areas on: 1) Management of COVID-19 pandemic intervention, 2) Implementation of the approved budget, 3) Fleet management in government.

It is my hope that follow-up and implementation of recommendations in my reports will facilitate improvement in public accountability and service delivery.

The year 2020 was a difficult period for my staff and the management of entities audited due to Covid-19 pandemic. Owing to the Ministry of Health Standard Operating Procedures for Covid-19 and Ministry of Public Service guidance on compliance with Covid-19 SOPs, there were challenges in accessing auditees and records. In some cases, auditees' staff were absent either because of compliance with SOPs or being sick. In addition, 24 of my staff tested positive for Covid-19 and these included 3 Directors who would have been crucial in finalising the annual audits. There was also an overall funding deficit of 6.072Bn which further impacted on the auditing activities.

In light of the above, I was not able to deliver all audits as planned. It is also worth noting that my office developed a new Strategic Plan 2020-2025 focusing on 'Enhanced organizational performance for impactful audits' as we strive to add value to society.

I extend my gratitude to Parliament of Uganda, and all other stakeholders for the support rendered during the audit year. I also thank my staff for their endurance and commitment during this period.

John F.S. Muwanga
AUDITOR GENERAL

26th February 2021

Introduction

During the current year, I planned to undertake 2,834 audits. These audits were revised to 2,724. I was able to undertake 1,204 audits leaving a balance of 1,520 audits due to the effects of Covid-19 pandemic and the restrictions/ measures instituted by Government to curb the spread of the pandemic and resource constraints. This significantly affected the flow of work from the entities and within the offices.

Highlights of the Auditor General's report

Below are the brief highlights of my findings, the details of which are in my report to Parliament for the financial year ended 30th June 2020.

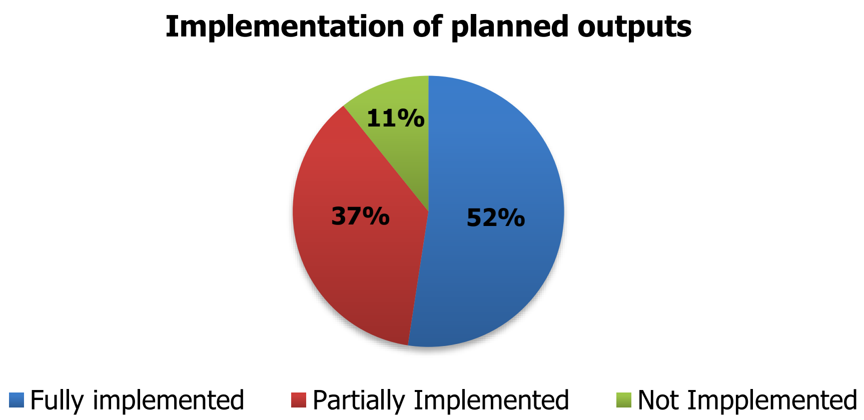
1.0 Implementation of the 2019/2020 budget

Financial year 2019/2020 was the last year of the implementation of the National Development Plan (NDP) II. A review was undertaken by NPA to assess the performance of NDP II. From the assessment, targets for 5 out of 14 (36%) assessed performance indicators were achieved by the end of the planning period. The failure to achieve a number of the planned targets was attributed to; slow implementation of core projects, limited prioritization and inadequate sequencing of interventions, land related constraints, limited access to and high cost of capital and low levels of revenue to GDP to finance infrastructure and social services among others.

With regard to the implementation of the 2019/2020 budget, Government approved a budget of UGX.40.4tn for the financial year. This was later revised to UGX.42.7tn. According to NPA, the 2019/20 budget was rated 59.7% (Unsatisfactory) compliant to the NDP II. This was a decline in performance from the level of compliance of the 2018/2019 budget which was rated 60% (Moderately satisfactory)

During the financial year, Government was able to release UGX.37.04tn (86.7%) out of which, UGX.35.06tn (94.7%) was spent leaving unspent balance of UGX.1.98tn. The under absorption was largely attributed to Covid -19 restrictions that saw a number of entities not implementing Quarter 4 activities and entities operating at 30% capacity.

I sampled 313 entities for purposes of assessing the implementation of planned outputs and noted that out of the 4,906 outputs worth UGX.10.3tn sampled for review, 3,369 outputs (68.7%) worth UGX.5.2tn were fully quantified, 625 outputs (12.7%) worth 2.9tn were partially quantified while 912 outputs (18.6%) worth UGX.2.2tn were not quantified at all. Out of a total of 3,369 quantified out-puts worth UGX.5.2tn assessed, 1,766 (52.4%) output worth UGX.1.8tn were fully implemented, 1,240 outputs (36.8%) worth UGX.3.3tn were partially implemented, while 363 (10.8%) out-puts worth UGX.139bn were not implemented at all. The outbreak of the Covid-19 Pandemic affected the implementation of the 2019/2020 budget, especially activities in the last half of the financial year. The pie chart below refers:



I advised Government to address the bottlenecks that hindered project implementation of NDPII and also consider rolling over the critical unimplemented activities under NDPII to NDPIII for implementation.

2.0 Delayed implementation of NDP III

I noted that five (5) months into the NDP III implementation period, critical activities that should have been planned and undertaken before the NDP III became effective were still on going. For instance, the National Planning Authority was still developing action plans/strategies, no Government sector had an approved Sector Development Plan, and all the MDALGs were still developing their strategic plans for the period 2020-2025.

In the absence of approved sector plans, I was unable to confirm the basis of the activities and outputs on which Government entities are implementing NDP III. There is a risk that the delays are going to subsequently affect the timelines of implementation of the NDP III and the overall achievement of the plan.

I advised Government to develop comprehensive strategies of mitigating the effects of these delays and ensure that all Sectors and MDALGs expedite the preparation, alignment and approval of their strategic plans.

3.0 Service delivery standards in Government

I observed that with the exception of Ministry of Health, all MDAs and Local Governments (LGs) lack documented Service Delivery Standards despite Ministry of Public Service issuing establishment notices guiding entities on the process of developing, documenting, dissemination and implementing Service Delivery Standards (SDS). The service delivery standards are meant to provide the minimum level of service in terms of quality and quantity expected from Government by citizens.

Government through Ministry of Public Service had not enforced actions to ensure that MDAs and LGs comply. Absence of service delivery standards negatively affects public service performance and accountability. The Accounting Officer of

MoLG explained that development of service delivery standards requires funding to complete the process yet MDALGS do not have the required funding and budget line.

I advised Government to consider prioritizing the need to fund the development and approval of service delivery standards across Government as a way of improving service delivery. The Ministry should subsequently ensure that these standards once approved are adhered to.

4.0 Underfunding of the Contingencies fund - UGX.101.4Bn

Section 26(i) of the PFMA 2015 (as amended) provides for replenishment of the Contingencies' fund with an amount equivalent to 0.5% of the appropriated annual budget of Government of the previous financial year. I observed that the approved budget for the previous financial year (FY2018/2019) was UGX.32,702.8bn, which would translate into funding of UGX.163.51bn in the year under review. I however noted that Parliament only appropriated UGX.62.07bn (38%) to the Contingencies fund, causing a deficit of UGX.101.4bn.

Underfunding of the Contingencies Fund distorts implementation of the approved budget for the current year as evidenced by requests and approvals of supplementary funding relating to natural disasters and emergencies. Government should secure and explore ways of ring-fencing the funds meant for the Contingencies Fund.

5.0 Unplanned expenditure through garnishee orders

In my previous year's report to Parliament (2018/2019), I noted that a sum of UGX.66.6bn and USD.528,000 was attached by way of garnishee orders against Government and I accordingly advised Government to devise a strategy of managing payment of debts arising out of court awards as a means of limiting recourse to garnishee of Government accounts.

However, during the year under review, the strategy had not been developed. I noted that garnishee orders against Government have still continued. I observed that three (3) entities have spent UGX.3.82bn to honor garnishee orders issued by court. Since this activity was not provided for in the initial approved budget, the MDAs used funds appropriated for other activities to honor these obligations.

Garnishee orders have affected the implementation of Governments programs as resources budgeted for planned activities are used to honor court orders. As advised last year, Government should come up with strategies of managing debts to avoid garnishee orders on Government accounts.

6.0 Supplementary funding without matching revenue

During the financial year ended 30th June 2020, supplementary funding totaling UGX.2.24tn was granted by the Minister of Finance, Planning and Economic Development. I however, noted that the exact source of the funding for the supplementary expenditure is not established before approval is granted.

As a result, the supplementary expenditure is instead financed by internal budget cuts from various votes, thus affecting the implementation of plans/ activities by the affected votes. Further, although the budget was increased to UGX.42.74tn, it was only funded to a tune of UGX.37tn, which was even lower than the earlier approved budget of UGX.40.5tn. This casts doubt as to the necessity/need of the supplementary.

I advised the Minister to always present to Parliament for approval a detailed schedule of supplementary revenue to match the supplementary expenditure for purposes of extra funding required.

7.0 Management of Covid-19 Interventions

Covid-19 pandemic coupled with Government's imposed restrictions to combat the spread of the disease, has greatly reduced the economic activity in the country. This impacted on the cash flow collections by URA and necessitated alternative sources of financing the Government budget as summarised below;

Table showing receipts for Covid-19 related Government interventions.

S/N	Funding Source	Amount (UGX. Bn)
1.	Loans	4,297.40
2.	Grants	17.98
3.	Local cash donations	11.60
4.	In-kind donations[1]	34.55
	TOTAL	**4,361.53**

Additional UGX.27.23bn was availed from the Contingency funds to support the Ministry of Health (UGX.25bn), Office of the Prime Minister (UGX.2bn) and Embassy of Beijing to support Ugandan students (UGX.233m)

Out of the UGX.4.3tn budget support, Parliament of Uganda approved a supplementary budget of UGX.284bn for multi sectoral interventions, to enable the Government respond to and manage the Covid-19 pandemic and the balance remained in the Consolidated Fund to support the budget. The funds were disbursed by the Treasury to 134 districts and 11 MDAs for the purpose during the financial year 2019/2020.

This report is in respect of the UGX.311bn comprising of UGX.284bn disbursed to the MDAs and districts, UGX.27bn released from the Contingency Fund and the

[1] This amount excludes donations received by MOH and LGs which had not been valued by the time of reporting.

in-kind donations received by the various entities. It excludes a total of UGX.17.69bn as summarised below;

Category	Amount (UGX. Bn)	Comment
Classified Expenditure	7.46	A separate report will be issued.
Parliamentary Commission	10.0	Audited and a separate report issued.
Embassy of Beijing	0.23	Report will be issued later.
TOTAL	**17.69**	

Below is a summary of the key findings I noted, the details of which are included in the individual reports issued separately;

UGX.6.68bn out of UGX.284bn was not utilised by 4 entities at the close of the financial year and was subsequently returned to the consolidated. This affected the implementation of the planned activities.

Contrary to the PS/ST's guidance to bank the funds intact, UGX.0.85bn (5%) out of UGX.17.24bn total cash donations was utilised at source in 56 entities. The balance of UGX.16.38bn was banked on designated accounts of the entities as guided by the PS/ST.

Out of 151 entities analysed, 149 (99%) entities had work plans with a total of 3,236 activities. Out of these, 3,025 activities were fully quantified while 211 (6.5%) activities were not sufficiently quantified which hindered me from assessing the extent of achievement of the activities.

Out of the 3,025 quantified activities, 2,872 (94%) activities were fully implemented while 109 (4%) were partially implemented, and 44 (1%) were not implemented at all.

A total of 25 entities undertook procurements worth UGX.143.84bn without fully adhering to the procurement rules and regulations. Some of the anomalies observed included: irregular use of direct procurements, procurements without signed contracts, late delivery of goods, payments before receiving goods and failure to involve the contracts committee.

UGX.1.317bn out of the UGX.284bn that was disbursed to 17 entities remained unaccounted for at the time of audit. I therefore could not establish whether the funds were put to proper use.

94 (68%) out of 135 entities that received donations in kind did not undertake valuations contrary to paragraph 15.5.1 of the Treasury Instructions, 2017 while 69 (51%) entities did not record the donated items in the stores. This resulted into misstatement of financial statement balances.

A total of 46 entities faced challenges in the management and operation of quarantine centres under their charge. The challenges faced included: insufficient

PPEs, lack of necessary staff at the quarantine centres, failure to provide basic utilities such as water and power and non-utilisation of the quarantine centres. This may have hampered Government efforts towards the containment of the spread of the pandemic.

Items valued at UGX.55.8bn were distributed under the Office of the Prime Minister (OPM) lacked sufficient evidence of acknowledgement to enable me verify the recipients.

Quality checks by UNBS on a sample of 14,069 metric tonnes of maize flour and 8,547 metric tonnes of dry-beans established that 2,615 metric tonnes of maize flour and 2,017 metric tonnes of dry-beans intended for distribution by Office of the Prime Minister did not pass quality checks.

UGX.10.574bn in five (5) entities was diverted and spent on items other than those for which the funds were disbursed.
I advised Government to initiate measures to raise preparedness for management of emergency situations.

8.0 Management of Government Fleet

I undertook a study on sixty-one (61) Government ministries, departments, agencies, local Governments and referral hospitals, to assess the adequacy of Government fleet management system in the delivery of public service. The study covered three (3) financial years: 2017/2018-2019/2020.

I noted the following;

- A review of 560 vehicles procured by the sampled entities revealed that (430) vehicles (77%) procured at a total cost of UGX.83.2bn were in line with the approved engine capacities, while 130 (23%) vehicles (including 10 cleared by MoPS) procured at a cost of UGX.33.9bn had engine capacities higher than the recommended. This may result into unnecessary increases in fuel and maintenance costs due to the operation of a fleet with excessive engine capacities, it may also be an indication for the need for a review of the approved engine capacities.

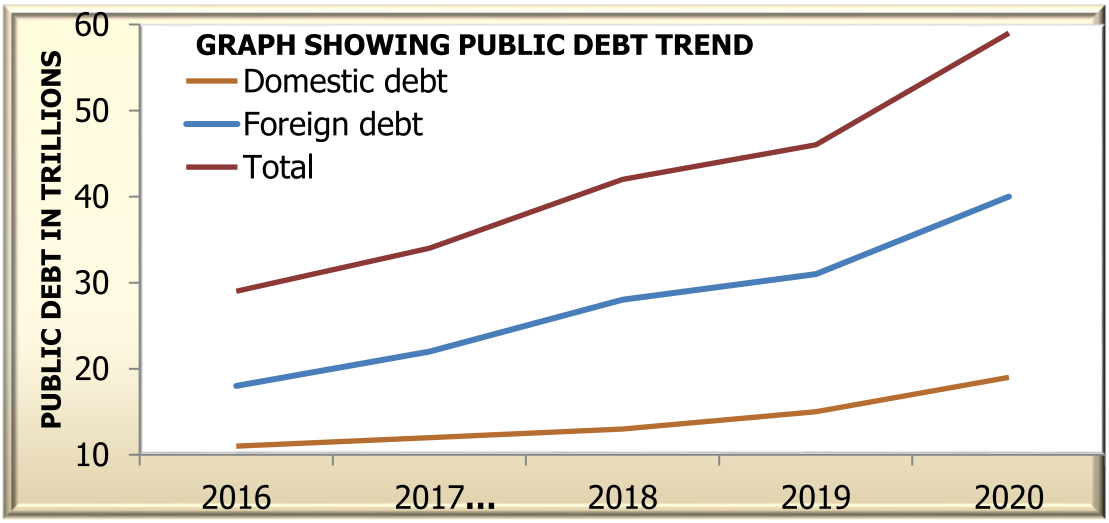
- Further, I observed that 49 entities (80.3%) out of the 61 entities did not have a specific policy or guidelines on Motor vehicle management to guide the usage and eliminate theft, losses, wastage and misuse of motor vehicles. This was in addition to the absence of a comprehensive standardized fleet management policy of Government. Different aspects of Government vehicles management are found in different policies and guidelines cited in various Government documents, such as; the Uganda Public Service Standing Orders 2010, the Public Procurement and Disposal Act, 2014, and Treasury Instructions, 2017. This affects the entities' ability to address the unique motor vehicle management challenges which may not be envisaged in the standing Orders and Treasury Instructions.

- I noted that 41 of the selected entities holding a total of 5,280 vehicles spent UGX.125.7bn on vehicle maintenance, and had an increment of 28% of the average total maintenance costs per vehicle over the 3-year period. The increasing maintenance costs were attributed to the ageing fleet. For example, 1817 vehicles (56%) out of 3260 vehicles held by 28 entities had exceeded the recommended 5 years useful life or had their mileage above the recommended 250,000km.

  There is need for Government, to undertake a comprehensive review of the current public service vehicle standardization guidelines, and consider customizing the guidelines in line with specific entity requirements.

9.0 Public debt

Over the last three (3) years, the amount of public debt has increased from UGX.33.5tn to UGX.56.83tn from June 2017 to June 2020, an increase of almost 70%. The graph below shows the growth trend;



Source: Treasury Consolidated Financial statements

The following matters are particularly highlighted;

- The International Monetary Fund (IMF) has recommended 50% debt to GDP ratio as the point of safety for developing countries and currently, Uganda has reached 41% despite rebasing its GDP last year.
- Additionally, the percentage of interest to domestic revenue has reached 13.69%, which is above the recommended cap of 12.5%.
- Uganda's credit rating outlook was revised from stable to negative. (Fitch credit rating).

The above have had a resultant effect of higher cost of borrowing which may deny future generations the opportunity to sustainably borrow.

Although Government has attributed the debt increment to the need to cover for both the revenue shortfalls and the rising expenditure needs, I have advised Government to devise a comprehensive strategy to align revenue mobilisation and fiscal policy management, as well as reducing/rationalising Government expenditures.

10.0 Low level Tax/GDP ratio

According to the International Monetary Fund, developing countries should have a Tax-to-GDP ratio of at least 15%, to ensure that they have the money necessary to invest in the future and achieve sustainable economic growth. I noted, however, that contrary to the above recommendation, Uganda's Tax/GDP ratio is approximately 12% and had averaged approximately 11% for the last three (3) years compared to an average of 19% for the Sub-Saharan region.

I advised Government to critically review the efficiency and effectiveness of the taxation measures and also to widen the tax base with a view of improving revenue collections.

11.0 Increased Commercial Bank Borrowing with non-fixed interest rates-UGX.2.806tn

The Medium Term Debt Management Strategy (MTDs) for the FY 2019/2020 provides that in the medium term, Government shall continue to prioritise concessional financing as the preferred means of meeting its financial and development requirements. Concessional loans have lower interest rates than the market rates and also provide longer grace periods. I observed that loans from Commercial banks that are non-concessional grew from UGX.192bn to UGX.2.806tn representing a 1357% spike over the past three financial years. I noted that the contracted loans had very short repayment periods with high-interest rates as compared to concessional loans.

Contracting debt at non-concessional terms has exposed the Government to high-interest rates and refinancing risk. I have advised Government to not only explore new financing options including instruments with less commercial borrowing, but to also consider reducing fiscal expenditure during periods of revenue under collection.

12.0 Under absorption of loans

A review of the loan disbursements revealed that twelve (12) loans worth UGX.1.373tn reached expiry before disbursing. The energy sector was most affected due to recurring unresolved land compensation issues affecting project implementation.

Such low levels of performance undermine the attainment of planned development targets and render commitment charges paid amounting to EUR.2.2 Million (UGX.9.5bn) in respect of undisbursed funds nugatory.

I advised Government to identify and resolve any bottlenecks hindering the absorption of loans in the energy sector.

13.0 Absence of clear policies to guide the tax exemptions and other investor incentives

I observed that there is no clear policy guideline for the issuance, management and monitoring of the different tax benefits and incentives issued by the Government to different individuals. The absence of a clear mechanism and framework exposes the scheme to mismanagement and abuse. For example, there were inconsistencies in the grant of tax benefits to the various beneficiaries as some were in conflict with earlier policy decisions that were made by Government. A case in point is granting a waiver of import duty for steel goods while offering a 10 year tax holiday to the steel sector with the aim of promoting growth of the sector as well as boosting employment.

I advised Government to develop a comprehensive framework to guide the identification of beneficiaries/criteria, the nature of benefits to be granted, the duration of the grant and monitoring and evaluation mechanisms.

14.0 Domestic arrears

14.1 Accumulation of domestic arrears

According to the commitment control system procedures, a Permanent Secretary is supposed to commit Government only to the extent of available funds. In addition in November 2016 the PS/ST issued a circular which prescribed the criteria to be met for arrears that can be recognised in the financial statements.

However, the trend of the domestic arrears for the past three years has continued to escalate despite several interventions by the Treasury as shown in the table and figure below.

Table 1: Showing Accumulation of domestic arrears

No	Year End	Amount (UGX)	% Increase/decrease
1	30th June 2018	2,567,489,551,939	
2	30th June 2019	3,334,699,967,995	29.9%
3	30th June 2020	3,838,564,580,857	15.1%

Figure 1: Showing trend of domestic arrears

Continued incurrence of domestic arrears adversely hampers budget performance in the subsequent year as outputs anticipated in the appropriated budget cannot be attained due to settlement of the arrears.

I advised Government to strictly adhere to the Government commitment control system to minimise incurring new arrears.

14.2 Inadequate budget for domestic arrears

The approved budget estimates of Government for the past two financial years indicated that the Accounting Officers did not make sufficient budget provisions towards the settlement of domestic arrears despite the accumulation of a total of UGX.3.334tn in un-paid obligations. The amount provided in the budget for 2019/2020 was only UGX.449.5bn which is 13.4% of the reported arrears for the previous financial year.

I advised the Permanent Secretary/Secretary to Treasury to devise means of obtaining funding to substantially settle the arrears and also instil measures to stop the accumulation of arrears by the respective MDALGs.

15.0 Nugatory Expenditure in Interest on delayed payments to contractors - UGX.13.0bn

UNRA and KCCA made payments amounting to UGX.13.0bn that arose out of penalties for the court cases and interest on delayed payments of advances and Interim Payment certificates from various contractors. The expenses of interest on delayed payment are considered nugatory and should have been avoided had payments been effected within the contractual period.

The issue was attributed to inadequate funding leading to the entities' inability to settle certificates of approved works within the contractual period, which makes contractors invoke the clause in the contract and claim interest on unpaid certificates.

There is need for Government to prioritise timely payment of contractors to avoid the penalties imposed as a consequence of delayed payment.

16.0 Unfunded Town Councils

Government has over the last years created a Local Governments particularly Town Councils which should be financially independent from the Districts from which they were created in line with Section 79 of the Local Governments Act.

Records reviewed indicated that Government had created a total of 584 town councils by June 2019/2020 out of which only 228 have been approved by MoFPED for direct access of resources from the national budget. As explained last year, it requires on average UGX.1.8bn to run a Town Council. This implies that the balance of 356 town councils would require approximately UGX.640.8bn for both development and operational costs. Failure to fund Town Councils significantly affects the ability of these Town Councils to Operate and deliver services.

It appears that Government is increasingly finding challenges to provide the required funding for the newly created Town Councils.

I have advised Government to ensure that for any additional administrative institutions, created, this should be matched with the available resources.

17.0 Government investments through Uganda Development Corporation (UDC)

The Government of Uganda has made investments worth UGX.191.6bn in fourteen (14) projects since 2010 through UDC. However, the investments have been met with several challenges and progress is very slow. I noted eight (8) of the fourteen (14) projects are still at feasibility study phase after eight years of implementation.

I further observed that the rate of funds absorption is low, with UGX.24bn unabsorbed at the close of the year. Also noted was that Management reallocated a total of UGX.9.4bn of investment funds to cater for recurrent headquarter operations, during the FY 2019/2020. The continued failure to utilize appropriated funds for the purposes intended hampers fulfilment of the UDC mission.

18.0 Delayed Commissioning of Karuma HPP

General Condition of Contract (GCC) 17.1 of the Engineering Procurement Contract (EPC) provides that the time for completion of the Project, including time required for creation of construction facilities and Infrastructure Works, shall not exceed 60 months reckoned from the start date. The Effective Date was August 16, 2013 implying that the initial completion date of the dam was December 16, 2018.

However, a review of the fourth quarter progress report revealed that the completion date for the Karuma HPP was extended to 30th November 2020, resulting into a delay of two (2) years from the initial planned commissioning date. This was majorly attributed to delays in land acquisition and the impact of Covid-19.

The delays in project completion may result into increased supervision costs, additional costs arising from claims by the EPCC, and increased commitment fees payable on undrawn balances of the loan. As at 30th June 2020 GoU had as a result paid commitment fees amounting to USD.11.9 Million.

I advised management to expedite the construction of the Hydro Power Plant. In addition, management should continue engaging MEMD and relevant stakeholders in order to expedite the process of land acquisition/compensations.

19.0 Undeclared Mineral Imports and Exports

I noted from a review of URA customs data that 10,273 tonnes of exported Vermiculite worth UGX.8.3bn, were not declared to the Department of Geological Survey and Mining (DGSM) an as a result, royalties worth UGX.102.7 Million were not collected from vermiculite exports.

Similarly, between FY 2017/2018 and FY 2019/2020, minerals, such as; Tantalum and Tungsten worth UGX.26.3bn were exported out of the country without export permits as required by the law. Without notification of the DGSM by URA customs as required, there could be significant potential revenue losses in terms of uncollected royalties.

Management explained that in terms of mineral exports, the Ministry will continue engaging the URA to ensure that mineral exports are accompanied with permits. In addition, the Ministry has also provided procedures and requirements for Export of minerals out of the country to all customs border point including Entebbe International Airport. The Ministry will harmonise the exports from the URA with the one of the ministry and assess and collect the royalty due.

I advised management at MEMD to liaise with URA to ensure that there is timely notification of the DGSM before minerals are imported or exported so as to ensure royalties have been computed, mineral origins are ascertained and import and export permits issued as required by the law.

20.0 Unsustainable deemed energy payments

According to several Power Purchase Agreements (PPAs) and other implementation agreements signed between the Independent Power Producers (IPPs), GoU, and UETCL, Government committed to construct power evacuation infrastructure from the IPPs generation facilities to the distribution network upon commencement of generation of power by IPPs. The failure to dispatch power constitutes deemed Energy and UETCL shall make payments to IPPs for such Energy in accordance with the provisions in the agreements.

I noted that the deemed energy claims by Achwa River Energy Project (ARPE) during the financial year had accumulated to UGX.64.69bn of which, only UGX.10.33bn was released through the MEMD leaving unpaid claims of UGX.54.36bn. As a result, GOU through UEDCL constructed an emergency double circuit power evacuation line at a cost of about UGX.34bn, which however has been found ineffective to evacuate all the power generated by the dam.

Furthermore, a review of the deemed energy payment reconciliation schedules from UETCL established that UETCL incurred deemed energy payments for Mini Hydropower Plants amounting to USD.5.96 million (approx. UGX.22.2bn) and USD.6.42million (approx. UGX.23.9bn) in the FYs 2018/2019 and 2019/2020, respectively. These payments were attributed to inadequate transmission infrastructure, line outages and insufficient demand in some instances.

The deemed energy liabilities/payments amounting to UGX.46.1bn at UETCL as at 30th June, 2020 are unsustainable and cause a significant strain on Government resources. In addition, deemed energy charged through the tariff negatively impacts on consumer electricity prices, which may be a hindrance to electricity demand, thus slowing economic growth.

Management at both the MEMD and UETCL explained that the deemed energy clause in power purchase agreements was initiated when Government had no sufficient power generation capacity to meet the demand. This was an initiative to attract investors in the electricity sub sector. However, Government has since transitioned from generation deficit to generation surplus, and therefore, the deemed energy clause has been removed from new power purchase agreements signed between UETCL and Power generation developers.

I advised Management at MEMD and UETCL to liaise with the relevant stakeholders such as MoFPED and Development Partners to ensure that adequate funds are provided for construction of appropriate transmission infrastructure to evacuate any amount of power generated. In addition, the deemed energy liability incurred should be settled without further delay. Effort needs to also be made to renegotiate the earlier agreements entered into.

21.0 Slow progress of works on Kampala flyover construction and Road upgrading project and the Northern Bypass

Two major road projects, Kampala Flyover Project (KFOP) and the Kampala Northern Bypass Phase II (KNBP) have dragged on since 4th May 2019 and 14th July 2014 respectively. By end of September 2020 the progress of physical works on KFOP was estimated to be at 4.94% and the total contract time that had elapsed was 53.2%. For KNBP the progress of physical works was estimated to be 77.4% and the construction had been planned to take 36 month (3 years) has so far taken 78 months (6 and half years), which was a time lapse of 217% and still on-going.

Slow progress of the works were attributed to; delayed access to site at various locations, delayed relocation of utilities obstructing the planned works, the addition and increased scope of works and quantities and limited equipment deployment in the early period of the projects. Delayed completion of works inconveniences surrounding business community and denies the intended beneficiaries timely use of the infrastructure and may result in escalation of project costs in terms of contractors' claims.

I advised the Accounting Officer to:

- Ensure that the contractors are offered full access to the sites through timely compensation of the Project affected persons to avoid claims and notices to claim.
- Ensure that the contractors fully mobilize the required equipment at the start of the Projects to enable timely execution of Project works.
- Ensure more detailed feasibility studies and design review before commencement of the Projects to enable a more comprehensive estimation of the scope of works.

22.0 Youth Livelihood Programme

The youth livelihood programme (YLP) is a rolling Government of Uganda Programme, targeting the poor and unemployed youth in all the districts in the country. To-date the programme has accumulatively enrolled 138,094 (48.3%) youth of the targeted 286,200. Similarly, of the targeted 23,850 youth projects, 12,118 (50.8%) have been funded as at 30th June 2020.

Since inception of the Program, a total of UGX.102.74bn was disbursed, inclusive of UGX.9.45bn that was revolved, resulting into actual disbursement over the period of UGX.93.3bn. Out of the amount disbursed, only UGX.37.04bn (40%) was recovered leaving a balance of UGX.56.26bn outstanding. Of the recovered amount, only UGX.9.4bn (25.4%) was revolved to other youth groups, and UGX.2.12bn was not remitted to the National Recovery Account with BoU. The table below summarizes the program performance since its inception;

SN	Category /year	Total as of 2016/17 (a)	During 2017/18 (b)	During 2018/19 (c)	During 2019/20 (d)	Cumulative Totals as of 2019/20
1	Number of Beneficiary Groups	3,289	4,599	4,218	12	12,118
2	Number of beneficiary Individuals	38,552	52,836	46,569	137	138,094
3	Number of benefiting districts	125	152	158	2	-
4	Amount Due for recovery (cumulative)					56.26bn
5	Amount recovered (cumulative)					37.04bn
6	Amount remitted to Bank of Uganda	8.15bn	15.60bn	4.06bn	7.11bn	34.92bn
7	Amount revolved	0	7.96bn	1.37bn	0.126bn	9.45bn
8	Amount disbursed but not from recovery	26.14bn	30.5bn	36.7bn	-	93.3bn
	Total amount disbursed (6+7)	**26.14bn**	**38.5bn**	**38.0bn**	**0.126bn**	**102.74bn**

It was explained that recovery amounts declined due to the inadequate provision of operational funds to local Governments which was occasioned by inadequate releases from MoFPED. In addition, the Ministry has engaged stakeholders to provide adequate funds to support LG monitoring and sensitization of the groups, and advised LGs to institute standing orders with the commercial banks to directly remit all recoveries to the BoU national recovery account. Furthermore, the ministry has developed the YLP Management Information System that is to be rolled out in the entire country to improve on information sharing.

I advised Government to continue engaging stakeholders to roll out the system that would enhance processing of applications and disbursement of fund to the youth groups, and consider instituting memoranda of understanding with the commercial banks to ease transfer of revolving funds.

23.0 The Uganda Women Entrepreneurship Fund (UWEP)

Uganda Women Entrepreneurship Program (UWEP) commenced in the Financial Year 2015/2016, and it was designed to address the challenges women face in undertaking economically viable enterprises. Women are faced with challenges of; limited access to affordable credit, limited technical knowledge and skills for business development, limited access to markets, and limited information regarding business opportunities.

As of 30th June 2020, the total cumulative programme budget was UGX.149.3bn of which UGX.107.0bn (71.7%) had been released. Of the released amount, UGX.66.7bn (62.3%) was disbursed. Over the years, the Program performance can be summarized in the table below;

SN	Category / year	Total as of 2015/16 (a)	Total as of 2016/17 (b)	During 2017/18 (c)	During 2018/19 (d)	During 2019/20 (e)	Cumulative Totals as of 2019/20
1	Number of beneficiary groups	94	2,334	3,644	3,588	1,596	11,256
2	Number of beneficiary Individuals	1,148	29,522	45,846	44,363	18,973	139,852
3	Number of benefiting districts	7	104	140	145	71	
4	Cumulative amount due for recovery						22.4bn
5	Cumulative amount recovered						16.9bn
6	Amount revolved	-	-	-	-	0.941bn	0.941bn
7	Amount disbursed but not from recovery	0.456bn	12.11bn	20.88bn	23.25bn	9.99bn	66.7bn
	Total amount disbursed (6+7)	**0.456bn**	**12.11bn**	**20.88bn**	**23.25bn**	**10.9bn**	**67.6bn**

During the year under review, out of the budgeted UGX.30.3bn for UWEP activities, a sum of UGX.16.5bn (54.5%) was released indicating a budget shortfall of UGX.13.8bn (45.5%). Out of the released amount, only UGX.10.0bn (60.6%) was disbursed.

Like in the Youth development programme, the Women Programme faced similar implementation challenges. There are still inadequacies in the rate of revolving and recovering the funds. Out of UGX.16.95bn recovered by June, 2020, only

UGX.0.92bn had been revolved to other groups leaving a sum of UGX.16.0bn remaining un-revolved. In addition, UGX.5.4bn, constituting fully recoverable funds as at 30th June, 2020, remained outstanding. Furthermore, recoveries by districts amounting to UGX.1.8bn were not remitted to the National Recovery Account with BoU, and recoveries amounting to UGX.0.61bn could not be tagged to any District Local Governments or individual women groups due to lack of reconciliations.

It was explained that Management had undertaken steps to address the identified inadequacies including; writing to all LGs to institute standing orders to automatically transfer all funds recovered to the Central Recovery Account, and increased targeted support supervision visits to defaulting Local Governments together with Ministry of Local Government inspectors, and set up communication platforms for Regional Programme officers to ease constant reminders to Local Governments to transfer recovered funds.

Government was advised to liaise with other stakeholders to have adequate funding for the program. In addition, procedures for improving the revolving fund mechanism should be enhanced. The reconciliation of district returns with the bank of Uganda statements should also be undertaken in a timely manner in addition to promptly updating the recovery ledgers.

24.0 Case backlogs

A four (4) year trend analysis of the schedule of cases under the office of the Directorate of Public Prosecution shows that the number of cases increased from 1,993,572 to 2,373,433 with 379,861 (19%) cases registered during the year under review. I noted that only 168,286 cases (representing 7%) were concluded through conviction, acquittal, withdrawal, dismissal and closed files, and the number of outstanding unresolved cases stood at 2,205,147 at the close of the financial year.

Similarly, I noted that at the DGAL the Directorate analysed 1,784 cases out of 2828 applications received, which is 63.2% of the targeted 90%. The backlog cases (those yet to be investigated) has reduced by 2,067 (39.89%) from 3,492 in the previous year to 2,099.

As a consequence of slow progress of the case settlement, the current occupancy rate for most of the prisons is more than the holding capacity of these facilities. Some stations had occupancy percentages of over 2,000%, with Amuria being the highest with over 2,971% occupancy rate against the set target of 100%. In some cases, the number of prisoners was over ten (10) times the holding capacity.

There is need for the Judiciary and Land Sector to develop strategies to expedite settlement of the overwhelming numbers of unresolved cases.

25.0 Engineering Audit of selected Road Projects

For the financial year 2019/2020, a total of 64 projects (Development, rehabilitation and bridge projects) with a total contract sum/value of UGX.12.5tn were under implementation by UNRA. A sample of thirteen (13) projects (development, rehabilitation and bridge projects) with a contract value of UGX.2.99tn were selected for audit. This sample represents 23.86% of the value of the 64 projects.

Thirteen (13) UNRA projects were sampled for audit. Five (5) (38%) of the projects were observed to have been initiated without adequate planning, which translated into major design changes during implementation, multiple extensions of time for some projects, delays in design reviews, delays in issuing revised design reports for implementation, variations in quantities during implementation, cost and time extensions. For instance;

- Relocation of facilities was underestimated for Kyenjojo-Kabwoya road project by over 127%.
- The concept design for Masindi-Park junction-Tangi road project through Murchison falls National Park resulted in reduction of road width in the park section which may result in a potential nugatory expenditure of USD.4.88m.
- Underestimation of quantities by UGX.16bn (11.95% of the original contract) for Kigumba Bulima-Kabwoya road project. In addition, there was an omission of about 0.8Km of swamp sections of 4m average depth for the same road project resulting in four times the requirement for swamp treatment.
- Underestimation of quantities for Masaka-Bukakata road project due to inadequacies in geotechnical investigations.
- Absence of detailed design at contract commencement for Hima-Katunguru rehabilitation road project.

The Accounting Officer explained that consultations are being made with utility companies to estimate relocations prior to issuance of bid documents. Consultations are also made with relevant MDAs where assessment of impact on biodiversity of the roads is required prior to issuance of the NEMA ESIA certificate. In addition the development of bills of quantities at design stage is being supervised by the Manager Quantity surveying before procurement of works contracts to minimize estimation errors.

I advised the Accounting officer to consult the key stakeholders during concept design.

25.1 Delays in completion of design reviews

Design review is a key component of construction supervision for which any delay affects implementation of the projects leading to cost escalations. For 7 out of 13 road and bridge projects assessed, the following were observed in respect of delays.

- For the Kyenjojo-Kabwoya project, the first design review of the road design report was delayed by 1 month while the final review was delayed by 9 months.
- For the Akisim-Moroto road section, the first review of the road design report was delayed by 3 months while the final review delayed by 9 months.
- For Bulima-Kabwoya project, while the review was scheduled for 6 months, it was delayed by over 24 months.
- For Masaka-Bukakata road project, the design review delayed by over 60 months (5 years) with multiple reviews leading to a net increase in project cost of UGX 16.3bn.
- For Fort Portal Hima road project, outstanding revised road designs were issued more than one year from date of submission of first drawings.
- For Hima-Katunguru project, there was delay in issuance of final design drawings by over 12 months.
- For the design and build of lot 3 bridges projects reviewed; the draft and final design that was to be submitted in 12 and 20 weeks respectively, was submitted in 16 and 32 weeks respectively.

I advised the Accounting Officer to consider charging damages on consultants that fail to deliver design reviews on time.

25.2 Delays in progress of works

Three UNRA road projects assessed had significant delays in progress of works as shown below:

- For Bulima-Kabwoya road project that was initially scheduled for 30 months, after 52 months the project has achieved 97% completion.
- Masaka-Bukakata road project had a 13.9% physical progress lag.
- A delay of over 44 days on Hima-Katunguru road project (UGX.660m delay damages) was noted.

I advised Government to put in place measures to ensure that the works are expedited and completed within the scheduled timelines.

25.3 Lack of Disputes Boards

Two road projects namely Akisim-Moroto project (under Defects Liability Period) and Fort Portal-Hima road project under construction did not have fully constituted dispute boards as required, that is; 90 days after commencement. The boards are necessary to resolve timely any disagreements between UNRA and the contractors that arise during contract implementation.

It was explained that the delays were due to the contractor's objection and preferred particular Dispute Boards.

I advised Government to complete the process for constituting Dispute Boards for ongoing projects and always ensure timely appointments.

26.0 Preparedness for management of locust invasion in Uganda

On 9th February 2020 a desert locust invasion was reported in Uganda. In order to respond to this emergency MAAIF was advanced a sum UGX.24bn. These funds were meant for surveillance, sensitization and awareness creation, capacity building of key stakeholders, enhancing national coordination for preparedness, ground and aerial spraying and payment of arrears to the Desert Locust Control Organisation for East Africa (DLCOEA).

A review of utilisation of the funds revealed the following;

- Included in UGX.24bn is UGX.11.10bn (USD.3 Million) paid to Desert Locust Control Organisation for East Africa (DLCOEA) as part payment for arrears for the period 1st July 1982 to 1st July 2019. This demonstrated lack of preparedness in planning for emergencies of such nature on the part of the Ministry.
- I further observed that during the intervention, MAAIF had developed a national strategy, action plan and budget for the control of the desert locusts based on the available information from other earlier affected countries. Along the way, Cabinet directed a change in strategy to conduct ground spraying which eventually affected Ministry's implementation of the planned outputs involving a sum of UGX.5.1bn.
- Further, the activities highlighted above were to be implemented in the months of February, March and April 2020. By the end of April 2020, the pesticide supplier had delivered pesticides worth UGX.2.75bn which is 14% of the order. The balance was delivered in the month of June (16%) and August (70%).

In view of the above, the Ministry is inadequately prepared to for these emergencies. In the previous years, I observed that the Ministry has faced challenges in handling water hyacinth, floating islands on major water bodies, army warms that caused loss of over 450,000 tonnes of maize, foot and mouth outbreaks among others.

I advised Government to initiate comprehensive and efficient disaster preparedness plans in the core Agriculture sectors of fisheries, crop resources, animal industry and extension services so as to timely combat these recurrent emergency outbreaks.

27.0 Unpaid Court Awards and Compensations

The outstanding amount in Court awards and compensations has been accumulating over the last nine (9) years except for a slight decrease in the year under review of 12.6%. The trend is shown in table 9 below:

Table 9 showing the trend analysis of court awards and compensations

No	Financial Year	Outstanding Amount (UGX.)	%Percentage increase from the previous year
1	30th June 2012	54,009,997,832	
2	30th June 2013	164,163,101,576	100%
3	30th June 2014	253,000,000,000	57%
4	30th June 2015	442,161,234,933	75%
5	30th June 2016	680,830,522,791	54%
6	30th June 2017	676,818,974,843	-0.6%
7	30th June 2018	655,134,362,209	-3%
8	30th June 2019	550,280,125,664	-16%
9	30th June 2020	**392,428,099,424**	-28.6%

Delayed settlement of the court awards and compensation obligations have resulted in Government accumulating interest of UGX.185.3bn on the principal amounts, penalties and damages.

It was explained that the unpaid court awards, compensations and other domestic arrears are attributed to the insufficient budget provision made by MoFPED. Management has persistently engaged MoFPED to retire the entire domestic arrears to no avail.

Government was advised to continue engaging MoFPED to ensure sufficient budget provisions are made to cater for settlement of outstanding domestic arrears and to strictly adhere to the Government commitment control system to avoid the risk of overcommitting Government

28.0 Garbage Management in Urban Authorities

28.1 By-laws on Garbage Management

A review of a sample of 21 Urban Councils (UCs) revealed that 06 (29%) had approved by-laws in line with Section 39(1) of Local Government Act, 1997 (as amended) that empowers UCs to make by-laws in relation to their powers and functions. The other 15 (71%) were found lacking. Of the 71% that lacked the bylaws, 05 (33%) had draft by-laws that were awaiting the approval of either the respective Council and/or the Attorney General. The existence of by-laws streamlines the implementation of garbage management activities in UCs.

Government should fund and enforce the development and enactment of by-laws by all UCs to ensure better garbage management, leading to cleaner environs.

The Attorney General’s office should expedite the processes for approval of by-laws.

28.2 Funding of Garbage management in Urban Councils

I obtained funding data/information relating to garbage management for three financial years (2017/2018 to 2019/2020) and analyzed the funding of the 21 Urban Councils.

The analysis revealed that the Urban Councils received on average 79% of the budgeted funds for garbage management in the year under review (FY 2019/2020), which was more or less the same in the FYs 2018/2019 and 2017/2018, where the outturn was 80% and 79% respectively. This is a challenge to the UCs, given that the volumes of garbage generated keeps increasing, as the population increases.

Government should increase the funding to Urban Councils for better management of garbage collection. I also advised the Accounting Officers to consider coming up with policies of charging the inhabitants monthly fees to fund solid waste management.

28.3 Equipment and facilities for Garbage collection and disposal

Equipment, facilities and logistics are critical in the collection and disposal of garbage. I observed that critical equipment and facilities like garbage trucks, garbage skips and skip loaders, among others, were inadequate in the UCs.

Analysis of 14 UCs revealed that there were only 14 (35%) garbage trucks out of the required 40, to transport garbage to the dumpsites. In addition, the UCs had only 67 (27%) and 11 (55%) of the required number of 251 and 20 garbage skips and skip loaders respectively. In addition, I assessed the status of available equipment and facilities and noted that some were either too old or grounded (non-functional) which worsened the situation.

Government should take deliberate steps to support UCs with adequate equipment and facilities to enable proper garbage collection and disposal.

29.0 Existence and implementation of Physical Development Plans in Urban Councils

29.1 Lack of Approved UPDP and detailed plans

I noted that **12 (29%)** MCs had approved UPDPs and detailed plans which guide Physical development in their respective municipalities within their planning areas while **29 (71%)** MCs lacked approved UPDPs implying that such councils face risks of unregulated physical developments which is undesirable and may become expensive to the municipalities in future when physical Development Plans are put in place for implementation.

It was explained that the UPDPs had expired and the updating process was ongoing while others explained that the drafts had been submitted to the National Physical Planning Board for approval.

I advised Government to expedite the process and ensure UPDPs and detailed plans are put in place for implementation.

29.2 Lack of Urban Planning Committees

I noted that 28 (68%) MCs had no Physical Planning Committees in place or the Committees were not fully constituted to undertake the functions of the committee which include;

- To cause preparation and details of physical development plans
- To approve development applications
- To supervise development activities
- To recommend to the National Physical Planning Board (NPPB) changes in land use for approval.

Consequently, physical developments undertaken within the Municipal Council' physical planning areas may not have been well determined and managed by the respective MCs. This was mainly attributed to lack of Physical Planners from private practice and Architects.

I advised Government to engage the relevant stakeholders to nominate members and ensure that the committees are fully instituted and are functional.

30.0 Status of basic medical equipment for maternal health in (Regional Referral Hospitals/ District Hospitals & Health Centre IVs)

30.1 Lack of adequate medical equipment at the Health Facility

Section 7.26 to 7.28 of Health Sector Service standards & Service delivery standards, 2016 defines the appropriate functional equipment and tools required for handling normal delivery, resuscitation of new born, and emergency care and resuscitation of mothers. However, I observed that a sample of 67 out of 148 Health Facilities lacked adequate medical equipment as indicated in the **table below.**

Table showing lack of adequate medical equipment in Health Facilities

SN.	Type of facility	No. of facilities sampled	Total required No. of equipment.	Available No. of equipment	Variance
1	Regional referral Hospital (RHH)	5	390	74	316
2	District Hospital (DH)	23	1,541	326	1,215
3	Health Centre IV (HC IV)	39	1,638	509	1,129
	Total	**67**	**3569**	**909**	**2660**

Source: OAG analysis

From the table above, the following was noted:

- A review of five (5) out of fourteen (14) Regional Referral Hospital medical equipment revealed that there is significant shortage in medical equipment consisting majorly of 45 infant warmers, 33 monitor, 35 incubator infants, 25 fetoscopes, 23 delivery beds,23 Diagnostic equipment-MCH, 21 Vacuum extraction, 19 Diagnostic Equipment-Nurse, 16 Weighing scale, 14 Blood warmer, 13 Electric suction machine, 13 Ultrasonic Doppler fetal, 13 Head lamp, 10 Infusion pump, 10 Sterilization steam, 8 Oxygen concentrator, 8 Emergency trolley, and 2 Oxygen cylinder.

- A similar review of Twenty – three (23) out of Thirty - nine (39) District hospital revealed that there is significant shortage in medical equipment consisting majorly of; 210 Pulse oximeter, 188 MVA set, 169 Drip stands, 100 Instrument set delivery and other items.

- Additionally, I reviewed Thirty – nine (39) out of Ninety – five (95) Health Centre IVs and noted significant shortage in medical equipment consisting majorly of; 256 Fetoscopes, 133 Blood pressure machines [bp], 130 Penguine sucker, 125 Delivery sets and other items.

Consequently, the health facilities were not able to provide adequate screening and diagnostic services to the patients.

This was attributed to inadequate financial resources at the Health Units, Centralized procurement of medical equipment by Ministry of Health and lack of budget line for purchase of medical equipment by National medical stores. I advised Government to identify resources and equip the health Units.

30.2 Failure to maintain the medical equipment

I observed that in 14 Health centers comprising of 4 District Hospitals and 10 Health Centre IVs there was no regular maintenance of the medical equipment. Consequently, this may lead to increased breakdown of medical equipment, increased repair costs and failure to meet the medical requirements of the patients.

This was attributed to lack of; a maintenance policy/work plan, bio medical equipment, technicians at the Health Centre, a mobile workshop vehicle, spare parts and accessories rendering the equipment unusable or obsolete as well as reliance on one regional maintenance workshop.

I advised Government to allocate resources to the regional maintenance workshops to support maintenance of medical equipment in the Health Centers.

31.0 Payroll Management in Local Authorities

31.1 Pension arrears

I noted that out of 170 Local Government, 11 Local Government had not paid pension and gratuity to pensioners accumulating pension and gratuity arrears to the tune of UGX.5,840,720,665. Accumulation of pension and gratuity arrears poses challenges to the claimants and beats the purpose for which gratuity and pension is paid after retirement.

It was explained that the arrears were submitted to Ministry of Finance, Planning and Economic Development for further verfication and funding. I advised Government to expedite the payment process.

31.2 Fraudulent transactions

A review of the payroll data and IFMS payments for 170 Local Governments, revealed 5 votes that had made fraudulent transactions worth UGX.2.858bn.
I advised the affected Accounting Officers to take necessary action and inform the relevant authorities to instate detailed investigations to enable prosecution. Meanwhile I have instituted a wider audit in all Local authorities given this red flag to ensure elimination of such corruption tendencies and reinstatement of the necessary internal controls.