PARLIAMENT OF UGANDA

10TH PARLIAMENT

REPORT OF THE PUBLIC ACCOUNTS COMMITTEE ON THE REPORT OF THE AUDITOR GENERAL ON ENTITIES WITH UNQUALIFIED OPINION FOR THE FINANCIAL YEAR ENDING 2014/15

Office of the Clerk to Parliament

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The Public Accounts Committee considered the Auditor General’s report for the Financial Year 2014/15 for selected 20 entities that earned Unqualified Audit opinion. The Committee wishes to draw attention to what it considered grave concerns owing to their magnitude and recurring nature across the various MDAs:

i) **Wasteful expenditure amounting to UGX 17.22Bn worth of** Interest cost was paid as penalty on account of delayed settlement of contractual obligations. Out of the above total, **UGX12.3Bn was diverted by the Ministry of Agriculture from the ADB Credit** meant for the Fisheries Development Project and used to pay interest arising from the contract for the rehabilitation of 5 valley dams. It was observed that contractual obligation and interest accumulated were never disclosed in the budget estimates as unfunded and in the Ministry’s financial statements as outstanding commitments until it was paid off. The committee recommends that, a forensic Audit should be undertaken on the Fisheries Development Project to bring to justice those responsible for the wasteful expenditure and diversion of the ADB loan.

ii) **Provision for Contingent liabilities has escalated by UGX 34.7Bn from UGX.4.295Trillion recorded in the FY 2013/14 to UGX. 4.330 Trillion for the period under review.** In addition, the outstanding amount in Court awards, compensations and other liabilities had accumulated to **UGX.479.26Bn** by 30th June 2015. The bulk of this figure was comprised of unsettled court awards and compensations which amounted to **UGX.477.7bn**, while the other liabilities amounted to **UGX.1.52bn**. Increase in contingent liabilities has worsened the public debt position which undermines future debt sustainability.
iii) **Mischarged expenditure line items** for the 18 entities amounted to UGX 4.927Bn out of which, UGX3.399Bn (69%) was committed by the Ministry of Education and Sports. This is a deliberate abuse of Parliamentary powers over appropriation and is in total disregard of the PFM Act, 2015 and the Budget Act, 2001 which provides guidance on budget reallocations, virements and supplementary expenditure.

iv) **Accumulated Arrears of annual membership subscription to international Organizations** was recorded at UGX 40.813Bn of which UGX 33.065 relates to the Ministry of Foreign Affairs while UGX 7.753Bn relates to Ministry of Trade, Industry and Cooperatives. The committee recommends that, the Ministry of Finance should allocate a budget to clear arrears to international organizations in the FY 2018/19 and Government should evaluate its ability to sustain membership to each of these organizations with a view to only maintain those from which it derives significant benefit.

v) **Total outstanding Payables amounted to UGX 46.478Bn** out of which Makerere University (UGX 25.8Bn), Busitema University (UGX 3.303Bn), Gulu University (UGX 1.86Bn) Ministry of Foreign Affairs (5.34Bn), Ministry of ICT (UGX 1.511Bn), UMI (UGX 5.5Bn) and Ministry of Gender and Labour (UGX 3.16Bn). These payables were accumulated from sundry creditors, NSSF, Gratuity and Taxes which may attract litigation costs and interest.

vi) **Government Agencies not meeting their tax obligations**: Government institutions failed to perform their responsibilities as per the Income tax Act. A total of UGX 3.2Bn remained outstanding in VAT and withholding tax. Particularly, the South Western Towns Water and Sanitation Project-III (SWTWS-III) under the Ministry of Water and Environment had accumulated UGX2.9Bn in unpaid VAT while the balance resulted from failure to withhold tax by other government agencies. This practice frustrates tax revenue collection efforts.
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LIST OF ACRONYMS AND ABBREVIATIONS
AC Assistant Commissioner
ACCA Association of Chartered Certified Accountants
AG Accountant General
AGM Annual General Meeting
ASYCUDA Automated System for Customs Data Analysis
ATM Automated Teller Machine
BFP Budget Framework Paper
BoQ Bills of Quantities
BoU Bank of Uganda
BTW Business, Technical and Vocational Education Training
CA Continuous Assessment
CAES College of Agriculture and Environment Sciences
CAO Chief Administrative Officer
CBC Customs Business Centre
CCTV Close-Circuit Television
CDS Central Depository System
CEO Chief Executive Officer
CESS Export Levy
CGV Chief Government Valuer
CHOHM Commonwealth Heads of Governments Meeting
CIF Cost Insurance and Freight
CIID Criminal Investigation and Intelligence Directorate
CMA Markets Authority Capital
CME Chief Mechanical Engineer
COCIS College of Computing and Information Sciences
COMESA Common Market for Eastern & Southern Africa
DCL Dairy Corporation limited
DDA Dairy Development Authority
DFCU Development Finance Company Uganda
DNS Delivery Notes
DPP Directorate of Public Prosecution
DRIC Divestiture and Reform Implementation Committee
DSCs District Service Commissions
DT Domestic Taxes
DTA Double Taxation Agreement
EAC East African Community
EACC East African Community Customs
EACCMA East African Community Customs Management Act
EALA East African Legislative Assembly
EARC East Africa Railways Corporation
EATTTFP East African Trade and Transport Facilitation Project
ED Executive Director
EFT Electronic Funds Transfer
EGI E-Government Infrastructure
EIA Environmental Impact Assessment
ESC Education Service Commission
ETP Entrepreneurship Training Program
FAR Fixed Asset Register
FAR Financial and Accounting Regulations
FIEFOC Farm Income Enhancement and Forest Conservation
FINMAP Financial Management and Accountability Programme
FUFA Federation of Uganda Football Association
FY Financial Year
GoU Government of Uganda
MSC Micro Finance support Centre
MTAC Management Training Advisory Committee
MTEF Medium Term Expenditure Framework
MTIC Ministry of Trade, Industry and Cooperatives
MTWA Ministry of Tourism, Wildlife and Antiquities
MUBS Makerere University Business School
MUECCA (A) Makerere University Establishment of Constituent College Order Amended
MUK Makerere University
MUST Mbarara University of Science and Technology
MWE Ministry of Water and Environment
NBI National Backbone Infrastructure
NCAA Ngorongoro Conservation Area Authority
NCBS National College of Business Studies
NC Council for Children
NCDC National Curriculum Development Centre
NCHE National Council for Higher Education
NCS National Council of Sports
NEC National Enterprise Corporation
NFA National Forestry Authority
NGO Non-Government Organization
NIC National Insurance Corporation
NIP Nakawa In-Land Port
NISF National Information Security Framework
NITA-U National Information Technology Authority Uganda
NLU National Library of Uganda
NPL Non-Performing Loans
NSSF National Social Security Fund
NTC National Teachers College
NTR Non-Tax Revenue
NWC National Women’s Council
NWSC National Water and Sewerage Corporation
OAG Office of the Auditor General
OPD Out Patients Departments
PAC Public Accounts Committee
PAYE Pay As You Earn
PFAA Public Finance and Accountability Act
PFAR Public Finance and Accountability Regulation
PIC Planning Investment Committee
PPDA Public Procurement & Disposal of Assets
PS Permanent Secretary
PS/ST Permanent Secretary/Secretary to the treasury
PWD People With Disability
TAI Treasury Accounting Instruction
UGX Uganda Shillings
UHI Uganda Heart Institute
ULC Uganda Land Commission
URA Uganda Revenue Authority
USD United States Dollar
WAN Wide Area Network
WRS Warehouse Receipt System
1.0 Introduction


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

Article 163 (5) of the Constitution further mandates Parliament to debate consider the report and take appropriate action within 6 months after submission of the report referred to in clause 4 above.

Section 45(1) of PFMA 2015 vests an Accounting Officer with powers and responsibility of control of the money appropriated to a Vote and to ensure that the money and resources received, held or disposed by or on account of a vote are used in the way that is lawful and authorized, and effective, efficient, economical and transparent (emphasis added).
Furthermore, section 45 (5) states that an Accounting Officer shall be responsible and personally accountable to Parliament for the activities of a vote.

This provision obliges all Accounting Officers to appear before the Public Accounts Committee to respond to audit queries in their respective votes.

It is in this regard that the report of the Auditor General for the year ended 30th June 2015; Volume 2 (A) was presented and referred to the Public Accounts Committee for consideration.

In the execution of its mandate, PAC is guided by core Constitutional and statutory principles on public finance management, as well as established customs, traditions, practices and usages.

It is my privilege and honour to present to this August House, this Report of the Committee on entities with unqualified opinion as listed above.

### 2.0 Methodology

**2.1 Meetings**

The Committee held meetings with the Accounting Officers for the entities under listed;

**2.2 Document Review**

The Committee studied and made reference to the following documents;

- ii) Written responses from the Accounting Officers of the respective Entities
- iii) Additional documentation as requested by the Committee
2.3 Oversight visits
The Committee undertook various oversight visits to different entities to establish the truthfulness of the submissions by the Accounting Officers that needed physical evidence.

3.0 GENERAL OBSERVATIONS AND RECOMMENDATIONS

Rt. Hon. Speaker, Hon Members, from the Audit queries, proceedings, evidence taken, and subsequent deliberations, the Committee wished to draw attention to what it considered grave concerns owing to their recurring nature across the various MDAs:-

1. Poor budget execution, Mischarge of Expenditure and over Commitment of Government.
Whereas the Parliament enacted the Public Finance Management Act, 2015 (PFMA) to reform and improve public financial management notably the management of the payroll, budget execution, virement’s and commitment control systems, UGX77,615,596,399 was charged on items which do not reflect the nature of the expenditure i.e. mischarged. There still exist rampant cases of unauthorized reallocation, irregular payments/advances to individual/personal accounts, unaccounted for advances and over commitment of the Governments by Accounting Officers.

2. Procurement
The examination of procurement queries revealed a general failure by MDAs to follow the laid down procurement procedures and guidelines.
The Committee unearthed lapses in procurement planning and execution.
There was general failure by entities to appoint contract managers/supervisors to ensure effective implementation of contracts.
This resulted into poor supervision/monitoring of contracts that led to delayed/non completion of projects. In some cases there are no measures taken to minimize risks of contractors defaulting. In such cases, the
Government lost. In contrast however, in cases where the Government is in default, monies were paid in term of fines and interest to the contractors. Several procurement action files lacked key records especially contract management records like delivery notes, payment documents and progress reports.

The Committee held the view that all these contracts irregularities were caused by gross neglect of duty, incompetence, fraud, collusion and corruption.

Noting that public procurement is an important tool in achieving the Government's Vision 2040 and Middle Income Status, the Committee calls upon the Government to implement the specific recommendations on individuals implicated in procurement irregularities.

3. Management of Public Land and Assets

The Committee noted lapses on the management of public land and assets. Most of the Government-owned land lack land titles exposing it to risk of encroachment. The Committee observed that public land is being lost to encroachers with little or no concern from the respective government entities. The most affected are Makerere University, Ministry of Education, Ministry of Defence, and Ministry of Agriculture.

Of further concern is the underutilization of land, buildings and assets resulting in waste of public resources.

*The Committee urges the Uganda Land Commission to fast-track the titling of all government land.*

4.0 Audit Findings, Observations and Recommendations

The Committee made the following observations and recommendations basing on the Audit findings and responses from the Accounting Officers.
4.1 JUDICIARY DEPARTMENT

1. Accrued Expenditure Commitments on Rent

Contrary to section 23(1) of the Public Finance Management Act, 2015 that prohibits the Accounting Officer from entering into a contract, transaction, or agreement that binds Government to a financial commitment for more than one financial year or which results in a contingent liability, audit noted that **UGX.7,471,587,017** accrued on rent.

More so, the multi-year expenditure commitments were not authorized by Parliament.

**Observations**

The Committee noted that:

1. The Accounting Officer deliberately breached the established commitment control systems as enshrined in section 23 of the PFMA, 2015.
2. The rental liability/spending of the Judiciary is spiraling and unsustainable for the country.
3. Delayed payment of rent was as a result of poor planning which may lead to possible eviction of the Courts, causing embarrassment to the country.

The Committee recommends that:

1. The PS/ST should reprimand the Accounting Officer for failure to execute his obligations in accordance with the provisions of Sections 78 and 79 (1) (m) of the PFMA.
2. The Accounting Officer should as a matter of urgency follow up this matter within three months from the adoption of this report.
3. The Auditor General should verify validity of the rental commitments and report to Parliament within one month from the adoption of this report.

2. Budget performance - unimplemented activities

Although the Judiciary received 100% of its approved budget (**UGX.87,160,268,764**), audit noted that total payments amounted to **UGX.87,040,959,545**, resulting into unutilized amount of **UGX.119,309,219**.
This caused non-implementation of some planned activities mainly; disposal of appeal cases in the Supreme Court and Court of Appeal and disposal of suits in the High Court and lower courts.

**Observations**

The Committee observed that;

1. While Judiciary states that it is underfunded, its absorption capacity remains low due to reported understaffing in some departments and courts which hampers utilization of released funds.
   
   For instance, the Accounting Officer explained that unimplemented activities majorly arose due to the lack of headship in the first 3 quarters of the financial year and this affected work in the Supreme Court.

2. The Committee noted that as at January 2016, 2 Justices of the Supreme Court, 2 Justices of the Court of Appeal and 16 Judges of the High Court were appointed though belatedly.

**Recommendations**

1. The Executive should prioritise recruitment and facilitation of the Judiciary for efficiency and effectiveness in delivering their mandate.

2. The balance of UGX 119,309,219 which was unutilised should be accounted for.

3. **Staffing Gaps**

   A review of the Judiciary structure revealed staffing gaps of 379 positions. Of this were 4 Justices of the Supreme Court, 4 Justices of the Court of Appeal and 32 Judges of High Court among others.

   The Accounting Officer submitted that at that time, there was no Commission but currently 192 posts have been filled and more effort is being made to fill the rest of the posts.

**Observation**

Government has continually not taken the role of the Judiciary as critical in good governance.
Recommendation
Given the critical role played by the Judiciary Department, the Accounting Officer should ensure that all vacant positions are filled within 6 months from the adoption of this report.

4. Payments to MTN Uganda Limited and Uganda Telecom Limited
Contrary to regulation 10(1-4) of the NITA-U (e-government) regulations, 2014 that requires all public bodies to use the National data transmission backbone and electronic government information as the primary vehicle for all government data, internet and voice services, the Department paid a sum of UGX.783,306,756 to MTN and UTL to provide internet and data connectivity services, upgrading bandwidth and implementing the SMS/USSD systems.

Observation and Recommendation
In view of the actions taken, the Committee notes that the query was addressed hence be dropped.

4.2 DIRECTORATE OF PUBLIC PROSECUTIONS

1. Non-deduction of Withholding Tax from rental payments to NSSF
Contrary to the provisions of the Income Tax Act, the Directorate paid a total of UGX.1,731,746,849 to NSSF for rent during the financial year. However, 6% WHT amounting to UGX.103,910,811 was not deducted and therefore not remitted to URA.

The Accounting Officer submitted that NSSF had been exempted from WHT in the FY 2013/14 which was however not renewed in FY 2014/15 as required if the exemption is to persist, and continued paying rent without deducting WHT with the belief that NSSF was still WHT exempt.
Observation
The non-deduction of withholding tax was an act of negligence on the part of the Accounting Officer which attracts interest, penalties and also undermines revenue collection.

Recommendation
The Committee recommends that the Uganda Revenue Authority should recover UGX.103,910,811 from NSSF within one month from the date of adoption of this report.

4.3 MINISTRY OF JUSTICE AND CONSTITUTIONAL AFFAIRS

1. Escalating Contingent liabilities for Court awards and compensations
The Auditor General noted that UGX.4,330,041,624,839 was recorded as contingent liabilities in cases against Government as at 30th June 2015. The contingencies increased by UGX.34,737,542,214 from the previous year's position of UGX.4,295,304,082,625. The contingent liabilities comprise of cases that have been filed against Government pending hearing and cases before Courts of law.

2. Outstanding Court Awards, Compensations and other liabilities
Audit noted that the outstanding amount in Court awards, compensations and other liabilities had accumulated to UGX.479,261,494,066 by 30th June 2015. The bulk of this figure was comprised of unsettled court awards and compensations which amounted to UGX.477.7bn, while the other liabilities amounted to UGX.1.52bn having accumulated over the last four financial years.

It was further noted that some of the cases attract interest ranging from 6% to 40% per annum on the court awards. As a result of the delay to make payments, several amounts have doubled and Government continues to lose money due to accumulated interest on the principal amounts.

The Accounting Officer attributed the delays in effecting payments of court awards and compensation to a ceiling on the MTEF but pledged to continue...
engaging the Ministry of Finance, Planning and Economic Development and Parliament to increase budgetary allocation on Court Awards and Compensations. Alternatively he reiterated his earlier submission that Court Awards and Compensations be decentralized to the respective MDAs so that they can take responsibility to pay whenever need arises as stated in the budget call circular of 2016/17

3. Budgeting for Court Awards and Compensations

The Auditor General noted that court awards and compensations have continued to accumulate over the years yet budget allocations and releases have not improved to cover the obligations.

4. Inadequate Records Management

Audit noted that records management of court awards and compensations is still inadequate because the Ministry's case management filling system is a manual one.

Issues

- The case and advice request files require tracing, quick movement and action which is not easy in the manual environment. For example it was difficult to identify at a glance cases with high interest charges; hence tracing the documentation from manual records can be cumbersome. In other cases, amounts awarded were not specified.
- Some files reviewed were not captured in the schedule of liabilities of the Ministry even when the matters had been concluded and notice of the same issued to the Attorney General.
- Some awards made in the year 2011 had not been paid to date by the Attorney General with the amounts not reflected in the verified schedules of liabilities of the MOJCA.
- Inadequate communication between the Directorate of Civil Litigation and the Accounts section.

5. Inconsistencies in Payments Selection Criteria

Audit revealed the following inconsistencies in payment selection criteria:
• Whereas management indicated that payments are based on first in-first out, some files were being cleared in one month after filing the claim at the Ministry, while others were taking much longer.

• Some files were expeditiously paid by the Attorney General in a period of one month after the award such the case of BKC & others was resolved by way of settlement out of court and expeditiously paid off by the office in spite of the existence of other files pending payment.

• Several claims originating from the rulings from the Uganda Human Rights Commission (UHRC) for human rights violations remained unpaid despite the fact that these cases involved small amounts and in many cases no interest charged.

6. Unclear settlement of cases under mandamus

Review of cases under mandamus orders at the Ministry revealed the following:

• In the case of VM versus Attorney General, the amount owing originates from a decree issued on 25 July 2002. In spite of continuous requests from the judgment creditor, the AG has not paid the amount owing resulting to accumulation of interest without any action from the Attorney General.

• An order for mandamus executed against the PS/ST by order of the courts in 2003 as a writ of mandamus against the Secretary to the Treasury has not been honored.

• In the case of JE Ltd the complainant was awarded a UGX.64,516,000 in HCCS 934 of 1998 and due to the delay by the Government to make payment, he secured an order of mandamus against the Permanent Secretary/Secretary to the Treasury upon which he was paid a total of UGX.58,043,500. However, no further payment has been made and evidence on file suggests that the beneficiary intends to make another application for mandamus to secure the balance.

The Accounting Officer conceded to the audit observation and submitted that most of these mandamus orders are now directly paid by Ministry of Finance
since the arrest warrants are issued against the Permanent Secretary/Secretary to Treasury.

**Observations**

i. The committee noted that the Ministry did not possess an organized list of claimants because upon request it was never availed.

ii. There is lack of clear policy and legal framework on procedure and criteria of paying court awards and compensations.

iii. Court awards are not paid as expected on first-in-first-out basis hence occasioning arbitrariness and unfairness in handling compensations. This arbitrariness is the main cause in the astronomical rise in the amounts through accumulated interest.

iv. The Committee observes that the Ministry of Finance has in cases of Mandamus taken it upon itself to pay claimants against established procedure and usurping the mandate of MoJCA.

- The committee is concerned that the PS/ST has taken it upon himself to unlawfully re-negotiate these awards and effect payment exposing the whole process to potential risk of corruption and outright abuse of office.

**Recommendations**

i. The Ministry should maintain an updated list of claimants including the status of claimants, amounts due and date of accrual.

ii. The Committee reiterates the 2014 resolution of the House in relation to Government Compensation to Haba Group of Companies in February 2012 that a legal framework be promulgated to provide for the fund, procedure/criteria on payments of Court awards and compensation.

iii. Government should provide the list of claimants and a schedule on how to expeditiously clear the UGX.477,734,633,849 within 3 months from the adoption of this report.
iv. Court awards and compensations should be decentralized to the respective MDAs for easy monitoring and subsequent pay off.

v. The record management systems and department in charge of compensation be streamlined and restructured with a view of improving efficiency and productivity.

7. Defense of Government cases by the Attorney General

Audit revealed that in some of the UHRC cases, the Attorney General did not file a defense or failed to appear and defend cases filed against Government. Information obtained from UHRC indicated a sample of cases from Masaka sessions where cases against the Attorney General were concluded exparte despite summons being issued, served and received by the Attorney General.

In the case of AP Versus Attorney General

Audit noted that the Attorney General did not appear to defend Government, and no clear reason was given the accounting officer stated that the State Attorney at the time was instructed to write an explanation for his failure to attend court by his supervisor, there was no evidence on file that this explanation was given.

In the case of a Fuel company Versus the AG HCCS 825

The plaintiffs sued the AG for recovery of UGX.59,801,899 as amount wrongly deducting WHT from payments for fuel supplied to the MOD, interest thereon and general damages and costs of the suit. Court entered a default judgement and awarded the plaintiff the money withheld and costs at the rate of 25% from 24th October 2007 until full payment and costs is made.

A detailed review of the case revealed the following:

- The AG did not appear to represent Government and defend the case
- The court ordered that the defendant may recover the money from URA, in lieu of the money paid to URA by the plaintiff, which has not been done
- By the time of failure to defend the government by AG the accrued interest had accumulated to UGX.114,261,333
The outstanding amount reflected in the ledger stood at UGX.182,218,133.

There is a risk that government will lose more money as the interest keeps accumulating due to inadequate representation of government in such cases by the AG.

Management explained that payments will be made when the Ministry receives funds for settlement of Court awards and compensation.

Observations

The Committee observed that;

i. There was professional negligence and weak supervision of State Attorneys by the Director of Civil Litigation in the Ministry.

ii. The high rate of failure of representation and loss of cases is an indicator of possible connivance between State Attorneys and claimants.

Recommendations

i. The Director Civil Litigation Department should be relieved of his duties for gross neglect of duty in accordance with the Public Service Standing Orders of Uganda 2010.

ii. The State Attorneys implicated in neglect of duty should be subjected to disciplinary actions.

8. Inadequate Information flow to Attorney General from other Government Agencies

A review of some cases and various communications revealed that a number of government agencies do not provide necessary information in time to aid the Attorney General (AG) to adequately prepare defenses of the cases. This makes it difficult for the Attorney General to prepare a good defense and enable the AG arrive at a settlement that can save public funds.

The Accounting Officer gave no explanation or credible justification for the failure by the said government agencies to give the instructions or witnesses for the cases against the government.
Observation
The Committee noted that lack of or poor coordination between MDAs as Clients and Attorney General as Advocate was due to lack of guidelines/directives on coordination. This contributed significantly to the low success rate of cases by the Attorney General.

Recommendation
The Committee recommends that cabinet should as a matter of urgency;

i) Develop guidelines/directives requiring MDAs to coordinate with the Attorney General as well as appoint liaison officers to handle concerns of the Attorney General with regard to matters in Court.

ii) Stipulate a time lines/frame within which cases must be reported to the Attorney General and where there is failure, penalize the MDA.

9. Delayed approval of the Ministry’s proposed Macro Organization structure
Audit reported that no approval of the proposed organization structure has been made, though submission of the restructuring report had been made to the Ministry of Public Service for further action.
According to the response from the Ministry of Public Service dated, 26th September, 2014, the recommended structure could not be approved by cabinet due to inability by the Ministry of Finance, Planning and Economic Development to issue a Certificate of the Financial Implication.
The Accounting Officer explained that the structure had been approved on 16th June 2016 but wasn’t supported with adequate wage bill yet it expanded the staffing levels from 300 to 506 and provided for 5 regional offices in Gulu, Moroto, Mbale, Arua and Mbarara.

Observation
Government should direct that the regional office be operationalized with immediate effect.
Recommendation
The Committee recommends that the Accounting Officer should adhere to the provisions of the PFMA, 2015 in closing the financial year.

4.4 MINISTRY OF TOURISM, WILDLIFE AND ANTIQUITIES

1. Outstanding International Obligations

Audit noted that the Ministry is indebted to two International Organizations namely, Lusaka Agreement on cooperative enforcement operations (UGX.4,959,569,305) and United Nations World Tourism Organization (UGX.661,180,605) in unsettled annual subscriptions totaling UGX.5,620,749,910.

The Accounting Officer explained that this was due to inadequate funding at the time but submitted that MoFPED had already captured the details of the obligations in the domestic arrears now pending settlement.

Observations

i. It was noted that unpaid subscriptions may limit Uganda from participating in tourism related activities organized by such organizations and may lead to suspension of Membership from the same.

The Committee recommends that MoFPED settles the arrears and the Accounting Officer implements this within three months of the adoption of this report.

2. Unbudgeted expenditure

Audit noted that during the year under review the Ministry undertook various unbudgeted for activities related to the East African protocols at UGX.190,262,052.
Observation

This was an unauthorized expenditure contrary to Section 22 of the PFMA, 2015 and the Committee held the view that the Accounting Officer acted with impunity.

Recommendation

Pursuant to Sections 78, 79 and 80 of the PFMA, the Accounting Officer should be held personally liable for contravening the provisions of the PFMA, 2015.

4.5 MINISTRY OF TRADE, INDUSTRY AND COOPERATIVES

1. Mischarges
Audit noted that the Ministry charged wrong expenditure codes to a tune of UGX.919,795,830 representing 4% of total expenditure. The Accounting Officer explained that this was due to the persistent underfunded key activities which led to accommodating of critical activities from within the available resources say; engagements in trade negotiations, (EAC, COMESA, WTO Tripartite etc.) that require mandatory attendance.

2. Outstanding Payables
Audit noted that although the Ministry disclosed outstanding payables totaling UGX.9,273,243,483 as at 30th June 2015 in the financial statements, UGX.4,322,188,283 (46.6%) has been outstanding for the last (3) years and UGX.7,753,799,155 related to outstanding annual subscriptions to International organizations.

The Accounting Officer explained that the Ministry's budget ceiling is far below the budget requirements for the mandatory contributions to International Organizations and had submitted the list of domestic arrears to MoFPED for settlement.

3. Nugatory Expenditure US$.6, 925.42
Audit review of available documentation revealed that;
1. The Ministry has defaulted to pay annual subscriptions totaling to UGX. 7,753,799,151 leading to interest charged by some organizations worth $6,925.42.

2. No separate ledgers were maintained to keep track of the subscriptions. The Accounting Officer explained that this was due to the MTEF limitation to provide subscriptions in the budget to pay the International Organizations.

Observations

i. The Committee found the submission of the Accounting Officer inadequate citing poor and unrealistic budgeting to cater for these activities since they are annual and are usually communicated in advance.

ii. There was a deliberate abuse of Parliamentary powers over appropriation by the Accounting Officer for causing an authorized reallocation of UGX.919,795,830. This was a mischarge which is criminal and punishable under the Section 78, 79 and 80 of the PFMA.

iii. Failure to settle international obligations is not only an embarrassment to the Country but also denies the country privileges under the treaty.

Recommendation

1. Pursuant to Sections 78, 79 and 80 of the PFMA, 2015, the Accounting Officer should be held personally liable for contravening the provisions of the Act.

2. ALL contributions to International Organizations of UGX.9, 273,243,483 should be managed and directly paid by MoFPED within 3 months of the date of adoption of this report.

4. Failure to approve Ministry Policies

Review of the ministerial policy Statement for the year 2014/15 revealed that the Ministry had planned to develop a number of policies for the efficient functioning of the Ministry’s business. However, most of the policies for example the Uganda Development Corporation Act, The Competition Bill,
the Anti-Counterfeit bill had not yet been finalized and were still in draft form by the time of this report.

**Observation**

The Committee noted that failure to pass such policies affects management objectives leading to irregular operations by the Ministry.

**Recommendation**

The Accounting Officer should expedite the development and submission of the proposed legislation to Parliament for approval within two months of adoption of this report.

**5. Unimplemented Procurements**

A comparison of the procurement plan and the list of completed procurements revealed that the Ministry had not implemented some of the planned procurements worth UGX.309,846,253.

The Accounting Officer attributed the anomaly to non-release of budgeted funds to implement planned activities.

**Observation and recommendation**

The Committee observes that the Ministry is not able to achieve its mandate without the required funding and recommends MoFPED to increase its budgetary allocation.

**4.6 MINISTRY OF AGRICULTURE, ANIMAL INDUSTRY AND FISHERIES**

**1. Mischarge of Expenditure**

Audit noted that expenditure totaling to UGX.379,633,600 was inappropriately charged to budget lines to fund activities that were not planned without authority.

Accounting officer admitted that they had charged UGX.379,633,000 on wrong items.
Observation

1. The Committee noted that this was contrary to section 22 of the PFMA, 2015 which provides for authorization for any reallocation within a vote.

2. The Accounting Officer acted with impunity in usurping the powers of Parliament.

Recommendation

Pursuant to Sections 78, 79 and 80 of the PFMA, 2015 the Accounting Officer should be held personally liable for contravening the provisions of the Act.

2. Nugatory Expenditure

(i) Interest Paid to a Construction Company – Rwenjubu, Makukulu, Lyantonde and Dyangoma dams

Audit noted that a construction company was contracted to rehabilitate 5 dams in August 2008 namely Rwenjubu dam in Isingiro District, Makukulu dam in Lyantonde District, Kibanda dam in Rakai District, Dyangoma dam in Mubende District and Kasejere dam in Kiboga District at a contract sum of USD 8,095,704.56. The contract’s start date was 26/6/2008 expected completion date was eight (8) calendar months.

Due to inadequate releases, the Ministry could not clear all the balance on this contract which attracted compound interest during the year under review; of UGX 12,312,392,823 as a result of delayed payments of outstanding contractual obligations.

Background

MAAIF contracted M/s Spencon Services Ltd to rehabilitate 5 dams at a contract sum of USD 8,095,704.56. The funding was 76% by the ADB and 24% by GoU.
Observations

1. The Committee observed that the Accounting Officer and the technical officers exhibited professional negligence by committing the Government to unconscionable contractual terms given the high interest rate chargeable. The Committee held the view that this was a collusion to defraud the Government.

2. Given the time lapse in effecting payment, the Committee noted with concern a general failure by the MoFPED to timely honour counterpart funding obligation and this has occasioned wastage of public resources.

3. The Accounting Officer made payment without evidence of ownership of the land by government. Further, the district local government did not provide proof of ownership of the land.

4. The Accounting Officer did not carry out the required due diligence prior to the commencement of the project.

5. The technical team was aware that the project would be delayed but did not take the necessary precautions to mitigate the delays.

6. The outstanding commitments were not reflected in the financial statements of the ministry.

7. The source of funds was an ADB loan consisting 76% of the contract sum and 24% GoU counterpart funding, thus the Ministry paid interest on the loan without accomplishing the purpose for which it was obtained.

Recommendations

1. The technical officers should be personally held liable for professional negligence.

2. The Committee urges the PS/ST to ensure timely release of counterpart funding to the respective Ministries that are implementing public projects.

3. The Attorney General should save government from its inability to settle counterpart funding obligations by disapproving such
commitments by undertaking due diligence before approval of such contracts.

(ii) Interest Payment to a Construction Company – Atar and Wangwoko dams

A construction company was contracted to rehabilitate Atar dam in Apac District and Wangwoko dam in Kitgum District under the National Livestock Productivity Improvement Project (NLPIP) at a contract sum of **US$.2,772,352.70** in June 2009 (Donor component USD 2,491,712.85 and GoU USD 280,639.15). Due to delays in payment of the Government of Uganda (GOU) component of the contract due to inadequate releases, this has attracted interest for which the Contractor is demanding **US$.647,679.40**. At the time of this report, interest element had accumulated to **US$.367,039.49**.

Background

The Contractor was paid USD 2,491,712.85 of the contract sum of USD 2,772,352.76. The GoU component amounting to USD 280,639.15 was not released attracting interest of USD 647,679.4.

Observations

The Accounting Officer violated the commitment control system enshrined under section 15 of the PFMA, 2015.

Recommendation:

1. The PS/ST and the Accounting Officer of MAAIF should be held liable for committing government without a definite source of funds and causing an unnecessary loss of USD 647,679.4.
2. The PS/ST, Mr. Keith Muhakanizi, the project Manager and the then Accounting Officer should make good the loss of USD 647,679.4 occasioned by their negligence.
(iii) Failure to charge liquidated damages of UGX.1,200,042,088

M/s Dembe Liberty Ltd was contracted to construct a fish landing facility at Kiyindi and Lwampanga landing sites at a contract sum of UGX.11,087,327,613 on 11th December 2007. According to available documentation, the contractor had been advanced UGX.2,408,014,853, however, works were not completed within the agreed time and was extended for an extra 164 days.

The contract was subsequently terminated without management charging liquidated damages amounting to UGX 1,200,042,088 as per clause 49.1 of the conditions of the contract.

Observations

1. The Accounting Officer and the Project Manager exhibited gross negligence and incompetence in managing the contract hence occasioning loss of funds to government worth UGX.1,200,042,088.

2. There was no due diligence undertaken during the selection of the contractor – M/s. Dembe Liberty.

Recommendations

1. The Accounting Officer and the Project Manager should be relieved of their duties for gross misconduct in accordance with the Uganda Public Service Standing Orders, 2010.

2. The Accounting Officer should refund UGX. 1,200,042,088 within 30 days from the date of adoption of this report.

3. The Public Procurement and Disposal of Public Assets Authority should institute a procurement audit and investigate the conduct of M/S. Spencon Services in relation to this contract with a view of blacklisting the said company.

4. The IGG should further investigate the procurement process for possibility of collusion.
4. Status of Land Title Acquisition

The Auditor General noted that during the year, a sum of **UGX,16,200,000,000** was paid by the Ministry for acquisition of land to be leased for palm oil development under Vegetable Oil Development Project (VODP). Out of the 42 titles that had been procured during the year, 32 titles were verified but had not been transferred in the names of Uganda Land Commission. The remaining unspecified 10 land titles (in terms of location and size) were reported to be in possession of the consultant and by the time of audit, the process was still on going.

It was further observed that a title for block 49, plot 2 measuring 640 acres was still under caveat and is likely to delay the transfer process.

**Recommendation**

The Accounting Officer should ensure that the 32 verified titles are transferred and the 10 verified and transferred within 60 days of adoption of this report.

5. Staffing gaps

Audit noted that the ministry was critically under-staffed. Out of the total approved structure of 432 posts; 108 (25%) were filled reflecting understaffing gap of 324 (75%) vacancies.

The Accounting Officer attributed the anomaly to the inadequate wage bill, he submitted that measures like declaration of critical posts, preparation of a recruitment plan and restructuring among others have been undertaken to solve the anomaly.

**Observation**

1. The wage bill of the Ministry indicated that UGX 700 million was unutilised despite the staffing gaps thus the failure to recruit was not as a result of lack of funds.

2. There was negligence on the part of the Accounting Officer to recruit resulting to unutilized funds.
3. The Committee notes that understaffing grossly curtails service delivery, overstretches the available staff and in the end affects the attainment of planned goals.

Recommendations

i. The Accounting Officer then should be reprimanded for laxity and negligence of duty.

ii. The Committee therefore recommends that the Accounting officer should follow up with the Ministry of Public Service to fill the critical positions including those in the Directorate of extension by September 2017.

6. Review of the operations of the Uganda China Friendship Agriculture Technology and Demonstration Centre (UCFATDC) Project ( Query referred to NARO

Status of Implementation of Protocol Obligations

(i) Funding of the Project

The Auditor General was not provided with financial records indicating how the funds were utilized regardless of the protocol including training and office buildings, residence for Chinese experts, hatchery workshop, feed factory, agreement indicating that RMB Yuan 50,000,000 was to be provided as total grant aid by the Government of the People's Republic of China with components fish ponds and supply of necessary apparatuses and other equipment.

Observations

i) There was unclear provision of the implementer of the Yuan50,000,000 project leading to non-preparation of accountability records

ii) The Yuan 50,000,000 has not been accounted for to date.
Recommendations

The Yuan 50,000,000 should be accounted for.

(ii) Un-tarmacked road
Audit noted that GOU had not yet tarmacked the road from the demonstration centre to the main Entebbe road as agreed in the protocol. Management explained that the ongoing Southern bypass road works by UNRA hampered progress in tarmacking the road and was still hampering implementation of the planned projects at this research center. MAAIF further indicated they plan to engage UNRA on the best actions.

Observation
The Committee noted that GOU had not tarmacked the road linking the demonstration center to the main road at the time of writing this report, which is an embarrassment to the country and erodes its image to the investors.

Recommendation
The PS/ST MoFPED should release the money for the tarmacking of the link road as per protocol to avoid investors withdrawing their support.

(iii) Lack of accounting records
Audit noted from the report of statistics of expenditure and income of UCFATDC from 2011 to Feb 2014 that the project incurred expenditure to the tune of UGX.3,395,065,128 and income of UGX.2,411,697,770 reflecting a deficit of UGX.983,367,358. However, the Auditor was not availed the accounting procedures followed in the keeping of books of account. There seems to have been lack of follow up on the issues.

The Accounting Officer explained that the accounting procedures were not availed because MAAIF was not a spending center.
Observation and Recommendation

*The Committee noted the Accounting Officer's explanation and recommends that procedures for guiding the keeping of the books of account be hastily formulated within one month of adoption of this report.*

(iv) Lack of Operational Regulations

Audit noted that no separate agreement was drawn to clearly define the details of the operations and sustainability of the center after the expiration of 3 year technical cooperation as stipulated in protocol for cooperation.

Observation

The Committee observed that lack of operational regulations poses a grave risk of not operating the Centre in the interest of government.

Recommendation

*The Committee recommends that the Accounting officer should coordinate with the Chinese Embassy to define details of operations and sustainability of the center by 31 December 2016.*

(v) Lack of supervision of the Project

Audit noted that since inception of the project; the revenue and expenditure was not supervised by the ministry besides; there were no financial reports availed for review.

The Accounting Officer explained that income and expenditure is being supervised now.

Observation and Recommendation

*The query be dropped*

(vi) Revenues and expenditure of the Centre

Audit noted from the review of the minutes of the meeting on the Project of China-Aid Fishery Technology Demonstration Center for Uganda between the
GOU and the PRC under number 6 others; that Ugandan Government promised that the profits earned by the company are allowed to be remitted outside of Uganda freely.

**Observation and Recommendation**

*The Committee notes the Accounting officer’s submission and recommends that MAAIF should work with NaFIRRI and the office of the Solicitor General to review the above clause NO.6 of the agreement to ensure both partners benefit from the profits reaped if any immediately on adoption of this report.*

**(vii) Lack of a detailed Contract between the parties**

Article VII of the Protocol provides that the detailed matters of the Project shall be stipulated in the contract which would be signed by the Institutions designated respectively by the Governments of Uganda and China. Audit noted that no such contract was signed that details the matters of the project.

**Observation and Recommendation**

*The Committee notes the Accounting Officer’s submission and recommends that MAAIF should finalize an agreement to spell out details of the operations of the project to ensure safety of the assets of the project including land on adoption of this report.*

**(viii) Provision of free land**

Audit was not provided with the detailed terms and conditions for the giveaway or intended give away of the land to the Centre as agreed in Article VII of the protocol.

**Observation**

*The Committee notes that there are no clear terms and conditions of the giveaway of land to the center.*
**Recommendation**

*The committee recommends that Accounting Officer’s should finalize an agreement to spell out details of the operations of the project to ensure safety of the assets of the project including land on adoption of this report.*

(ix) **Open ended protocol**

Article IX provides that the Protocol shall come into force from the date of signature (27th June 2008) and remain valid until the fulfillment by the two sides of all their respective obligations under the protocol. Audit noted that the protocol is open-ended.

The Accounting Officer agreed that the contract is open ended and already leading to disagreements between the Chinese and the supervising institution (NARO).

**Observation and Recommendation**

*The Committee recommends that the Accounting Officer should finalize the contract that will streamline the proper management of this institution within 3 months from the date of adoption of this report.*

7. **Bukalasa Agricultural College**

(i) **Legal Status of the College**

Contrary to the provisions of Universities and Other Tertiary’s Act 2001, that requires the Institute to be under the direct supervision of Ministry of Education it was noted that it is instead supervised by MAAIF.

The Board /Governing council is appointed by the Minister of Education but reports to the Minister of MAAIF. It was further noted that the college operates like a stand-alone Institution to the extent that it formulates its own curriculum and sets its own examinations contrary to other tertiary institutions that are controlled by separate examination bodies.
Observation and Recommendation

The Governing Council should within 60 days from the date of adoption of this report seek for guidance from the Attorney General and Ministry of Education and Sports in order to regularize the legal status of the college.

(ii) Non-payment of Rent
The Committee noted that all non-college staff members (Staff of Luwero District Local Government and retired civil servants) were occupying the college premises illegally and neither were they paying rent. Further, there was no housing policy that guides the College in the management of the College facilities.

The Accounting officer conceded to the audit observation and submitted that a recovery of 10 houses has been made so far through eviction.

Observation
The Committee noted the Accounting Officer's submission but observes that without a housing policy it becomes difficult for the college to control the occupants. This is coupled with continued loss of revenue in terms of rent income.

Recommendation
The Committee recommends that the Accounting Officer should formulate the housing policy, evict non-eligible occupants with immediate effect and recover rent arrears within 60 days from the date of adoption of this report

(iii) Poor State of the College Premises
During inspection of the college premises audit noted that some houses were dilapidated and not attended to.

The Accounting Officer submitted that the ministry has been lobbying for funding and in FY 2013/14 UGX.200m was allocated under SATIP which was used to produce architectural plans and renovation of lavatory for boys.
In FY 2014/15 another UGX.200m was allocated for infrastructure development and was used for renovating four dormitories and the second lavatory.

**Observation and Recommendation**

*The Committee appreciates the efforts being made by the Accounting officer to rectify the situation and recommends that government should avail funds for the renovation and expansion of the college to accommodate the current educational needs of the country.*

**(v) Land Issues**

Inspection of the College premises revealed that there is continuous encroachment on the college land by Luwero District Local Government that also claims ownership of part of the College land. Review of the available records showed that the College was granted title for approximately 400 acres by the colonial government way back in 1931; however, subtitles have since been curved out and issued in the names of Luwero District Land Board within the same block of land occupied by the college.

It was further noted that a washing bay and parking yard were operating within the precincts of the college without express authority of the college administration, allegedly with authority of Luwero District.

The Accounting Officer conceded to the audit observation and submitted that management has opened boundaries of the land and fenced off the land that was encroached by a washing bay/parking yard.

**Observation**

The Committee observed gross negligence and apparent connivance by the college administration.
Recommendation

The Committee recommends that the College administration should put in place stringent measures to secure the land from trespassers and institute eviction procedures for all encroachers.

vii) Review of Budget performance - Un-executed Budgeted activities

During the year under review, the Ministry was received UGX.92,160,508,513 against the approved budget of UGX.95,961,820,108; reflecting a performance of 96%, however, this resulted into a shortfall of UGX.3,801,311,595 representing (4%).

It was also observed that the Ministry planned to undertake procurements to the tune of UGX.64,587,961,197 however; the Ministry executed procurements totaling to only UGX.46,666,649,518 reflecting a performance of 72% against the procurement plan. Planned procurements worth UGX.17,921,311,679 were therefore not executed. Consequently, some critical activities and targets were not realized.

The Accounting officer stated that the ministry disbursed UGX.1,646,985,000 to small holder farmers for maintenance in 2014/15.

Observation

The Committee notes that failure to execute all the planned procurements denies stake holders the much needed services.

Recommendation

The OAG should carry out further investigation into the procurement function of the Ministry.

viii) Inspection of Fish Landing Sites

Inspection of Fish landing sites was carried out and below is a summary of findings;
a. Butiaba Landing Site
The sites inspected included Pida A and B, Walukuba, Nyamukuta and Bugoigo.

a) i) Operation by Un-licensed boats
Contrary to Fishing Rule No 12 (1) that states "that a person shall not engage in any fishing activity without a license or permit issued under these rules by the Chief Fisheries Officer or an authorized licensing Officer," audit noted that all the boats at the landing sites were not licensed.

For example the average number of boats operating in a catchment of the nine (9) Beach management Units (BMUs) was reported to be forty (40) implying that up to about 360 boats were not licensed, reflecting revenue loss of approximately UGX.36,000,000 per annum.

The Accounting Officer explained that as stipulated in the Fishing Rules of 2010, Fisheries Licensing is a continuous process that begins with application and registration of the licensee. He indicated that,19,925 fishers on Lake Albert were vetted and 350 Fishing Vessel Identification Plates (FVIP) distributed to this lake region and committed to ensure increased coverage in issuance of Vessel Identification Plates as a final process in licensing.

Observation
The Committee observes that a number of boats were not licensed and attributes it to the weak regulatory framework which could heighten loss of revenue.

Recommendation

The Committee recommends that the Accounting officer should ensure that all boats at the landing site are licensed for proper management, control and regulation with a view of effective revenue collection. Registration should be done and completed within 60 days of the adoption of this report.
**Other Challenges**

a) During the review, the Auditor General noted that a local construction company left behind power bills worth UGX.48,000,000.

The Accounting Officer explained that the issue was communicated to the contractor and the Ministry is following up the matter with UMEME on the status of the payment to avoid power disconnection to the facility.

Further submission of the Accounting officer reveal that UMEME disconnected the service pending clearance of shs 52,333,420 and that the power meter is in the names of Kiyinda BMU as per power service contract between UMEME and Kiyindi Beach Management Unit (BMU). And that the contractor has denied the obligation.

**Observation**

Basing on the documents submitted to the committee, it was noted whereas audit indicated that Ms Spenceon Services Limited had left the site without clearing power bills of UGX. 48m the company denied the obligation pointing to Kiyindi BMU which had contractual obligation with UMEME.

The Committee further, observed that the power bills have since risen to UGX.52.33m and BMUs Kiyindi inclusive that was solely responsible have since been disbanded by H.E the President.

**Recommendation**

*The Committee recommends that Accounting Officer should pursue the leadership of Kiyindi BMU with a view of settling the outstanding power bills within 6 months from the date of the adoption of this report.*
b) Poor state of fish handling facility at Wairaka landing site

Audit Inspection of the landing site showed that the facility is in a very sorry state. The local fishing community cooperative structure was not suitable for fish handling. The structure had incomplete walls and not plastered and the area was very dusty and becomes muddy during the wet season.

The Accounting Officer indicated that issues of poor handling at these facilities will be followed up to ensure fish quality assurance and regulation. A proposal has been developed between the Ministry, Local Governments, Private Sector and BMUS on effective operations of the fisheries facilities in Local Governments along the fish value chain.

c) General challenges faced by landing sites

- The majority of members of the BMUs interviewed indicated that their efforts to fight illegal fishing activities were often frustrated by interference from other authorities.
- It was indicated that there was lack of logistical support from the ministry;
- There were delays by the Agriculture Police to fully take charge of policing the water bodies.
- There was inadequate sensitization of the communities by the ministry on the vices of illegal fishing methods to the economy.

The Accounting Officer explained that the established Agriculture police will coordinate with other enforcement agencies and authorities to curb illegal and uncoordinated involvement of other authorities.

The Accounting Officer further indicated that the police has started forming national and regional structures to fully take charge of policing the water bodies. The Ministry also plans to provide resources and collaborate with other resource users to ensure adequate sensitization of the communities on the vices of illegal fishing methods.
d) Fisheries Institute

i) Dilapidated staff houses

During inspection, Audit noted that all the 29 staff houses are in a dilapidated condition. The houses are roofed with asbestos sheets which is an outlawed roofing material and a health hazard. Some roofs were found leaking with rusty walls while some have cracks with card board ceilings worn out.

The Accounting Officer explained that dilapidation was a result of budgetary constraints. The Institute always budgeted for the renovation activity under the annual capital development budget but this has never been funded.

Further submission by the Accounting Officer indicated that there are plans to cover renovation of these staff houses in the second phase of the Support to Agricultural Institutions Project(SATIP) due to commence 2018/19.

i) Leaking Asbestos Roof - Wandegeya stores

The Audit noted that the stores were still roofed with asbestos material which was outlawed for its hazardous effect on human health. Besides, the roof was leaking. This may result into damage and loss of Government property.

The Accounting officer submitted that minor renovations were done because the funds budgeted for this renovation were channeled to salvage Entebbe offices when there was a directive to MAAIF to relocate back to Entebbe.

g. Lack of a strong perimeter fence around Wandegeya Land and Stores

Auditors’ Inspection of the premises revealed that the perimeter fence is old and in dire need of replacement, the fence is almost collapsing hence the Ministry’s land and other properties are not secure.

Auditor explained to management that the security of the stores is currently compromised as intruders can easily break in the weak fence.
In response, management indicated that the fence will be replaced with a perimeter wall before the end of the financial year. However, the Accounting officer explained that the fence has not yet been fixed due to budget constraints.

**f) Dilapidated office block at NAROSEC – Entebbe**

The Auditor’s Inspection of the office blocks at NARO Headquarters revealed that the offices were poorly maintained and are getting dilapidated. It was noted that the roof was leaking, plants had grown adjacent to the building and plant roots were running on the wall sides. The walls of the building were dirty and cracked while some of the wooden doors were broken.

The Accounting Officer explained that the Ministry plans to have the building renovated this financial year 2015/16. He further submitted that they have since embarked on a phased renovation program due to budget constraints.

**Observation**

The Committee observed that all the issues noted by the Auditor General are to do with poor facilities, dilapidated and obsolete infrastructure which has been given inadequate or no budgetary provision for maintenance or upgrade.

**Recommendation**

*The Committee recommends that the MAAIF should plan an overhaul of its infrastructure in consonance with the importance of the sector to the economy.*

**h. Status of Prior year Audit Issues**

Audit noted that management had not yet fully implemented the prior year audit recommendations.
Observation

Out of the 24 recommendations made by the Auditor in the prior year only one was fully implemented five had been partially implemented by the time of the audit, an indication that the Accounting officer has held it with great indignation and negligence.

Recommendation

The Committee recommends that the Secretary to Treasury should reprimand the Accounting officer for failure to implement the committee/Auditors recommendations in time.

4.7 MINISTRY OF INFORMATION AND COMMUNICATIONS TECHNOLOGY

1. Outstanding Domestic Arrears

Auditor's review of payables related to the Ministry revealed outstanding domestic arrears as at 30th June 2015 totaling UGX.2,000,167,012 contrary to Treasury Accounting Instructions 2003 Part 1 Chapter IV section.

The Accounting Officer submitted that the anomaly was due to limited budget ceilings and inadequate releases but indicated that Shs.488,432,356 had been paid on arrears thus reducing the amount to UGX. 1,511,734,656.

Observation and Recommendation

The Committee notes that the Accounting Officer did not adhere to the Accounting Instructions which requires domestic arrears to be prioritized as the first call on the budget.

The Committee thus recommends:

1. That the PS/ST reprimands the responsible Accounting Officer.
2. The Accounting officer should adhere to PFMA which now enjoins an Accounting Officer to commit the budget of the vote based on the approved annual cash flow plan.
2. Budget Performance – unimplemented activities
Auditor’s review of the budget performance for the year under review revealed that some targets were partially or not achieved despite release of funds to the vote functions.

Observation
The Committee observed that out of the anticipated transfers from UCC of 3.25 billion only 1.5 billion was received. The shortfall subsequently led to a corresponding under performance of the planned activities.

Recommendation
The Committee therefore recommends that the Accounting Officer should continue liaising with the Ministry of Finance, Planning and Economic Development to ensure all budgeted funds are released.

3. Staffing Gaps
The Auditor noted that out of an approved establishment structure of 110 staff, only 99 were filled leaving a gap of 11 posts.

The Accounting Officer submitted that 5 posts have so far been filled and more effort is still being made to fill the remaining posts.

Observation
While the Committee appreciates the effort by the Accounting Officer to fill the 5 vacant posts it was noted that understaffing grossly curtails the effectiveness and efficiency of service delivery. It also stretches the available staff therefore breeding poor quality services.

Recommendation
The Committee thus recommends that the Accounting Officer should follow up with Ministry of Public Service and expedite the process of having vacant posts filled by the next audit.
1. **Mischarge of Expenditure**

Contrary to the Treasury Accounting Instructions, a sum of UGX.47,164,646 was charged on codes other than those for which funds were appropriated leading to mischarge of expenditure.

**Observation**

1. The Accounting Officer undermined the importance of the budgeting process and the appropriation role of Parliament which is implemented through the budget in which funds are tagged to particular activities and outputs using account codes and MTEF limits.
2. Mischarge is criminal and punishable under the Sections 78 and 79 of the PFMA.

**Recommendation**

1. **Pursuant to Sections 78 and 79 of the PFMA, the Accounting Officer should be held personally liable and the IGG should further investigate this habitual failure.**

2. **Understaffing**

The Ministry had a staff composition of 57 staff against the approved staff establishment of 75, leaving a short fall of 16 staff which represents a staffing gap of 21% for both technical and support staff.

**Observation**

The Committee observed that understaffing grossly curtails the effectiveness and efficient service delivery. It also over stretches the available staff.
Recommendation
The Committee thus recommends that the Accounting Officer should follow up and expedite the process of having vacant posts filled by the next audit and should regularly follow-up with the Ministry of Public Service to ensure that any new vacant position is filled.

3. Non-Disposal of Grounded Vehicle
Audit review of the Ministry’s Board of Survey report dated 04/08/2014 revealed that vehicle Reg. UG 00081 was recommended for disposal. However, by the time of audit (August, 2015), the vehicle had not been disposed of. The Accounting Officer conceded to the audit observation and explained that the vehicle had been advertised for auction on 14th October 2014.

Observation
The Committee observes that there was laxity on the part of the Accounting Officer as head of the Procuring and Disposing Entity in ensuring timely disposal.

Recommendation
The Committee recommends that the PS/ST cautions the Accounting Officer for laxity.

4.9 MINISTRY OF WATER AND ENVIRONMENT
1. Outstanding commitments
Contrary to Regulation 9(1) of PPDA (Contracts) Regulations, 2014, which requires an Accounting Officer to ensure that adequate funding is set aside before entering into a contract, note 26 of the financial statements revealed that the Ministry had outstanding commitments amounting to UGX.28,976,858,605 of which a total of UGX.3,002,380,703 relates to the previous year.
Notable among the outstanding commitments are contractual obligations (UGX.15,688,475,672), unpaid VAT (UGX.8,123,846,815), National Forestry Authority (UGX.1,189,239,222) and Bunyonyi Safaris (UGX. 355,246,301).

The Accounting Officer explained that contractual obligations were entered into based on the Ministry's approved budget of UGX.185,587,393,942 of which only UGX.162,942,253,541 was received resulting into revenue shortfall of UGX.22,645,140,401.

He further indicated that some of the outstanding commitments relate to VAT on water related equipment which was re-introduced during FY 2014/2015 yet it had not been budgeted for.

Observations

1. The Committee observes that the Accounting Officer in this particular financial year created unauthorized commitments of over UGX.25.9bn thus violating the commitment control system.

Recommendations

1. The Committee recommends that the PS/ST reprimands the Accounting Officer for gross failure in meeting commitments.

2. The Accounting Officer should also ensure that all outstanding payables are cleared on first call to avoid nugatory expenditure within the financial year.

2. Nugatory expenditure

(i) Bwizibwera Town Water Supply Systems

Audit reported that the High Court ruling of 19th October 2009 awarded total sum of UGX.1,420,396,559 to a private contractor for unpaid principal and the cost of the suit arising from breach of contract by the Ministry and the Ministry was ordered to pay interest on the principal at the rate of 12% per annum from the date of judgment till payment in full.
However, a review of the payment voucher and supporting documents revealed that the Ministry delayed to settle the overdue obligation for a further 56 months (4yrs and 8 months) and as a result, a total of UGX.1,604,566,796 in form of accumulated interest was invoiced by the contractor and paid during the year under review.

The Accounting Officer explained that the contract was awarded in 2003 and during that period the Ministry received less funds in relation to its budget for three consecutive Financial Years. As a result, the contractual obligations of the Ministry could not be met in time resulting into claims of interest on delayed payments.

Observation
The Committee observed that the Accounting Officer was negligent and did not pay the obligations for over 56 months, despite the provision in the Treasury Accounting Instructions that arrears take the first call.

Recommendation
The Committee recommends that the Accounting Officer should be reprimanded by the PS/ST for gross negligence and personally held liable for the sum of UGX 1,604,566,796/=. 

(ii) Compensation to KOL-CMIC Joint Venture
The Ministry contracted a firm on 4th April, 2013 vide contract ref; MWE/WRKS/12/1301466 for the construction of Nabweya Gravity Flow Scheme at a cost of UGX.13,791,151,517. The construction works were scheduled to be completed within 24 months. Under paragraph 4.7.1(a) of General Conditions of the contract, the Ministry was supposed to hand over the site to the contractor without any encumbrance.

Audit however noted that the contractor was denied access to the site by the Nabweya Hill community between 1st November 2013 and 2nd January 2014. As a result, a total UGX.513,086,540 was invoiced and paid under certificate number 4 for demobilization and subsequent mobilization of equipment, labour and other overhead costs incurred by the contractor during this period.
The Accounting Officer indicated that the stoppage of works arose from the Nabweya Hill community who were disgruntled because their area would not be served under Phase one of the project. He however, explained that the demands of the community have since been resolved and works are underway.

**Observation**

The Committee observed that due diligence was not undertaken by the Accounting Officer, leading to nugatory expenditure.

The Committee noted that the amount of UGX. 513,086,540 paid to the Contractor as mobilization and demobilization cost within two months appears excessive and unconscionable pointing to collusion.

**Recommendation**

*The Committee therefore, recommends that the Accounting Officer should refund UGX. 513,086,540.*

(iii) **Interest Payments on Construction of Lirima gravity flow scheme**

The Ministry contracted a firm for the construction of Lirima Gravity Flow Scheme at a contract price of UGX.12,966,047,325 which was later revised to UGX.14,893,801,789, under Addendum 1 of 28th April 2015.

However, owing to the delays in payment to the contractors an additional interest claim of **UGX.93,466,737** was charged and subsequently paid during the year under review.

The Accounting Officer submitted that limited funds disbursed from Ministry of Finance, Planning and Economic Development (MoFPED) hindered the Ministry from effecting payments to the contractor on time.

**Observation**

The Committee observed that there was poor planning and lack of prioritization on the part of Ministry of Finance, Planning and Economic Development when committing government on projects with counterpart funding obligations.
Recommendation
The Committee recommends that the PS/ST should honour all outstanding contractual obligations and counterpart funding within 30 days from the date of adoption of this report.

3. JOINT WATER AND SANITATION SECTOR PROGRAMME SUPPORT (JWSSPS) - SOUTH WESTERN BRANCH (WSDF-SWB)

a) Outstanding VAT arrears
Section 4.2.2 of the Program Document for South Western Towns Water and Sanitation-III (SWTWS-III) project requires the Government of Uganda, in addition to co-funding the project with 10 percent of the budget, to settle Value Added Tax costs. However, at the closure of the financial year the Facility had outstanding VAT amounting to UGX.2,887,064,477.

The Accounting Officer explained that previously, water related works and supplies were exempted from VAT and it was only reinstated in June 2014 during the reading of the National budget. He however, indicated that they had written to the Ministry of Finance Planning and Economic Development (MoFPED) requesting for funds to settle the VAT arrears and awaits their response.

Observation
The Committee observed that failure to remit VAT is a manifestation of total negligence, recklessness and wanton disregard of the law.

Recommendation
The Committee recommends that Uganda Revenue Authority should recover UGX.2,887,064,477 from Ministry of Finance, Planning and Economic Development (as indicated in the program documents for the project) within 30 days from the date of adoption of this report.
Outstanding Liabilities

Article 4.2 of the program funding agreement (Ref-6528-00/2012) required GoU and the donor contribution to be used only for the activities carried out during the Project implementation period which commenced on 19th December 2012. It was however noted that at the inception of the project in 2012 the Facility borrowed a total of UGX.1,454,000,000 from donor contributions to clear outstanding liabilities for a previous project (South Western Towns Water and Sanitation Project III).

During the FYs 2013/2014 and 2014/2015 GoU counterpart funding was instead used to settle the donor liability and as a result of the cash flows constraints, the Facility had accumulated contractual liabilities of UGX.1,410,116,488 at the end of the financial year, June 2015.

Observation

1. The Committee observed that it was erroneous for the Ministry to borrow UGX.1,454,000,000 from donor contributions to clear outstanding liabilities for a previous project (South Western Towns Water and Sanitation Project III) contrary to the program funding agreement.

2. The diversion observed above is a clear indication of lack of government commitment to counterpart funding obligations that resulted into implementation gaps of the project.

Recommendation

1. Henceforth counterpart funding by government once earmarked should be ring-fenced.

2. Assurance/ guarantee of availability of funds should be provided by government before committing the country.
4.10 MINISTRY OF FOREIGN AFFAIRS

a) Outstanding Domestic Arrears

The Ministry of Foreign Affairs (MoFA) signed a number of protocols, entered into several bilateral agreements and obtained accreditation to a number of International Organizations with the aim of promoting and protecting Uganda's interests abroad. In order to maintain its active participation and membership in these organizations, the Ministry was required to make annual contributions to the respective organizations.

It was however, noted that the Ministry was indebted to international organizations to the sum of UGX.33.06 billion as annual subscriptions and other outstanding obligations amounting to UGX.5.34 billion, bringing the total outstanding domestic arrears to UGX.38.40 billion as indicated below;

1. Contributions to international organizations UGX.33,062,851,330
2. CHOGM arrears UGX.3,434,763,201
3. OI Conference UGX.1,699,559,278
4. Carriage, haulage & transportation UGX.97,989,667
5. Electricity UGX.96,000,071
6. Property expenses UGX.8,500,000
7. Withholding tax payable UGX.4,065,901

The Accounting Officer explained that the inability to meet its international obligations and clear its domestic arrears was due to the insufficient budget allocations by the Ministry of Finance, Planning and Economic Development.

Observation

1. Failure to honour international obligations to which commitment has been made is an embarrassment to the nation and ultimately brings the country's image to disrepute.
2. The practice further limits the country's participation in activities organized by international organizations.
3. Government's failure to settle domestic arrears kills investment and paralyses the economy.
4. The practice may attract litigation and its associated penalties from creditors.

**Recommendation**

1. The Accounting Officer should liaise with the MoFPED together with other relevant stakeholders to ensure that the outstanding domestic arrears are cleared as soon as it is practically possible.

2. The Ministry of Foreign Affairs should as a matter of priority settle all outstanding financial obligations to international organisations within three (3) months from the adoption of this report.

**b) Regional Coordination and Monitoring Framework for Northern Corridor Integration Projects**

The Government of Uganda between June, 2013 and July, 2015 signed 14 (fourteen) protocols with sister states of Kenya, Rwanda and South Sudan under the Northern Corridor Integration Projects. These protocols are aimed at enhancing regional trade in electricity supply, petroleum products, transport, Tourism, ICT, health and Security.

Amounts totaling to UGX.4,184,278,843 were disbursed during the year under review to fund the power interconnection and Hoima-Lokichar- Lamu crude oil pipeline projects. However, it was noted that coordination, monitoring and accountability arrangements were not provided for under the signed protocols.

The Accounting Officer responded that a cabinet memo was drafted seeking to set up an Authority to monitor the NCIP projects and necessary approval was being awaited.

**Observation**

The Committee notes that there was poor planning and negligence to ensure effective and efficient implementation of the NCIP.
Recommendation

The Committee recommends that the Minister of Foreign Affairs presents to Parliament, a progress report on NCIP within 30 days from the adoption of this report.

c) Un-authorized Travel abroad

Audit revealed that the Ministry expended UGX. 305,095,415 to facilitate travel abroad for its officers without the Prime Minister’s clearance.

Observation

The Committee noted that the Accounting Officer acted irresponsibly and willfully disregarded the procedure for travel abroad by public servants as provided in the guidelines and directives for Public Servants.

Recommendation

The Accounting Officer should institute the recovery of UGX. 305,095,415 from the individual Officer within 30 day from the date of adoption of this report.

d) Maintenance of Stores Ledgers

Auditor’s inspection of the stores revealed that, the Ministry did not keep a stores ledger as required in Paragraph 501 of the TAI PARTII and goods worth UGX.216,436,742 were issued to various staff without approved stores requisitions.

Observation

The Accounting Officer conceded to the audit observation and gave no substantive explanation.
Recommendation

The Accounting officer should set up a Control system and maintain an up to date stores ledger and the Minister should present to Parliament a progress report within 30 days from the date of adoption of this report.

4.11 DIRECTORATE OF ETHICS AND INTEGRITY

a) Mischarged Expenditure

Audit noted that the entity charged wrong expenditure codes to a tune of UGX.67,769,200. Out of the stated Ugx.67,769,200 mischarge UGX.21,267,600 was used for transport costs for family and personal property of the then Deputy Director (Ethics), from Kampala to Ibanda on retirement. The Accounting Officer conceded to the audit observation and submitted that this was due to inadequate budget on some codes. He further explained that UGX.140,000 had been erroneously reported by auditors while listing mischarges.

Observations

1. The Committee faulted the Accounting Officer for non-compliance, usurping the powers of the appropriating authority and failure to seek permission from the PS/ST.

The Committee recommends that;
The UGX.67,769,200 should be recovered from the Accounting Officer within 6 months from the date of adoption of this report.
b) Vacant positions
Audit revealed that out of 60 posts approved, only 46 had been filled by the year-end leaving 14 vacant with the most critical positions affected including; Commissioner Legal Services, Assistant Commissioner Ethics, Senior Ethics Officer and Senior Policy Analyst among others.
The Accounting Officer explained that the delay in recruitment was a result of nonexistence of the Public Service Commission at the time However; the situation has improved after 9 out of 14 vacancies were filled.

Observation
Inadequate staffing curtails the performance and overall achievement of the Directorate's goals and objectives which in turn negatively effects service delivery.

Recommendation
The Accounting Officer should liaise with the Ministry of Public Service and MoFPED to expedite the process of recruiting the Assistant Commissioner-Ethics and office supervisor.

c) Outstanding unapproved policies and manuals
The Auditor noted that a number of Directorate policies/manuals have remained in draft form due to delays in having the approvals. These include; the training Manual on Anti-corruption, Leadership Code and the Principles of Crime Act and the Bill.
The Accounting Officer explained that;
• The anti-corruption training manual had been approved by top management.
• The Leadership Code Amendment Bill, 2016 is before Parliament for consideration in the sectoral Committee on Legal and Parliamentary Affairs.
**Observation**

The Committee noted that these matters have been addressed but urges the Accounting Officer to ensure timely execution of their mandate.

**d) Failure to withhold tax for Service Providers**

e) Audit noted that withholding tax amounting to UGX.4,662,524 due to URA was not withheld from seven (7) service providers and as such, funds were not remitted.

The Accounting Officer submitted that these cases were reported to the Accountant General who promised to resolve the issue on a case by case basis.

**Observations**

1. The committee found this explanation unsatisfactory and observed gross negligence by the Accounting Officer.

2. The entity is exposed to risks of interest and penalty charges by URA.

**Recommendation**

The Uganda Revenue Authority should henceforth recover the outstanding withholding tax of UGX.4,662,524 within 1 month from the adoption of this report.

**f) Payment of utilities based on estimates**

Audit noted that the Directorate rents office premises on NSSF building plot (4) Jinja road exclusive of utilities thus, Electricity bills are settled separately. It was further established that electricity bill amounting to **UGX.6,000,000** was paid to the property agent on behalf of the Landlord (NSSF) for quarter one on the basis of an estimate.

The Accounting Officer explained that they have had a number of discussions with the Land Lord and UMEME (Utility provider) in an effort to get their own meters without success.
Observation

Since the Directorate does not have a separate electricity meter, payments based on estimates pose the risk of paying more than what is actually consumed and this could lead to loss of public funds.

The committee cited laxity by the Accounting Officer in ensuring a separate billing of electricity.

Recommendation

1. The Directorate should acquire a separate meter within 14 days of the adoption of this report.

2. The Accounting Officer should be investigated for deliberate neglect of his responsibility leading to unnecessary expenditure.

4.12 UGANDA MANAGEMENT INSTITUTE

a) Receivables not collected

Audit noted that receivables worth **UGX.309,793,221** was collected out of **UGX.7,642,135,737** that were outstanding at the close of the previous year. Receivables of **UGX.419,132,192** were accrued during the year under review resulting into an outstanding receivables balance of **UGX.7,751,474,711**. Included in these receivables is **UGX.7,522,871,142** from student debtors. The receivables have been accumulating over a period of seven years totaling to **UGX 8,125,763,878**.

Observations

The Committee noted that the accounting method adopted by the Institute is not best practice and therefore not recommended for reporting purposes.

Recommendations

1. The Committee recommends that the Institute should adopt best International Accounting Standards and practices.

2. The Accounting Officer should ensure recovery of UGX 8,125,763,878. Within 6 months of the adoption of this report or be held personally liable.
b) Accumulation of payables

The Auditor General reported that outstanding payables amounted to UGX.5,535,608,908 at the close of the year under review. The outstanding payables are made up of:

- Taxes (UGX.1,134,433,332),
- NSSF (UGX.45,863,786),
- Gratuity (UGX.1,335,742,180),
- LST (UGX.46,975,000)
- Sundry Creditors (UGX.2,972,594,610).

The Accounting Officer acknowledged the lack of payables management policy but said was in the process of developing the Payables Policy.

Observations

1. There was disregard to the budget circular which requires domestic arrears to be given first priority.
2. Furthermore, payables expose the Institute to risks of litigations and penalties.

Recommendation

The Committee recommends that the institute should adhere to the budget circular and ensure that arrears are settled immediately.

c) Suspected payroll fraud

During the year under review, the Director General sanctioned a special audit by internal audit to establish the extent, to which the former Senior Accounts Assistant remitted staff allowances to his personal Standard Chartered Bank account between July, 2012 and December, 2014. The details of the report indicate that;

a) Staff allowances for trainers of UGX.56,087,334 were diverted to Senior Accountant's personal bank account.
b) Staff allowances worth UGX. 9,973,012 were paid to non-institute staff.

c) Staff allowances in excess of the approved amounts of UGX. 1,680,000 were paid to two staff.

d) Payment documents for Associate Consultants for April and September 2013 could not be traced.

The Accounting Officer stated that the case was referred to Jinja Road Police Station (ref CRB 119/2015), and all the necessary information was provided to the Police to fast track prosecution.

He further said that it had designed and developed a Risk Management Policy pending approval by the UMI Council.

Observation
The Committee noted that there was a systematic syndicate between Mr. Charles Dickens Kiiza, Senior Accounts Assistant and Standard Chartered bank, Speke branch to defraud public funds.

Recommendation
The IGG should investigate Mr. Charles Dickens Kiiza, Senior Accounts Assistant with a view of prosecution.

e) Inadequate Staffing

Audit noted that out of 264 approved staff establishment, only 192 (72.7%) posts were filled leaving 72 vacancies.

The key vacant posts included those of 7 Professors, 7 Associate Professors and 19 senior Consultants.

Observation
The Committee noted that the 72 unfilled vacancies was a huge gap and this negatively impacts on the effective service delivery by the Institute.

Recommendation
The Committee recommends that the Institute should take appropriate measures to attract and retain the requisite staff including reviewing terms and conditions of service.
4.13 STATE HOUSE

a) Rent arrears for Okello House

Audit noted that at the close of the financial year, a sum of Ugx.1, 272,363, 507 was outstanding in rental arrears.

The Accounting Officer explained that at the time of audit, State house had not yet paid rent to the landlord as there was no valid tenancy agreement since 2013. Tenancy agreement could not be renewed since the premise was a subject of mortgage dispute between the lender (Standard Chartered bank and the Borrower (Landlord).

The two Parties have since then resolved their disputes and tenancy agreements were signed against which payments have since been made.

Observation

In the absence of supporting evidence of rent payment, the Committee was not convinced with the explanation.

Recommendation

The Accounting Officer should therefore pay the outstanding rent arrears and submit to Parliament evidence of payment and a new tenancy agreement within two (2) weeks from the adoption of this report.

b) Plot of land for National Housing and Construction Corporation

National Housing and Construction Corporation owns properties on Plot 1 Kyagwe Road-Nakasero which is currently occupied by State House. Documents indicate that National Housing has been demanding arrears of UGX.201,100,000 from State House. These arrears have not been reflected in the financial statements.

In response, the Accounting Officer explained that this plot of land is enclosed within the perimeter fence of State House Nakasero. Initially State House had offered to purchase the plot of land but it was overvalued making it prohibitive.
to procure. This matter was then referred to the Solicitor General with the view of acquiring the plot compulsorily.

**Observations**

The Committee observes that:

1. Non-inclusion of the rental arrears in the financial statements distorts the accuracy of the financial position of State House.
2. Inspite of the report of the Chief Government Valuer which valued the land at UGX 8.4bn, State House has expressed unwillingness to pay and intends to compulsorily acquire the property in contravention of the provisions of the Land Act and the Constitution.

**Recommendations**

1. The Accounting Officer should accordingly reflect the rent arrears in their financial statements and clear the outstanding UGX.201,100,000.
2. The Committee recommends strict adherence to the lawful procedure for acquisition of land as enshrined in the Constitution and the Land Acquisition Act, Cap 226.

4.14 MINISTRY OF GENDER LABOUR AND SOCIAL DEVELOPMENT

a) Payables

Audit noted that the Ministry reported outstanding payables of UGX.3,726,312,583 at the close of the year under review. Included in the payables is a sum of UGX.3, 162,461,669 which ought to be provided for in accordance with the Workman’s Compensation Act. This matter was also raised in the Auditor General’s previous reports and remains outstanding. In addition a sum of UGX.41, 658,848 relates to withholding tax and may attract penalties.

The Accounting Officer indicated that arrangements have been made by MoFPED to provide 1billion each year for three years to clear the arrears of UGX.3, 162,461,669 with an expectation that arrears shall be completed by 2019/2020.
Observations

1. The Committee noted with concern that whereas the IFMS could have failed to automatically withhold tax, there was laxity on the part of the Accounting Officer to follow up and ensure that the UGX.41, 658,848 was recovered and paid to the consolidated fund. This is evident by the fact that this issue has been recurrent since financial year 2013/2014.

2. The Committee further notes that delayed settlement of outstanding payables attracts penalties and interest thereby straining government resources in paying for nugatory expenditure.

The Committee thus recommends that;

1. URA should recover all the withholding taxes due within sixty days from the date of adoption of this report.

2. The MoFPED should provide a confirmation of the commitment to settle the payables and update its final books of accounts.

b) Under-staffing.

Audit noted that out of 742 posts comprising 418 for the headquarters and 324 for its institutional bodies, examination of the Ministerial Policy Statement for Financial Year 2015/2016 indicated that the Ministry had a total only 273 vacancies comprising; Headquarters (180) and Institutional Bodies (93) as of April 2015 resulting into a total shortage of 469 staff categorized as; Headquarters (238) and Institutional Bodies (231).

Some of the vacant positions are at the level of Commissioners, Principal and senior Officers which are of strategic importance to the Ministry.

The Accounting Officer indicated that the Ministry was continuing to engage with the Ministries of Public Service and Finance, Planning and Economic Development to obtain sufficient wage provisions to cater for additional staff recruitment and added that so far, 28 posts have been filled, other posts been advertised and some scheduled for interviews.
Observation
The Committee found the submission of the Accounting Officer inadequate given that there was no evidence provided to this effect in terms of appointment letters of the recruited staff and list of advert.

Recommendations
The Accounting Officer should hasten the recruitment of staff is effected within six months from the date of adoption of this report.

c) Accumulation of labour disputes at the Industrial Court
The Industrial Court was established under the Labour Disputes (Arbitration and Settlement) Act, 2006, to arbitrate labour disputes referred to it under the Act, adjudicate questions of Law arising from references to it by any other law and to dispose of the labour disputes without undue delay. However, review of the case summary statistics revealed that the cases before the court by the end of October 2015 had accumulated to; 322 claims, 273 references, 26 appeals. This was attributed to understaffing and underfunding of the Court.
The Accounting Officer attributed the anomaly to inadequate staff to handle labour disputes at the industrial court but added that MoFPED had promised to increase the industrial court budget by ugx.1.792bn.

Observations
The Committee noted with great concern that delayed adjudication of labour disputes denies access to justice to the aggrieved parties and further strains labour relations.

Recommendations
The Committee recommends that the Ministry should take all possible measures to promptly address the staffing and funding gaps in the industrial court.
d) Payroll management weaknesses
A review of salary payments for the previous financial year revealed that some former staff continued to receive salaries after resigning from service or reaching the mandatory retirement age. The individuals involved were 8 in number and the sum totaled to UGX.12,097,911.
The Accounting Officer attributed the anomaly to delayed approval of resignations by the Ministry of Public Service and IPPS failure to delete the retired persons from the system and submitted that the money will be recovered from the pensions of the affected staff.

Observation
The Committee noted that failure of the system to delete retired staff is negligence of duty on the part of Ministry of Public Service and Ministry of Gender.

Recommendations
The Accounting Officer should recover the UGX.12,097,911 within one month from the date of adoption of this report. Failure to do so, the Accounting Officer should refund the same within two months at the expiry of the aforementioned first month.

e) Inspection of Youth Interest Groups (YIGs) projects under the Youth Livelihood Program (YLP)

Inadequate monitoring
Programme Guidelines require that there should be regular follow-up visits to offer technical support and advisory services to the groups by subject matter specialists. However, audit noted that the Sub County Chiefs/Town Clerks and the Community Development Officers who are the focal persons in the implementation of the Programme do not carry out the monitoring in some cases. In all the 98 projects visited, there was no evidence of progressive reporting and monitoring of the programs
The Accounting Officer attributed the anomaly to inadequate funding for monitoring activities which is capped at 10%.
Observations
The Committee noted that the YLP has been abused due to inadequate supervision and monitoring by the project technocrats. The Committee further noted that there are procedural and governance challenges facing the implementation of the youth livelihood funds thus undermining the intended project objectives.

Recommendations
The Committee recommends that;
1. The Ministry adopts stringent supervision and monitoring mechanisms for the youth livelihood programs and the officers should be subjected to disciplinary actions.
2. The Accounting Officer should restructure the procedural and governance issues in regard to the implementation of the livelihood programs for effectiveness.
3. The monitoring funds should be spread equitably across district and sub-county levels as a way of strengthening monitoring and evaluation systems.
An inquiry by the IGG should be undertaken with an aim of prosecuting the individuals involved in the mismanagement and abuse of the program funds and recovery of the abused funds and should be done within six months from the date of adoption of this report.

f) Non-recovery of revolving funds
The Auditor acknowledged that Section 6(1) of the Youth Livelihood Programme (YLP) framework document 2013, requires all project funds disbursed to each Youth Interest Group (YIG) to be treated as a revolving fund to be repaid in accordance with the project financing agreements between the District Local Government and the beneficiary Youth Interest Group witnessed by the area Resident State Attorney.
The agreements are accompanied by repayment schedules. However, review of a sample of districts revealed that by November 2015, a repayment of only UGX 2,500,000 had been made by one group out of UGX 237,911,900 advanced to groups in Kabarole district where recovery was expected to start from August 2014 leaving UGX 235,411,900 outstanding.

The Accounting Officer submitted that the repayment from 47 youth livelihood projects in Kabarole has since improved to UGX 73.14 million however there is no evidence submitted to this effect.

**Observation**

The Committee noted that the Accounting Officer is exceedingly negligent on recovery of the disbursed funds to the youth interest groups thus undermining the effectiveness of the program in addition to causing financial loss to government.

**Recommendation**

The Committee recommends that the IGG investigates the Accounting Officer Ministry of Gender for neglect of duty, collusion and connivance, and for causing financial loss and should report to Parliament within six months from the date of adoption of this report.

1) **Potential Loss of funds**

The Auditor's field inspection of funded projects in 8 districts and Kampala Capital City Authority revealed that UGX 234,352,300 extended to various groups for various projects may not be recoverable because the projects collapsed or changed the nature of operations.

The Accounting Officer explained that:

- The Ministry was taking actions to enhance the quality of the implementation of the projects and recovery of the revolving fund.
- That the problematic cases were being handled by the offices of the RDC, Police and DISO in line with the rewards and sanctions provisions under the Programme.
Observation

The Ministry of Gender Labour and Social Development failed to exercise oversight and supervision of the fund and as well lacks a clear business corporate strategy to manage the fund.

Recommendation

The Committee recommends that government should re-establish the cooperative bank with micro branches at sub-county level and be granted the task to run the YLF and all similar funds such as Operation Wealth Creation, Women Entrepreneurs Fund and SAGE.

4.15 GULU UNIVERSITY

a) Outstanding Receivables

The Auditor noted that management reported an amount of UGX. 1,798,975,541 as student fees received under note 18 to the final accounts contrary to the University fees collection policy which requires full settlement of fees by the 8th week of the semester in order to attend classes and sit for exams.

The Accounting Officer conceded to the audit observation and submitted that enforcement of fees payment policy will be strengthened by computerization of the fees management systems and interfacing revenue collection within the banking system.

Observation

The Committee observed laxity on the part of University administration and noted that this cripples the University’s ability to implement planned activities and impacts negatively on service delivery.
Recommendation

The Committee recommends that the Accounting Officer should strictly implement the fees collection policy to ensure recovery of the outstanding fees.

c) Accumulation of payables

The Auditor noted that payables of UGX. 1,862,359,408 accrued during the year contrary to the commitment control system which requires the Accounting Officers to commit the entity to the extent of funds availability.

The Accounting Officer attributed the anomaly to unsettled staff gratuity, extra load claims and salary enhancement without appropriate increase in Internally Generated Revenue.

Observations

1. The Committee found the submission of the Accounting Officer inadequate citing unrealistic budgeting and laxity on the side of the Accounting Officer to task MoFPED to make fund allocations to clear these payables.

2. The Committee further added that the Accounting Officer didn’t adhere to the commitment control system which not only violates the laid down Government policies, but also exposes the university to the risk associated with delayed settlement of suppliers such as litigation with their attendant costs.

Recommendation

The Committee recommends that the Accounting officer should adhere to the Public Finance Management Act by ensuring that commitments are based on the annual cash flow plan.

c). Accumulation of NSSF arrears

Auditor reported that the University had outstanding NSSF contributions including interest amounting to Shs.563,617,875 contrary to section 11(1) of
the NSSF Act which requires an employee to deduct and submit the
collection of eligible employer within fifteen days following the last day of the
month for which the relevant wages are paid. The interest element was UGX 246,499,823.

The Accounting officer attributed the anomaly to the enhancement of staff
salaries without corresponding increase in the employer's contribution to the
NSSF for the second year around 2014/15. However, the 10% NSSF arrears
have since been cleared.

**Observation and Recommendation**

The Committee noted the Accounting officer's submission but recommends
that the Accounting Officer should always take appropriate action to adhere to
the Law.

d). Staffing Gaps

Audit noted that, the University was grossly understaffed where out of 918
posts existing in the approved structure, only 365 (40%) were filled leaving 553
(60%) posts vacant which included 37 Associate Professors.

The Accounting officer explained that;

- Despite submission of the recruitment plan to the line ministry for last
  five years, no fund allocation was accorded to enable recruitment adding
  that Faculty of Medicine is the most affected in terms of Specialists and
  Consultants.
- The University has requested for support from Parliament to request
  Minister of Finance, Planning and Economic development to allocate
  funds for recruitment of 81 staff (55 teaching and 26 non-teaching).
- Out of NTR, 5 academic and 4 non-academic staffs have been recruited.
Observation

The Committee noted that failure to allocate funds to the University to enable recruitment has led to the increasing numbers of staffing gaps which in turn strains the existing staff and thus failing the University to achieve its mandate.

Recommendation

*The Committee thus recommends that the Accounting Officer should hastily liaise with the MoFPED to allocate more funds and the appointing authorities to expedite the process of recruiting.*

5) Missing Procurement Records

The 2nd and 8th schedule of the PPDA act 2003 clearly provides the forms to be used in the process of procurement and disposal. These forms are required to be fully filled, signed off and filled in every procurement file.

Audit noted that some procurement files lacked key documents like contract approval, bid documents, user requirements/specifications hence failing the Auditor to confirm whether the procurement processes which were undertaken complied with the PPDA laws and regulations.

Although the Accounting officer submitted that in the process of moving files from one office to another some documents were lost, there was no file movement register to support the assertion.

Observation

The Committee noted that there was negligence and poor record keeping by the Officers in the PDU. The particular category of missing files causes suspicion of possible intentional wrong doing and an attempt to hide information.

Recommendation

*The Accounting Officer should institute disciplinary action against the PDU officers for gross neglect of duty.*
6) Absence of full functional Information System.

The Auditor General reported that a computerized financial management system carries along with it benefits such as; efficiency in management of financial resources, improved service delivery, real time analysis of information for decision making, timely budgeting and financial reporting.

University strategic plan 2009/10-2018/19 provides for the development of intergraded ICT to improve all functions of the university. Although the University has an IT policy and IT master plan in place; which they have not implemented six years into the implementation of the strategic plan.

The Accounting Officer submitted that a Steering Committee has been established to spearhead the operationalization of the ICT Directorate and Ministry of Finance Planning and Economic development has contracted a firm for computerization of the operations of public Universities under the Computerization of Educational Management and Accounting Systems (CEMAS).

Observation

The Committee noted that absence of a functional information technology system may result into inefficiencies in management of resources, delayed, inaccurate reporting and decision making.

Recommendation

The Committee recommends that the Accounting Officer fully undertakes the implementation of a computerized financial management system and develop a vibrant IT unit in order to achieve the mission of the university.

7) Gulu University Fees Management System

Audit noted that the University’s income generating unit (IGU) was operating a fees management system which was developed in-house by students who excelled in ICT.
Further, that the (IGU) system was not tested by a systems expert, nor approved by the University Council, user training was minimal and there was no documentation on the ownership of the software. The (IGU) system was not capable of generating the various management reports such as fees defaulters for a specific period.

The Accounting Officer responded that the Fees Management System is still at piloting stage to identify possible weaknesses and will progressively move to a post tested period and be registered. However, he said that there is need to have software copyrighted and an agreement entered into with the developers.

Observation

The Committee upholds the Auditor General's observation that the use of (IGU) system which is not tested and has proven inadequate to comprehensively serve the business interests of the University.

Recommendation

*The Committee recommends that the Accounting Officer should ensure that software is properly developed and tested before using it fully in management of University fees*

8) Absence of minimum recruitment and promotion policy for non-academic staff

Audit noted that whereas the manual sets out the minimum requirements and qualification for academic staff, it is silent on the minimum qualification requirement of non-academic staff.

In the circumstances, appointment/recruitment of nonacademic staff remains unguided and there is likelihood that non-qualifying staff could be recruited/promoted.

The Accounting officer submitted that a policy for recruitment and promotion of Administrative and support staff has been initiated by the University and
that the process to review the HR manual has been kick-started. He further submitted that the policy for recruitment for teaching staff is now in place.

**Observation**

The committee observed that there was no evidence in the submission from the Accounting officer that the policies were completed.

**Recommendation**

*The Committee recommends that the Accounting officer should expedite the review process to ensure that the necessary qualification required for the various posts for both teaching and non-teaching staff are provided.*

9) **Non-Compliance with Fees sharing criterion Functional fees**

Audit noted that the Academic Registrar's (AR's) Office is charged with the responsibility of collecting all functional fees and transfer to the relevant cost centers on whose behalf it was collected. However, a review of the collection accounts and transfer records revealed that AR's office did not transfer collections amounting to **UGX.482, 115,356** to the relevant cost centers.

The Accounting Officer explained that circumstances were presented that led to the failure by the AR to transfer the collections to centres as per policy.

**Observation**

The committee finds the explanation of the Accounting officer inadequate as the circumstances that hindered the transfer to the respective cost centers are not explained considering that it was an officially agreed position.

**Recommendation**

*The committee recommends that the Accounting officer should account for the UGX 482,115,356 or make good the amount.*
10) Allocation of tuition fees to cost centers

Audit reported that;

- The University Council approved a criterion for allocation of tuition fees collected that requires every collecting faculty to contribute part of its total collection as follows; development 20%, maintenance 5%, wage 10% and the remaining balance to Administration 15%, library 10%, IRGS 3%, pension 2%, Dean of students 20% audit 1% with the balance to be used to finance the faculty.

- Transfers to various cost centers were made in disregard of criterion approved by the University Council with some centers getting less and others more than the expected amounts.

- The University lacked a mechanism to monitor collections and subsequent transfers to the relevant cost centers resulting into various allocations not to be investigated and addressed by management.

The Accounting officer submitted that they are carrying out a structuring of the Finance department into two divisions; revenue and expenditure division and this arrangement will create a mechanism by which tuition fees, transfer policy will be enforced.

Observation and Recommendation

*Given the foregoing, the Committee recommends that the Accounting officer should ensure that the University council criterion for allocation of tuition is strictly followed by the respective faculties.*

11) Grounded vehicles

Despite the recommendation by the board of survey report for 2013/14, the vehicles were still grounded at the various university premises at the time of audit.
The Accounting Officer submitted that vehicles disposal requisition has been approved and presented to the contracts committee for approval of method and values. Ministry of Works has been invited to assess the vehicles and establish reserve prices.

**Observation**

The Committee observed with concern that failure to dispose of the grounded vehicles could result in further deterioration in value of assets and theft of vehicle parts.

**Recommendation**

*The Committee thus recommends that the Accounting Officer should expedite the process of disposal of these assets not more than 6 months from the date of adoption of this report.*

11) Internal borrowing

The Auditor General noted that in June 2012 the University borrowed UGX.350,000,000 from Gulu University Constituent College Lira with the view of refunding the funds but only UGX.50,000,000 had been refunded leaving the balance of **UGX.300,000,000** outstanding and there was no indication to show that the University is implementing the refund.

The Accounting Officer submitted that money had been refunded adding that it will be reconciled against infrastructure design, drawing plans, Bills of Quantity and administrative fees for the ADB project on behalf of the college.

**Observation**

The Committee noted that internal borrowing of funds impacts negatively on the organization's final books of accounts and may hamper prompt implementation of planned activities of the constituent college.
Recommendation

The Accounting Officer should be reprimanded by the PS/ST for failure to refund the entire sum in time to the Gulu University Constituent College Lira.

4.16 MAKERERE UNIVERSITY

1. Unaccounted for funds

Audit noted that contrary to section 4.6.4 of the Makerere University Finance Procedures Manual that requires advances to be accounted for within 14 days following the completion of the exercise, and in any case not later than 60 days; outstanding advances of both administrative and accountabilities amounting to UGX. 291,772,085 and UGX.511, 171,395 respectively of which UGX.219, 399,310 were personal advances to staff which had remained outstanding for a period of more than one year.

The Accounting Officer submitted that;

- Funds were advanced to staff to carry out various activities of the University however, a follow up on all outstanding advances was being undertaken and where necessary recovery measures instituted in case of total failure to account by the responsible staff.
- Personal advances of UGX 219,399,310 and administrative advances of UGX 291,772,085 were accounted for.

Observations

1. The committee observes the lack of an effective internal control system.
2. The Committee found the submission of the Accounting Officer distrustful having failed to avail supporting evidence of the reported accounted for personal advances of UGX 219,399,310 and administrative advances of UGX 291,772,085.
3. Failure to provide accountability for over a year is a contravention of the accounting instructions which stipulated that advances should be accounted for within 60 days of their disbursement.

Recommendation

1. The Committee recommends that the Accounting Officer should strengthen controls over advances to staff, ensure adherence to the University policy regarding accountability for funds.
2. The Accounting Officer should recover personal advances of UGX 219,399,310 and administrative advances of UGX 291,772,085 and report to Parliament within 2 months from the date of adoption of this report.

2). Non-disclosure of Donor grants

Audit stated that during the year total donor grants reported amounted to UGX.10, 983,905,581. However this was only related to the SIDA-SAREC projects. All other none bilateral donor grants such as Africa Centre for Systematic Reviews and Knowledge Translation, Post Abortion Care Study among others were not disclosed.

The Accounting Officer submitted that the University only discloses grants from the bilateral sources.

Observation

The Committee observed that non-disclosure of non-bilateral donations may lead to risk of loss or misappropriation of funds and postures difficulty in confirming whether funds were used for the intended purposes.

Recommendations

The Committee recommends that;
1. The Accounting Officer should make a complete disclosure of all donor funding received by the University in line with the requirements under section 43(1) of PFMA.

2. Furthermore, the Accounting officer should present documents disclosing all donor funds received by the University within the financial year 2014/15 to the auditors for auditing and thereafter reporting to Parliament in the Auditor General’s report for financial year 2016/17.

3). Management of Pension Liabilities

Audit noted that during the year, outstanding pension liabilities of the University decreased from UGX. 30,406,365,541 to UGX. 29,927,548,933, indicating a meager payment of pension arrears of only UGX. 478,816,608. Pension liability has taken long to be settled yet it’s amongst the reasons leading to staff strife at the University.

The Accounting Officer submitted that several appeals and requests were made for these arrears to be settled by MoFPED. Besides the University was taken to industrial court which could lead to a high interest and penalties being charged if this obligation is not settled.

Observation

The Committee observes that delayed settlement of liabilities may create high interest charges on the University and possible litigation leading to legal costs on the Government.

Recommendation

The Committee recommends that the Accounting Officer should continue liaising with MoFPED to ensure that the obligation is settled without further delay with a view of saving the government from unnecessary legal costs and report to Parliament within 3 months from the adoption of this report.
4). Transfers to Personal Bank Accounts

The Auditor noted that Treasury Accounting Instructions (TAI) part 1 (227-229) require all payments to be made by the Accounting Officer directly to service providers and where it is not convenient an imprest holder should be appointed by the Accounting Officer with the approval of the Accountant General to carry out such payments.

Payments totaling to **UGX.776,009,229** were made by various colleges for supplies and meeting costs of different activities through staff’s personal bank accounts but no evidence was there to show that the staffs were appointed as imprest holders and no reasons were given to justify the payments to the individuals’ bank accounts.

The Accounting Officer submitted that the payments were for activities which are field based.

**Observation**

1. The university did not appoint imprest holders for the period in question.
2. The practice of depositing funds on personal bank accounts is not only irregular but also exposes the University funds to a risk of loss since the colleges did not have any control over staff personal bank accounts.

**Recommendation**

*The Accounting Officer should desist from such practices and adhere to the requirements of TAI*s.

5). Leasing of University land at Kololo

Audit noted that according to section 87(1c) of the PPDA, a procuring and disposing entity shall not dispose of any strategic asset without the prior approval of the Minster. Contrary to this provision, it was established that the
University leased out land located on plots 34-36 on Prince Charles Drive, Kololo to a private investor at a cost of UGX 1,500,000,000 without the full knowledge of the Minister.

The proceeds from the transaction were transferred directly to the University expenditure account and expensed. However, this transaction was not disclosed and reported in the financial statements under the memorandum statement of disposal of physical assets.

The Accounting Officer indicated that the transaction was approved by the University Council and that its respective proceeds were used to finance University pressing needs.

Observation

1. The disregard of the Minister’s approval of the transaction was irregular and highly suspect.

2. The Committee noted with great concern that in the absence of proper disclosure and respective reporting of the transaction there is a risk that the proceeds from the transaction may not have been put to proper use.

3. The Chief Government Valuer valued the 3 acres piece of land in question, moreover in a prime location in Kololo at a paltry UGX 1.4 billion (compared with the ordinary market price of approximately UGX 5 billion per acre in the same locality)

Recommendation

1. The IGG should investigate the transaction with the view of establishing whether there was value for money.

2. In case it is established that there was no value for money, the culprits should be prosecuted.

6). Staffing Gaps

The Auditor noted that the University had significant staff shortage. Out of 2,774 established academic positions, only 1,333(48%) are filled leaving a staff
gap of 1,441 positions and out of 554 established positions for administrative staff only 168 (30%) are filled leaving 383 positions vacant.

The Accounting officer submitted that;

- The University staffing level is largely a funding issue resulting from the wage ceiling from Government.
- Government has communicated in several correspondences directing that recruitment should only be effected within the wage provisions as appropriated by Parliament and that Accounting Officers who don't adhere to the directive shall be personally liable.
- The University Council instituted a restructuring committee and it is expected that the report will address some of the staffing issues
- The University hired part time and contract staff for critical areas greatly affected.
- Management and the University Council have outsourced some of the non-core services.

Observation

1. The committee noted that the University hired part timers and contract-staff to cover the staffing gap. It is however not clear on the number of staff hired and the cost implications compared with recruiting substantive staff.
2. The Committee observed that lack of adequate staffing coupled with the demanding workload on the existing staff may impact negatively on service delivery and achievement of the University's objectives.

Recommendations

1. The University should provide information on the numbers of part time and contract staff hired and their cost implication to justify recruitment.
2. The Committee recommends that the Accounting Officer should hastily liaise with the MoFPED to increase the wage ceiling to allow for additional staff recruitment.

7). Management of Payables

At close of the financial year, the University maintained a payable balance of UGX.21,776,933,009 compared to UGX.25,822,288,140 reported in the previous financial year (2013\14). This related to committed creditors and deposits received. Non-payment of debts could lead to litigation for delayed payment which may also result into further liquidity problems.

The Accounting officer submitted that;

- The payables related to staff incentives brought about by industrial action by academic staff to increase salaries. They also related to periods as far as 2009. However, the University council has put in place a Council Committee to rationalize and review the sustainability of the staff incentives.

- The University negotiated with Government and agreed that the arrears report be submitted to Government for verification and possible settlement.

Observation

The Committee observed that the University has continued to commit government even when there are no funds.

Recommendation

1. The University Council should expeditiously rationalize the payment of staff incentives to ensure its sustainability.

2. The Accounting Officer should ensure clearance of outstanding obligations and stop over commitment.
8). External legal services

The Auditor noted that the University paid a total of UGX.1, 053,747,963 in fees and other payments to their external lawyers for legal services offered to the University.

Out of court settlement were paid to the University lawyers and not to the recipients/their legal representatives without any acknowledgement being sought. There were no written instructions authorizing that the funds be paid to the lawyers.

The University doesn't disclose any ongoing litigation as contingent liabilities in the memorandum statements attached to the financial statements.

Where the legal team has negotiated settlements on behalf of the University, there is no evidence that the University management was invited to the negotiation before they were approved and signed off by management.

The University is still spending a significant amount of funds as payment for external legal services whereas they have an internal legal team.

The Accounting Officer submitted that the University was improving the capacity of the in-house legal services to be able to handle all legal services.

Furthermore, the proceeding of the settlement meetings are captured and filed for future use.

Observation

The Committee observed that there was recklessness in the management of court cases by the University and noted that in the absence of involvement of University management out of court settlements, there is a possibility of collusion to defraud the University.

Recommendations

The Committee recommends that the Accounting Officer should ensure that:

...
9). Mischarge of Expenditure at College level

Contrary to paragraph 156 of the TAI which provides that funds available under one item or sub-item of expenditure may not be transferred to another item or sub-item, save on the authority of a Virement warrant nor any expenditure be charged to an item merely because funds are available under that item, expenditure amounting to UGX.115,883,144 by various colleges were wrongly charged on item codes meant for other than those for which the expenditure was incurred.

The Accounting Officer submitted that the anomaly was attributed to insufficient funding received by the colleges.

Observations

1. The Committee found the submission of the Accounting Officer unjustifiable citing deliberate abuse of financial regulations and budgetary indiscipline.

2. The Committee further noted that the Accounting Officer undermined the importance of the budgeting process and the appropriation role of Parliament.

Recommendations

1. The PS/ST should institute disciplinary actions against the Accounting Officer for flouting financial regulations.

2. The Accounting Officer should streamline the budgeting process and ensure that sufficient funds are allocated to each account and
where possible written authority from the PS/ST for any reallocation must be availed and filed.

10). Student Debtors who are Finalists

The Auditor noted that a total of 3,069 students who were in the final year of their courses still owed the University a total of UGX.1, 278,893,775.

The Accounting Officer explained that finalists with fees balance had been forwarded to the Academic Registrar to ensure recovery.

The Accounting Officer explained that out of UGX.1, 278,893,775 a total of UGX.940, 781,218 was fully paid by graduation date as per attached schedule UGX.338, 112,557 has not been paid.

He added that students implicated shall not access their academic documents until they have cleared their fees and stringent measures have been put in place to ensure that finalists do not sit their final examinations with debts.

Observation

The Committee observed that the management of the University exhibited laxity and weakness in fees management and this adversely affects the running of the University.

Recommendation

The Committee recommends that the Accounting Officer should ensure the recovery of all dues before the students complete their final exams by implementing the new university fees policy.

11). Irregular Contract Extension

Audit noted that contrary to regulation 54 of the PPDA (Contracts) Regulations 2014, which states the conditions under which a contracts term can be changed and Regulations 54(1) (d) and 54(4) that state that the time or duration of a contract can be changed but all changes shall only be issued with prior approval of the Accounting Officer,
There were several contract extensions made and communicated to contractors by the head PDU without the approval of the Accounting Officer. Contracts involved were for management of solid waste, garbage collection, cleaning of the main building, operation and maintenance of the public toilets.

The Accounting Officer submitted that prior to the Contracts Committee’s approval; the Accounting Officer endorsed the documents to confirm no objection to the contract extension and the PDU head on behalf of the Accounting Officer communicated to providers.

**Observation**

The Committee noted that the Accounting Officer irregularly relegated his statutory obligation under the PPDA Act.

**Recommendation**

*The Accounting officer should be reprimanded for failure to execute the duties imposed on him under the PPDA Act.*

12). *Failure to report awarded contracts to PPDA*

Contrary to regulation 20(2) of the PPDA regulations (2014) and regulations 45(3), which enjoins PDE’S to submit monthly reports by the 15th day of each month, the University paid suppliers a total of UGX.1, 574,033,758 as micro procurements below UGX.5 million which were not reported to PPDA regularly as required.

The Accounting Officer submitted that the anomaly to staffing constraints in the PDU due to the resignations and retirement of staff.

**Observation**

The Committee was not satisfied with the explanation of the Accounting Officer and noted that there was negligence, poor planning and management of the University human resource.
Recommendation

The Committee recommends the University to put in place measures to ensure that core positions are promptly filled.

13). Review of other Non-Consolidated Accounts of the University

The Auditor General noted that the University operates a Guest House and a Printery which are used to generate internal revenue. However a review of their operations revealed the following anomalies;

13a). University Guest House

13a1). Doubtful Revenue Reported

The total reported sales revenue in the Guest House’s statement of performance for the year under review amounted to UGX 806,321,446.

A review of the Guest house cashbook revealed that the total receipts in the year actually were UGX 1,101,545,665. Total sales revenue was understated by UGX 295,224,219.

The Accounting Officer said that there was an error as credit sales had been posted in the cash book which was consequently corrected.

Observation

The Committee observed there was poor supervision of the Accounts staff at the Guest House.

Recommendation

1. The Accounting Officer should account for the UGX 295,224,219
2. The Committee recommends that the Accounting Officer should put in place a review mechanism to ensure errors are detected in time and that the Guest House manager accounts for all the money collected.
2). Failure to bank revenue intact

An analysis of the cash book revealed that a total collection by the Guest house amounting to UGX.806,321,446 a total of UGX.446,860,974 was spent without first depositing the money in Guest house main collection bank account (9030005965119) in Stanbic bank.

The Accounting Officer explained that the decision to spend money at source was due to Uganda Revenue Authority's issuance of an agency notice on the Guest house revenue collection bank account in Stanbic bank over un-cleared tax obligations.

Observation

The Committee noted that the University failed to run the Guest House with clear corporate strategy hence leading to persistent inefficiencies and loss of revenue.

Recommendation

The Accounting Officer should review the management of the Guest House and adopt good business management practices.

13b). University Printery (UP)

a) Non-disclosure of revenues – UGX 393,996,539

Audit revealed that a sumUGX.393, 996,539 was paid to the University Printery collection account by Makerere University for printing services. However, University Printery did not record funds in the cash book as receipts of University Printery.

Furthermore the Printery didn’t avail a copy of the bank statement to the Auditor to confirm whether these funds were indeed received. In addition the total revenue reported by the Printery in the financial statements was therefore understated. Funds remained not accounted for by the end of audit.
Printery Management explained that they did not receive the said funds.

The Accounting Officer submitted further that the revenue in question Shs. 375,162,439 was still in transit by the time of the audit. It was received after the closure of the financial year 2014/15

Observation

The Committee found the explanation of the Accounting Officer inadequate given that there was no bank statement availed for review.

Recommendation

The Accounting Officer should recover Shs. 375,162,439 within 30 days from the date of adoption of this report.

b). Debtors/ Receivables – UGX 845,63,4,281

Audit noted that the Printery debtors decreased by a paltry UGX. 15,393,777 from UGX. 845,634,281 in 2013/14 to UGX. 830,240,504 in 2014/15.

Further observations included;

- Of the claimable debtors a total of UGX. 20,242,765 is Value Added Tax while Withholding Tax of UGX. 124,079,550. There are no supporting documents in respect to these claims.
- Of the Total non-tax debt of UGX. 545,843,725 or 82% is due from University units or Colleges.

The Accounting Officer conceded to the audit observation and made no further submissions.

Observation

The Committee observed poor debt recovery by the University Printery is due to lack of a clear business management strategy by the University.
Additionally, failure to recover outstanding receivables may lead to accumulations beyond recoverable levels which may necessitate writing off resulting in to financial loss to the University Printer.

Recommendation

The Accounting officer should institute mechanisms and enforce strict adherence to ensure that all receivables are collected within 2 months from the date of adoption of this report.

d) Delays to complete jobs

A review of the work in progress at the Printery showed that some works totaling to UGX.248, 200,507 had been pending for more than a year with some from as far back as 2012 posing a likelihood that the customers lost interest in this work given the time it has taken to be completed which may necessitate writing off such work. However, there is no proof to confirm management’s claim that these jobs had been concluded.

Observation

There is need to evaluate the status of the Work In Progress in order to give a true picture of the asset position of the Printery since the University Printery requires that clients deposit at least 50% before a job commences.

Recommendation

The Committee recommends that the Accounting Officer should adopt good business management practices to maximise the productivity and efficiency of the Printery.

d). Profit appropriation

Management of the Printery didn’t have an approved formula of sharing profits amongst the different stakeholders.
The Accounting Officer explained that the profit sharing agreement was initially 10% and was later increased by the Printery Management and this issue arises due to the constant changing status of the Printer.

When the status is later changed to that of a semi-autonomous business unit then the Printery will formalize its profit sharing arrangements with the University unlike at the time of audit where it was a service Centre.

**Observation and Recommendation**

*The Committee recommends that the Accounting Officer should come up with clear policy regarding sharing of profits generated by the Printery to eliminate the current ambiguity.*

e). Redundant Machinery

A review of the financial statements show that the Printery has redundant machinery with a net book value of UGX.240,385,256 as reported in the financial statements for 2014/15 and this Machinery has remained redundant for more than two years.

The Accounting Officer conceded to the audit observation and said that the disposal process had commenced.

**Observation**

The Committee faulted the Accounting Officer for laxity to dispose of obsolete assets adding that prolonged retention of idle assets can lead to the assets becoming obsolete and possibly lose value through pilferage.

**Recommendation**

*The Committee recommends that the Accounting Officer should expeditiously dispose of all obsolete assets within 2 months from the date of adoption of this report.*
1. **Accumulation of payables**

Contrary to the Commitment Control Policy of Government that prohibits entities from entering into contracts without availability of enough resources to settle the obligations, the University was indebted with UGX. 3,305,042,690 comprising staff **gratuity (UGX.2, 788,136,163)** and a local firm’s invoices **(UGX.516, 906,527)**.

The Accounting Officer submitted that the Ministry of Public Service failed to transfer the funds to the University at the time of decentralization of such payments.

Further that the University is following up the payment of staff gratuity arrears with the Ministries of Finance, Planning and Economic Development and Public Service.

The obligation of UGX.516, 906,527 to Nambale Enterprises Ltd has been fully settled.

- The outstanding gratuity arrears to staff of UGX. 2,788,136,163 by the end of the financial year 2014/15, the Government have so far released 1,348,479,572 to the University reducing the obligation to UGX.1, 439,656,590 as the outstanding arrears to staff.

**Observation**

The Accounting Officer flouted financial regulations by committing the University without availability of funds.

**Recommendations**

1. **The Committee recommends that the Accounting Officer should adhere to provisions of the budget call circular and now the PFMA which oblige Accounting Officers to execute their budgets in accordance with the approved work plans and available funds.**
2. The Accounting Officer should continue liaising with the relevant government agencies and ensure that the outstanding gratuity is settled to avoid probable legal suits and their attendant costs.

2). Inadequate staffing of the University

The Auditor noted that out of an approved staff establishment of 2,316 employees for all her campuses, only 384 posts (16.6%) were filled leaving 1,934 vacancies. Some of the critical vacancies include those of Professors, Associate Professors, Senior lecturers, Directors and Heads of departments.

The Accounting Officer attributed this to the inadequate wage bill but stated that efforts have been made with Ministry of Public Service and Ministry of Finance to increase the wage bill so as to improve staffing levels.

Observation

The Committee noted with great concern that 1,934 unfilled vacancies is a huge gap and therefore this impact negatively on the effective service delivery of the University yet no reasons have been given for the delay to fill all vacancies which clearly manifests laxity in the recruitment process.

Recommendation

The Committee recommends that the Accounting Officer should as a matter of urgency take appropriate actions to ensure that all the vacancies are filled within six (6) months from the adoption of this report and report to Parliament immediately thereafter.

3). Non recovery of salary advances

The Auditor General noted that salary advances ought to be recovered within nine months through the payroll in accordance with section 4.2(b) of the terms of service for the university. Review of the salary advances ledger revealed outstanding salary advances amounting to UGX.65,066,577 which includes UGX.30,436,577 attributed to previous financial years.
The Accounting Officer attributed the delayed recovery to absence of the advances' recovery code on the Integrated Payroll and Personal Management System (IPPS) at the time but submitted that the issue was later addressed resulting into commencement of recoveries in October, 2015 and as of now, all advances had been recovered and documentation to that effect was presented to the Committee.

Observation

The Committee noted the submission of the Accounting Officer but observed that long outstanding advances constrain the cash flow position of the University and may result in bad debts.

Recommendation

The Accounting Officer should recover the outstanding amount of UGX.65,066,577 always adhere to and implement the terms of service of the University in regard to salary advances.

4). Inspection of construction works for a two lecture room block

The Auditor General noted that a physical audit inspection of the construction of a two lecture room block at Nagongera campus revealed that cracks had developed on both the floor and ceiling, and the timber used to separate classes had warped.

The Accounting Officer submitted that at the time of audit, construction was still under the defects liability period and the contractor made corrections before the retention money was paid. However, this was corrected and documents presented in this regard presented to the Committee.

Observation

The Committee noted the submission of the Accounting Officer but observed inadequate contract management and supervision of the works by the University management at the time.
Recommendations

1. The Committee calls for value for money audits on public works involving construction of public infrastructures to ensure compliance with quality specifications.

2. All technical persons charged with the responsibility of supervision of Government construction should be held personally liable for losses that may arise out of their omissions/commissions.

3. The PPDA should be more proactive by invoking the powers vested in it by the law to blacklist companies that deliver shoddy works.

4.18 MBARARA UNIVERSITY OF SCIENCE AND TECHNOLOGY

1). Outstanding Receivables

Audit reported a receivable balance of UGX 451,477,415 in the statement of financial position as at 30th June 2015 and a review of the supporting schedule revealed that the debts were owed by the sponsors of private students.

Some students sat exams without settling tuition fees contrary to the existing University policy.

The Accounting Officer conceded to the audit observation and submitted that the University had introduced mechanisms for tracking defaulters which were expected to mitigate the problem.

He added that demand notes were written to sponsors and funds were received, currently students aren't allowed to even sit exams before payment of tuition fees and the University fees policy has been reviewed to ease payment.

Observation

1. The Committee cited loopholes in the University fees policy and its implementation.
2. The Committee observed gross negligence on the part of the Accounting Officer in implementing the fees policy.

**Recommendation**

*The Committee recommends that the Accounting Officer should recover all outstanding fees balance from defaulting students within three (3) months from the date of adoption of this report.*

2). Failure to enforce staff bonding agreements

Contrary to section 5.5 (a) of the University HR manual and the terms of the bonding agreement which require that staff be bonded for a period twice the duration of their course or refund the cost of sponsorship. Management didn’t enforce these terms thereby incurring a loss of UGX.69,623,964.

The Accounting Officer submitted that Management had already started making recoveries from some staff and referred one case to the Solicitor General for legal advice before taking steps to recover the money. He added that the bonding agreements are now being enforced.

**Observation**

1. The Committee noted that the University administration without any justifiable cause, failed to enforce the provisions in the Human Resource Manual on staff bonding.

2. The Head of the Human Resource is culpable for gross neglect of duty and causing financial loss to the Government.

**Recommendations**

1. *The Committee recommends that the Accounting Officer should recover UGX.69,623,964 within 3 months from the date of adoption of this report.*

2. *The Head of Human Resource should be reprimanded for gross neglect of duty.*
3) Discrepancies between salaries paid and entries in IPPS

The Auditor General noted that a comparison between the staff at the University during the year under review and the IPPS revealed numerous discrepancies totaling to UGX.67,720,940.

The Accounting Officer said that the discrepancies were created by errors caused by Ministry of Public Service while migrating payroll records from the Uganda Computer Services (UCS) to the Integrated Personnel and Payroll System (IPPS).

He however, submitted that the University payroll records in the Intergraded Personnel and Payroll System at the Ministry of Public Service are being updated and will be completed by 30th November 2016 adding that as of today, 70% of the records have been corrected.

Observation

The Committee noted with concern the negligence on the part of the Ministry of Public service to ensure proper maintenance of records and is further concerned that discrepancies in the payroll record are susceptible to being manipulated and abused.

Recommendation

The Committee recommends that the payroll record be reconciled within 30 days from the date of the adoption of this report.

4) Advances to Personal bank accounts

Contrary to TAI Part 1, 2003, which requires advances to be accounted for within 60 days from date of payment, out of a total of UGX.495, 673,182 paid to various staff through transfers to their personal accounts UGX.52,281,500 remained outstanding.

The Accounting Officer stated that these were advances to staff to facilitate students on internship and other staff who did not have bank accounts but
money could not be advanced to individual accounts before going for supervision and placements respectively thus advancing it to activity supervisors to pay after completion of the assignments. He however, submitted that the money was fully accounted for and supporting evidence availed.

**Observation**

The Committee noted that the consistent failure to strictly and timely account for advances by staff within the 60 days period as stipulated in the TAI is a clear manifestation of a deliberate abuse of the law.

**Recommendation**

*The Committee recommends that the Accounting Officer should recover the outstanding advances within 30 days from the date of adoption of this Report.*

5). Dilapidated University Inn

Inspection of the University properties revealed that the University Inn was dilapidated and needed urgent renovations.

The plumbing system frequently broke down, the access road and parking yard had deep pot holes and the ventilation system was worn out.

The Accounting Officer conceded to the audit observation and explained that the University Council had proposed a Public Private Partnership arrangement with willing investors to enable development of the facility and the matter is under consideration by University Council.

**Observation**

The Committee concurs with the audit observation and noted that the poor state of the University infrastructure is an embarrassment to a National Institution and is an indication of continuous neglect.
Recommendation

The Committee recommends that the University administration expedite the implementation of the measures being explored to revamp the physical state of the University Inn.

6). Failure to obtain land title for University land

The Auditor General noted that the University land in Buhoma estimated at 21 acres doesn’t have a title deed thus leaving the land exposed to the risk of encroachment.

The Accounting Officer explained that the University had started on the process of procuring a surveyor to measure, plot and produce a deed plan which will be used for applying for a freehold title.

He stated that a tender was awarded to Surveyors in February 2016 by management, the Surveyor has completed the field work, computed the area and a draft deed plan has been produced.

Observation and Recommendation

The Committee noted the explanation of the Accounting Officer and recommends that Management provide a status report to Parliament on the actions taken to secure the University land before 31st December, 2017.

7). Un-engraved Assets

The physical inspection revealed that various University assets were not engraved and they included; computers and furniture.

The Accounting Officer submitted that the process of engraving old assets is complete and that the University is engraving all new assets acquired immediately they are delivered to the stores.
Observation and Recommendation

The Committee faulted the Accounting Officer for neglect of duty and recommends that he should be reprimanded.

8) Absence of progress reports on studies

The Auditor General noted that a number of staff had been released by the University for Further Studies. However, review of personal files established that none of the staff had provided progress reports on their studies contrary to the provisions of Section 5.17(a,c) of the University Human Resource manual which requires that staff on long training programs of one year or more submit annual progress reports to the STDC secretariat.

The Accounting Officer explained that staff who go for study leave are no longer given full study leave for the whole course duration. Leave is granted annually and renewed upon provision of progress reports for the year.

Observation and Recommendation

The Committee cited poor management of staff training and study leave by the Accounting Officer. To this end, the Accounting Officer should ensure strict adherence to the provisions of the Human Resource manual.

4.19 THE MINISTRY OF DEFENCE

a) Non-Produced Assets

Audit noted that the Government policy of capitalizing the acquired land from the financial year 2011/2012 did not give guidance on what to include as cost of land acquired. As such, land acquired amounting to UGX.1,119,388,145 could not be verified due to lack of guidelines on treatment of land costs in the financial statements thus a risk of misstatement on the amount captured.

The Accounting Officer submitted that in FY 2011/2012 the Accountant General changed the accounting policy on treatment of land purchased. The
amount capitalized is what the Ministry spends on land in a given financial year.

**Observation and Recommendation**

*The Committee concurs with the audit observation and recommends that the Accounting Officer should engage the Accountant General to ensure that guidelines are provided to spell out clearly what should be capitalized as land acquired.*

**b) Payment of Compensation of UGX.1,000,000,000**

Audit observed that a sum of UGX.1,000,000,000 was paid to an individual as part payment on a claim of UGX.2,958,668,733 for the compensation of 683 cattle and 119 goats which were handed over to 4th Division for safe custody during the insurgency period in 1986 using photo-copied documents on account that the original documents got misplaced. It also appears that these animals were for various people but instead the compensation was made to one individual.

The Accounting Officer explained that this payment was based on the advice of the Ministry of Justice and Constitutional Affairs and the Solicitor General who guided that the claim be paid by Ministry of Defense since it was a contractual arrangement between MOD and the claimant. However, the Auditor was not availed with any evidence to that effect.

**Observations**

The Committee is concerned that the payment of UGX 1 Billion to one claimant Lt. Christopher Kinyera through an out of court settlement without proper verification of the genuine claimants was irregular.

Given that Lt. Kinyera was the Quarter Master of the Division, he decided to use peoples' animals brought in for safe custody as food for the soldiers.
Lt. Kinyera using his privileged position, turned around and lodged a claim as the owner of the animals whereas not thereby receiving compensation fraudulently.

At UGX.2,958,668,733 for compensation of 683 cattle and 119 goats (Approx. UGX 3.7M per animal), the Committee expresses concern that this amount was clearly inflated.

**Recommendation**

The Committee recommends that the Inspectorate of Government conduct an investigation with a view to recover from Lt. Kinyera, UGX 1,000,000,000; ascertain the rightful owners and have them duly compensated.

**8.3 Anomalies in the Procurement Procedures**

Audit noted that the Ministry carried out a number of procurements. However, the following contracts had shortcomings:

Contract No. MOD/SUPLS/2013-14/00250 amounting UGX.288,139,008 for Industrial materials for the renovation of Mubende barracks was delivered before accepting the bid.

Contract MD/SUPLS/2013-14/00030 amounting to UGX.1,323,240,000 for Supply different types of tyres to the Ministry depot at Magamaga was delivered before the call off order was issued.

Clothing worth USD. 948,681 (UGX. 2,778,686,648) were supplied before signing the contract of supply. Letter of bid acceptance and call of order were signed after delivery of these items.

Items worth USD.252,000 equivalent to UGX.690,480,000 out of a Contract sum of UGX.2,122,858,703 to M/S Kent Uniforms Ltd to supply 30,000 pairs of Digital BDU had already been supplied before the contracts committee sat to approve the contract.
The Accounting Officer attributed these anomalies to the unique nature of the Ministry and promised in future to work within the provision of PPDA Act.

**Observations**

1. The Committee was not persuaded by the response of the Accounting Officer. It held the view that the Public Procurement and Disposal of Assets Act, and regulations provided different procurement methods suitable for different circumstances.
2. The Committee took exception at the level of impunity exhibited by the Accounting Officer in violating the laid down procurement procedures, guidelines and principles.
3. The Committee observed fraud and corruption in the procurement of Industrial materials for the renovation of Mubende barracks worth UGX.288,139,008, contract for supply of different types of tyres worth UGX.1,323,240,000, contract for supply of clothing worth USD. 948,681 (UGX. 2,778,686,648) and contract for Digital BDU Uniforms worth USD.252,000 (UGX.690,480,000).

**Recommendation**

*The Committee recommends that the Procurement and Disposal of Public Assets Authority should pursuant to powers vested in it under section 7 (j) of the PPDA Act, institute a procurement and disposal audit of the Ministry of Defence and report to Parliament accordingly.*

**8.4 Un-reconciled UMEME Payments**

Audit noted that after making payment of UGX 40 billion to UMEME for electricity debt from classified vote, no follow up has ever been made to reconcile the money paid from the escrow account contrary to the Auditor's earlier recommendation for reconciliation with the Ministry of Finance Planning and Economic Development to establish how much money was paid from the
Escrow account. Besides, The Auditor was not availed with the recorded outstanding amounts at the year-end.

The Accounting Officer explained that the Ministry had communicated to PS/ST about the outstanding debt and promised to offset the amount paid from the escrow account prior to making any payment. However, the Ministry with approval of MoFPED paid a sum of UGX 40 billion from classified vote to UMEME to offset the outstanding bills.

The Accounting Officer further submitted that there are no ministry bills that are paid under the escrow account. Under the Escrow arrangement, UMEME offsets the amount that remains outstanding for more than 60 days. This offset does not in any way reduce indebtedness of Government entities to UMEME. Upon receipt of payment from MDAs, UMEME is required to refund back the amount picked from escrow account. The outstanding amount at the close of FY 2014/15 for UMEME bills was UGX 18,546,317,106

The UGX 40 Billion was allocated in the budget under classified items for counterpart funding for a loan the Ministry was to get from a bilateral partner for purchase of classified equipment.

Observations

1. The Committee concurs with the audit observation and held the view that in the absence of reconciliation, the query stands unresolved and the outstanding amount could not be stated with certainty.
2. The Committee further faults the Accounting Officer for the delayed response to the Auditor General’s recommendations and failure to submit relevant documents to the Auditor.
3. The use of UGX 40 billion from classified expenditure tantamounts to abuse of the vote.

Recommendations

1. The Committee recommends that the Accounting Officer in liaison with the PS/ST should prepare a reconciliation statement for
payment to Umeme Ltd from the Escrow account and payments from the classified vote and report to Parliament within one month after adoption of this report.

2. The Accounting Officer should institute measures to ensure that the Ministry always acts in time and submits all relevant documents when dealing with the Auditor General.

3. Parliament should review the provision of classified expenditure owing to the fact that it is being abused.

8.5 Breach of Contract for Construction Works

The Ministry signed a contract with a local company on 14th June 2013 for the construction of a maintenance workshop at MOI Brigade headquarters, Nakasongola at a contract price of UGX.1,507,894,518. The contract was an admeasurement contract where interim payments are made based on certified works and was expected to be completed by 30th June 2014.

A review of the available documents revealed the following anomalies;

- Cumulative amount of UGX.533,493,648 representing 35% had been paid, however, the corresponding certificates for the works done were not availed for audit.
- For the year under review UGX.167,823,272 was paid to the firm as part payment for the construction works without a record of certified work.
- An inspection carried out on 24th September 2015 revealed that the project had not been completed and was behind schedule by one year and 3 months. The contractor had been onsite for more than two years and this may result into unnecessary extension costs.

The Accounting officer attributed the delays to complete the project to inadequate funding. He however, stated that the contract was renewed and a new contract manager recruited. Work has progressed to 98% and the workshop is expected to be completed by 30th November 2016.
Observations

1. The Committee noted that there was weak contract management and supervision by the Chief of Engineering in the Ministry.
2. The Accounting Officer failed to invoke remedial actions to avoid losses from breach of contract.
3. The Accounting Officer failed unjustifiably to give to the Auditor General access to documents relevant to the contract. This is an offence under section 37 of the National Audit Act, 2008.

Recommendation

The Inspector General of Government (IGG) should investigate this matter and report back to Parliament within 30 days from the adoption of this report.

8.6 Land Compensation at Kabamba Barracks

A total of UGX.65,000,000 was paid on 23rd October 2014 as part payment on a claim of UGX.3,135,792,749. Documents available indicate that Ministry of Defence signed a Memorandum of Understanding on 25th September 2014 to compensate interests and all developments of the owner of the land Ms. Katusiime Doreen taken over by the Ministry. The following issues were noted;

- The land in question is government land (Kabamba Barracks) which was erroneously leased out to an individual by Mubende District Land Board. By the time the lease was offered, Ministry of Defence had already occupied the land. It is not clear why the District leased out land which was already occupied.
- The lease agreement between the District Land Board and the Land Lord was not availed to enable the Auditor review the terms under which they acquired the land.
- The specific conditions for government leases do not permit the lessee to change the land use without the consent of the lessor. It appears the land use was changed without the consent of Mubende District Land Board.
• The signed Memorandum stated that compensation was to cover the interest and development on the land but the Landlord never took possession of the land and therefore no development was made. There is a risk that government is compensating for development that never existed.

• The method used to arrive at the amount of UGX.3,135,792,749 to be compensated was not clearly defined and the Ministry did not raise any objection.

In response, the Accounting Officer stated that the Land Lord had acquired the land before MOD took possession. The Chief Government Valuer valued the land and it is on this basis that the Ministry is settling the obligation.

**Observations**

The Committee observed that the laid down procedure for compulsory acquisition of the land was not followed hence making the takeover unlawful.

The whole transaction was tainted with fraud, collusion, complicity/insider dealing and corruption. This can be ascertained from the following facts:

i. The purported owner, Katusiime Doreen acquired the land from Mubende District Land Board in the same time/year the Ministry took possession of the land.

ii. The Leasehold title changed ownership 3 times within a period of seven (7) months.

**Recommendation**

The Inspector General of Government should investigate the improprieties of the individuals involved in the transactions and report to Parliament within 30 days from the date of adoption of this report.

**8.7 Rental Arrears of UGX.2.01 Billion**

In 1988, Government took a decision that all land including houses overlooking Entebbe Air base be taken over by Ministry of Defence and that owners be compensated. By March 1989, all properties taken over by the Air force in
Entebbe had been paid for by Government. However, National Housing and Construction Company (NHCC) after 17 years has now come up with a claim of UGX.2.01 billion in respect of rent arrears for the purported company property. Auditor was not availed a tenancy agreement to determine the value. Besides, there was no supporting document for the ownership of the property but the Ministry of Finance, Planning and Economic Development has committed to avail the funds.

The Accounting Officer submitted that Ministry of Defense occupies twenty five (25) housing units at Bulime in Entebbe Municipal Council which belongs to National Housing and Construction Corporation Ltd and the Ministry was paying up to 2005.

The Accounting Officer further submitted that though Government took over the houses overlooking the airbase, National Housing and Construction Company Ltd (NHCCCL) were not compensated for this property. And have agreed with NHCCCL on the payment schedule.

Observation

The Committee observed that the Ministry of Defense was reckless in failing to regularize and legally secure its interest in the property and unduly disregarded the laid down procedures.

Recommendation

The Committee recommends that as a matter of urgency MOD should regularize its interests in the property and MoFPED should honor her pledge to clear the UGX 2.1 billion to NHCCCL 3 months from the adoption of this report.

8.8 Audit Inspection

Audit's inspection on various Ministry of Defense properties revealed the following:
8.1.1 Un-registered land on 6th Street Industrial Area

The Auditor noted that the land located on 6th Street Industrial area allocated by Custodian Board which the Ministry of Defense has occupied since 1986 is not recorded in the assets register, not valued or titled. The Accounting Officer explained that this land is in the custody of Uganda Land Commission and the Ministry has written to ULC for a formal allocation and to have it caveated for exclusive use by the Ministry of Defence.

Observations

1. The Committee noted that in view of the rampant grabbing of public land, it is risky not to formalize the Ministry's interest in the property.
2. The Committee established that the Custodian board controls the land on 6th street. This land was allocated to a company, Good Luck Holdings Limited in 2013 without giving priority to MOD/UPDF who were the sitting tenants.
3. The circumstances under which Good Luck Holdings gained interest in the land are highly suspicious considering that the sitting tenant claimed to have had no knowledge of the allocation to the said company.
4. The Committee ascertained from the Uganda Registration Services Bureau (URSB) that the Directors of Good Luck Holdings (U) Limited are Mr. Niu Hong and Ms. Niu Ina Liu.

Recommendation

The IGG should investigate the actual ownership of this land and the circumstances under which it was allocated to Good Luck Holdings Limited.

8.8.2 Accreditation of Tororo Roads and Railways Polytechnic Institute

The Ministry took a decision to establish Tororo Roads & Railway Polytechnic to train and develop human resource, to build, operate and maintain the Standard Gauge Railway system. However, the Auditor noted that there was no policy framework and accreditation by National Council of High Education.
and how this school will relate with the Ministry of Works and Transport and the contractor of the Standard Gauge Railway.

The Accounting Officer explained that a Memorandum of Understanding was concluded in 2013 between China Harbors and Engineering Corporation (CHEC) and Ministry of Defence to formalize the agreement. A Cabinet Memo is soon being forwarded to secure an executive mandate for the formal establishment of Tororo Roads and Railways Polytechnic (TRRP).

Besides, legal technocrats in both MOD and Ministry of Works and Transport are harmonizing a frame work of staff to the Standard Gauge Railways project and mutual development of TRRP.

The Accounting Officer further submitted that Ministry of Education and Sports is required to coordinate the training, construction/rehabilitation of facilities as well as accreditation. As part of the MoU reached by the stakeholders, the contractor of SGR is required to take part in the training process of the personnel.

Observations

1. The Committee takes exception to the haphazard execution and implementation of the arrangement without a clear policy and or guidelines.

2. Without approval and accreditation by the relevant institutions, there is risk that the Ministry of Works and Transport and the Contractor of the Standard Gauge Railway may reject the graduates of this Polytechnic hence wastage of public resources.

Recommendation

*The Committee recommends that the Ministry of Education and Sports should streamline the establishment and operation of the institute in accordance with the recognised laws, procedures and standards.*
8.8.3 Delayed Works at School of Field Artillery and Airforce Defense (SOFAAD) Training School

The Ministry took a decision to transfer SOFAAD training school from Butiaba to O lilim in 2012 and a contract for the construction of priority works was awarded to a local company at a contract sum of UGX.5,981,499,609. Audit inspection carried out last year indicated that some equipment had been mobilized and were on site to commence the construction works. However, an inspection carried out in September, 2015 indicated that the contractor has abandoned the site.

The Accounting Officer submitted that the funds for the school were reallocated to Kaweweta Training School because of the large numbers of the recruits. Funding for the school will be availed in the financial year 2016/2017 and the contractor will be able to resume the project since the execution period in the contract has been extended.

Observation

The Committee noted poor planning and gross mismanagement on the part of the Accounting Officer before implementing the project.

Recommendation

The Accounting Officer should be reprimanded for poor planning and gross mismanagement of the project in the Ministry.

8.8.4 Delayed Operationalization of Water Bottling Plant at Kakiri

It was noted that the water bottling plant at Kakiri was still not in operation by the time of inspection in October 2015 despite the Ministry paying a sum of UGX.560,756,632 to set up this project. There is risk that the objectives of the project may not be achieved.

The Accounting Officer submitted that the works were completed and Uganda Bureau of Standards certified the water plant and now the factory is operational.
Observation

The Committee noted that the project timelines were not adhered to.

Recommendation

The committee recommends that the Ministry should always adhere to the project timeline framework for efficiency and effectiveness.

8.8.5 Non-functioning Water Project

A local company was awarded a contract to extract and distribute water to the barracks at Mburamaizi from River Kiruruma in the financial year 2008/2009 and was supposed to complete the project in the financial year 2009/2010 at a contract sum of UGX.492,676,973. The cumulative payments to-date totaled to UGX.326,948,553. Auditor’s inspections in October 2014, revealed that the pipes burst four years after commissioning and as such the water project is not in operation. The bursting of pipes could be an indicator of use of inferior materials and inadequate project management.

The Ministry also carried out a project to install a reservoir and other accessories at a cost of UGX.100,000,000. However, instead the barracks is now obtaining water from Katete supplied by National Water and Sewerage Corporation. The owner of the land on which the project is operating has not been compensated for the land occupied by the pump station. The option of accessing water from the National Water and Sewerage Corporation plant at Katete could be an indicator that the Sumadhura Project has failed.

The Accounting Officer explained that the water from National Water and Sewerage Corporation was an alternative source in case the MOD pump failed. The Accounting Officer further submitted that water project was completed and water is being pumped to the barracks. The documents relating the projects were availed.
Observation

The Committee noted that bursting of pipes after only four years of use is an indication that the materials used were of poor quality and therefore no value for money was realized.

Recommendation

In view of the huge public funds injected in the project, the Committee recommends that the Accounting Officer be reprimanded for wastage of public funds.

8.8.6 Army Units on Private Property

During the audit inspection, Auditor observed that out of 307 Brigade Commander Units, ten (10) detaches were settled on private premises that lacked tenancy agreements and thus the Auditor could not determine the amount payable to these private owners as rent thus litigation costs may arise due to illegal occupation.

The Accounting officer stated that the Chief Government Valuer is currently ascertaining the rent payable to the identified land owners.

The Accounting Officer further informed the Committee that the Ministry is not aware of private land occupied by the 307 Brigade. The Ministry is only aware of private land occupied by the 305 Brigade where three army detaches occupy sizeable pieces of land but that the Government valuer has valued these properties and they are due for compensation.

Observation

The Committee observed that the Ministry used its military might to illegally occupy peoples' land and consequently risks litigation over trespass.
Recommendation

The Ministry of Defence should desist from habitual grabbing of land and should pay up what is due for the plot occupied within 3 months from the adoption of this report.

8.8.7 Procurement of a plot in Hima Town Council

The Ministry purchased a plot of land in Hima Town Council at a cost of UGX.2,800,000 from an individual in the year 2004. The ownership of this plot appears to not have been regularized. This is the second time this matter has been brought to the attention of management and no appropriate action has been taken so far. This land has not been put to use for the last eleven years.

The Accounting Officer stated that the Military Land Board has engaged Kasese District Land Board to have the title issued. He further submitted that the plot was surveyed.

Observations

1. The Committee observed that the acquisition of this land was a nugatory expenditure since the land was un-utilized for 11 years.
2. The Ministry acquired land without proper planning for its use.

Recommendation

The Ministry should formalize the legal interest in the land and report to Parliament within 2 months from the date of adoption of this report.

8.8.8 State of Hima Barracks, 305 Brigade Headquarters

The structures at the brigade headquarters are in a worrying state. All buildings had developed cracks yet they appeared to be freshly renovated. These included the administration block, hospital and barracks quarters.

The Accounting officer attributed the problem to the location of the barracks near a limestone quarry for Hima cement factory. The company extracts the limestone by blasting which is causing shrinkage cracks to the buildings.
These cracks are being repaired as part of the routine maintenance of buildings.

Observations

1. The Committee noted that there was lack of due diligence and feasibility study before undertaking the construction considering its proximity to the Hima factory quarry.
2. Furthermore, the Committee observed poor contract management leading to substandard works by the contractor.

Recommendations

1. The Contract Manager should be reprimanded for neglect of duty.
2. The Ministry should undertake remedial measures to rectify the defects.
3. The Ministry should consider relocating and or construct environmentally compliant structures.

8.8.9 Termination of Bweria Water Supply Contract

Records from Engineers’ Brigade indicated that a local company was awarded a contract at a sum of UGX.680,749,070 for construction of water supply to Rusese Barracks from river Lubrirha. By the time of audit inspection, a total of UGX.202,250,000 had been paid to the contractor leaving a balance of UGX.478,499,100. Physical inspection revealed that the contractor had stopped the works because the contract had been terminated. There was no contract file at the time of inspection to enable a review of the procurement and determine the reason for termination of this contract. There is a risk of the Ministry incurring litigation costs in case the termination of the contract was unlawful.

The Accounting officer explained that consultations with Directorate of Water Development have since been concluded and measures are underway to review the contract and allow works to proceed.
Observations

1. The Committee faulted the Accounting Officer and the Head of PDU at the Ministry for failure to maintain complete procurement files containing all the records stipulated in the PPDA law.
2. Furthermore, the Accounting Officer failed to give the procurement file to the Auditor General contrary to section 37 of the National Audit Act, 2008.
3. In the absence of the procurement file, the Committee could not ascertain the propriety of the contract termination.

Recommendation

The Committee recommends further investigation by the Police Criminal Investigations Directorate (CID) and a report be availed to Parliament within 3 months of the adoption of this report.

4.20 MINISTRY OF EDUCATION AND SPORTS

1) Mischarge of Expenditure

Audit noted that contrary to the Government of Uganda Chart of Account, UGX.3,399,286,780 (4.6%) was wrongly charged on items that are not provided for under those particular budget lines.

The Accounting Officer stated that funds were not released as budgeted, warranting the use of the available limited resources to deliver services.

2) Non-Implementation of Planned Activities

Audit noted from the review of the Ministry performance reports and Financial statements that the Ministry budgeted for UGX.209,589,967,912 from Treasury and only UGX.197,019,268,485 (94%) was received resulting into a shortfall of UGX.12,570,699,427.

The Ministry did not implement planned activities such as; provision of assorted instructional materials for primary Teachers Colleges, devices for
learners with special needs, establishment of digital science centers of
e Excellence and construction works for regional stadia among others.

The Accounting Officer explained that the Ministry of Finance, Planning and
Economic Development only released 94% of the appropriated budget, which
consequently affected the performance of the Ministry.

**Observations**

1. The Committee established that UGX 90,000,000 out of the total
   mischarged amount was used to pay compensation for a school land.
   There was no evidence adduced to support the claim of payment for the
   school land.

2. The Committee observed that the UGX 3,3Bn diverted could have
   adequately catered for some of the un-implemented activities which were
   core as compared to those implemented yet unplanned.

**Recommendations**

1. **The Inspector General of Government should investigate the**
   propriety of the payment of UGX 90,000,000 purported to have been
   paid as compensation for a school land.

2. **The PS/ST pursuant to powers vested in him under section 11 (2) (g)**
   of the PFMA, should relieve the Accounting Officer of his duties.

3. The Accounting Officer should be held culpable in accordance with
   sections 78 and 79 of PFMA.

3) **Failure to plan and develop Ministry land at Kyambogo**

The Auditor General noted that in 2012 Government curved off 9.96 acres of
land from Kyambogo University and allocated it to the Ministry of Education
and Sports for establishing its headquarters with the view of saving the
expenditure on rented premises. However, no plans have been put in place to
start the construction and as a result some unscrupulous persons have
encroached and constructed permanent houses on the land.
The Accounting Officer submitted that the Ministry has designs for the headquarters but construction works had not commenced because of lack of resources. He added that the Ministry was negotiating with Islamic development Bank for funding.

4). Expenditure on rent
Audit noted that due to lack of its own premises, the Ministry continues to rent various premises in Kampala to house the various departments. A total of UGX.2,937,116,784 is incurred annually as rent payments for these premises. More so, the rental agreements were drawn in US dollars whose movement against the local currency is unpredictable which makes implementation of the budget difficult. The Accounting Officer conceded to the audit observation but explained that determination of the currency in which rent is paid is market driven and during the bidding process bidders aren't allowed to bid in the currency of their choice.

Observations

1. The Committee observed that the Accounting Officer exhibited gross negligence in failing to secure the land from trespassers.
2. While the purpose of acquiring the land was for the construction of the Ministry own home in order to save on rent, the Ministry has for the last four financial years failed to give priority to the construction of its headquarters.

Recommendation
The Committee urges the Accounting Officer to urgently repossess and secure the land from further encroachment.
5). Schools land ownership

Audit noted that the Government Policy on Universal Education aims at investing heavily in Uganda child Education through UPE and USE programs. This is confirmed by the Government continued investment in school infrastructure and facilities like classrooms, laboratories and teachers houses. Huge investments are done on land where the Government has no legal ownership.

Funded schools are faced with land challenges like; evictions, encroachment, and land giveaways, while some schools are being demolished with the support of the District Land Boards and the Uganda Land Commission. These bodies do not seem to be acting in the best interest of the Government and citizens.

The Accounting Officer explained that a land committee has been formed in the Ministry to handle Education Institutional land matters and advise on a new policy for the management and protection of school land. He added that the Ministry has been holding consultations with various stakeholders to generate views for a policy that will be submitted to cabinet for consideration.

Observations

1. The Committee noted with concern there was negligence by the Ministry to timely formalise its legal interest in the various school land despite being it possession of the same for decades.

2. The Ministry did not comply with the Government Circular requiring every government land to be titled.

Recommendation

The Committee recommends that the Ministry should, as a matter of urgency secure the legal ownership of all land where public schools sit.
6). **Delayed review and operationalization of the Ministry Macro Establishment Structure**

Audit noted that a review of various correspondences revealed that an exercise was undertaken to review the organization structure, functions and operational systems of the Ministry with a view of recommending a rational and appropriate structure. However, the approved structure did not include bodies created by the Business, Technical Vocational and Training Act of 2008 namely UNMEB, UAHEB, and UBTEB.

Vacancies also still exist in the approved structure. Out of 433 approved positions, only 317(73%) were filled leaving 116 vacancies.

The Accounting Officer stated that the recruitment of staff could not proceed due to investigations and threat of legal action arising out of the exercise. The IGG had concluded the investigations and submitted a report whose recommendations will be addressed through the restructuring process.

For non-contentious posts in the Ministry approval was given and the Education Service Commission conducted interviews and appointed 15 senior officers. The Ministry may also declare 600 vacancies under BTVET Institution and another 560 vacancies for secondary schools.

**Observation and Recommendation**

*The Committee noted the actions taken and calls upon the Accounting Officer to continue liaising with relevant authorities to ensure that the restructuring is fully completed and staffing gap filled.*

7). **Emergency constructions in Primary schools**

The Auditor General stated that the Ministry runs an Emergency construction program of Primary schools which started way back in 2005 with the objectives of rehabilitating and strengthening primary schools damaged during disasters, supplementing and supporting local initiatives by parents in the rehabilitation and construction of schools in order to achieve universal primary education and to improve the pupil to classroom ratio.
During the financial year under review, the Ministry budgeted for UGX.1,754,900,000 in respect of the programs where 19 primary schools were planned to be constructed. Primary schools which were hit by disasters/emergencies did not get immediate assistance and could take more than two financial years before they are assisted.

Out of UGX.1,754,900,000 budgeted for construction and rehabilitation during the financial year, UGX.1,720,000,000 was released to rehabilitate 14 out of the planned 19 primary schools. However, the transfers lacked acknowledgement at the time of writing this report.

Observation
1. The project is being executed without a clear policy and strategy hence the apparent uncoordinated and haphazard implementation.

2. The emergency construction of primary school units do not have a data bank of requests received, the assessments made and the schools that have been assisted overtime under this arrangement.

3. Non acknowledgement of receipts implies that the money is not accounted for.

Recommendations
The Committee recommends that the Accounting Officer should;
1. Maintain an updated database of all disaster stricken schools for equity in order to streamline the assessment and funding of the emergency constructions in the affected schools.
2. All unacknowledged receipts should be recovered.

8.) Unreleased Tuition funds for Kisubi Brothers University
The Auditor General noted that Government undertook to provide fifty scholarships effective 2011 intake for Science Education students that were
extremely poor at an estimated cost of UGX.12,000,000 per student per year for five years. This was approved and therefore the university expected to receive UGX.1,800,000,000 for the fifty students for 3 year courses. However, the Ministry did not remit the funds to the University resulting into accumulation of arrears to a tune of UGX.1,629,866,331.

Observation
The decision to commit government while aware that it is struggling to fund other public universities was irrational and untenable.

Recommendation
The Ministry of Education and Sports should explain to Parliament the legality, and rationale of the arrangement.

9). Lack of contract Managers
The Auditor General noted that whereas Regulation 51 (1) and (3) of PPDA (Contracts) Regulations 2014 requires the Accounting Officer to appoint a contract manager from the user department for each Contract/Procurement, who are expected to prepare contract management plans for purposes of monitoring.

The contract managers are also required to ensure that all contract management records are kept and archived.

However, from a sample of contracts worth UGX.21,551,360,306.34, and USD.2,519,964.55, it was noted that there were no contract managers appointed, contract management plans and related contract management records such as progress reports, monitoring reports and copies of payments made among others were not available.

The Accounting Officer submitted that the Ministry has limited human resource capacity to effectively implement the Regulation and promised to build capacity in contract management. He further stated that the Ministry has now

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taken steps to always comply with the Regulations by appointing contract managers for every contract.

**Observation**

Failure to appoint contract managers for such huge procurements was a deliberate disregard of the PPDA Act and Regulations.

**Recommendation**

The PS/ST should reprimand the Accounting Officer for neglect of duty.

**10). Verification of delivery of Instructional Materials**

The Auditor General noted that during the Financial Year 2012/13, Government of Uganda represented by Ministry of Education and Sports signed contracts with several local publishers. The structure of payment provided that the suppliers were to be paid 20% on presentation of advance payment guarantee, 60% on presentation of complete set of shipping documents and 20% upon verification of delivery.

**10a). Supply of Kiswahili Textbooks**

The Kiswahili textbooks were supplied to almost all primary schools, however most of the schools lacked trained Kiswahili instructors/teachers and therefore the books are not being used.

The rationale for procuring Kiswahili text books without first training and posting instructors to the schools was not explained by management. The Accounting Officer explained that the procurement of Kiswahili books was done in preparation for the training of teachers in readiness to teach the subject but the activity had been hampered by budget constraints.

**Observation**

1. The Committee found that the Accounting Officer acted irrationally by rushing to procure books without training of the personnel to teach. This is an indication of poor planning and lack of due diligence.
2. The Committee held the view that the rush to procure the books without planning was motivated by the desire of the officials to benefit from Public Procurements through kickbacks and corruption.

3. The Accounting Officer was negligent and led to the wastage of public funds.

**Recommendation**

1. **The Committee recommends that the Accounting Officer be held culpable for wastage of public funds.**

2. **The Public Procurement and Disposal of Public Assets Authority should institute procurement audit of the Ministry of Education.**

**10b). Inadequate supply of books to schools**

The Auditor General noted that copies of books distributed in schools were inadequate. For example 5 copies of P.5 Islamic Religious Education were supplied to a school with 60 pupils and were to be shared amongst themselves in groups of 12 pupils per book.

As a result most Head teachers had not issued out the books for lessons.

The number of books supplied per school is what was planned for given the small resource envelope.

The Accounting Officer submitted that with the GPE intervention, textbooks for English and mathematics are being delivered to all Government primary schools in the pupil ratios of 1:1 and 2:1 respectively.

**Observation**

The Committee noted with grave concern that the procurement activities carried out by the Ministry were highly unsatisfactory right from the planning stage to execution and delivery. The Ministry did not attain value for money from the procurement.

**Recommendation**

*The PS/ST should reprimand the Accounting Officer for poor management of the state of affairs in the Ministry.*
10c). **Non-Involvement of the stakeholders during delivery of books**

Teachers, Head teachers and the District Education Officers (DEOs) were not consulted before the procurement of the books was carried out. The Accounting Officer submitted that the stakeholders were consulted during the development of the curriculum and that the procurement was based on the developed curriculum.

**Observation**

The Committee reiterated its finding that the Ministry’s procurement activities were highly unsatisfactory. There was lack of proper planning and needs assessment.

**Recommendation**

*The PS ST should reprimand the Accounting Officer for the poor management of procurements in the Ministry.*

10d). **Books written in specific local languages but dispatched to different regions**

It was also noted that areas such as Kaberamaido, Sironko and Amudat received books written in languages not compatible with their local languages. Amudat received Karomojong books and yet they use the Pokot Language, Kaberamaido got Ateso books and yet their local language is Kumam while schools in Sironko received Lugisu books and yet their Local Language is Ludadiri. In Nebbi, schools received books written in lugbara instead of Alur.

The Accounting Officer submitted that the Ministry embarked on use of local language as a medium of instruction following the roll out of the reformed primary school curriculum in 2007 and out of about 56 local languages in Uganda only 27 local languages have Orthography while the rest are dialects.

Contracts for supply of books in local language for P.1 and P.2 have been signed and books will be delivered in term 1 of 2017 school year.

Ministry has commenced the procurement process for the supply of local language instructional material for P.1-p2 IN 2016/17 from the thematic classes for all the 27 local languages.
Observation
The Committee noted that the Ministry did not carry out due diligence and proper needs assessment. This negligence regrettably led to wastage of public resources.

Recommendations
1. The PS/ST should reprimand the Accounting Officer for neglect of duty.
2. The PPDA should in accordance with Section 7 of the PPDA Act institute a procurement audit of the Ministry.

10e) Poor documentation
All schools are required to keep and update all records regarding receipts of deliveries and issues of the books for proper accountability and programmed usage. However, physical inspection of a sample of schools (Oturgang Boys P.S, Oturgang Girls P.S, Nguthe P.S, Ojingo P.S and Lwaboba P.S) revealed that they lacked proper records for the textbooks received.

The Accounting Officer explained that it was difficult for management to keep track of movement of books at different times but there were plans in the next financial year to develop capacity of school managers in inventory management.

10f) Lack of proper storage facilities
Certain schools like Ojinga P/S, Ssunga P/S, Ali Ragem P.S, Kaya P.S had textbooks stored at head teachers home due to lack of adequate storage facilities at the schools.

The construction design for new facilities under global partnership for Education included a bookstore.
10g). Unutilized Books
The objective of procuring the books was to ensure that they are incorporated in the schools curricular and utilized on a day to day basis. However, a number of the books delivered in year 2012/2013 were still packed in boxes unutilized which casts doubt as to whether the objectives for the purchase of the books will be achieved.

The Accounting Officer stated that the Ministry is experiencing a big challenge in effective usage of instructional materials in schools stating that teachers do not include reference to text books as a lesson activity in the lesson plans.

10h) Non-Delivery of Instructional Materials by one supplier
Among the Publishers that signed the contracts with the Ministry, one was required to supply 323,742 textbooks for P.5, P.6 and P.7 of UGX.1,779,351,990 within 120 days.

The Publisher was paid UGX.1,155,870,398 being part of 20% and 60% payment on presentation of bank guarantee and shipping documents respectively. The books had not been delivered to the schools at the time of audit inspections in July 2015, (two years after signing the contract). This implies that Ministry’s advance payments benefited the Publisher who may have used the money to finance his other activities.

Observations
1. The Committee noted that generally across the board, the Accounting Officer did not conduct needs assessment before initiation of the procurements.
2. While this project included construction of storage facilities, the Committee noted that this was not achieved and neither was the money accounted for.
3. The Committee faulted the Accounting Officer for being lenient on the Supplier, Mukono Bookshop who was in clear breach of contractual obligations.
4. The Committee is concerned that the Accounting Officer did not invoke the remedial clauses of liquidated demands and performance guarantee in the contract to protect the interest of the Government.

Recommendations

1. The PS/ST should reprimand the then Accounting Officer, Dr. Nassali for gross neglect of duty and further be investigated for improper conduct in managing the procurements.

2. The PPDA should in accordance with section 7 of the PPDA Act institute a procurement audit of the Ministry.

11). Nakawa Vocational Training Institute

11a). Failure to obtain a land Title for the Institute land

The Auditor General noted that the Institute is situated on a piece of land measuring 24.385 acres without a title deed.

The Accounting Officer submitted that a request was made to the Uganda Land Commission for the land title since 2010 but no action has been taken.

Observation

The Accounting Officer was negligent.

Recommendation

The Accounting Officer should as a matter of urgency secure a title for the land within three months of adoption of this report.

11b). Delayed Expansion of the dining Hall

The Institute received UGX.239,601,642 for expansion and refurbishment of the Dining Hall. However, by the time of audit, the expansion of the dining hall had not yet commenced.

The Accounting Officer indicated that the expansion of the Dining hall was awaiting approval of plans by the Kampala City Council Authority.
Observation
The Committee noted the response of the Accounting Officer but expressed concern that the UGX.239,601,642 released so far for the project is susceptible to abuse.

Recommendation
The Accounting Officer should liaise with the City Authority to expedite the process of approval of plans. To this end, the Accounting Officer should present to Parliament a report on the progress.

12). Kololo SS
12a). Unvouched Expenditure
The Auditor General noted that whereas Para 119 of TAI Part 1 2003 requires all payments to be vouched on Treasury forms 34A and 34B for cheque and cash payments respectively and Para 120 that requires all payment vouchers to be properly supported with appropriate documents or sub-vouchers before they are passed for payment of any form of expenditure.

UGX.285,850,000 was paid to Kololo Secondary School on EFT NOs 2158922 and 2158904 for catering and accommodation for SESEMAT in service training for Central and North western regions without relevant supporting documents and funds remained unaccounted for.

Observation
The Accounting Officer is culpable for malpractice and violation of financial regulations and procedures.

Recommendation
The PS/ST should ensure recovery of UGX.285,850,000 from the then Accounting Officer Dr. Nassali within sixty (60) days from the date of adoption of this report.
13. Uganda Allied Health Examinations Board (UAHEB)

13a). Performance of the board since inception
Audit noted that UAHEB was created with the objective of enhancing the quality of examinations, adherence to accreditation standards and institutional and organizational capacities. However, there is a decline in the performance of students admitted as finalists by UAHEB in the 33 allied health schools in Uganda.

The Accounting Officer attributed the high failure rate to the profit motivated Private institutions that recruit certificate holders. He however, explained that the Ministry has issued new guidelines for enrolment to the training institutions and UAHEB

Observation

The Committee concurred with the audit observation and urges the Ministry to review the policy establishing UAHEB to ensure its viability.

13b). Understaffing
The Auditor General noted that UAHEB’s organizational structure provides for 40 employees. However, a review of the Board’s establishment revealed that only 18 positions are filled leaving 22 (55%) vacancies.

The Accounting Officer explained that inadequate funding did not allow recruitment to fill up the vacant posts at that time but as of 2014/2015, the funding gap has been improved and that the full implementation of the new human resource manual is being done in phases.

Observation

The Committee observed that with such staffing gaps, the operational ability of the Board is curtailed and this negatively affects effective service delivery.
Recommendation

The Committee recommends that with improved funding, the Accounting Officer should prioritize filling of the 22 vacant posts.

14). PAYE deducted from staff allowances but not remitted to URA

The Auditor General noted that UGX.199,639,139 deducted from staff allowances and other benefits as PAYE had not been remitted to Uganda Revenue Authority contrary to section 123 (1) of the Income Tax Act. The Accounting Officer attributed the non-remittance to the Ministry’s (MoESTS) inability to fully support the Board due to inadequate funds released by MoFPED.

Observation

The Committee concurs with the audit observation.

Recommendation

1. The PS/ST should reprimand the Accounting Officer for neglect of duty.
2. The taxes due should be recovered to URA within 3 months of adoption of this report.

15). Butabika Nursing School

15a). Delayed Contract Award

The Auditor General noted UGX.270,000,000 was released to the school in May 2015 for the reconstruction of a destroyed block for boys’ dormitories and the procurement process had been concluded at a contract sum of UGX.1,399,581,532. However, the Ministry could only finance the contract to the tune of UGX.800,000,000 leading to the halting of work due to lack of funds.
Observation
The Committee observed that the procurement was initiated without confirmation of availability of funds contrary to the PPDA Act and regulations.

Recommendation
The Accounting Officer should seek for adequate funding for the completion of the project in the financial year 2017/18.

16). Payroll Verification Exercise
The Auditor General noted that during the FY 2013/14, a payroll audit was done to validate and capture the biometric details of all Government of Uganda Employees.
The Ministry had effected deletions on the GOU Payroll, just before the validation exercise commenced.
A number of other staff (43) were not present for validation. During the current audits, a further review of the findings from the validation exercise was undertaken.

16a). Un-validated staff
Out of the 43 staff members of the Ministry who remained unvalidated, 5 presented certificates of validation while one died, there was no explanation given why the balance of 37 staff were not validated and the individual files were not availed for audit verification.

Observation
The Committee concurred with the audit finding and found the Accounting Officer culpable for failing to provide documents to the Auditor General contrary to section 37 of the National Audit Act, 2008.

Recommendation
The Committee tasked the Accounting Officer to conduct a cleanup exercise of the payroll and report to Parliament within sixty days from the adoption of this report.
6b). Delayed deletion

Audit noted that a number of officers were deleted from the Ministry payroll on 30th September, 2013 immediately before the Government of Uganda payroll validation exercise. However, a review of sampled files revealed that the deletions were majorly due to retirement and should have been effected much earlier; this caused a financial loss worth UGX.63,799,908 to the government of Uganda during the financial years 2012/13 and 2013/14.

The Financial loss incurred was not established during prior financial years to which the employees may have stayed on the payroll illegally because the information regarding these years was not provided by the Ministry.

The Accounting Officer stated that updating and cleaning of the payroll is a continuous process that the Ministry undertakes whenever staff who have been transferred, retired or ceased to exist are identified. The deletion in question was in respect to staff in the decentralized institution under the Ministry.

Observations

1. The Committee noted that there was poor human resource planning and management of the whole retirement system.

2. The Committee further observed that the Accounting Officer violated section 37 of the National Audit Act, 2008 by deliberately refusing/failing to provide relevant documents to the Auditor General.

Recommendation

The PS/ST should reprimand the Accounting Officer for obstructing audit investigation and should recover the UGX. 63,799,908 wrongly paid from the affected officers within 2 months of adoption of this report. Further, the Inspector General of Government should investigate the said payments.
5.0 CONCLUSION

Rt. Hon. Speaker, Hon Members, the committee wishes to summarize as follows;

1. That generally across the board, there was evidence of systemic failure in administrative responsibilities and management functions in the MDAs involved in the delivery of goods and services. This may be an indication for alertness in government institutions. The Committee therefore recommends that deterrent measures be implemented and more attention and support be given to the aforementioned institutions, as well as other service providing institutions to prevent future occurrences of this nature.

2. That Government officials lack the will to adhere to financial regulations and proper record keeping management. Therefore, the political leadership of MDAs should provide deterrent sanctions against officers found culpable of breaching financial regulations.

3. The Committee found out that key Senior Officials in the MDAs who were given official responsibilities to supervise, monitor and manage the funds appropriated to the Votes failed to do so. As a result the Committee recommends that those officers be severely reprimanded. This, the Committee believes will serve as a deterrent to other institutions entrusted with public funds.

4. That recommendations relating to specific issues be given immediate attention and action taken as per the Report.

5. The Committee recommends therefore, that the law enforcement agencies carry out further investigation. The CIID, DPP and the IGG upon receipt of the PAC Report should brief Parliament within six
(6) weeks upon actions taken to implement recommendations bordering on fraud and corruption.

The practice of the Ministry of Finance altering figures appropriated by Parliament in the middle of budget cycle distorts the implementation of planned activities.

I thank you

I beg to move

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**REPORT OF THE PUBLIC ACCOUNTS COMMITTEE ON THE REPORT OF THE AUDITOR GENERAL ON ENTITIES WITH UNQUALIFIED OPINION FOR THE FINANCIAL YEAR ENDING 2014/15**

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