

THE REPUBLIC OF UGANDA

REPORT OF THE AUDITOR GENERAL ON THE MINISTRY OF WORKS AND TRANSPORT FOR THE AUDIT YEAR ENDED DECEMBER 2024

OFFICE OF THE AUDITOR GENERAL
UGANDA

DECEMBER 2024

PREAMBLE

This report presents the findings and recommendations of the Auditor General on the Ministry of Works and Transport for the Audit year ended 31st December 2024. The report is based on a comprehensive analysis of the evidence gathered from the audits undertaken during the year and is intended to provide stakeholders with a clear understanding of the key findings and conclusions of the Auditor General. The recommendations outlined in this report aim to support the entity in achieving its goals and objectives and to promote better service delivery.

This report has 5 sections: Section 1 contains the financial audit report for the FY ended 30th June 2024, Section 2 has key findings on compliance with the specified regulatory framework, section 3 highlights an evaluation of the Ministry's performance, Section 4 highlights the summaries of key findings arising from other audit engagements undertaken by the Auditor General on the Ministry and Section 5 highlights the project audited under the Ministry.

Where only summaries have been included in this report, detailed reports concerning the same have been issued separately.

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LIST OF ACRONYMS

S/N	Acronym	Meaning
1.	Bn	Billion
2.	DRC	Democratic Republic of Congo
3.	DRRU	District Rural Rehabilitation Unit
4.	DUCAR	District Urban Community Access Roads
5.	EAACA	East African Civil Aviation Academy
6.	ESIA	Environmental and Social Impact Assessment
7.	FLA	Ferry License Agreement
8.	FY	Financial Year
9.	GoU	Government of Uganda
10.	IA	Implementation Agreement
11.	IESBA	International Ethics Standards Board for Accountants
12.	IFMIS	Integrated Financial Management Information System
13.	INTOSAI	International Organization of the Supreme Audit Institutions
14.	IPC	Interim Payment Certificate
15.	ISSAIs	International Standards of Supreme Audit Institutions
16.	KIS	Kalangala Infrastructure Services
17.	MDA&LG	Ministries, Departments, Agencies and Local Governments
18.	MELTC	Mount Elgon Labor Based Training Centre
19.	Mn	Million
20.	MoEMD	Ministry of Energy and Mineral Development
21.	MoFPED	Ministry of Finance, Planning and Economic Development
22.	MoICT&NG	Ministry of Information Communication Technology and National Guidance
23.	MoLG	Ministry of Local Government
24.	MoLUD	Ministry of Lands, Urban housing and Development
25.	MoPS	Ministry of Public Service
26.	MoWE	Ministry of Water and Environment
27.	MoWT	Ministry of Works and Transport
28.	MTEF	Medium Term Expenditure Framework
29.	MVIS	Motor Vehicle Inspection Services
30.	NAA	National Audit Act
31.	NDP	National Development Plan
32.	PAPs	Project Affected Persons
33.	PDM	Parish Development Model
34.	PDMIS	Parish Development Management Information System
35.	PFMA	Public Finance Management Act
36.	PPDA	Public Procurement and Disposal of Public Assets Authority
37.	PSC	Public Service Commission
38.	RoW	Right of Way
39.	SG	Solicitor General
40.	SGR	Standard Gauge Railway
41.	TIs	Treasury Instructions
42.	UCAA	Uganda Civil Aviation Authority
43.	UGX	Uganda Shilling
44.	USD	United States Dollar
45.	WG	Working Group

SECTION 1: REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF THE MINISTRY OF WORKS AND TRANSPORT (MOWT) FOR THE YEAR ENDED 30TH JUNE, 2024

THE RT. HON. SPEAKER OF PARLIAMENT

Opinion

I have audited the financial statements of the Ministry of Works and Transport (MoWT), which comprise the Statement of Financial Position as at 30th June 2024, the Statement of Financial Performance, the Statement of Changes in Equity, and the Statement of Cash Flows, together with the other accompanying statements for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements of the Ministry of Works and Transport for the financial year ended 30th June 2024 are prepared, in all material respects, in accordance with Section 49 of the Public Finance Management Act, Cap 171 and the Financial Reporting Guide, 2024.

Basis for Opinion

I conducted my audit in accordance with the International Standards of Supreme Audit Institutions (ISSAIs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Commission in accordance with the Constitution of the Republic of Uganda, 1995 (as amended), the National Audit Act, Cap. 170, the International Organization of Supreme Audit Institutions (INTOSAI) Code of Ethics, the International Ethics Standards Board for Accountants (IESBA) Code of Ethics for Professional Accountants (Parts A and B) and other independence requirements applicable to performing audits of Financial Statements in Uganda. I have fulfilled my other ethical responsibilities in accordance with the IESBA Code and in accordance with other ethical requirements applicable to performing audits in Uganda. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the financial statements of the current period. I have determined that there are no key audit matters to communicate in my report.

Emphasis of Matter

Without qualifying my opinion, I would like to draw the readers' attention to the following matters which have been presented or disclosed in the financial statements of the Ministry;

1.1 Capitalisation of all historical non-current assets

The Ministry of Works reported total assets of UGX.1,412.20Bn in the Statement of Financial Position, up from UGX.500.59Bn in the previous financial year (2022/23). The significant increase in the value of reported assets is primarily attributed to a change in accounting policy, following guidance from the Accountant General in his

communication Ref. AGO 50/90/01 dated 20th June 2024, which mandated all entities to capitalize their historical tangible assets (Property, Plant and Equipment, and Land) under their control in the Statement of Financial Position.

1.2 Long outstanding payables

Paragraph 10.15.4 (b) of the Treasury Instructions 2017, states that Expenditure arrears are bills that remain outstanding beyond the financial year in which they were incurred and pose a big risk against effective budget execution. For this reason, Accounting Officers are required to give priority to payment of all other arrears by giving them first call in the allocation of resources during the budgeting process of the responsible vote.

Management disclosed payables of UGX.242.55Bn on page 17 of the statement of financial position. Contrary to the requirements of the Treasury Instructions, an ageing of the disclosed payables revealed that nine (9) payables with the value of UGX.30.98Bn have been outstanding for more than three years, four (4) payables worth UGX.261.67Mn have been outstanding for more than one year but less than three years and thirty (30) payables with the value of UGX.211.31Bn have been outstanding for less than one year. Refer to the Table below;

Table 1: Summary ageing of payables

Ageing of payables	No of payables	Value of payables (UGX)
3 years and above	9	30,974,459,453
Older than 1 year but less than 3 years	4	261,667,420
1 year and below	30	211,308,656,787
Total	**43**	**242,544,783,660**

Source: *OAG Analysis of the Ministry's Financial Statements and payables* ***ledgers***

Long outstanding payables is an indication of poor budgeting and management faces a risk of litigation and payment of penalties (Interest) for delayed settlement.

The Accounting Officer acknowledged the audit finding and explained that efforts have been made to engage the Ministry of Finance, Planning, and Economic Development (MoFPED) to provide adequate resources under the MTEF Ceiling-Domestic arrears category to clear the long outstanding domestic arrears.

Recommendation

I advised the Accounting Officer to continuously engage with MoFPED and Parliament to ensure that adequate resources are availed for the settlement of domestic arrears.

1.3 Inadequate budget provision for settlement of domestic arrears

A review of the Statement of Appropriation on page 20 of the financial statements revealed that whereas the Ministry budgeted and received funds to the tune of UGX.1.14Bn for the settlement of domestic arrears, during the year, management settled arrears to the tune of UGX.69.53Bn as per the Statement of Outstanding Commitments on page 51 of the financial statements and the payables ledger.

Funds to the tune of UGX.68.38Bn appropriated for current year activities were used to settle outstanding commitments relating to prior years without authority.

The Accounting Officer explained that the Ministry paid domestic arrears amounting to UGX.69.53Bn from two (2) budget categories, that is domestic arrears budget code item of UGX.1.09Bn and the funds appropriated under current budget codes of UGX.68.44Bn. This was due to the need to clear outstanding Project Affected Persons (PAPs) under Standard Gauge Railway (SGR) to create the right of way for the construction works and the increasing pressure from the Ministry's service providers who were demanding for payments.

Recommendation

I advised the Accounting Officer to liaise with MoFPED to ensure that the Ministry receives adequate funds for the settlement of prior year claims in order to safeguard the funds appropriated for current year activities against being used to settle domestic arrears.

1.4 Irrecoverable Receivables and advances

Included in the Statement of Financial Position as at 30th June 2024 on page 17 of the financial statements, are receivables of UGX.43.83Mn from the financial year 2013/2014 and advances of UGX.61Mn and UGX.521.69Mn relating to an embezzlement case and a court case respectively from 2008.

However, Management did not provide any supporting documentation to enable the verification of the accuracy and completeness of the receivable of UGX.43.83Mn as it relates to earlier periods for which source documentation was not handed over to the current administration of the Ministry. For the UGX.521.69Mn**,** the embezzlement case has never been resolved as the case was dismissed in 2008 and efforts to have it reinstated have been futile. Similarly, the embezzlement case involving the UGX.61Mn has never been resolved.

Irrecoverable receivables and advances inflate the assets amounts and violates the prudence concept of accounting.

The Accounting Officer explained that the receivables figures had been carried forward in the Ministry's financial statements since FY 2007/2008 and efforts to obtain supporting documents to support the UGX.43.83Mn receivables have so far not been successful. Additionally, no response from the Attorney General had been received regarding the resolution of the court cases for the affected advances.

Recommendation

I advised the Accounting Officer to engage MoFPED and other relevant stakeholders to have the irrecoverable receivables and advances written off and derecognized from the Ministry's Financial Statements. The balance can be recovered through engagement with the Attorney General and courts of law.

Other Matter

I consider it necessary to communicate the following matters other than those presented or disclosed in the financial statements;

1.5 Downgrading of staff salaries

According to the letter dated 9th January 2016 (Ref: PMD/80/80/01) from the Permanent Secretary of the Ministry of Public Service, a new salary band (SC) was introduced to cater for science staff based on their key job functions, not educational qualifications. This guidance, in conjunction with appointment letters and the Ministry's Approved Costed Staff Establishment Structure, forms the basis for determining salaries of affected positions. Furthermore, the Attorney General provided a legal opinion on the downgrading of salaries reiterating that an appointment letter is a contract of employment and a change of the job title should have no bearing on the remuneration of the Officer.

A review of documentation revealed that four (4) Logistics Officer Cadres in the Ministry are being paid salaries lower than those stipulated in their appointment letters and the Ministry's Approved Costed Staff Establishment Structure. These affected officers had written to the Ministry of Public Service on 7th September 2023 (Ref: P4495) requesting rectification of the anomaly.

Additionally, the anomaly extends to several other positions where staff are being paid based on administrative salary scales instead of the science salary scales specified in the approved costed establishment and appointment instruments.

The discrepancy arises from inconsistencies between salary scales recorded in the Human Capital Management (HCM) system, which reflect administrative salary scales instead of science salary scales as stipulated in the Ministry's Approved Costed Staff Establishment Structure and appointment instruments.

Non-compliance with the terms stipulated in appointment letters may expose the Ministry to legal risks.

The Accounting Officer explained that the Ministry wrote to ministry of public service requesting to reinstate the salaries of the affected staff who guided the Ministry to submit the above cases to Public Service Commission for the officers to be appointed with salary scales, personal to holder. However Public Service Commission did not take any action.

Recommendation

I advised the Accounting Officer to continue engaging the Ministry of Public Service to resolve the systemic inconsistencies in salary scale administration.

1.6 Transfer of Ownership of Assets under Motor Vehicle Inspection Services (MVIS)

An exclusive concession was granted to a contractor to provide motor vehicle inspection services (MVIS) under a contract with the Government of Uganda (GoU)

signed on 17th March 2015. Following the suspension of the program and renegotiation, a settlement agreement was signed on 15th December 2023. GoU agreed to pay the contractor UGX.109.86Bn, with 30% of the settlement to be paid by 31st March 2024 and the balance in instalments during the financial year 2024/2025.

Section 5.1 of the settlement agreement provides that upon receipt of the first installment of the settlement amount, the contractor is required to transfer the title and ownership of all movable and immovable assets, including land, buildings, equipment, and machinery of all motor vehicle inspection sites across the country. These sites include Namanve, Nabingo, Namulanda, Kawanda, Mbale, Gulu, and Mbarara.

The Ministry made the first instalment of UGX.32.99Bn as summarized below;

Table 2: Showing payments of the first instalment

Invoice Number	Description	Payment Date	Distribution Amount (UGX)
D100-MAR-2024	Being 1st Instalment of 30% as per settlement agreement on compensation for their investment	13-Mar-24	9,999,999,984
D101-MAR-2024	Being part payment of 1st Instalment of 30% as per settlement agreement on compensation for their investment	13-Mar-24	9,999,999,984
D102-MAR-2024	Being part payment of 1st Instalment of 30% as per settlement agreement on compensation for their investment	13-Mar-24	9,999,999,984
D157-JUN-2024	Balance on First instalment of 30% on compensation of SGS for the Investment	18-Jul-24	2,999,999,996
Total			**32,999,999,948**

Source: *Payment file extracted from IFMS*

However, as of November 2024, there was no evidence that the contractor had transferred ownership of the assets to GoU as required under the settlement agreement.

Failure to transfer ownership of assets to Government renders puts in doubt the eventual ownership of the assets by GOU. Besides the assets remain idle and non-available for use, which may lead to obsolescence and malfunction due to non-serviceability.

The Accounting Officer explained that prior to transfer of the assets, Management opted to first undertake a comprehensive verification of the assets to ascertain their condition. The verification exercise was conducted from 30th September 2024 to 11th October 2024. The exercise was further extended up to 22nd November 2024 to allow contractor rectify the gaps that had been identified by the verification team hence a

new date for handover had been scheduled on either 15th or 16th January 2025 subject to completion all pending processes and issuance of payment schedules to the contractor for their outstanding compensation payment of UGX.76.90Bn.

Recommendation

I advised the Accounting Officer, through the Attorney General to enforce the terms of the agreement by the service provider. Meanwhile management should ensure that the Ministry's procedures for verifying the assets set to be transferred are fast tracked, while at the same time continuing with engagement with MoFPED to secure the remaining funds needed to clear the outstanding debt.

1.7 Registration of Motor Vehicles older than 15 years from date of manufacture

Section 15 of the Traffic and Road Safety Act Cap 347, states that a person shall not import a motor vehicle which is fifteen years or more from the date of manufacture. Under section 61 of the same Act, the Department of transport regulation and safety in the Ministry is responsible for carrying out joint enforcement of the provisions of the Act in Liaison with the Uganda Police Force.

I noted during the audit, that the Ministry registered 13,176 Motor vehicles during the year, which had exceeded 15 years from the date of their manufacture. This greatly undermines the Ministry's efforts to reduce road accidents and carbon emissions resulting from having old motor vehicles.

The Accounting Officer explained that Section 15 of the Traffic and Road Safety Act Cap 347 provides for exemptions to the prohibition, hence attributed the numbers to vehicles which are exempted and vehicles which are already registered in the Country belonging to the Government MDAs, embassies/foreign missions or vehicles categorized as duty free, but which are boarded off and upon re-registration reflect as newly registered.

However, during my subsequent verification, I established that the vehicles in question were indeed newly registered vehicles, and did therefore not fall in the category presented by the Accounting Officer.

Recommendation

I advised the Accounting Officer to put in place a mechanism for verification of Motor Vehicles before registration, to ensure that Motor Vehicles older than 15 Years from their date of manufacture are not registered. Besides, the cases identified should be followed up, and appropriate action taken on any staff who are established to have flouted the regulation in question.

1.8 Failure to pay Licensing fees

On 16th January 2009, the Government of Uganda (GoU) signed an Implementation Agreement (IA) with a private service provider to develop and maintain key infrastructure services on Bugala Island. The IA was amended in April 2012 to extend its duration to 17th August 2025. Separately, on 18th December 2009, GoU signed a

Ferry License Agreement (FLA) with the service provider, requiring payment of USD.25,000 per year per vessel and USD.1,000 annually for operating licenses.

However, the FLA, which expired on 17th August 2020, was not amended to align with the extended IA. As a result, while GoU continues to pay implementation fees under the IA, the service provider has not paid licensing fees since the FLA's expiration.

Failure to synchronize the agreements has led to a financial loss of USD.200,000 in vessel licensing fees and USD.4,000 in operating license fees, over four years for the two vessels which were in operation.

Management acknowledged that the FLA expired in August 2020, and the service provider did not apply for renewal. The matter has been referred to the Solicitor General for guidance, but no response has been received to date.

Recommendation

I advised the Accounting Officer to expedite follow-up with the Solicitor General to resolve the legal and contractual implications of the lapsed FLA. In addition, ensure future agreements are properly aligned and synchronized to prevent similar issues.

Other Information

The Accounting Officer is responsible for the other information. The other information comprises the statement of responsibilities of the Accounting Officer and the commentaries by the Head of Accounts and the Accounting Officer and other supplementary information.

The other information does not include the financial statements and my auditors' report thereon. My opinion on the financial statements does not cover the other information, and I do not express an audit opinion or any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially consistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Management Responsibilities for the Financial Statements

Under Article 164 of the Constitution of the Republic of Uganda, 1995 (as amended) and Section 43 of the Public Finance Management Act, Cap 171, the Accounting Officer is accountable to Parliament for the funds and resources of the Ministry.

The Accounting Officer is also responsible for the preparation of financial statements in accordance with the requirements of the Public Finance Management Act, Cap 171, and for such internal control as the Accounting Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

In preparing the financial statements, the Accounting Officer is responsible for assessing the Ministry's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Accounting Officer has a realistic alternative to the contrary.

The Accounting Officer is responsible for overseeing the Ministry's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users, taken on the basis of these financial statements.

As part of an audit in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also;

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Ministry's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Accounting Officer.

- Conclude on the appropriateness of the Accounting Officer's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Ministry's ability to deliver its mandate. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Ministry to fail to deliver its mandate.

- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that complies with the Government of Uganda Public Financial Management laws and regulations.

I communicate with the Accounting Officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that I identify during my audit.

I also provide the Accounting Officer with a statement that I have complied with relevant ethical requirements regarding independence and, communicate to the Accounting Officer all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to the Accounting Officer, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other reporting responsibilities

In accordance with Section 18 (1) of the National Audit Act, Cap 170, I report to you, based on my work described on the audit of Financial Statements that, except for the matters in Section 2 and 3, and whose effect has been considered in forming my opinion on the financial statements, the activities, financial transactions and information reflected in the financial statements that have come to my notice during the audit, are in all material respects, in compliance with the authorities which govern them.



Edward Akol
AUDITOR GENERAL

30th December 2024

SECTION 2: REPORT ON THE AUDIT OF COMPLIANCE WITH THE RELEVANT REGULATORY FRAME WORK

I conducted a compliance audit on selected key subject matters.

The primary objective of the audit was to obtain sufficient and appropriate audit evidence to form a conclusion on whether the Ministry of Works and Transport complied with the relevant identified criteria.

My audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAI 4000)[1] on compliance auditing.

The areas of focus for the review were;

- Management of the parish development model.
- Management of Procurement for the financial year 2023/24.

Relevant audit criteria

The criteria for the audit were based on Acts of Parliament, regulations, and manuals/guidelines designed to ensure compliance with laws governing the parish development model and procurement management.

These include;

- Ministerial Statement on the PDM to Parliament
- PDM Governance and Operations Manual
- PPDA Act, regulations and guidelines

Audit Methodology

My audit was conducted based on the information and records provided by the Ministry of Works and Transport. In executing this audit, various approaches were exercised which included;

(i) Documents reviews;
(ii) Interviewing relevant officials of the Ministry; and
(iii) Analysing data provided

Audit Findings

The material findings with respect to the compliance criteria for the applicable subject matters are as follows;

2.1 Management of the Parish Development Model (PDM)

The Parish Development Model (PDM) is a strategy for service delivery by the Government of Uganda to improve the incomes and welfare of all Ugandans at the household level by transforming 39% of households from a subsistence economy to a

[1] *ISSAI 4000* - Compliance Audit Standard

money economy as approved by Parliament, whose outcomes will be measurable in the FY 2024/2025 at the closure of the NDP III.

In the FY 2023/2024, Parliament appropriated UGX.1.112Tn for the PDM Programme, of which UGX.22.909Bn relates to PDM administration costs in three (03) MDAs.

Table 3: Showing Budget allocation for PDM administration costs in three (03) MDAs

Vote	Vote Name	Activity	Budget FY 2023/24 (UGX' Bn)
11	Ministry of Local Government	PDM Secretariat and support to coordination	12.320
11	Ministry of Local Government	Support to coordination Services	0.100
20	Ministry of Information, and Communications Technology	IT Support to PDM (Equipment, operations and Support and maintenance of the OBRS. Development of phase 2 modules, maintenance and operationalization of PDMIS)	8.589
143	Uganda Bureau of Statistics (UBOS)	PDM Services (Data collection and validation)	1.900
	Total		**22.909**

The PDM has 7 pillars of which the primary pillar, is the Agriculture Value Chain Development (Production, Storage, Processing, and Marketing). The other six pillars which support the primary pillar include; Infrastructure and Economic Services, Financial Inclusion (FI), Social Services, Community Mobilization and Mind-set Change, Parish Development Management Information System (PDMIS) and Governance and Administration.

With the exception of Pillar 3, which is funded separately under MoFPED for direct disbursement of Parish Revolving Fund (PRF) to PDM SACCOs, other pillars continue to be funded under existing government institutional arrangements where MDAs must align their plans, interventions and budgets for implementation of the PDM.

The Office of the Auditor General selected the management of PDM as a thematic audit area for the FY 2023/2024, with an overall objective of assessing the management of the PDM and identify program implementation bottlenecks and provide recommendations to the Government for improvement.

I therefore, designed audit procedures to;

- To follow-up on Government's institutional arrangements necessary for implementation of the PDM and their functionality.
- To establish whether MDA&LGs' planning and budgeting processes are aligned to the implementation of the PDM strategy, and
- To assess whether all the 7 modules of the PDMIS been implemented in accordance with the requirements of the PDM policy and guidelines.
- To assess the monitoring and evaluation framework of the PDM

I made the following observations;

2.1.1 Planning and budget performance

I reviewed the Ministry's approved work plans and budgets for PDM activities and noted the following;

Table 4: Showing observations under PDM

SN	Audit observation	Recommendation
a)	**Alignment of Ministry Work Plans and Budgets to the PDM** PDM Working Groups are required to assist participating MDAs in the alignment of their plans and budgets to the PDM. A comparison of the Working Group activity implementation action plan with the entity budgets and work plans revealed that; • The Approved Work plan was not in perfect alignment with the Ministry's portion of the Working Group activity implementation plan with five (5) out of ten (10) activities that exist in the Working group plan not being expressly catered for in the approved work plan for the year. • All the five (5) targets which were both in the Approved work plan and the Working Group activity implementation plan were allocated different quantitative values in the respective documents. • The annual Ministry and Working Group PDM reports was not availed to enable audit team confirm the actual quantities and amounts spent on each item as per the classification in the Working Group activity implementation plan. The Accounting Officer acknowledged the failure by the Ministry to fully adhere to the specified activity quantities as outlined in the Pillar Operational Manual and attributed the deviation to budgetary constraints.	I advised the Accounting Officer to ensure that future Ministry work plans are aligned to the PDM Working Group activity implementation plan.
b)	**Creation of vulnerability index databases** Paragraph 4.1 of the Parish Development Model Pillar 2 - Infrastructure and economic services operation Manual, May 2023, provided that the vulnerability index should be calculated using information obtained on the PDMIS in the area of existing status, economic activities, security requirements, geographical location, population, existing similar development programs, among others. Each activity lead Ministry (MoWT, MoLG, MoWE, MoEMD, MoICT&NG, and MoLUD) would develop its formula for calculating the Parish Vulnerability Index, which would be submitted to the Pillar Working Group for approval. The vulnerability index should be utilized at the PDM activity planning stage.	I advised the Accounting Officer to continue engaging MoICT to ensure that the development of the Pillar 2 PDMIS module is fast tracked.

SN	Audit observation	Recommendation
	The Ministry of Works and Transport did not develop the formula to calculate the Parish vulnerability index. Parishes with urgently needed social services (projects) may not be prioritized during pillar activity selection. The Accounting Officer explained that the Ministry of Information Communication Technology and National Guidance was yet to respond to or act on his letter dated 30th April 2024 and referenced as ADM/137/141/01 in which he requested for the development of the Pillar 2 information system to guide in determination of the Parish Vulnerability indices.	

Conclusion

The evidence obtained from the compliance audit of the Ministry of Works and Transport on the implementation of the Parish Development model subject matter is sufficient and appropriate to provide a basis for my conclusion.

Based on the work performed described in this report, except for the findings stated above, nothing has come to my attention that causes me to believe that the subject matter is not in compliance, in all material respects, with the relevant criteria.

2.2 Management of Procurement for the financial year 2023/24

2.2.1 Failure to Carry out Market Assessments

Regulation 3 (2) (a) (rules and methods of procurement) of 2014, requires that the estimate should be based on market assessment.

It was noted that the Ministry did not carry out market assessments for procurements worth UGX.3.75Bn as summarised below;

Table 5: Showing procurements for which market surveys were not performed

Sn	Procurement Ref.	Procurement description	Contract Amount - UGX	Audit Comment
1	MOWT/SUPLS/22-23/00063	Supply of Geogrids, Geotextiles and Guards Rails (Lot 4)	3,694,943,440	No market assessment reports availed.
2	MOWT/SPLS/23-24/00147	Supply and Delivery of Additional Driver's Uniforms (Kaunda Suits) for the Non-Aligned Movement (NAM) and G-77 plus China	49,896,000	No market assessment reports availed.

Source: OAG Analysis of procurement file on the system

Failure to carry out market assessments leads to entity procuring goods and services that miss the mark hence leading to wastage of resources.

The Accounting Officer explained that the Ministry used as benchmarks, prices and rates used for similar previous procurements.

Recommendation

I advised the Accounting Officer to always ensure that market assessments are always carried out and reports put on record.

Conclusion

The evidence obtained from the compliance audit of the Ministry of Works and Transport on the management of procurement subject matter is sufficient and appropriate to provide a basis for my conclusion.

Based on the work performed described in this report, except for the finding stated above, nothing has come to my attention that causes me to believe that the subject matter is not in compliance, in all material respects, with the relevant criteria.



Edward Akol
AUDITOR GENERAL

30th December 2024

SECTION 3: REPORT ON PERFORMANCE EVALUATION

In accordance with paragraph 2 of Schedule 5 of the Public Finance Management Act, Cap 171 on the presentation of financial statements, and Section 18 of the NAA, Cap 170, I undertook an evaluation of the Ministry's actual performance in comparison with its planned activities and outputs for the year as well as its mandate. This section presents the findings from the evaluation of the performance.

3.1 BUDGET PERFORMANCE

3.1.1 Review of the implementation of the entity's Mandate

The Ministry is mandated to;

a) Develop, harmonize and enforce policy, legal and regulatory framework.
b) Develop sustainable multimodal transport infrastructure and services in the country.
c) Strengthen transport assets management.
d) Strengthen planning, supervision, coordination and human resource capacity of the Ministry.
e) Promote connectivity and trade.
f) Strengthen the capacity of national construction industry.

A comparison of the entity's strategic and annual work plans for the last three (3) years with the mandate as stipulated in relevant laws revealed that the entity had not adequately executed the following aspect of the mandate;

Table 6: Showing the aspects of the mandate that are inadequately executed

Sn	Mandated activity	Source of Mandate	Audit Comment
1.	Strengthen transport assets management	Article 189 of the Acts of Parliament Act Cap1	One of the proposed projects in the NDP III was the repair and maintenance of road equipment. The project would facilitate the opening and maintenance of District, Urban and Community Access (DUCAR) roads which were in bad conditions but considered important for providing access to social and economic services. However, the Ministry has experienced challenges in repairing and maintaining of the road equipment with most of the maintenance being referred to the individual districts.

Failure to ensure that all mandate activities are implemented means that the associated service delivery benefits will not be achieved.

The Accounting Officer explained that the Ministry had undertaken efforts to engage both MoFPED and the Parliamentary Committee on Infrastructure on the funding requirements for equipment repair and maintenance.

Recommendation

I advised the Accounting Officer to continue engaging MoFPED and Parliament to ensure that the budgeted for funds are appropriated in order to enable the Ministry adequately implement activities under its mandate.

3.1.2 Review of the implementation of the approved budget

Paragraph 2(a) of Schedule 5 of the PFMA, Cap 171, requires Accounting Officers to prepare an appropriation account showing the services for which the moneys expended were voted, the sums actually expended on each service, and the state of each vote compared with the amount appropriated for that vote by Parliament.

Out of the approved budget of UGX.1,470.018Bn the total warrants for the year amounted to UGX.754.344Bn. Below is a summary breakdown of this budget and warrants;

Table 7: Showing summary analysis of entity budget

Sn	Budget category	Total Revised Budget in UGX	Proportion of total revised budget (%)	Warrants UGX
1	Recurrent (Wage)	17.220	1.17	17.220
2	Recurrent (Non-wage)	351.936	23.94	345.620
3	Development	1,100.862	74.89	753.981
	Total	**1,470.018**	**100**	**754.344**

I audited 90.98% (UGX. 686.28Bn) of the total warrants as illustrated in the table below;

Table 8: Showing Proportion of total warrants audited

Sn	Details	Amount audited (UGX)	Cumulative %age
1	Wage expenditure (Salary/Wage, NSSF, Contract gratuity)	30,991,225,375	4.11
2	Pension expenditure (Pension and Gratuity)	13,536,557,043	5.90
3	Focus area-(Maintenance of equipment)	1,559,980,000	6.11
4	Land Acquisition	75,707,085,395	16.15
5	PDM expenditure audited where applicable	154,087,847,270	36.57
6	Transfers to Self-Accounting Entities	292,020,399,211	75.28
7	Acquisition of other Assets	68,408,745,449	84.35
8	Consultancy and supervision of Capital works	49,969,345,049	90.98
	Total amount audited	**686,281,184,792**	
	Total amount warranted	**754,343,725,025**	

Based on the procedures undertaken, below are my findings;

3.1.3 Budgeted activities for which no funds were released

The entity had an approved budget of UGX.1,470.018Bn out of which UGX.754.344Bn was warranted resulting in a shortfall of UGX.715.675Bn representing a 51.32% performance. The UGX.715.675Bn that was not warranted relates to partially funded outputs**.**

Failure to provide funds for activities that were budgeted negatively affected their implementation and achievement of the expected services.

The Accounting Officer explained that work plan revisions to account for the budget cuts were done on the PBS system during the second and third quarters of the FY.

Recommendation

I advise the Accounting Officer to continue engaging MoFPED and Parliament to have more funds released for implementation of all the Ministry's budget outputs. Where, there are budget cuts, work plan revisions must always be conducted and the PBS system updated.

3.1.4 Utilisation of warrants

The entity had total warrants of UGX.754.344Bn out of which warrants worth UGX.753.678Bn had been utilized by the close of the financial year. The balance of UGX.0.665Bn was meant for activities which were either partially implemented or not implemented at all.

The Accounting Officer explained that the unutilized warrants were partly as a result of unpaid pension brought about by failure of pensioners and their beneficiaries to submit the documentation required to process their payment/gratuity payments on time. Additionally, the main cause of the unutilized warrants was that UGX.500Mn which had been released for field trials of *Consolid-55,* could not be spent as the *Consolid* road consolidation technology stabilizers, did not indicate significant strength gains during the prerequisite laboratory tests that were conducted before the field trials would be conducted.

Recommendation

I advised the Accounting Officer to always seek the required approvals from the relevant stakeholders to reallocate funding to underfunded budget priorities, from activities whose feasibility is found to be unviable to underfunded priorities.

On the same note, the Ministry should make efforts to continuously engage Pensioners and their beneficiaries to ensure that they submit on time, any documentation necessary for processing their payments.

3.1.5 Implementation of funded activities

I assessed the extent of implementation of activities for which funds were availed and utilised. A total of 28 outputs with 292 activities worth UGX.546.48Bn were assessed and the following was observed.

- 22 outputs with 179 activities and expenditure worth UGX.359.04Bn were fully implemented.

- Six (6) outputs with 113 activities worth UGX.187.44Bn were partially implemented. Out of 113, the entity fully implemented 100 activities worth UGX.100.06Bn, 11 activities worth UGX.86.68Bn were partially implemented, while two (2) activities worth UGX.0.700Bn remained unimplemented. Examples of the activities that were partially or not implemented at all are provided in the tables below.

- None of the outputs was not implemented at all.

Table 9: Examples of Partially implemented activities

Sn	Activity	Amount warranted (UGX)	Amount Spent (UGX)	Audit Comments
1	Land – Acquisition (New Standard Gauge Railway Line)	69,591,900,000	69,591,900,000	Partially implemented as the plan was to acquire 126 hectares of land but only 89.96 hectares were acquired
2	Consultancy Services	1,499,999,998	1,499,999,998	Construction Industry Bill not finalized and hence not submitted to Cabinet. 10. staff not trained at the Indian Academy of Highway.
3	Streamlining management of Motor Vehicle Registration	1,500,000,000	1,500,000,000	Partially implemented. The progress of the Web Portal development was 20% as at 30th June 2024
	Total	**72,591,899,998**	**72,591,899,998**	

Source: *OAG Analysis of the budget and the quarter 4 performance report*

Table 10: Examples of Un-implemented activities

Sn	Activity	Amount warranted (UGX)	Amount Spent (UGX)	Audit Comments
1	Transfer to MELTC to undertake study on *Consolid* Technology	500,000,000	0	Despite receiving all the funds, the entity did not undertake the activity
2	Monitoring and Supervision of capital work	200,000,000	200,000,000	Not implemented. No monitoring was undertaken
	Total	**700,000,000**	**200,000,000**	

Source: *OAG Analysis of the budget and the quarter 4 performance report*

Failure to implement fully funded projects implies that funds were that could have been utilised for other activities were swept back to the consolidated fund or diverted to other use.

The Accounting Officer explained that multi-year outputs such as acquisition of Right of Way (RoW) for transport projects such as Standard Gauge Railway (SGR), Bill development, stakeholder consultations and others can be partially implemented even when all the funding has been released.

Recommendation

I advised the Accounting Officer to strengthen planning and project execution frameworks to ensure timely implementation of funded activities. In addition, the Accounting Officer should improve monitoring mechanisms to track progress and address delays proactively.

3.1.6 Delivery of Services from implemented activities

I undertook procedures on a sample of 11 projects worth UGX.86.704Bn to confirm if these activities were implemented by the entity in a timely manner, were of acceptable quality, quantity and functionality. A number of short comings were noted as discussed below;

3.1.6.1 Delayed implementation of planned activities

Out of 11 sampled projects, five (5) projects worth UGX.34.001Bn had delays averaging thirteen (13) months from the expected completion date as shown in the table below.

Table 11: Showing delayed projects/works

Sn	Project description and value	Audit comment	Management response
1	**Project:** Upgrading using low cost sealing of Ikulwe-Buyemba-Kyando Road (4.121Km) and Access to district headquarters (0.514km) in Mayuge District **Project Cost: UGX.**5,683,045,241 **Amount released as at 30th September 2024: UGX.2,400,000,000**	The project is being implemented under the Force Account Mechanism and the works commenced on 14th September 2023 and were supposed to be completed by 15th February 2024 (6 months). However, as at 30th September 2024, the physical progress was 37.7% against a time progress of 200%.	Management attributed the delays to budget cuts hence funds could not be availed to implement the works in time and the frequent mechanical breakdown of the road construction equipment.
2.	***Project:*** Upgrading the road network (3.41km) leading to Maya nature resort from gravel to bituminous standard in Kyengera, Wakiso	I reviewed the commencement letter dated 29th May 2023, under reference number TRP 241/299/01 and noted that the contract	Management explained that the delays were due to closure of Mercantile Bank which affected the contractor's cash flows.

Sn	Project description and value	Audit comment	Management response
	district. ***Proc Ref No:*** MoWT/WRKS/21-22/00533 **Contract Amount:** UGX. 7,981,816,062 **So far paid:** UGX 4,001,267,491 cumulatively	start date was 7th June 2023 and end date was 8th February 2024. From the review of the site inspection report as at 27th November 2024, I noted that the contract physical progress was 56%, with a time progress of 157% and financial progress of 50%. I further noted that the contract had so far been extended 3 times, with the last extension letter reference TRP 241/299/01 dated 13th August 2024 indicating a completion date of 13th November 2024. At the time of inspections on 28th November 2024, I noted that the project works were still incomplete (56%) despite the expiry of the contract period. No evidence of further extension was provided.	
3.	***Project;*** Upgrading of Akright Roads in Bwebajja Ddundu, Wakiso district to Paved 9Bituminous) Standard ***Proc Ref No.*** MoWT/WRKS/2021-22/002408 ***Contract Amount*:** UGX. 5,869,906,047 **So far paid:** UGX 5,576,410,745 cumulatively	I reviewed the progress report for September 2023 and noted that the project was substantially completed on 15th August 2023 with a defects liability period of 6 months which ended on 15th February 2024. At the time of inspections on 28th November 2024, I noted that the project works were still incomplete despite the expiry of the defects liability period. No evidence of further extension of the contract was provided and the contractor was not on site.	Management explained that the contractor had not addressed the defects despite several communications. However, Management did have evidence of any communications to the contractor in this regard.

Sn	Project description and value	Audit comment	Management response
4.	**Project:** Low-Cost Sealing of Bitereko S/C – Nchwera, Omukyapa – Kigalama Cou and Nchwera Nyengaramire – Omukigano Road (5.6Km) **Contract Amount**: UGX.5,995,890,030 VAT inclusive **So far paid:** UGX.2,706,372,363	The start date was 11th October 2023 and expected completion date was 10th October 2024 which was later revised to 10th February 2025. At the time of inspection in November 2024, less than 3 months to completion date, the physical progress was at 57%, time progress at 78.8% and financial progress at 45%. On the date of site inspection carried out on 22/11/2024, I did not find road workers or road equipment on the road implying that the contractor had demobilized from site.	Management explained that the contractor had halted the construction work due to the ongoing heavy rains at the time.
5.	**Project:** Rehabilitation and Expansion of facilities at Central Materials Laboratory – Kireka **Procurement Ref:** MOWT/WRKS/21-22/00409 **Contract Amount**: UGX.8,470,376,243 VAT inclusive **So far paid:** UGX.3,861,373,795	The works were expected to be completed within 24 months after the commencement date of 1st September 2022. According to the project progress report dated 31st July 2024, the Contractor suspended works on 9th January 2024 on premises of delayed payment of IPCs. On physical inspection of the project on 2nd December 2024, I confirmed that the works had stalled, there were unguarded construction materials at the site and the Contractor had demobilised from the site.	Management explained that the Contractor had abandoned works.

Delayed completion of works/services implies that the beneficiaries will not receive the intended services in time.

The Accounting Officer attributed the delays to heavy rains affecting project sites, abandonment of works by the Contractors and budget cuts.

Recommendation

I advised the Accounting Officer to liaise with MoFPED to ensure that the Ministry receives all the required funding to pay the contractors on time. Additionally, efforts to replace Contractors who abandon works should be fast tracked.

3.1.6.2 Unsatisfactory quality of works/services

I undertook physical inspections on seven (7) of the 11 projects and noted defects on two (2) of the seven (7) inspected projects worth UGX.7.87Bn as highlighted below; Refer to the table below;

Table 12: Showing quality deficiencies

Sn	Contract details	Audit comment	Management response
1	**Project name and description:** Rehabilitation of Sonde – Kiwanga TC – Lumuli Road with Spurs to Buto Boundary and Kiwanga Rwanda through Akright Road (6.9 KM) and Kawuga Grammar road (1 km)	On 19th July 2023, the Ministry entered into a contract (reference number MoWT/WRKS/CRIP/22-23/088) for the Rehabilitation of Sonde – Kiwanga TC – Lumuli Road with Spurs to Buto Boundary and Kiwanga Rwanda through Akright road (6.9km) and Kawuga Grammar Road (1 km) in Mukono Municipality for a contract sum of UGX.2,003,812,280. The works were expected to be completed within 8 months by 29th April 2024. I noted during audit inspections that there is a building at Kawuga Grammar school which is occupying part of the project Right of Way thus creating a choke point on the road.	Management explained that engagements made with the proprietor of the school and the local political leadership to acquire the ROW in this section of the road had been futile.
2.	***Project;*** Upgrading of Akright Roads in Bwebajja Ddundu, Wakiso district to Paved 9Bituminous) Standard	From inspections done on 28th November 2024, I noted that although the defects liability period ended on 15th February 2024, the project had several uncorrected defects. Similarly, there was no completion report prepared.	Management explained that the contractor had not addressed the defects despite several communications. However, Management did have evidence of any communications to the contractor in this regard.

Poor quality works affects usability of these facilities and therefore affects service delivery.

Recommendation

I advised the Accounting Officer to improve contract management in order to ensure that works are of satisfactory quality to increase availability and reliability of the infrastructure services.

3.1.6.3 Functionality of facilities

I undertook a physical inspection to confirm the functionality of the completed structures/works. I however noted that one (1) out of the 10 sampled projects worth UGX. 2,706,372,363 was not functional due to a number of reasons as summarised in the table below;

Table 13: Showing Functionality of inspected works/equipment

SN	Project	Total expenditure UGX	Inspection remarks	Management response
1	**Project:** Low-Cost Sealing of Bitereko S/C – Nchwera, Omukyapa – Kigalama Cou and Nchwera Nyengaramire – Omukigano Road (5.6Km) **Procurement Ref:** **Contract Amount**: UGX.5,995,890,030 VAT inclusive **So far paid:** UGX 2,706,372,363	**2,706,372,363**	On 14th July 2023 MoWT made agreement with a contractor for Low Cost Sealing of Bitereko S/C – Nchwera, Omukyapa – Kigalama Cou and Nchwera Nyengaramire – Omukigano Road (5.6Km) in Mitooma District for a contract price of UGX.5,995,890,030 VAT inclusive. It was further noted that the start date was 11th October 2023 and expected completion date was 10th October 2024 which was later revised to 10th February 2025. Management explained that the justification for the low-cost sealing of the road section was due to the fact that the road section was always slippery during the rains and yet volume of the traffic has increased including heavy trucks. The intended width of the road is 6.5 metres making it a dual lane. However, there is a bridge at river Nchwera through which the road passes. According to the management, the bridge width is 3.5 meters making it a single lane. It was established that the bridge was constructed more than 40 years ago and Management did not provide for the enlargement and construction of the bridge.	**Management explained that the bridge was not considered due to lack of funds.**

SN	Project	Total expenditure UGX	Inspection remarks	Management response
			Given the size and age of the bridge and the increase in traffic that will occur on the completion of the road works, there is a risk that the bridge will become a choke point that will not only slow traffic but may collapse. This is attributed to the failure by the Ministry to undertake feasibility studies before commencement of works.	
	Total	**2,706,372,363**		

Failure to undertake feasibility studies and to adequately plan for road works undermines their functionality and negates the purpose for which the Government has invested money to rehabilitate the road.

The Accounting Officer explained that failure to consider the bridge as part of the scope for the road works was a result of funding constraints.

Recommendation

I advise the Accounting Officer to always undertake the feasibility studies during the implementation of road works.

3.2 Opening of Karamoja and surrounding sub-regions security roads

3.2.1 Funding for the opening and rehabilitation of Security Roads in Karamoja Sub-Region and surrounding sub-regions

Cabinet, through Action Extract from Minute 208 (CT 2022), directed the Ministry of Finance, Planning and Economic Development (MoFPED) on 11th July 2022 to provide UGX.699.63Bn to the Ministry of Works and Transport (MoWT) for the opening and rehabilitation of security roads in Karamoja Sub-Region and surrounding areas. This intervention aimed to curb cattle rustling and improve connectivity. This intervention aimed to curb cattle rustling and improve connectivity in line with the National Development Plan III (NDP III) strategy to address poverty in the country's poorest sub-regions, including Busoga, Teso, and Karamoja.

A phased cash flow projection was provided by the Minister of Works and Transport to MoFPED in a letter dated 4th August 2022 (Ref MINS/PERS/36) and outlined the funding requirements for the project as follows;

Table 14: Showing the cash flow projections

Financial Year	Projected Amount (UGX' BN)
2022/23	214.02
2023/24	323.01
2024/25	162.61
Total	**699.64**

A review of the funding for the security roads project revealed that only UGX.25Bn was released to the Ministry during FY 2022/2023, representing 3.57% of the total funds required. The remaining UGX.674.64Bn has not been availed, significantly delaying the implementation of the Cabinet directive.

The delayed funding has stalled the rehabilitation of 2,058.6 km of security roads in the Karamoja Sub-region, undermining government efforts to improve connectivity and security.

The Accounting Officer explained that the Ministry had made efforts to secure the funding that was approved by Cabinet from MoFPED. Additionally, the works had commenced in a phased manner with the most critical sections provided totalling to 250km out of the 2,058.6Km.

Recommendation

I advised the Accounting Officer to intensify engagements with MoFPED to prioritize and provide the remaining funds for opening and rehabilitation of security roads in Karamoja Sub-Region and surrounding areas.

3.2.2 Emergency Opening and improvement of Security Roads- Lot 1 and Lot 2

The Ministry entered into contracts for the opening and improvement of critical security roads in Karamoja Sub-Region as summarized in the table below:

Table 15: Summary of contract information for the opening and improvement of critical security roads in Karamoja Sub-Region

Nakiloro-Naput-Kotein-Loyoro (88Km) and Loyoro-Lapedo-Turuturu (50Km)- Lot 1	
Procurement Reference	MOWT/WRKS/22-23/000112
Contract Sum	UGX.20,601,293,982
Date of Contract Signing	14th March 2023
Commencement Date	26th April 2023
Expected Completion Date	26th October 2024
Progress as at 30th September 2024	68%
Cumulative amount paid on the contract	UGX.6,180,388,195
Karisarik-Magos-Naput (80Km), Kobebe-Kalongolemuge-Nakapelimoru (32Km)- Lot 2	
Procurement Reference	MoWT/Wrks/22-23/00010
Contract Sum	UGX.23,690,925,719
Date of Contract Signing	
Commencement Date	10th January 2023
Expected Completion Date	25th September 2024
Progress as at 30th September 2024	92%
Cumulative amount paid on the contract	UGX.19,063,660,141

Source: *Contract agreements and contract management files*

a) Delayed settlement of Interim Payment Certificate (IPC) No.01 under Nakiloro-Naput-Kotein-Loyoro (88Km) and Loyoro-Lapedo-Turuturu (50Km)- Lot 1

According to the General Conditions of the Contract 68.2 (d), the PDU or the Contractor may terminate the contract if the other party causes a fundamental breach of contract including a payment certified by the Project Manager is not paid by the PDA to the Contractor within 84 days of the date of the Project Manager's Certificate.

A review of contract documentation revealed that a contractor forwarded an IPC to the Ministry on 16th April 2024 which had been reviewed and cleared for payment by the Permanent Secretary of the Ministry on 28th May 2024. The amount due to the Contractor according to IPC No.01 was UGX.6.68Bn. However, the contractor had not yet been paid by October 2024, approximately 120 days after the date of the Project Manager's Certificate.

In a letter from the Ministry of Works and Transport to PSST Ref TRP 241/27/01 dated 7th June 2024, the Ministry requested for supplementary funding amounting to UGX.19.40Bn to enable the settlement of outstanding payments and finance the on-going works as summarized in the table below. However, the request was not honoured.

Table 16: Funding requirements to complete the road works

Project Component	Funding requirement (UGX)
Lot 1	14,420,905,787
Lot 2	4,627,265,578
Environmental and Social Impact Assessment	353,863,270.67
Total	**19,402,034,636**

Source: *Requests for Supplementary funding*

Failure to settle payments in time exposes the Ministry to additional administrative costs associated with completion of outstanding works in the event that the Contractor terminates the contractor.

The Accounting Officer explained that the Ministry's efforts to secure additional funding from MoFPED had so far been fruitless.

Recommendation

I advise the Accounting Officer to strengthen budget planning to align project funding with contractual obligations.

b) Failure to undertake an Environmental and Social Impact Assessment (ESIA)

According to Section 110 (1) of the National Environment Act, Cap 181, the purpose of environmental and social assessments undertaken under the Act and regulations made under the Act is to evaluate environmental and social impacts, risks or other concerns of a given project or activity, taking into account the environmental principles set out in section 5(2).

A review of the Bills of Quantities for Lot 1 and Lot 2 revealed that the contractors costed for ESIA at UGX.60Mn. However, at the time of the audit in October 2024, the ESIA had not been undertaken.

It was also noted that the Ministry undertook a procurement to source for a consultant to undertake the ESIA at a total contract price of UGX.353.86Mn.

Since the contracts had a provision for ESIA, it is wasteful for Management to contract a consultant to undertake the same activity. In addition, the failure to undertake an ESIA at the start of project means that there are no pro-active mitigation strategies to address any negative environmental and social effects that could arise during the execution of project activities.

The Accounting Officer explained that the Ministry is supposed to conduct the initial ESIA assessment for the project in line with the Environment and Social Management Framework of Uganda and this was to be achieved through a consultant procured under procurement with reference number MoWT/Cons/2023/24/00008 whose work is supposed to be jointly overseen with Uganda Wildlife Authority (UWA) since the road project passes through a gazette game wildlife reserve.

Recommendation

I advised the Accounting Officer to fast track the ESIA to ensure that any Environmental and Social risks arising from the projects are mitigated before the Contractors demobilize from the sites.

3.3 Democratic Republic of Congo (DRC) Roads

3.3.1 Delayed Commencement and Completion of Civil Works on DRC-Uganda Road Projects

The Democratic Republic of Congo (DRC) and the Republic of Uganda agreed to jointly construct and upgrade key roads, including Mpondwe/Kasindi-Beni-Butembo (133km) and Bunagana-Rutshuru-Goma (89km), to enhance business, connectivity, security, and regional trade and investment. According to the contractual agreement signed on 13th May 2021, the contractor was expected to complete Phase 1 civil works (funded by the Government of Uganda at USD.110,257,411) by 10th May 2023. Extensions were subsequently granted, pushing the completion date to 10th May 2025.

A review of the project's progress report as of 30th September 2024 revealed significant delays in the execution of civil works, with the following physical progress reported;

i. Mpondwe/Kasindi-Beni road: 49.68% completed.
ii. Beni-Butembo road: 0.15% completed.
iii. Bunagana-Rutshuru-Goma road: 0% completed (works not commenced).

Despite the Government of Uganda contributing USD.50,974,300 (50% of its share of the total contribution of USD.101,948,600 for Phase 1), the contractor had only achieved 20% of the works against an elapsed construction time of 241%.

The delays in commencement and completion of civil works are attributed to insecurity along the project roads, particularly in the Bunagana-Rutshuru-Goma section.

The delays in completing the roads hinder the intended benefits of improved connectivity, enhanced trade, and regional integration. In addition, prolonged construction timelines may lead to cost overruns, including additional expenses for supervision and potential penalties.

The Accounting Officer explained that the causes of the delays such as DRC not meeting some of the provisions in the Project Development Agreement are political and security related and therefore beyond the contractor. However, the Minister of Works and Transport had held a meeting the Minister of Infrastructure of DRC on 16th October, 2024 to address some of the challenges resulting in delays.

Recommendation

I advised the Accounting Officer to follow up with the relevant stakeholders especially Parliament and the Contractor to ensure that the Governments of Uganda and the DRC enhance efforts to resolve project challenges and ensure commitments are met.

3.3.2 Acquisition of Right of Way

In the September 2024 progress report, the supervising consultant noted that there is private property in the Right of Way consisting of gardens, houses, trees among other property. Inquiries of Management revealed that the Ministry is yet to follow up with DRC on the related compensations following the delayed submission of the corrected Resettlement Action Plan studies report by the contractor.

The administrative processes associated with acquisition of the Right of Way (ROW) will further derail the completion of project.

The Accounting Officer explained that during the meeting held between Uganda's Minister of Works and Transport and DRC's Minister of Infrastructure, DRC agreed to meet their obligations including the acquisition of right of way to allow the project to proceed smoothly.

Recommendation

I advise the Accounting Officer to follow up, through the Ministry's political wing, progress of the DRC's efforts to provide ROW and funding for the project.

3.3.3 Delayed completion of road and bridges projects worth UGX.32.32Bn

A review of the June 2024 Road construction status reports and contract management files revealed that 14 projects with a total contract value of UGX.32.32Bn that were to be completed during the year were still on going by the close of the year.

Management attributed the delays to the budget cuts that the Ministry experienced with half of the Ministry's budget not warrantied.

Delayed completion of road and bridges projects increases the administrative costs of delivering the projects such as the monitoring and supervision costs and also denies the citizens the intended infrastructure services.

The Accounting Officer explained that the delays were due to significant budget cuts from MoFPED which affected the Ministry's ability to pay the contractors. Additionally, Cabinet after discussion of a memo prepared by the Ministry to indicate its indebtedness had guided that the Ministry engages the PSST and make use of smaller committees to find a solution.

Recommendation

I advised the Accounting Officer to continue liaising with the relevant committees and MOFPED to have funds availed in order to finalize the projects.

3.4 Road maintenance under Mbarara and Gulu Regional Mechanical Workshops

A review of the District Rural Rehabilitation Unit (DRRU)-West approved work plan revealed that UGX.4.400Bn was planned for rehabilitation and intervention of 27 roads under. However, a review performance report indicated that only UGX.2.11Bn (48%) was received resulting into a shortfall of UGX.2.30Bn. Due to the revenue shortfall, 13 roads activities with a total budget of UGX.2.25Bn were not carried out.

Similarly, DRRU-North received only UGX.2.55Bn out of the UGX. 4.40Bn which had been incorporated in the approved work plan to cater for the works. As a result, only 66.6 km out of the 135.9 km planned for under DRRU North for the financial year 2023/2024 was worked on during the year.

Non-rehabilitation of roads exposes them to further deterioration which results into higher maintenance costs.

The Accounting Officer explained that the release of less funds than budgeted for resulted in the rehabilitation of less kilometres than planned for.

Recommendation

I advised the Accounting Officer to continue engaging key stakeholders especially parliament and MoFPED to appropriate and allocate more funds to road maintenance.

3.5 STANDARD GAUGE RAILWAY

3.5.1 Delayed Project Implementation

According to Paragraph 4.2 of the SGR project document (2016), the railway was expected to become operational in March 2018. However, by the end of the financial year under review, construction of the Kampala-Malaba route (273km), which is the first phase of the railway construction expected to only cover 15.8% of the total proposed project length of 1,724km, had not yet commenced.

At the time of the audit, although the contract had been signed for construction of the Kampala-Malaba route, the project had not yet secured co-funding for the works.

Delayed project implementation adversely impacts service delivery and has resulted in escalation of project costs through inflated costs and appreciated compensation valuations with the passage of time. It also results in financial loss as government continues to spend money on the project operations without seeing results in terms of capital works.

Discussions with management indicated that the delays were due to failure to secure financing but construction is expected to start before end of Financial Year 2024-25.

Failure to secure funding may affect the construction and result into financial loss in form of interest payments to the contractor for delayed payments.

The Accounting Officer explained that the construction of the 272km Malaba-Kampala SGR section had delayed for over five (5) years with the intended completion target period of 2018 not met due to failure to secure financing from Exim bank, China on time as had earlier been planned. However, plans to commence construction had started and that discussions for acquiring the required funding were ongoing between MoFPED and European financiers, African Development Bank and Islamic Development Bank.

Recommendation

I advised the Accounting Officer to liaise with the relevant stakeholders including parliament and MoFPED to ensure that the necessary funding is secured to expedite the project implementation process.

3.5.2 Delayed compensation of PAPs

Appendix 1 (11) of the Guidelines for compensation Assessment under land acquisition (2017) requires that under arbitration, compensation and resettlement, the period from final report approval to payment of compensation awards shall not exceed 6 months.

A review of the Standard Gauge Railway Project's land acquisition and final assessment reports revealed that, as of 18th October 2024, compensation for 7,791 PAPs valued at UGX.363.20Bn had been assessed. Out of these, 5,342 PAPs, worth UGX.179.12Bn, had been compensated, leaving 2,448 PAPs, valued at UGX.184.08Bn unpaid.

Delayed compensation has led to several re-assessments and revaluations as some PAPs have rejected the earlier assessed values, increasing the compensation amounts and incurring additional administrative expenses. Management explained that this was as a result of underfunding, even with communication made to MoFPED.

Unpaid compensations may hinder timely project completion and may result into additional administrative expenses for re-assessments and may further escalate due to litigation by PAPs.

The Accounting Officer explained that there have been significant delays in settling outstanding PAP compensations due to budget constraints.

Recommendation

I advised the Accounting Officer to;

i. Liaise with MoFPED to prioritize the release of funds for the outstanding compensations.

ii. Develop a clear timeline and action plan to ensure that all outstanding PAPs are compensated promptly, avoiding further delays and associated costs.

3.6 EAST AFRICAN CIVIL AVIATION ACADEMY (EAACA) - Soroti

3.6.1 Failure to meet certification status

In a letter from Uganda Civil Aviation Authority (UCAA) to East Africa Civil Aviation Academy (EAACA) dated 10th May, 2024 and referenced DSSER/ATO/001, UCAA informed the Academy that its Approved Training Organization had been renewed for 12 months. However, the letter also pointed out a non-compliance relating to training shortfalls of instructors and understaffing that the Academy was required to address within the agreed timelines of the year.

The Academy may have its certification revoked if the non-compliances are not rectified.

The Accounting Officer attributed the non-compliance to funding gaps that hinder the undertaking of the mandatory trainings and the recruitment of staff.

Recommendation

I advised the Accounting Officer to liaise with MoFPED to have funds availed for the mandatory trainings and the recruitment of Staff of the East Africa Civil Aviation Academy (EAACA).



Edward Akol
AUDITOR GENERAL

30th December 2024

SECTION 4: SUMMARY OF AUDIT FINDINGS FROM OTHER AUDIT ENGAGEMENTS

In accordance with the requirements of the National Audit Act, Cap 170, I carried out three (3) other audits in the Ministry. These included; an Information Systems Audit of the Data Archiving Systems a Special audit on management of pension and gratuity at the Ministry and Treasury Memorandum audit.

I issued separate reports containing the details of the methodologies utilized and the audit results. The sections below provide the summaries of the key findings from the audits;

4.1 Information Systems Audit of the Data Archiving Systems at the Ministry of Works and Transport

The Government of Uganda through the Ministry of Works and Transport (MoWT) entered into a contract with M/s Face Technologies (Pty) on the 5th of November 2018 to supply, Deliver and install the digital archiving system and re-modelling of storage space under Phase 1 at the contract sum of UGX.3Bn. Five million Driving Permit records had to be digitalised.

The Ministry of Works and Transport awarded another contract worth UGX.29Bn to M/S Face Technology (PTY) Limited to undertake the archiving of the Uganda Driving permits still outstanding at the end of phase 1, as archiving of motor vehicle registration records at URA, remodelling of the Uganda railway main station and Uganda Revenue Authority warehouse for motor vehicle records Kampala.

Relatedly, the Ministry of Works and Transport awarded an additional contract worth UGX.22Bn to M/s TISCON Consultancy for a consultancy of the functional design and supervision of the Motor Vehicle Registration System.

As a result, I undertook an audit on the Data Archiving Systems to establish whether the system is safeguarding the entity's assets, maintaining the integrity of stored and communicated data, supporting the MoWT objectives effectively, operating efficiently, and making recommendations for improvement of the system. The audit covered a period of four and a half years (2019/2020 to December 2023/2024).

Below is a summary of my key findings of the audit;

Key findings

From the view of the data archiving systems at the Ministry of Works and Transport (MoWT), I noted that the MoWT had made significant progress in Motor Vehicle registration as part of its mandate through the implementation of the Motor Vehicle Archiving System application. This has reduced the manual processes, created efficiencies, and improved e-tax revenue collection on Motor Vehicle Registration.

However, I noted some areas that require improvement. I proposed recommendations, that Management may implement to improve the effectiveness of the implementation of the Data archiving system and Motor Vehicle Registration, as indicated in the table below;

SN	Area of Improvement	Recommendation
1.	Although the need for IT strategic planning is known by MoWT Management, IT planning is performed on an as-needed basis in response to a specific business requirement. The alignment of business requirements, applications and technology takes place reactively rather than by an organization-wide strategy. The strategic risk position is identified informally on a project-by-project basis. Management explained that the strategic plan development was in process.	I advised The Accounting Officer to expedite the finalisation of an IT Strategic Plan with due consideration of the ongoing RAPEX aimed at streamlining the Ministry's IT investments.
2.	The Ministry had decommissioned the archiving systems without adherence to the system closure procedures; The systems include Phase 1 of the contract for the Digital Archiving of Driver permits between GoU and M/S Face Technology and Phase 2 of the Digital Archiving of driver permits and motor vehicle records (GoU and M/S Face Technology).	I advised Management to ensure that going forward the system decommission procedures are documented and adhered to during the subsequent system decommission initiatives.
3.	I noted understaffing within the IT unit in the Ministry, the IT unit establishment had nine positions in the Information Technology (IT) unit, these include the Principal IT Officer (1), Senior IT Officer (2), Senior Information Scientist (1), IT Officer (4), and Librarian (1), however, five positions are fully occupied and five are still vacant.	I advised the Accounting Officer to continue engaging the relevant stakeholders such as the Ministry of Public Service, the Ministry of ICT and National Guidance and the Ministry of Finance Planning and Economic Development on the improvement of the wage bill and operationalization of the new organisation structure.
4.	There was the absence of an IT Steering Committee despite the Ministry's heavy IT investments. The absence of an IT steering committee may be attributed to a lack of appropriate IT policies and Governance framework.	I advised the Accounting Officer to expedite the composition of an IT Steering Committee (or equivalent) composed of executive, business and IT management to guide the implementation of IT initiatives in the Ministry.
5.	Although the Ministry has a disaster recovery site implemented, I established that the MoWT does not have both the Business Continuity Plan (BCP) and the Disaster Recovery Plan (DRP) to aid in the resumption of business in the event of any disaster.	I advised the Accounting Officer to expedite the development of a Business Continuity Plan and Disaster Recovery Plan to ensure that IT continues to serve the business in whatever circumstances.
6.	I noted delayed implementation of the motor vehicle registration system, five months (September 2024) after the expected implementation date, the Ministry is yet to implement the solution, and the entity continues to use the Uganda Revenue Authority Electronic Tax System (e-Tax) to execute its mandate of Motor Vehicle Registration.	I advised Management to expedite the design and subsequent implementation of the Motor Vehicle Registration for the country to realize the envisaged benefits.
7.	Whereas the contracts guide Intellectual Property Rights, the contracts do not explicitly demand the ownership or transfer of the source code of the system to the Government, restrictions on access to the source code, and Source Code Escrow arrangements either optional or mandatory.	I advised the Accounting Officer to ensure that signed contracts for the provision of IT systems extensively address all aspects of Intellectual Property Rights; including the ownership or transfer of the source code, access to the source code, and Source Code Escrow (whether Optional /Mandatory).
8.	M/s Tiscon Consultancy reported a total of	I advised Management to put more effort

SN	Area of Improvement	Recommendation
	3,580,183 MV records archived during the three quarters, the actual data on the system contained a total of 5,119,931 MV records for the same period hence resulting in a variance of 1,539,748	into the independent internal control system that will ensure that the vendor performance reports are verified against the actual deliverables.

4.2 Special audit report on gratuity payments and pension payroll for Ministry of Works and Transport for the financial years 2019/2020 to 2023/2024

I commissioned a special audit on the pension and gratuity payroll under the Pensions Act, Cap 89, as amended. The overall objective of the special audit was to establish the effectiveness of pension and gratuity management processes and recommend remedial measures.

The special audit covered a period from FY 2019/20 to 2023/24. The following are the key findings;

Key Findings

a) The Ministry had an initial approved pension, gratuity and arrears budget of UGX.90.812Bn for the period under review, and also obtained supplementary funds of UGX.17.973Bn, resulting in a revised budget of UGX.108.785Bn, out of which UGX.107.461Bn (98.78%) was released resulting into a funding shortfall of UGX.1.323Bn (1.22%).

b) Out of the total funds released of UGX.107.461Bn, UGX.103.362Bn was utilized resulting in un-utilized funds of UGX.4.099Bn (3.81%).

c) Pension and gratuity funds amounting to UGX.0.009Bn were charged on wrong account codes.

d) A re-computation of benefits revealed that there was an under payment of gratuity of UGX.0.004Bn to 2 pensioners/beneficiaries and an under payment of pension of UGX.0.005Bn to 2 pensioners/beneficiaries.

e) From the comparison of the payroll register and IFMS payment file for the FYs 2019/20 to 2023/24, I noted that 926 URC pensioners were paid UGX.66.761Bn by the Ministry, off the IPPS/HCMS.

f) Four (4) Pensioners/beneficiaries had not yet accessed the pension payroll (By June 2024), with delays ranging from 2 to 25 months.

g) The entity had accumulated pension and gratuity arrears totalling UGX.0.359Bn arising from the under/non-payment of 6 pensioners/beneficiaries.

h) I noted that out of 787 pensioners/beneficiaries in the MoWT, 740 (94%) were fully verified while, 47(6%) did not show up. In addition, 18 individuals had not accessed the pension payroll by the end of June 2024 and these were captured as new records. All the new records were verified and included in my determination of the entity's pension and gratuity estimates.

i) Out of 917 pensioners/beneficiaries under URC, 898 (98%) were fully verified while, 19(2) did not show up. In addition, 1 individual had not accessed the pension payroll by the end of June 2024 and the individual was captured as new records. The new record was verified and included in my determination of URC's pension estimates.

j) Comparison of the re-computed pension and gratuity budget of UGX.5.387Bn and the MoWT approved pension and gratuity estimate for traditional civil servants of UGX.6.552Bn for the FY 2024/2025 revealed an over budget of UGX.1.166Bn.

k) Comparison of the re-computed pension and gratuity budget of UGX.6.190Bn for URC pensioners and the approved pension and gratuity estimate of UGX.6.293Bn for the FY 2024/2025 revealed an over budget of UGX. 0.103Bn.

Key Recommendations

I advised the Accounting Officer to;

a) Liaise with the MoFPED to ensure that budgeted funds are released. In addition, the Accounting Officer should improve the budget planning and forecasting mechanisms to minimize the need for supplementary funding and ensure that initial budgets are always more aligned with actual needs.

b) Implement systems to proactively communicate with beneficiaries and guide them on submitting the necessary documents as well as ensuring prompt payroll updates following the death of pensioners to reduce delays in reallocating funds.

c) Institute measures to ensure that wage, pension and gratuity expenditure are budgeted and spent under the correct account codes as per the Treasury Instructions and the respective GoU Chart of Accounts to prevent recurrence.

d) Expedite the process of incorporating the underpayments arrears in the budget for subsequent payments and strengthen internal controls over pension and gratuity computations to ensure that there are no underpayments in future.

e) Continue liaising with URC to provide the required information to enable MoPS enrol the URC pensioners onto HCM.

f) Follow up with affected families for the letters of administration to ensure timely processing of pension benefits for the pensioners falling in this category.

g) Continue engaging the beneficiaries of deceased staff and pensioners to ensure that they submit the required documentation on time in order to receive the death benefits due to them.

h) Consider the verified payroll as a basis for updating monthly MoWT and URC payrolls to pay pensioners/beneficiaries.

i) To liaise with the Ministry of Public Service to validate the pensioners/beneficiaries who did not appear for the head count and were

accounted for by the Accounting Officer in order to support their continued existence on the entity's payrolls.

j) Liaise with the Ministries of Public Service and that of Finance Planning and Economic Development, to review the approved pension and gratuity estimates of the entity for the FY 2024/25 in line with the results of the validation exercise.

4.3 Audit of the Treasury Memorandum

In accordance with Section 12(f) of the National Audit Act Cap 170, I conducted an audit of the Treasury Memoranda for the Ministry for the financial years ended 30th June 2016 and 30th June 2021. I issued separate reports as a result of these audits. The summary of the extent of implementation of Parliamentary recommendations is provided below;

Table 17: Summarising extent of implementation of parliamentary recommendations

Detail of the Treasury Memoranda	Number of Parliamentary Recommendations in the Treasury Memorandum (A)	Number of recommendations			Percentage not implemented (E=100% *D/A)
		Fully Implemented (B)	Partially Implemented (C)	Not implemented (D)	
Treasury memorandum on the report of the Public Accounts Committee - central government on the report of the auditor general for financial year 2015/16	20	8	0	12	60%
Treasury memorandum on the report of the Public Accounts Committee - central government on the report of the auditor general for financial year 2015/16	12	5	2	5	41.6%

SECTION 5: DONOR-FUNDED PROJECTS AUDITED UNDER THE MINISTRY

The Ministry is implementing one (1) Donor-Funded project by the African Development Bank, known as the Multinational Lake Victoria Communications and Transport project (Loan No: ADF LOAN 2100150036246). I audited the project and a separate report was issued.



Edward Akol
AUDITOR GENERAL

30th December 2024