

**REPORT OF THE PUBLIC ACCOUNTS COMMITTEE ON THE REPORT
OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS FOR
THE YEAR ENDED 30TH JUNE 2013 VOLUME II CENTRAL
GOVERNEMENT**

(ENTITIES WITH A QUALIFIED OPINION-VOLUME III)

JULY 2015

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ABBREVIATIONS

AO	Accounting Officer
DPP	Directorate of Public Prosecutions
GoU	Government of Uganda
KCCA	Kampala City Council Authority
MoFPED	Ministry of Finance, Planning and Economic Development
NAADS	National Agricultural Advisory Services
PAC	Public Accounts Committee
OAG	Office of the Auditor General
FY	Financial Year
PFAA	Public Finance and Accountability Act
PPDA	Public Procurement and Disposal of Public Assets Authority
IPSAS	International Public Sector Accounting Standards
IAS	International Accounting Standards

1.0 Introduction

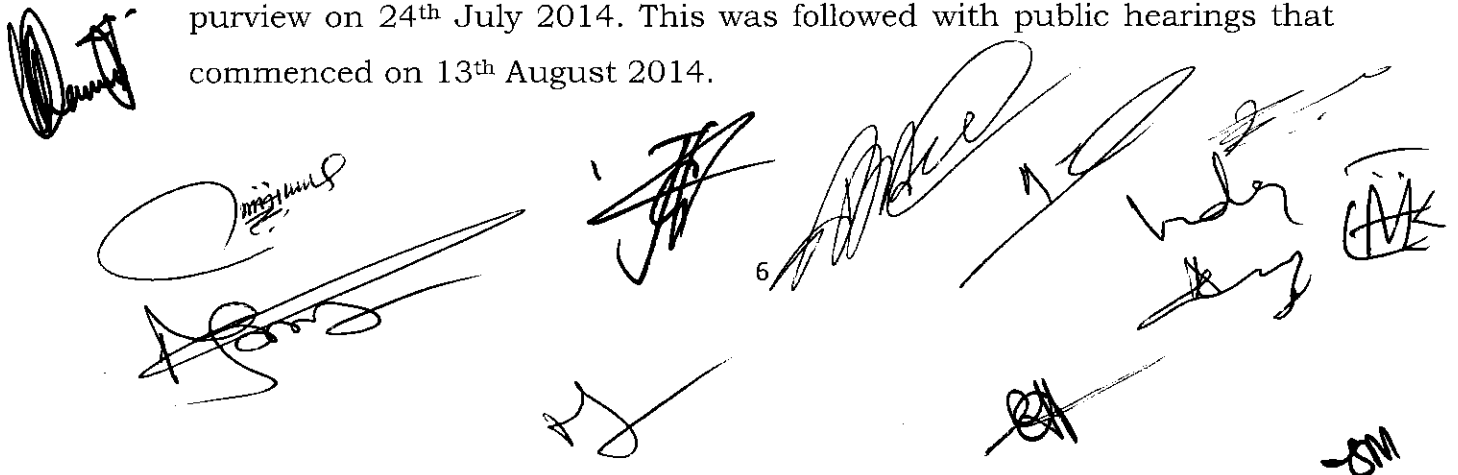
Article 163 (4) and (5) of the Constitution of the Republic of Uganda mandates the Auditor General to submit to Parliament annually a report of the accounts audited by him or her for the financial year immediately preceding and; that Parliament shall, within six months after the submission of the report referred to in clause (4) of this article, debate and consider the report and take appropriate action.

On Tuesday, 29th April 2014, the Annual Report of the Auditor General for the Year Ended 30th June 2013; Volume 2; Central Government was tabled in Parliament and referred to the Public Accounts Committee (PAC) for consideration.

Volume 2 comprises a total of 103 entities comprising Ministries, Agencies, Commissions, Departments, Uganda Missions abroad, Public Universities, Referral Hospitals and the Consolidated Government of Uganda Financial Statements.

In the FY 2012/13, out of the 103 entities audited, 60 entities had unqualified opinions, 39 had qualified opinions and 4 had disclaimed opinions. The basis upon which the audit opinion is premised forms the gist of the audit observations in the separate reports issued on individual entities, which PAC ultimately considered.

Pursuant to Article 90 of the 1995 Constitution and Rule 162 of the Rules of Procedure, PAC commenced the consideration of this report with an inaugural meeting with all Accounting Officers of entities under its purview on 24th July 2014. This was followed with public hearings that commenced on 13th August 2014.

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As a strategy for greater efficiency and effectiveness, PAC delineated the entities under its purview based on the peculiarity of audit opinion and the reports will be clustered based on opinion with this first three batches containing those entities with Disclaimer of opinion, and two volumes with entities with qualified opinions tabled in the House in March, June and July 2015 respectively. This is therefore the fourth batch and it contains the following entities;


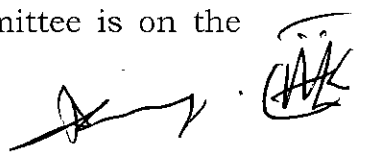

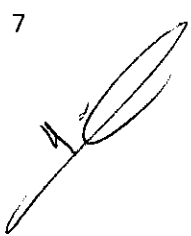

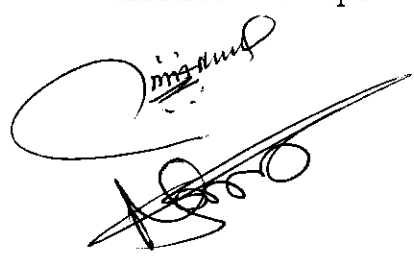
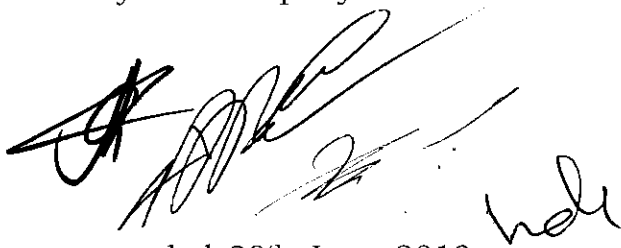
- i) Kyambogo University
- ii) Busitema University
- iii) Directorate of Citizenship and Immigrations Control
- iv) Directorate of Public Prosecutions
- v) Judiciary
- vi) Judicial Service Commission
- vii) Kampala City Council Authority
- viii) Ministry of East African Community Affairs
- ix) Department of Ethics and Integrity

A qualified opinion implies that the information provided by the Accounting Officer was limited in scope and/or the entity being audited did not adhere to established International Accounting Standards. Contrary to its connotation, a qualified opinion is not a good thing. Auditors that deem audits as qualified opinions are advising whomever is reading the document that the information within the audit is not complete or that the accounting methods used by the company do not follow International Accounting Standards.



2.0 Scope of the Report

This report is on the financial audit for the year ended 30th June 2013 and covers an in-depth analysis of the audit observations of those entities with qualified opinions. The thrust of the Committee is on the



need for improvement of management systems and corporate governance. This in the view of the Committee is integral in plugging the debilitating reality of fragile institutions that have to be strengthened if governmental efficiency and effectiveness and ultimately better service delivery is to be attained.

3.0 Methodology

In the consideration of the report of the Auditor General, the Committee;

- i) Held meetings and in-depth deliberations with the Accounting Officers and representatives of the respective entities under its purview,
- ii) Reviewed documents namely; the report of the Auditor General for the year ended 30th June 2013, the financial statements of the entities for the year under review, relevant laws and regulations, submissions of witnesses, reports of the Public Accounts Committee for the previous years,

4.0 KYAMBOGO UNIVERSITY

4.1 Funds not accounted for

a) Fuel Expenses

Query: Paragraph 181 of The Treasury Accounting Instructions, 2003 and Regulation 63 (4) of the Public Finance and Accountability Regulations, 2003 require all vouchers to contain full particulars of each service or goods and accompanying supporting documents. However, a sum of UGX.621,438,192 incurred on fuel was not supported with motor vehicle movement log books, consumption statements and deposit receipts rendering the expenditure doubtful.

According to management, the logbooks, consumption statements and deposit slips were available. However on verification, the logbooks were incomplete with columns for total mileage covered, fuel consumed, departure and arrival time and the signature of the authorizing officer not filled out.

Response: The Accounting Officer conceded the audit observation. He added that he had embarked on the implementation of the auditor's recommendations albeit with limited cooperation from the responsible officers. The Committee was further informed by the Internal Auditor that besides the few official university vehicles, the university also fuels several private vehicles belonging to selected staff and tracking their log books is difficult. The practice of fueling privately owned vehicles was attributed by the AO to the inclusion of varied fuel entitlements on staff appointment letters. The Accounting Officer revealed that he was entitled to Ushs.1,070,000 worth of fuel as Accounting Officer and an additional Ushs.1.2m as fuel allowance for his private vehicle. The Accountant revealed that the fuel allowance is not subjected to tax and that it is given in kind. Besides this entitlement, there are individuals given fuel to

aid the official discharge of their duties, departments that are entitled to fuel as well as generators that also require fuel.

Observation and recommendation: The Committee observes that the disjointed manner of handling and allocating fuel to private vehicles and in some cases to individuals who may not possess vehicles inherently jeopardizes the effectiveness of log books.

The Committee notes that the letter tabled before the Committee by the Accounting Officer as evidence of action taken in response to the query was dated 8th August 2014, over a year since the audit. This in the view of the committee is further evidence of ineptitude on the part of the AO.

The Committee further notes the explanation of the HR Officer of the University that the HR manual at Kyambogo University did not provide for fuel allocations on appointment letters.

The Committee also notes that the University was not subjecting the fuel allowance to PAYE

The Committee recommends that;

- i) the Accounting Officer be held liable for violating the TAIs and the Public Finance and Accountability Regulations 2003.***
- ii) further investigation by the IGG be carried out in pursuit of recovering the unaccounted for funds.***
- iii) the AO should immediately stop dispensing fuel to private vehicles and consider revising this allowance to transport allowance and subsequently subjects it to appropriate taxes.***
- iv) For the Official University vehicles, the fuel allotment should be done electronically using a fuel card that is calibrated to contain mileage requirements, vehicle license***

plate numbers and time and date of fueling, at every instance of fueling so that the data from the fuel card can be measured against the logbooks to ease reconciliation.

4.2 Unvouched expenditure

Query: According to Regulation 60(1) of the Public Finance and Accountability Regulations 2003, all disbursements of public monies shall be properly vouched on payment vouchers prescribed by the Accountant General. It was however noted that payment vouchers for UGX.483,015,712 were missing rendering the authenticity of the expenditure doubtful.

Whereas management indicated that the payment vouchers and other supporting documents were available, there was no documentary proof to this effect.

Response: The Accounting Officer conceded the audit observation and blamed it on the numerous investigations at the University leading to misfiling.

Observation and recommendation: The Committee rejected the explanation of the Accounting Officer given that the police and IGG who were conducting the said investigations did not take away any documents.

The Committee recommends that further investigations by the IGG be carried out with a view of recovering the unaccounted for funds.

The unaccounted for funds be recovered from the responsible officers within 2 months and failure to do so, the same be recovered from the Accounting Officer.

The Committee holds the Accounting Officer and the University Bursar responsible for failure to furnish the auditors with relevant

documents thereby breaching section 37 of the National Audit Act, 2008

4.3 Nugatory expenditure

Query: The management of Kyambogo University paid UGX.210,263,100 to lecturers as an allowance for marking coursework assignments. This expenditure was considered nugatory as the activities are deemed to constitute part of the officers' normal schedule of duties as stipulated in the terms and conditions of employment.

Response: The Accounting Officer conceded the audit observation and justified the expenditure basing on a policy approved by the University Council in order to create fairness on marking load where some staff had as fewer scripts as 20 in some programs while others had as many as 800 scripts to mark. Attempts by the AO to table a document to back his explanation were futile as the Committee found that the Annex provided by the AO is of FY 2013/14 and not for the year under review.

Observation and recommendation: The Committee notes that while the Accounting Officer premised his justification of this expenditure on a corresponding policy by the University Council, there was no documentary proof of policy approval by the University Council. The position of the Committee is further corroborated by the University HR manager who stated that this payment was not provided for in the terms and conditions of service currently being relied on.

The Committee recommends that the Accounting Officer recovers the said funds from the recipients; failure to do so within two months of the adoption of this report, the funds should be recovered from the Accounting Officer.

4.4 Outstanding Advances

Query: UGX.208,002,108 advanced to various staff for official activities lacked relevant supporting documents contrary to Treasury Accounting instructions, paragraph 181 and Section 63(4) the Public Finance and Accountability Regulations 2003. Unsupported expenditure may result into misappropriation of funds.

Response: The Accounting Officer conceded to the audit observation.

Observation and recommendation: The Committee notes that delayed accountability may result into falsification of documents and possible loss of funds.

The Committee further doubts the veracity of some of the activities that were purportedly executed using this money and ***recommends that for all those who were unable to account for the funds within the stipulated 60 days, the money be recovered from them.***

4.5 Doubtful expenditure

Query: A sum of UGX.35,860,604 incurred on various activities lacked relevant supporting documents rendering the expenditure doubtful. Whereas management indicated that the expenditure was genuine, there was no proof to this effect.

Response: The AO conceded the audit observation.

Observation and recommendation: ***The Committee notes that in the absence of relevant documentation, the expenditure is doubtful and as such the said funds should be recovered.***

4.6 Payments to retired staff

Query: UGX.5,566,756 was paid to retired staff due to failure to delete their names from the payroll, contrary to Human Resource regulations.

Response: The Accounting Officer conceded the audit observation and informed the Committee that he submitted payroll exception reports on time to the Ministry of Finance, Planning and Economic Development to facilitate the deletion of the said staff that left the University. However, MOFPED delayed to delete the names and instead deleted them in the subsequent month.

Observation and recommendation: The Committee notes that the payment of salary to retired staff is indeed financial loss to government.

The Committee recommends that the said monies be deducted from the former employees' gratuity.

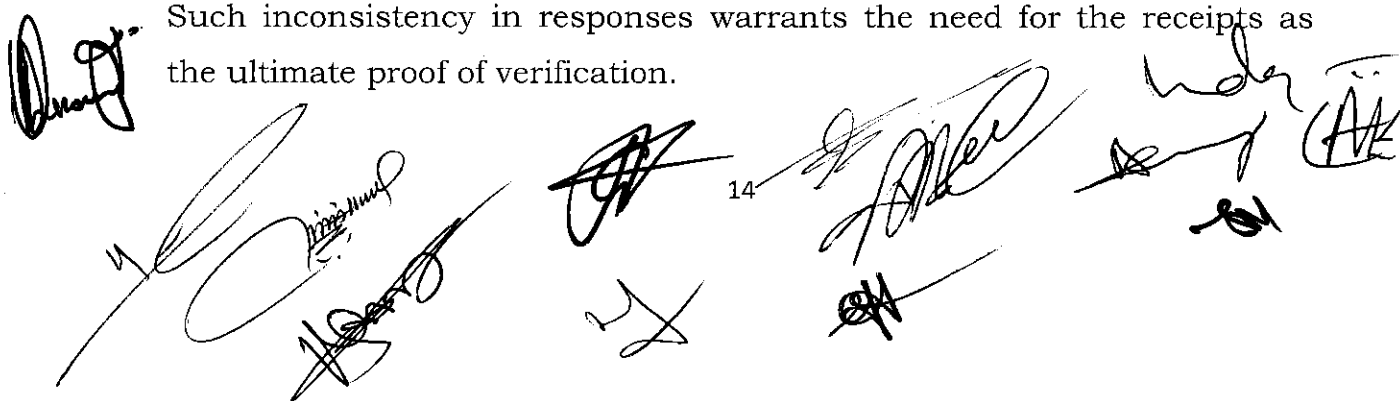
4.7 Doubtful Remittance of PAYE

Query: A sum of UGX.914,901,957 purportedly remitted to URA as Pay-as-you-earn (PAYE) was not supported with acknowledgement receipts rendering the expenditure doubtful.

Response: The AO conceded the audit observation and claimed that URA no longer offers receipts. He tabled a letter from URA but the Committee discerned that the letter he tabled was dated September 2014 and as such did not relate to the year under review.

Observation and recommendation: The Committee notes that the AO's explanation on URA no longer issuing receipts was in sharp contrast to his response to the auditor during the audit that some acknowledgement receipts were available for verification.

Such inconsistency in responses warrants the need for the receipts as the ultimate proof of verification.

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The Committee therefore recommends that the AO follows-up the payments to URA and obtains receipts thereof within 2 months from the adoption of the report. Failure to do so, the Committee recommends that the UGX. 914m be recovered from the Accounting Officer.

4.8 Over Payment of NSSF Contribution

Query: According to section 11(1) of the NSSF Act, every contributing employer shall, for every month during which he or she pays wages to an eligible employee, pay to the fund, within fifteen days a standard contribution of 10 percent calculated on the total wages paid during that month to that employee. On the contrary, it was noted that 20% of total wages was paid as the standard contribution for the month of August 2012 to NSSF resulting into an overpayment of UGX.18,860,499.

Response: The AO conceded the audit observation and stated that the overpayment of UGX18,860,499 was an error and the next installments will be paid less the excess amount.

Observation and recommendation: The Committee however notes that the strategy of remitting to NSSF less the excess amount will require prior reconciliation with NSSF.

The Committee finds the Accounting Officer negligent in the execution of his tasks and recommends that he be cautioned.

The Committee further recommends that failure to reconcile with NSSF, the Accounting Officer should refund the same.

4.9 Procurement Anomalies

a). Breach of Contract

Query: M/S Global Oracle was awarded a contract for road works on Kulubya road at a sum of UGX.498,410,000. Review of the contract

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performance revealed that the contractor abandoned works after receiving UGX.182,459,398 (37% of the contract sum). Also noted was that the performance security had expired rendering recovery of the funds difficult.

Response: The AO conceded to the audit observation and indicated that arrangements were underway to terminate the contract and engage another contractor to complete the works.

Observation and recommendation: *The Committee recommends that the Accounting Officer liaises with the Solicitor General to ensure enforcement of the contract; failure of which, the funds advanced and associated damages should be recovered.*

Owing to the negligent behaviour, the Committee recommends that Ms. Global Oracle be blacklisted from public procurement.

b). Uncompetitive Procurements

Query: A sum of UGX.473,179,098 was incurred on micro procurement of repetitive goods and services during the year. There was a risk of uncompetitive pricing of goods and services that would be addressed through framework contracts.

Response: The AO conceded the audit observation.

Observation and recommendation: The Committee notes that while the AO acknowledged that most micro procurements were procured from pre-qualified suppliers, the audit verification revealed that the suppliers' names were missing from the pre-qualification list. This is an indicator of breach of the PPDA Act and the regulations there-under.

The Committee therefore recommends that the AO be held liable for violating the PPDA Act and the regulations there-under.

The Committee further recommends that the IGG investigates the AO over the said procurements with a view of prosecution.

c). Doubtful Contract Awards

Query: Regulation 90 (g, h & i) of the Public Procurement and Disposal of Public Assets Act, 2003 requires a Procurement and Disposal Unit to maintain procurement records such as; Award Minutes, Contracts Committee decisions, Letter of Bid Acceptance and Negotiation Minutes. However, payments to various suppliers amounting to UGX.446,226,772 were effected without the above documents thereby rendering the validity of the expenditure doubtful.

Response: The AO conceded the audit observation.

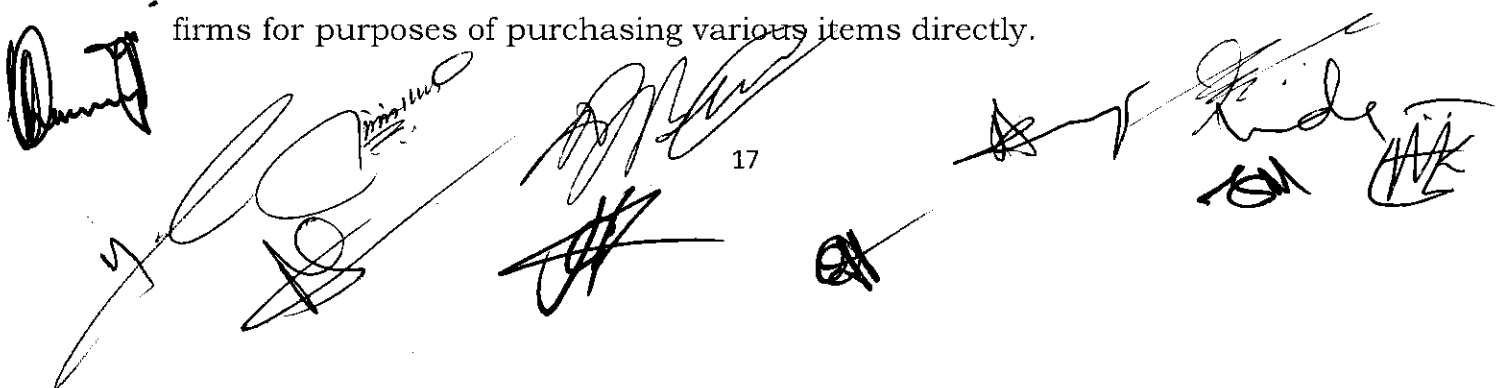
Observation and recommendation: The Committee notes that although the AO attempted to justify the payments based on the authorization of the Contracts Committee with most of the procurements under Framework Contracts, there was no documentary proof to this effect.

The Committee recommends that the Accounting Officer be held liable for violating the procurement process as stipulated in the PPDA Act.

The Committee recommends that the IGG further investigates the AO for violating the PPDA Act and the regulations there-under.

d). Irregular Procurements

Query: Regulation 94(1)(a) of the public procurement and Disposal of public assets stipulates that a contracts committee or a holder of delegated authority shall approve the choice of a procurement method prior to commencement of the procurement process. However, UGX.51,517,966 was paid to university staff and other un-prequalified firms for purposes of purchasing various items directly.

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Response: The AO conceded to the audit observation and acknowledged that some payments were made to staff to purchase various goods and services of emergency nature. Those procured directly by the staff on road construction were unique and uncommon items such as tar, sand and other materials that were not normally used.

Observation and recommendation: The Committee observes that the explanation of the Accounting Officer is inadmissible since the items mentioned are part of the parent contracts.

The Committee further notes that while the procurement process aims at ensuring a fair price and value for money, the irregular practice of advancing money to staff to directly procure items neither guarantees the fairness of price nor the value for money.

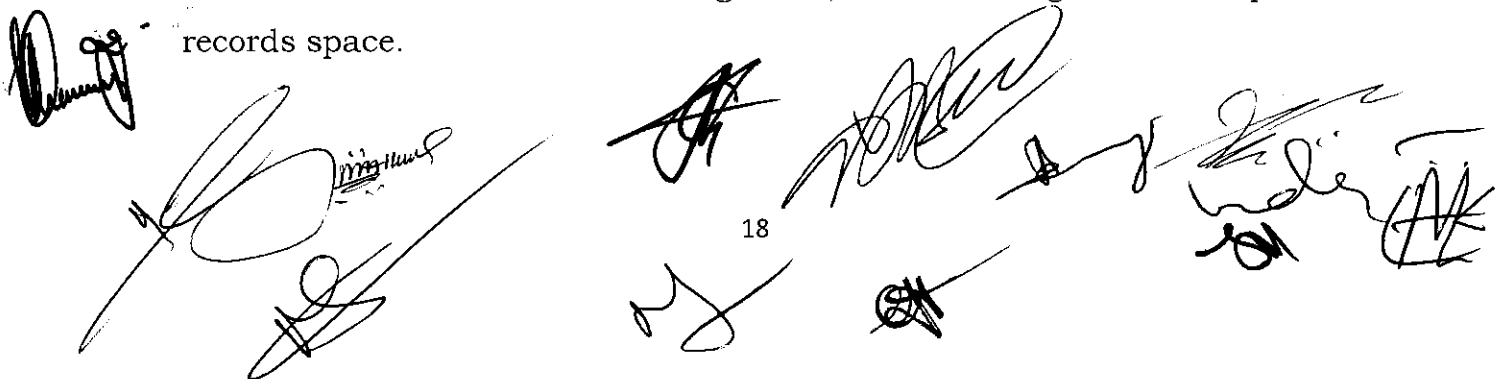
The Committee recommends that the Accounting Officer be disciplined for engaging in irregular procurement practices thereby violating the PPDA Act and the regulations there-under

e). Miscellaneous Procurement Anomalies

Query: During the year under audit, some weaknesses were noted in the procurement and disposal unit. They included:

- Poor filing of records
- Late submission of procurement requisitions
- Failure to sign off issues of bids and bid receipts by responsible persons.
- Some contract agreements had no effective dates.

Response: The AO conceded to the audit observation and attributed it to the weaknesses in records management, understaffing and inadequate records space.



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Observation and recommendation: The Committee notes that these weaknesses hinder tracking of documents and result into inefficiencies in procurement and thus the need for proper record keeping by the management.

The Committee further notes that the AO failed in his cardinal role of records keeping as per the TAIs.

The Committee recommends that the University Council should take keen interest in the issues cited by the AO in his response namely; understaffing and the limitation of space.

The Committee recommends that the University Council should review the competence and suitability of the Accounting Officer

4.10 Staff Accommodation

Query: Contrary to the University Policy, 30% of staff occupied University houses without signing tenancy agreements. Enforcement of recovery procedures may not be possible in the circumstances.

Response: The AO informed the Committee that the University had about 90 staff paying for the University houses and that rent was deducted from the staff salaries on a monthly basis.

Observation and recommendation: The Committee notes that inspite of the AO's explanation, the audit observation of unsigned tenancy agreements remained unresolved.

The Committee recommends that the AO streamlines the system and have all occupants immediately sign agreements for ease of monitoring rentals within a month.

4.11 Rentals from other assets

Query: Out of 36 businesses operating in the University, 28 (representing 77%) did not have any tenancy agreements contrary to the University Policy. In the circumstances, the revenue amounting to UGX 240,259,518 reported as other property income' (Note 7_Non-Tax Revenue) could have been understated.

Response: The AO explained that an adhoc technical committee which was appointed, produced a report which identifies all weaknesses in the collection of revenue in the small business entities in the University and the committee had already been directed to implement the report by contracting all premises where business entities are expected to operate through a procurement process.

Observation and recommendation: The Committee notes that the delayed resolution of this anomaly will translate into continued loss of revenue for the University. The Committee takes exception to inaction of the Accounting Officer.

The Committee therefore recommends that the University Council expeditiously sorts out this matter within a month.

4.12 Teaching Process

a). Irregular Issuance of certificates to students

Query: The university policy on examinations stipulates that students shall be issued with certificates of performance before sitting for examinations, as a method of confirming that students fulfill all academic and non-academic requirements.

However, it was noted that all the nine (9) departments did not issue certificates of performance.

Response: The AO conceded the audit observation and attributed the anomaly to inadequate Human Resources and high student numbers in the University. According to the AO, the process of establishing the Quality Assurance Department to manage all quality assurance issues was on-going.

Observation and recommendation: The Committee notes that the absence of a quality assurance function at the university after over a decade of existence is an indictment of the University's management.

While the Committee notes the attempts to set up a Quality Assurance Department, the Committee recommends that the establishment of a functional quality assurance unit be expedited by the University Council.

b). Maintenance of students attendance register

Query: The university policy requires that each department/Faculty maintains a student attendance register to confirm attendance as a fulfillment of the minimum requirement of the university before examinations are sat at the end of each semester. However out of nine (9) departments, only four (4) departments (44%) maintained student's registers.

Response: The AO conceded the audit observation. He pledged to abide by the policy.

Observation and recommendation: The Committee notes that the failure to track students' attendance implies that some students may continue sitting examinations and yet they may fall short of the requirements for sitting for these examinations.

The Committee recommends that the AO ensures the functionality of the students' registers. In the long run, the AO should explore the adoption of ICT innovation to track students' attendance given the efficiency gains it offers.

c). Accreditation of courses

Query: According to the University and Other Tertiary Institutions Act 2001, all the programmes taught at the university should be accredited by the National Council for Higher Education (NCHE). However out of 91 programmes offered only 21 (23%) are accredited while the rest are still in the process of accreditation.

Response: The Accounting Officer informed the Committee that they had secured provisional accreditation from the NCHE for 2 years. He tabled a letter to that effect. But an analysis of the letter reveals that from 24th September 2007, the courses had to be fully accredited before being taught.

Observation and recommendation: The Committee notes that the continued reliance on provisional accreditation even after 24th September 2007 was a violation of Section 119 (A) of the UOTIA.

The Committee recommends that;

- i) the AO immediately audits the accreditation status of all the courses being offered by the University and ensures that full accreditation for all the courses is secured from the NCHE within a month.***
- ii) to avoid academic tragedy, where students graduate with challengeable degrees due to the non accreditation of those programmes, the NCHE issues an injunction to further admission of students for the non-accredited courses.***

5.0 DIRECTORATE OF CITIZENSHIP AND IMMIGRATION CONTROL

5.1 Non Tax Revenue:

Query: A review of the Statement of Financial Performance revealed that Shs.7,119,954,223 was collected as non-tax revenue (NTR). However, documentation in respect of the NTR collected such as receipts, banking in slips and revenue registers were not availed to enable a comprehensive review of the revenue collected.

Response: The Accounting Officer conceded the audit observation and added that these funds are collected directly at border stations and deposited on the collection accounts. A Standing Order was given to the Accountant General to transfer the funds to the Consolidated Fund, and the transfers are done weekly.

He further explained that there was a probe committee which was set up by the Hon. Minister of Internal Affairs to look into all the areas of the Directorate's operations and the documents in relation to NTR were subsequently forwarded to them.

However the findings of this probe Committee whose work spanned 3 months were yet to be published. He attributed his failure to avail the relevant documentation to the then ongoing work of this probe Committee.

Observation and recommendation: The Committee notes that the failure of the Accounting Officer to avail documents or satisfy the Auditors that indeed the requisite documents were in the custody of the probe team contravened the National Audit Act.

The Committee recommends that the Auditor General, in the subsequent audit, looks into this matter and reports back to Parliament.

5.2 Security bond deposit account:

Query: A review of the financial statements revealed that Shs.13,595,330,081 was reported as a balance on the security deposit accounts as at 30th June 2013. The account had a balance of Shs.7,999,358,750 by as at 30th June 2012, implying that there were deposits of Shs.5,595,971,331 from various immigrants during the year. However, the documentation in respect of the security deposit account such as receipts, banking in slips, bank statements, ledgers and the database of the individual depositors was not readily availed to enable a comprehensive review of the transactions.

Response: The Accounting Officer conceded the audit observation and attributed it to the then ongoing probe as was the case in the preceding audit observation.

Observation and recommendation: *The Committee recommends that the Auditor General, in the subsequent audit, looks into this matter and reports back to Parliament.*

5.3 Payables-Shs.79,452,765,142:

Query: A review of the Statement of Financial Position as at 30th June, 2013 revealed outstanding payables of Shs.79,452,765,142. The position of payables was Shs.61,006,008,707 in the statement of financial position as at 30th June 2012, implying that there was an increase in domestic arrears by Shs.18,446,756,435 (30%) from the closing position of the previous year.

Response: The Accounting Officer agreed to the audit observation and stated that they had exceeded their level in the prior year. He provided a disaggregation of the payables as follows;

No.	Amount	Reason	Action Taken
1	186,193,016	Unpaid Salary- June 2013	Paid
2	439,666,024	Rent for Entebbe Airport border which was transferred to Vote 120 arrears	Funds available in the budget for the FY 2014/15
3	35,069,191	Electricity Bills	Paid
4	5,596,155,965	Security Bonds received during the FY	Pending claims by the depositors
5	874,264,954	Rent for UPPC NSIS Project	Funds available awaiting clearance from the Chief Government Valuer and the Solicitor General. Mulbauer delivered the equipment within 10 days of signing the contract catching the GoU unprepared interms of storage space.
6	12,997,280,863	Accrued interest by URA of unpaid contract sum to Mulbauer	A number of meetings have been held with stakeholders. The issue is being followed up with the Ministry of Finance. Poor planning cost the tax payer more resources.

Observation and recommendation: The Committee notes that management has continued to incur arrears without establishing sufficient mechanisms to monitor and control them. Credit management is part of the inherent roles of the Accounting Officer and failure to manage the risk of debt is an indictment of the AO's capabilities as it poses a risk of loss of reputation and litigation by creditors.

The Committee further notes that the UGX. 12,997,280,863 in accrued interest of unpaid contract sum to Mulbauer-the contractor for the equipment of the National Security Information System (NSIS), is an indicator that the National Security Information System (NSIS) was

entered into hastily leading to hemorrhage of public funds through unmet contractual obligations.


The Committee recommends that the Accounting Officer ensures that outstanding commitments are cleared as a first call on the budget as guided by Accountant General. To this end, the Accounting Officer should liaise with the relevant Government authorities for adequate funding.

5.4 Implementation of the National ID Project:

In March 2010, the Ministry of Internal Affairs entered into an agreement with Ms Mulbauer, to develop the National Security Information System at a cost of €64,231,371.49. The contract provided for supply and installation of equipment, supply of blank cards, staff training and system maintenance, among others. Following the establishment of the Directorate, management of this contract was then transferred from the Ministry (mainstream) to the Directorate. Review of the progress of implementation of the Project revealed matter below:

i) Unimplemented activities:

Query: A number of activities that were planned to be implemented under the ID Project during the year under review were not achieved. A total of Shs.25,115,610,000 was budgeted for under the project for the current year, out of which Shs.19,135,522,406 was released. Shs.2,571,442,721 was utilized during the year out of the released amount, leaving a balance of Shs.16,564,079,685 unspent. The actual expenditure was 13.4% of the actual releases and 10.2% of the budgeted amount.

 **Response:** The Accounting Officer conceded the audit observation He stated that in the year under review, they set out to undertake 3

activities; procurement of a domicile for the project, installation of the machinery that had been lying idle for 3 years and mass enrollment,

He noted the change in the general political direction of the project: Cabinet directed that NSIS should acquire its own land. However in the course of the FY, the first directive is reversed in favour of renting UPPC premises. By the end of the FY, the DCIC had not spent as envisaged on this aspect. Shs. 13.6bn had been earmarked for acquiring these premises. At the time being the project was renting Kololo Independence grounds.

The Accounting Officer noted that there was a proper workplan for this project that was approved in November 2013 and that the project structure was widened to have a multi-sectoral outlook,

Observation and recommendation: The Committee notes that impulsive political directives that have immense budgetary implications as in this case not only distorts planning but impedes managerial efficiency and effectiveness.

The Committee further notes that chain of command in the executive renders the Accounting Officer unable to influence such political directives.

The Committee recommends that Executive stream-lines decision making taking into consideration the consequences of impulsive political directives. Decision making should be evidence based, timely and sustainable if national development outcomes are to be realized.

5.5 Mischarge of expenditure:

Query: The Parliament of Uganda appropriates funds in accordance with the needs of the country and this appropriation is implemented through

the budget in which funds are tagged to particular activities and outputs using account codes and MTEF codes. Review of the Directorate's expenditures revealed that management charged wrong expenditure account codes to a tune of Shs.650,785,420. The expenditure did not meet the definition of what these account codes are required to be charged with. The bulk of the funds were diverted to pay allowances.

Response: The Accounting Officer conceded the audit observation and attributed it to inadequate funds on specific budget lines and yet activities had to be undertaken,

Observation and recommendations: The Committee notes that mischarge of expenditure renders the budgeting process redundant, undermines the intentions of the appropriating authority and leads to mis-statement of financial statements.

The Committee recommends that the Accounting Officer be held responsible for mischarge of expenditure.

5.6 Incompletely vouched expenditure - Shs. 662,447,643

Query: Treasury Accounting Instructions, 2003 part 1, Chapter 1V section 199 requires procuring entities to issue Local Purchase Orders (LPOs) before a cost is incurred. Contrary to the legislation, Shs.662,447,643 was paid to Pan Afrique Forwarders vide EFT 2532373 for clearing services, without an LPO. It was further noted that the contract Agreement signed between the clearing Agent and the Directorate was not availed for audit.

Response: The Accounting Officer explained that this transaction was done by Vote 009-Ministry of Internal Affairs Head Quarters. He added that at the time of receiving the equipment for the National ID project in

March 2010, there was need for clearing services. Pan Afrique was contracted by vote 009 (MIA) which was then still managing the project. When the project was transferred to vote 120 (DCIC) in the FY 2010/11, DCIC was not availed with any formal agreement but the liability was transferred to the Vote. Pan Afrique through their lawyers had served Government with a notice of intention to sue for the payments. Management sought guidance from the Solicitor General and he did advise that the obligation be cleared without going to court.

DCIC could not get information on Vote 009 on the contract with Pan Afrique.

Observation and recommendation: The Committee notes that expending public resources without adequate documentation is a violation of the established financial and procurement laws and regulations and casts doubt over the authenticity of the said transactions thereby predisposing public resources to loss.

The Committee recommends that the Ushs. 662,447,643 paid to Pan Afrique with incomplete vouchers be recovered from the beneficiaries as the service provided could not be established.

5.7 Nurgatory Expenditure - Shs. 186,824,001

Query: Shs.186,824,001 was paid to URA vide EFT number 2545421 as interest expense on VAT due to Pan Afrique forwarders due to delayed lodging of returns or payment of VAT to URA. This payment is considered nugatory since NCIC was not obliged to file account and pay VAT on behalf of Pan Afrique Forwarders.

Response: The Accounting Officer conceded the audit observation and added that this *payment was on the penalty that URA levied on failure to pay VAT in time.* Pan Afrique forwarders had provided clearing services in 2010 but payment was delayed due to insufficient funds. URA on the

other hand continued to charge interest on VAT that had not been paid by the service provider. Subsequently, the clearing agent transferred this liability to the Directorate.

Observation and recommendation: The Committee notes that wasteful expenditure is a major budget leakage. However considering that the transaction accrued to vote 009-Ministry of Internal Affairs Headquarters, the Accounting Officer bears no direct culpability.

The Committee notes that VAT is due on payments made and therefore Government of Uganda has no obligation to pay VAT for Pan Afrique Forwarders as that was the latter's obligation.

The Committee therefore recommends that the Ushs. 186,824,001 paid for and on behalf of Pan Afrique forwarders by Government be recovered from the said Company.

The Accounting Officer of Vote 009 should be sanctioned by the PSST.

5.8 Absence of Approved Strategic Plan

Query: A strategic plan provides an organization with purpose and direction. It is an important tool in steering an organization towards its Vision, Mission and the overall Mandate. Annual activities undertaken by any organization should be derived from the strategic plan. It was noted that the entity does not have a corporate plan that spells out the long and medium term plans. Absence of an approved strategic plan affects the overall guide to planning and priority setting. The achievement of the organizational mission and objectives are likely to be negatively affected.

Response: The Accounting Officer conceded the audit observation and added that effort was underway to finalize the strategic plan and have it approved.

Observation and recommendation: The Committee notes that delay in having an approved strategic plan perpetuates the absence of organizational purpose and direction.

The Committee recommends that the Accounting Officer liaises with all relevant stakeholders to expedite the process of finalization and approval of the strategic plan.

5.9 Lack of an IT strategic plan and Policy

Query: It was noted that the entity has heavily invested in the Information and Communication Technology (ICT) function, however, there was no IT strategic plan. The increasing reliance on information technology for the delivery of services makes it necessary to ensure that these systems are developed, operated, used and maintained in a safe and secure fashion. Without an approved IT/information security policy and IT strategic plan, there is a risk of making investments in IT that are not well aligned with other business processes.

Response: The Accounting Officer conceded the audit observation and explained that the DCIC IT plan is being developed together with the strategic Plan.

Observation and recommendation: The Committee notes that like the absence of the strategic plan, the IT strategic plan which is tied to the strategic plan needs to be finalized and operationalised.

The Committee recommends that the Accounting Officer expedites the entire process of finalization and operationalization of the strategic plan.

5.10 Business continuity and Back up of data

Query: The Directorate has a room referred to as strong room in which all activities of processing Passports and data capturing are done. The server in which this data is collected and stored is also in the strong room, the backup is also done in the strong room. Once in a month data is backed up and allegedly stored off site. The room has no fire extinguisher and the whole Ministry has no known fire-fighting equipment. In case anything wrong happened to the strong room all data would be lost. There is no contingency plan for business continuity.

Response: The Accounting Officer conceded the audit observation and added that the process of formulating the strategic investment plan which covers IT master plan is ongoing and that they have backed up all the processes and the storage is outside the strong room.

Observation and recommendation: ***The Committee recommends that an offsite location to be used for backup and should automatically back up as and when they input the data.***

5.11 Inadequate structure

Query: The Directorate has an approved structure however the structure does not have certain key functions. It relies on the support of the Ministry of Internal affairs for some very critical and important services. For example, DNCIC does not have personnel and administration positions in its staffing structure; such as undersecretary and personnel officers. There is a risk that the Directorate performance in terms of

human resources management and general administration may be stifled.

Response: The Accounting Officer conceded the audit observation and added that the Ministry of Public Service carried out a study and made recommendations on the new structure, however this has not been completed.

Observation and recommendation: The Committee notes that organization structure should be aligned in a manner that enhances the efficient, effective and economical attainment of organizational goals and objectives. As it stands, the DCIC suffers a misalignment of structure with its requirements. This may partially explain for the dismal performance of the DCIC.

The Committee recommends that the Accounting Officer liaises with the Ministry of Public Service to expedite the appropriate reformation of the structure of the DCIC.

5.12 Vacant posts

Query: The approved organization structure for the Directorate of Citizenship and Immigration control has a total staff establishment of 367 personnel. However, out of the 367 only 337 posts are filled while 30 posts still remain vacant. The most vital vacant posts include; i) Commissioner/Immigration Control ii) the Principal procurement officer ,iii) the Internal Auditor and iv) the Principal Stores Assistant. This state of affairs is likely to affect service delivery at the directorate.

Response: The Accounting Officer conceded the audit observation and added that Government had put a ban on recruitments and this is making it difficult to fill the vacant posts.

Observation and recommendation: *The Committee recommends that the Accounting Officer liaises with Ministry of Public Service to ensure that these important posts are filled.*

5.13 Lack of Disciplinary Committee

Query: A review of the minutes of Top Management revealed that there are a number of cases of staff misconduct, and an indication of some action taken by management. However, the Directorate does not have a Disciplinary Committee to handle disciplinary cases in detail and make appropriate recommendations to conclusion.

Response: The Accounting Officer informed the Committee that management utilised the services of the Ministry of Internal Affairs Disciplinary committee chaired by the Under Secretary Ministry of Internal Affairs whenever the need arose.

Observation and recommendation: The Committee notes that considering the peculiarity of mandate and operations, it is only prudent that the DCIC considers instituting its own disciplinary Committee. This is to enhance efficiency and effectiveness in the disposal of disciplinary cases.

The Committee recommends that the Accounting Officer initiates the process of establishment of a distinct disciplinary committee for the DCIC.

5.14 Inadequate controls at immigration offices

Query: Chapter 63 of the Immigration Act, section 21 (1b) states that any person whether within or in Uganda, who knowingly makes any false declaration, return or statement for the purpose of obtaining or assisting another person to obtain any permit, certificate or pass under this act commits an offence. It was noted during the review of the legal and inspection report that although, the Directorate has a system – Personal Information Security Comparison Evaluation System (PISCES) that facilitates documentation at the boarder points and Headquarters, it is only used at particular border posts, that is; Entebbe, Busia, Malaba, Katuna and Mutukula implying other areas remain unchecked and porous.

Response: The Accounting Officer acknowledged the audit observation and attributed the limited coverage of PISCES to limited funds.

Observation and recommendation: The Committee notes that the limited coverage of PISCES may have enabled the processing and issuance of entry documents to illegal immigrants without apprehending the perpetrators to check the vice. This is a threat to national security.

The Committee recommends that the Accounting Officer liaises with the Ministry of Finance, Planning and Economic Development and other relevant stakeholders to secure funding to procure the system and have it installed in various immigration centers to ensure persons are screened as they enter into the country. The system should be able to connect all the immigration points with headquarters to be able to fully monitor immigrants.

5.15 Lack of detention facilities (holding facilities)

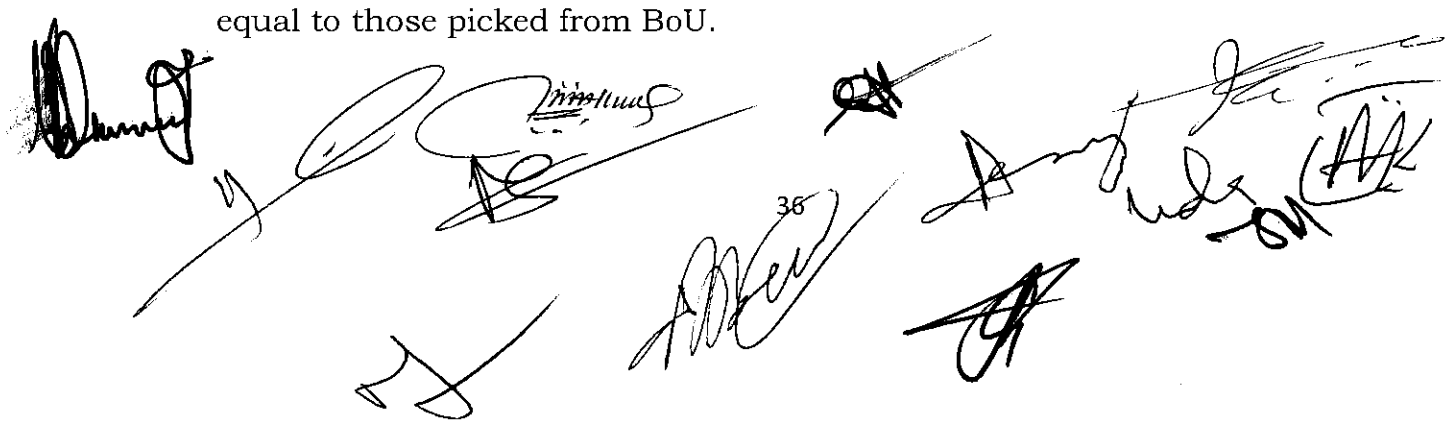
Query: Under the Immigration Act section 17 3, —A person against whom a deportation order has been made may, if the Minister so directs, while awaiting deportation and while being conveyed to the place of departure, be kept in custody, and while so shall be deemed to be in lawful custody. The Ministry of Internal Affairs does not have a safe place to keep people awaiting deportation especially those who have been caught off guard and are not prepared. This may cause issues in respect of the rights of deportees.

Response: The Accounting Officer conceded the audit observation and attributed it to financial constraints.

The Committee recommends that the Accounting Officer liaises with the Ministry of Finance, Planning and Economic Development and other relevant stakeholders to secure funding for the establishment of appropriate holding places for safe custody of immigrations suspects.

5.16 Reconciliation of Passport requisitioning and issuing

Query: The storage of passports is handled by different entities and often the process has gaps, as witnessed between Bank of Uganda and the strong room. There is no record taken on the number of passports that arrive at the Ministry of Internal Affairs (MOIA) from Bank of Uganda (BOU) stores. Lack of a register at the Ministry means that the passports brought in from BoU may not reach the Ministry in full numbers. Besides, those picked and taken to Ministry of Finance may also not be equal to those picked from BoU.

The bottom of the page contains several handwritten signatures and initials in black ink. On the left, there is a large, stylized signature. In the center, there is a signature that appears to be 'Mwambi' with a date '38' written below it. To the right of the center, there is another signature. On the far right, there is a signature that appears to be 'J. K.' with a large 'AK' written below it. There are also various other initials and marks scattered across the bottom.

Response: The Accounting Officer informed the Committee that DCIC has a designated person who follows the collection and dispatch of Passports.

Observation and recommendation: *The Committee recommends that the Directorate should develop a proper recording system of passports to ensure that there is an audit trail in the collecting and dispatch of these passports to avoid possible loss.*

5.17 Losses of passports in the passport office

Query: The Directorate has a Department of Investigations and Legal Advisory Services. This department is responsible for investigating, reporting of any possible losses and providing legal advice to the Accounting Officer. However, this department did not carry out investigations on the alleged loss of passports and no report was issued. According to the financial statements page 19, passports worth Shs.48,400,000 were lost during the year while passports worth Shs.58,480,000 were damaged.

Response: The Accounting Officer conceded the audit observation and informed the Committee that after the audit, investigations were done and those responsible brought to book. The Accounting Officer added that the query is testimony of the efficacy of systems at DCIC to detect any losses of passports. On the back of these losses, DCIC instituted an internal audit on the reported losses. Messages sent through Interpol delinking the said passports from any use across the globe. A police investigation and court proceedings underway.

5.18 Budget Performance

Query: Public Finance and Accountability Regulations, 2003, section 2.10 (b) entrusts the accounting officer with ensuring that all controls such as those contained in the approved estimates and warrants are strictly observed. Budget estimates are based on outputs to be achieved for the financial year and during implementation, effort is required to be made to achieve the agreed objectives or targets of the entity within the availed resources. A review of the budget performance of the entity for the year 2012/2013 revealed that some targets were not achieved despite release of funds for the various programs.

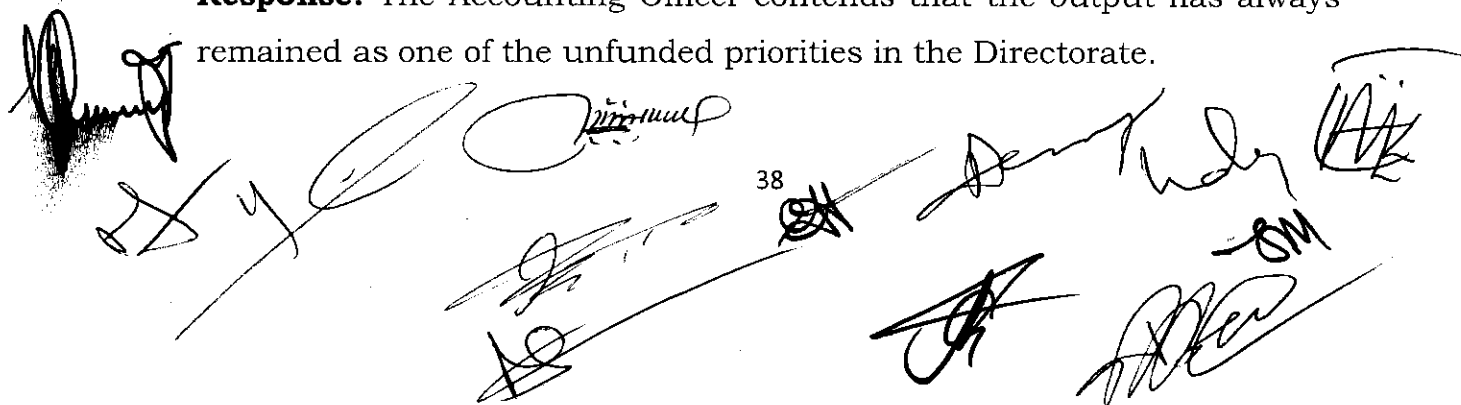
Response: The Accounting Officer conceded the audit observation and attributed it to manpower gaps and the multi-year aspect of some interventions that were still on-going at the time of audit.

Observation and recommendation: The Committee recommends that the Accounting Officer ensures realistic planning and budgeting, and also ensure adequate supervision of activities being undertaken.

5.19 Issuing of National passports and East African Passports

Ugandan passports are issued out at the Headquarters of National Citizenship and Immigration Control, Pretoria, London and Washington. However all these centers are not interlinked or connected to the main server at the headquarters. Therefore management cannot regularly access and monitor passports issued at the different centres. Reconciliation by the headquarters was difficult in the circumstance.

Response: The Accounting Officer contends that the output has always remained as one of the unfunded priorities in the Directorate.



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Observation and recommendation: *The Committee recommends that the Accounting Officer liaises with the Ministry of Finance, Planning and Economic Development and other relevant stakeholders to secure funding to enable the inter-linkage of the passport issuance centres.*

5.20 Inspections

On the field inspections, the Committee reiterates the observations and recommendations of the auditor as enumerated below;

i) Non implementation of planned activities

Query: During the year, a total of Shs.2,136,930,000 was available for JLOS activities under the DCIC (Shs.979,000,000 brought forward from the previous year and Shs.1,157,930,000 released in the year under review). Records availed indicate that only Shs.484,452,756 was utilized leaving a balance of Shs.1,630,547,244 unutilized implying that only 22.7% of the funds was utilized. The following planned and funded activities were not implemented at all:

Planned activity	Amount released (Shs)	Amount spent (Shs)	Remarks
Construct immigration border station at Kizinga	200,000,000	0	No work done
Completion of the chain of Justice	390,000,000	0	No work done
Software installation, carry out staff training,	100,000,000	0	No work done

procure solar system, scanners, computers			
Procure consultant, procure software, scan, digitize physical files, implement a computerized workflow	300,000,000	0	No work done
Develop and translate a citizen verification manual.	40,000,000	0	No work done
Develop and print operating procedures manual	50,000,000	0	No work done
Pilot decentralized passport processing and issuance (Mbarara, Mbale and Gulu)	300,000,000	0	No work done
Reduction of illegal stay	50,000,000	0	No work done
Enhanced inspections and investigations of aliens' immigration and facilities	75,000,000	0	No work done
Ethics code put in place, complaints system	40,000,000	0	No work done

established			
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Audit noted that the slow implementation of the planned activities has a negative effect on the achievement of objectives of the project and advised management to ensure that activities are implemented in accordance with the approved work plans.

ii) Construction of border posts

During field inspections in October 2012, it was noted that construction of border posts had progressed in only three sites (Bunagana, Atiak and Goli) out of the four planned. Construction of Cyanika was still pending. Inspection of the sites revealed that the progress of work was still slow:

(a) Bunagana Border Post

A construction company was contracted to construct the border post of Bunagana at a contract price of Shs.188,845,241. The following were noted;

- The construction was almost complete but no counter had been provided as specified in the BOQs and no provision was made for construction of an outside pit latrine.
- Much as laying of conduits for electrical wiring had been done, power had not been connected to the building. Sockets, switches and electrical wiring had not been installed.

The billboard stand indicating the client, contractor, and supervisor as specified in the BOQ had not been installed despite the construction having started.

(b) Goli Border Post

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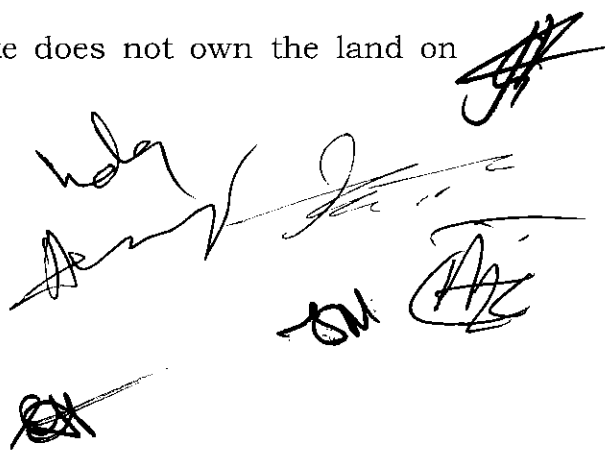
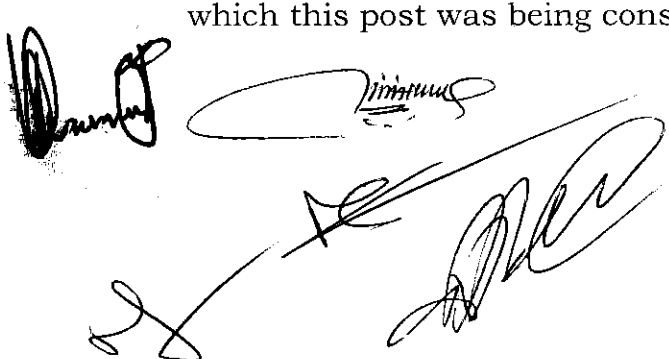
A construction company was contracted to construct the border post of Goli at a contract price of Shs.195,197,400. The following were noted;

- Construction was still at wall plate level.
- The contractor abandoned the site since June 2012 and it had turned bushy.
- The contract period was for 6 calendar months, however, this contract had expired in February 2012 yet less than 50% of the work had been done. Although the contract was extended, no extra work had been done by the new contractor at the time of inspection.
- Site clearing was not done at the back of the building leaving excavated materials on site.
- No bill boards or sign post had been fixed yet funds had been paid.
- The structural designs provided for internal toilets but there was no piped water and no provision was made for construction of a pit latrine.

(c) Atiak Border Post

A construction company was contracted to construct the border post of Atiak at a contract price of Shs.93,124,504. The structure did not meet the required specifications. The rooms and the total constructed area were smaller than planned. The contractor was required to rectify the defects instead no further works were undertaken and the site was abandoned.

It was further revealed that the Directorate does not own the land on which this post was being constructed.



(d) Cyanika

A construction company was contracted to construct the border post of Cyanika at a contract price of Shs.390,000,000. No work had started despite the funds having been released.

Management acknowledged the observations and regretted the state of works in various sites at the time of audit. Management explained that they had initiated supervision trips by the technical team and internal audit department, and a special task force was constituted to address the issues and advise the Accounting Officer.

Audit advised Management to;

- urgently compel the contractors to rectify and complete the works.
- Initiate a follow up on the land title for one of the border posts.

iii) Poor state of Immigration offices up country

An inspection of some of the immigration offices upcountry revealed that the stations were in a poor state. The following were observed at Bibia, Ngoromoromo and Madi Pei stations:

a) Bibia

The office in Bibia is located within the market area together with the URA offices. The building was constructed to house shops but has now been turned into offices. The station has two rooms.

b) The front room for the reception and immigration officers on duty. Here officers issue visas and stamp passports from behind the counter that separates them from the customers. The second room serves as the store for all the stationery and items not required in the front office including used and unused stationery. It is

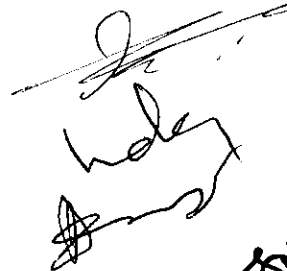
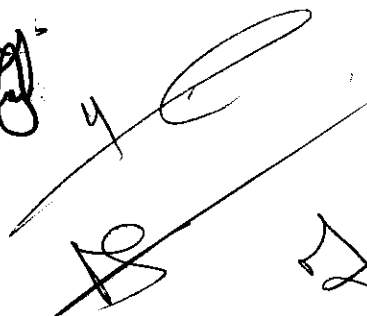
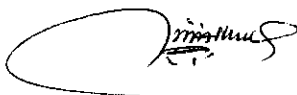
also used as the kitchen, dining room and office for the in-charge of the station.

Ngoromoromo and Madi Pei border posts

The immigration posts are located on the borders with South Sudan in the district of Kitgum. The posts have only one staff each who collects money, writes the cash book and transports the money on a motor cycle to the bank in Kitgum once a week, which is about two kilometres away from each of these posts. The offices are mud grass thatched huts with no doors or any security.

On a daily basis, staff retire with the office equipments home. They live in uni- pots provided by the police in their barracks located near the border posts.

According to management, at the time of establishing the Bibia Immigration offices, there was limited office space available for rent. However, land has been identified and a one stop border center is yet to be constructed by Trade Mark East Africa. Delays were due to border point disputes between the Government of Uganda and South Sudan.



6.0 DIRECTORATE OF PUBLIC PROSECUTIONS

6.1 Mischarge of expenditure

Query: The Directorate charged wrong expenditure codes to a tune of Shs 692,574,586 thereby misstating the balances in the financial statements.

Response: The Accounting Officer conceded the audit observation and attributed the mischarge to inadequate finances on some budget lines especially those of prosecution-related activities, and yet the said activities had to be undertaken.

Observation and recommendation: The Committee notes that mischarge of expenditure undermines the intentions of the appropriating authority and leads to inaccurate financial reporting.

The Committee further notes that the Accounting Officer's explanation that the mischarged funds were spent on prosecution -related activities is odds with the Auditor's analysis of the trend and pattern of mischarges which revealed that the mischarges involved various activities which were not prosecution-related.

The Committee recommends that the Accounting Officer be held responsible for mischarge of expenditure.

6.2 Unsettled Domestic Arrears-Accrued Rent

Query: The Directorate continued to commit Government even when there were no funds available. A review of the statement of outstanding commitments revealed a sharp increase in outstanding domestic arrears from Shs.465,000,000 at close of the previous year to Shs.929,816,160 by the end of the year under review. The practice is contrary to established commitment control system.

Response: The Accounting Officer conceded the audit observation and attributed it to the increment in rent charged by the landlord in the course of the Financial Year under review. He added that this amount had been cleared though. While the Committee found it irregular that the landlord would alter rent rates in the course of the Financial Year, the Accounting Officer stated that the alteration of rent rates was a provision in the tenancy agreement.

Observation and recommendation: The Committee notes that the accrual of domestic arrears is a violation of the Commitment Control System and may cast government as bad debtor.

The Committee recommends that the Accounting Officer be held responsible for committing government over and above available funds.

6.3 Repairs and Maintenance of Motor Vehicles

Query: Shs.236,042,886 was paid to various service providers in respect of repairs and servicing of vehicles. However, it was noted that there were no pre and post vehicle inspections done on repairs, instead it was the Directorate driver that confirmed the repairs.

Response: The Accounting Officer conceded the audit observation and informed the Committee that whereas there are presently pre and post inspections, during the year under review, there was no capacity to do the inspections.

Observation and recommendations: The Committee notes that the failure of the Accounting Officer to ensure pre and post inspections is an indictment of his management credentials as it posed a risk that repairs may not be undertaken at all leading to loss of government funds.

The Committee recommends that the Accounting Officer be held responsible for failing to ensure pre and post repair inspection of Motor vehicles by the Chief Mechanical Engineer at the Ministry of Works and Transport.

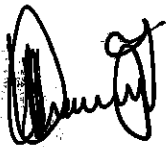
6.4 Advances to Individual staff Accounts

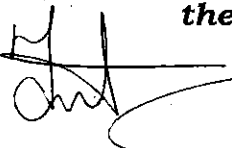
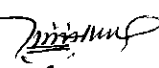
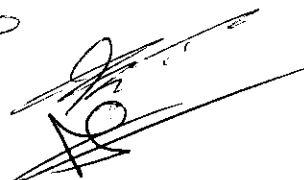

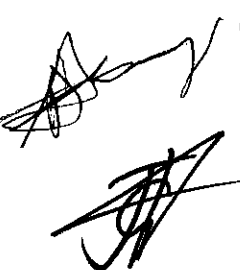
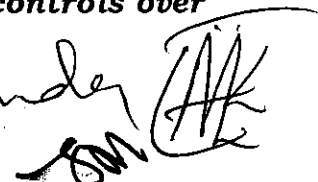
Query: Sections 227, 228 and 229 of the Treasury Accounting Instructions (TAI) require that all payments should be made by the Accounting Officer directly to the beneficiaries. Where this is not convenient an imprest holder should be appointed by the Accounting Officer with approval of the Accountant General.

Contrary to the requirements, a total of Shs.71,832,900 was deposited on the personal bank accounts of the Directorate staff to execute official activities instead of effecting payments to the beneficiaries.

Responses: The Accounting Officer conceded the audit observation and added that although the DPP has prosecuted people who have been beneficiaries of such cash deposits, in their case, this scenario can only be ameliorated if they are allowed to open accounts with commercial banks.

Observation and recommendation: The Committee notes that disbursing administrative advances to individual staff accounts is irregular and exposes the Directorate's funds to a risk of loss since the Directorate has no control over such funds deposited on personal accounts.

 ***The Committee recommends that the Accounting Officer seeks guidance from the PSST on this matter. In the meantime though, the Accounting Officer should strengthen the internal controls over***

advances to individual personal accounts and ensure compliance with the regulations.

6.5 Absence of Approved Strategic Plan

Query: A strategic plan provides an organization with purpose and direction. It is an important tool in steering an organization towards its Vision, Mission and the overall Mandate. Annual activities undertaken by any organization should be derived from the strategic plan. However, it was noted that the Directorate's Second Strategic Investment Plan (2007/08 - 2011/12) expired. The third Strategic Investment Plan (2012/13 - 2016/17) had been initiated but was still in the draft form yet to be approved.

Response: The Accounting Officer conceded the audit observation and explained that the delay in the approval process was due to the need for wide consultations with stakeholders. Since then however, a strategic plan is now in place.

Observation and recommendation: *The Committee welcomes the presence of a strategic plan and recommends that the Accounting Officer ensures that the strategic plan is duly operationalised.*

6.6 Staffing gaps

Query: It was noted that the Directorate has 80 vacant posts. These include key positions of; Senior Principal State Attorneys; Principal State Attorneys; Senior State Attorneys; State Attorneys; and Secretaries.

Response: The Accounting Officer conceded the audit observation but added that since the audit, many of the gaps have been filled.

Observation and recommendation: The Committee notes that inadequate staffing affects the timely implementation of the Directorate's

activities. While some of the staffing gaps identified by audit have since been filled, it is incumbent upon the Accounting Officer to ensure that all the remaining staffing gaps are duly filled.

The Committee recommends that the Accounting Officer liaises with the Public Service Commission to ensure that all the outstanding vacancies are duly filled.

6.7 Budget Performance

Query: A review of the planned activities against the actual performance revealed that some of the activities were partially undertaken, some of which below 50% mark.

Response: The Accounting Officer conceded the audit observation.

Observation and recommendation: The Committee notes that the Auditor relied on the policy statement to disaggregate physical performance and yet the policy statement was as at end May and not end June. As such the physical performance data may be erroneous.

The Committee recommends that the Accounting Officer streamlines planning and prioritization to ensure more effective and efficient realization of planned outcomes.

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7.0 KAMPALA CITY COUNCIL AUTHORITY

7.1 Receivables

A review of receivables under notes 4 and R2 and Non-tax revenue in the financial statement revealed the following:

i) Irregular provisions for doubtful debts

Query: Reconciliation of receivables revealed a 100% provision of Shs.3,827,633,557 on certain revenue sources, especially markets on grounds that the entity does not anticipate to collect this revenue. Some of the owners of the business and back ground information on the debts could not be traced. Furthermore a 30% provision on outstanding receivables as at 30th June 2013 of Shs.25, 07,436,851 was made. However these provisions were not supported by narrative disclosures to confirm that the debt may not be recoverable. Besides, the approval of the provisions by council was not availed.

Response: The Accounting Officer conceded the audit observation and attributed it to an error of omission for which she undertook to rectify.

She tabled a schedule detailing explanation against each Revenue source justifying the recoverability was attached to the Financial statements. She added that these were inherited KCC debts for entities where the owners of the business and background information on debts could not be traced.

The Accounting Officer further explained that contractual complications made it difficult to enforce collection of revenue and in some cases, the Companies in question could not be traced.

In the case of the 30% provision rate on outstanding receivables as at

30th June 2013, the Accounting Officer informed the Committee that this was made as a principle of being consistent with what has been applied in the past years. She further added that a provisional rate of 10% has been included in the new KCCA Accounting Manual.

The Ag. Director-Legal informed the Committee that for the case of Nakawa, the Nakawa Market Vendors Ltd was challenging the failure of the previous KCCA to hand over the market to them and instead handed it over to Nakawa Market Vendors Association. KCCA is currently embroiled in legal battles with the parties involved. As for Multiplex, the KCCA legal department is in receipt of the accounts that multiplex accrues and KCCA is currently verifying them. They are yet to receive instructions for recovery from treasury department.

As for Multiplex, the debt is being recovered. Audit has verified arrears, and the figures will be passed to legal to enable recovery,

Observation and recommendation: The Committee notes that while the said schedule of debtors was appended to the financial statements, IAS 1 requires that a narrative of the debtors accompany the listing and yet this was not provided. This was a violation of Section 37 of the National Audit Act.

An analysis of the receivables on the Balance sheet reveals that debts worth UGX. 3.8bn was written off and a further debt of UGX. 14bn remains uncollected and is earmarked for another write-off.

The Committee also notes the slow pace of recovery of debts. This coupled by a write-off of big debts, presents a major resource leakage on the part of the current KCCA administration.

The Committee further observes that the attempt by the ED to attribute the debt position to previous KCC administration is inept as public policy

is incremental and as such the responsibility of recovery lies on present office bearers.

The Committee further observes that in the year under review, KCCA had receivables of over UGX. 100bn but only 14bn was recovered which translates to 14% recovery. This is at odds with the 30% recovery policy that is upheld by KCCA. This renders the policy is utopian at best.

The Committee recommends that;


i) The Accounting Officer be held responsible for the violation of Section 37 of the National Audit Act for failing to avail accompanying narratives to the schedule of debtors,

ii) The Accounting Officer improves debt collection beyond the envisaged 30%.

ii) Lack of Ledgers





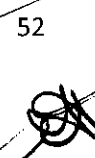




Query: Out of Shs. 21,032,546,909 Accrued revenue, Shs. 20,883,562,609 consisting of property rates, ground rent, Local Hotel tax, Local service tax and Advertisement could not be confirmed as ledgers for property rates, ground rent and advertisements were incomplete while no ledgers were maintained for local hotel tax and local service tax. In the circumstances the accuracy of the figures could not be confirmed.

Response: The Accounting Officer conceded the audit observation and informed the Committee that ledgers for the different revenue sources have been developed and are regularly updated.



The following strategies for arrears recovery have been instituted:

i) Development of guidelines for the recovery of arrears



- ii) Institution of a dedicated arrears recovery team to identify and follow up on all the defaulters.
- iii) Segmentation of arrears in terms of the amounts involved and recoverability.
- iv) Liaison with the Ministry of Finance for purposes of helping KCCA to recover the arrears relating to government institutions KCCA is continuing to eliminate from the billable properties, those which have ceased to qualify as revenue generating properties such as the residential owner occupied and demolished properties.
- v) Pursuit of the write off of the debts that KCCA believes are unrecoverable.

Observations and recommendations: The Committee notes that inspite of the establishment of ledgers, the absence of ledgers in the year under review implies that the exact figure of accrued revenues may be in excess of that stated. The absence of records/ledgers implies that the accuracy, completeness and validity of the financial figures cannot stand.

The Committee further notes the revelation by the Accounting Officer that the UGX. 21,032,546,909 accrued revenue position is still undergoing further reconciliation which in effect implies that the UGX. 21,032,546,909 reflected in the financial statements is devoid of fact and renders the financial statements unreliable.

The Committee further notes that the average debt of KCCA per annum is UGX.20bn and for the 3 years that the current KCCA has been in existence the debt position has risen to UGX. 60bn. That implies that of the total UGX.80bn debt position, UGX. 60bn is for the current KCCA administration. This therefore renders the explanation of the Accounting Officer that the bulk of the debts were accumulated in previous KCCA administrations futile.

While the Committee notes that KCCA is in the process of developing an electronic application to aid revenue management, the said application will require US\$ 10m which will be financed by tax payers and yet with better prioritization and rationalization, KCCA could finance the electronic system using internally generated funds.

The Committee recommends an immediate improvement in the MIS at KCCA to be able to electronically capture debtors etc.

The Committee recommends that the Accounting Officer be held responsible for failure to institute and maintain ledgers, improper filing and laxity in financial management

7.2 Payables

Query: Shs. 9,256,053,723 was stated as payables in the statement of financial position for the year under review. A review of payables in the financial statements revealed the following:

- i) Trade Payables amounting to Shs. 2,069,433,927 have remained unpaid for over 2years. Management issued a public notice on KCCA outstanding creditors through one of the local new papers in September 2013. However the suppliers' claims in response to the public notice could not be verified by management.
- ii) Pension liabilities amounting to Shs.211,898,151 were not supported by a schedule of pensioners.
- iii) Shs.875,886,294 was stated as Trade creditors for the financial 2011/12. However a review of a sample of Shs.369,750,124 owed to creditors under this category revealed that Shs.313,466,408 was not supported by invoices.
- iv) Shs.4,983,276,692 was stated as additional trade creditors for the year under review. However a sample of Shs. 2,898,498,561 under this category revealed Shs.2,515,067,977 could not supported by

invoices from suppliers. Under the circumstances, I was unable to confirm the existence and accuracy of the payables amount stated in the financial statements.

Response: The Accounting Officer conceded the audit observation and attributed most of these payables to the former KCC. She added that KCCA Management inherited liabilities of UGX 4.149 Billion from KCC and was able to verify and pay off UGX 2.08 Billion leaving a balance of UGX 2.069BN.

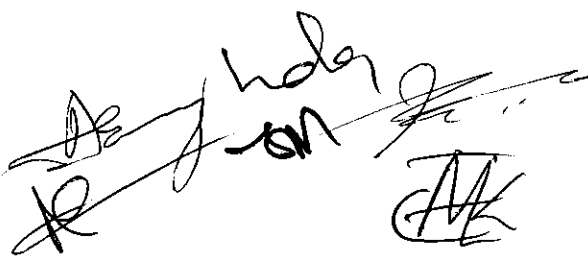
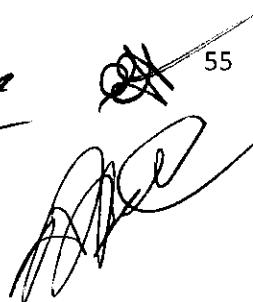
She informed the Committee that Public notices had been issued in the print media inviting claimants with valid supporting documents to present them for verification and possible payment. The new management of KCCA has taken steps of certifying the payables by inviting the creditors to substantiate their claims through the local media however this process has not yielded results. Many of the claimants presented doubtful claims.

Responses for claims totaling UGX.100,995,751= were received, out of which claims totaling UGX.11,331,400= were found to be valid and were paid.

She added that KCCA has sought guidance from the Accountant General on the procedure to follow for writing off the unsupported, unclaimed and Doubtful Liabilities.

Management is taking the necessary steps to ensure that the above Liabilities are written off in accordance with guidance given by the Accountant General.

Regarding the pension liabilities of Shs.211,898,151; the Accounting Officer stated that these form part of the inherited liabilities in the books



of former KCC. However, all the pension liabilities were forwarded to the Ministry of Public Service for further management.

Under the above circumstances we have written to the Accountant General for necessary authorization to have the liability written off from KCCA books.

Observation and recommendation: The Committee notes the failure of the Accounting Officer to avail for audit review; invoices for Trade Creditors of UGX 313,466,408 and supporting documents for creditors of UGX 2,515,067,977.

The Committee further notes the inclusion of unverified payables in the financial statements. This renders the financial statements unreliable. The Committee notes that this is an aftermath of the absence of up to date ledgers. The figures alluded to in the response of the KCCA do not add up to the UGX. 9bn unearthed and cited by the auditor,

The Committee observes that the attempt by the Accounting Officer to explain away the payables as an inheritance from the previous KCC administration was found wanting as at the time of audit, KCCA had been in existence for over 2 years-a substantial spell during which any resolute management should have verified and offset the said payables.

The Committee specifically notes that on Page 52 of the financial statements, of the UGX. 9bn, UGX. 4.2bn accrued to the FY 2012/13 and therefore the Accounting Officer should have been in position to atleast avail the relevant documentation on this segment of the payables to the auditor.

The Committee is taken aback by the failure of the Accounting Officer to do a prior year adjustment on the books of the previous years with regard to unverified payables and receivables. This would not have required the approval of accountant general.

The Committee recommends that;

- i) the Accounting Officer be held responsible for failure to keep proper financial records in line with the TAIs;**
- ii) the Accounting Officer be sanctioned for failure to avail the auditors with relevant documents as per the National Audit Act, 2008**

7.3 Deferred Income

Query: A total of Shs.9,676,075,500 was stated to have been received in the financial year 2009/10 by KCC as land premium for various KCC properties leased out for 49 years. This amount was apportioned and accrued at a rate of Shs.197,470,918 per annum over the lease period. However Lease agreements for the properties stated in Note 14 were not availed.

Response: The Accounting Officer informed the Committee that unlike St. Balikuddembe and Nakasero markets, the lease agreements for Kisekka and New Taxi park are in place. The Committee was informed that the grant by the Kampala district Land Board comprised several properties some of which were not owned by KCCA and that this matter was before court.

She added that the accounting treatment has been consistent with the treatment in KCC financial statements since financial year 2009/10 when the offers were made. She undertook to make the necessary adjustments in the financial statements for subsequent years.

Observation and recommendation: The Committee notes that inspite of ongoing court proceedings, it was incumbent upon the Accounting Officer to furnish the auditors with the requisite information during the

audit. To this extent, the Accounting Officer is culpable for failure to avail relevant information to the auditors.

In addition, concealment of information regarding the lease periods and the correct amount of income accruing to the Authority jeopardized the determination of the veracity of the deferred income thereby impeding the efficacy of the audit.

The Committee therefore recommends that the Accounting Officer be held responsible for failure avail requisite information to the auditors during the audit process.

7.4 Shortfall in Government Grant

Query: The Authority estimated to receive Shs.100,071,685,633 as grants from the Central Government. However only Shs. 88,160,309,889 was released creating a short fall of Shs.11,911,375,744.

Response: The Accounting Officer conceded the audit observation and reiterated that during the year under review, the Authority suffered budget cuts, which greatly affected implementation of originally planned programmes in the city such as roads, school facilitation Grant, Community Driven Development (CDD) and NAADS.

Observation and recommendation: The Committee notes that budget cuts translates into deprivation of intended beneficiaries of much needed services, jeopardizes the attainment of planned output and impedes the realization of national development objectives.

The Committee recommends that the Accounting Officer continuously liaises with MoFPED to explore modalities of forestalling such budget cuts.

7.5 Non-tax Revenue collection shortfalls

Query: The Authority's estimate for Non-tax revenue (NTR) collection was Shs.75,690,000,000. During the year, actual NTR collected amounted to Shs.55,679,919,377 creating a shortfall of Shs.20,010,080,623 (26%). Shortfalls in budgeted NTR collections affect implementation of planned activities of the Authority.

Response: The Accounting Officer conceded the audit observation and attributed the shortfall in NTR collections to; failure to revalue properties, lack of legal instruments to enable collection of taxes, inaccurate and outdated property rates and ground rent databases, and failure to renew leases as the KCCA Land Board was not functioning during the year under review. She further explained that the projections had been pegged on the assumption that all the necessary supporting legislations and rates would have been revised within the year and that several revenue enhancement strategies would have been adopted and others proposed.

The Accounting Officer however added that the Authority has since instituted various measures to bolster NTR collections including; Implementing the newly developed arrears recovery guidelines, Using a dedicated arrears recovery team, working with the Ministry of Finance for purposes of helping in the recovery of arrears relating to government institutions, focusing the recovery efforts on the largest debts that are considered recoverable and pursuing write off of the debts that we believe are unrecoverable.

Observation and recommendations: The Committee notes that the basis for the NTR projections was on a 2005 evaluation of property rates, and hence the need for a revaluation.

The Committee further notes that the absence of a proper and effective records management system for sources of revenue remains a huge

constraint on KCCA without which revenue forecasts will remain unrealistic.

The Committee recommends that the Accounting Officer ensures the revaluation of property rates and improves the records management system with a view of making it more effective and enabling more realistic revenue forecasts.

7.6 Nugatory expenditure arising out of court cases

Query: A review of quarterly reports from the legal department revealed that the entity incurred expenditure worth Shs.1,124,880,150 in form of court settlements which arose from management's laxity in the conduct of operations for example breach of contract agreements and enforcement activities. This expenditure is rendered nugatory since it would have been avoided.

Response: The Accounting Officer conceded the audit observation and attributed it to court awards which arose from breach of contract and enforcement activities that happened in 2005 and 2007 respectively.

Observation and recommendation: The Committee notes that nugatory expenditure is a major source of public resource hemorrhage as in this case, the amount incurred in settling Court claims that would otherwise have been avoided, inevitably eats into resources that are required for other planned activities.

The Committee recommends that the Accounting Officer exercises diligence in the execution of her mandate so as to forestall wasteful expenditure.

7.7 Advances

a) Advances to Personal accounts – Non compliance with Treasury Accounting Instructions Sections 227, 228 and 229 of the Treasury Accounting Instructions (TAIs), provides that all payments should be made by the Accounting Officer directly to the beneficiaries. Where this is not convenient, an imprest holder should be appointed by the Accounting Officer with the approval of the Accountant General.

It was noted that Shs.190,824,516 was advanced to Authority staff through their personal bank accounts to undertake direct procurements and other activities such as civil works, parties, collection of street children and games of the Authority.

Response: The Accounting Officer conceded the audit observation and added that imprest holders have since been appointed following Authorization by the Accountant General in his letter Ref: AGO135/83/01 dated 26th June 2014.

Observation and recommendations: The Committee notes that the practice of depositing funds on personal accounts predisposes public funds to a risk of loss, since the Authority does not have any control over such funds deposited on personal accounts.

The Committee further notes that some of the activities for which the said advances were made purportedly under the guise of emergency included; idd day celebrations, monitoring and support supervision activities which in no way qualify as emergencies. The Committee notes the threat to public resources that the continued deposition of public monies onto individual accounts poses.



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While the Committee takes cognizance of the appointment of imprest holders, the Committee faults the Accounting Officer for endangering public resources and violating the PSST's circular on this matter.

b) Unaccounted for advances

Treasury Accounting Instructions Section 217 requires Advances not accounted for within 60 days from date of payment to be deducted from the monthly salary of the debtor. Instructions also require that no further advances are made to anybody with unsettled advance.

A review of advances to officials of the Authority was carried out and it was noted that accountabilities for funds amounting to Shs.97,124,523 were not available for verification. These advances have remained outstanding for over six months after the close of the financial year.

Responses: The Accounting Officer conceded the audit observation.

Observation and recommendation: The Committee notes that the failure of the Accounting Officer to ensure timely accountability and/or recovery is an indictment of her managerial credentials.

In addition, the late filing of accountabilities poses the risk of falsification of accountability.

The Committee recommends that the Accounting Officer be held responsible for failure to ensure timely accountability for advances.

7.8 Non co-funding of NAADS activities

Query: Section 7.7 of the Revised NAADS Guidelines 2007 requires the Authority to contribute a matching fund amounting to 5% of its NAADS annual budget for implementing NAADS activities. A review of the quarterly reports revealed that the entity received Shs.701,451,221 for

NAADS activities. However, the entity did not provide NAADS (5%) co-funding amounting to Shs.35,072,561 as required by the guidelines.

Response: The Accounting Officer conceded the audit observation and informed the Committee that a provision of 5% contribution towards co-funding of NAADS activities has been made in the FY2014/2015 Budget.

Observation and recommendation: The Committee notes that non-compliance with the NAADS guidelines poses the risk of withdrawal of the grant by the funders thereby denying the community the benefits of the Project meant to uplift their livelihoods.

The Committee recommends that beyond budgeting, the Accounting Officer should ensure that the 5% contribution to NAADS is heeded to.

7.9 Absence of an approved Human Resource Manual

Query: Although the Authority formulated the Human Resource manual, it is not yet operational.

Response: The Accounting Officer conceded the audit observation and added that while the HR manual remains in draft form, KCCA relies on the general public service standing orders.

Observation and recommendation: The Committee notes that the absence of a HR manual poses difficulty in the management of staff.

The Committee further notes that whereas the Accounting Officer informed the auditor at the time of audit that a draft Human resource management manual was in place and was awaiting Ministerial approval, 2 years after the audit this approval remains pending. This is an indicator of inaction on the part of the management of KCCA.

Considering the importance of a HR manual in aiding the achievement of the corporate goals and objectives, the Committee recommends that the Accounting Officer liaises with the Office of the Minister to ensure its approval, dissemination and ultimate application.

7.10 Organizational structure - Staffing gaps

Query: The Authority has an approved organization structure of 1,332 posts of which only 359 have been filled representing only 27% of the required workforce.

Response: The Accounting Officer conceded the audit observation and attributed it to financial constraints and subsequent advice from the MOFPED that filling staffing gaps be phased.

Observation and recommendation: The Committee notes that inadequate staffing jeopardizes the performance of the authority.

The Committee recommends that the Accounting Officer liaises with the Public Service Commission, MoFPED and other relevant stakeholders to ensure that the staffing gaps are plugged.

7.11 Absence of Public Accounts Committee

Query: Section 58 of the Kampala Capital City Authority (KCCA) Act, 2010 stipulates that there shall be established for the Capital City, a Public Accounts Committee (PAC) consisting of a Chairperson and four other members appointed by the Lord Mayor and with the approval of the Minister. This committee is responsible for examining the reports of the Auditor General, Chief Internal Auditor and any reports of Commission of Inquiry and submits its reports to the Authority and to the Minister and the Minister lays the report before Parliament.

Contrary to the requirement, it was noted that the Capital City Public Accounts Committee has never been instituted.

Response: The Accounting Officer conceded the audit observation and blamed the impasse on the absence of a resolution of the Authority. Such a resolution is supposed to be extracted from the signed Minutes of the relevant Authority meeting. Unfortunately such signed minutes are unavailable.

Observation and recommendation: The Committee notes that the absence of Authority Public Accounts Committee implies a missing link in the corporate governance and accountability cycle of the Authority. In effect the recommendations of Internal Audit, Auditor General and other investigation agencies may not be reviewed and implemented as required. With the enormous volume of resources being sunk into the Authority, the absence of a Public Accounts Committee grossly predisposes these resources to loss.

The Committee recommends that the leadership impasse at the Authority that has witnessed the despicable disempowerment of the Office and function of the Lord Mayor be resolved expeditiously, responsibly and objectively to enable the structural recalibration of the Authority in line with what the KCCA Act envisaged.

7.12 Absence of a Metropolitan Physical Planning Authority

Query: Section: Section 21 of the Kampala Capital City Act, 2010 states that there shall be a body to be known as the Metropolitan Physical Planning Authority. The Metropolitan Authority shall consist of a Chairperson and four other persons all of whom shall be appointed by the Minister with the approval of Cabinet, being persons qualified and experienced in physical planning, civil engineering, architecture,

environment, public health or survey. The functions of the Metropolitan Physical Planning Authority include developing of the physical plan for the city, planning for transportation and infrastructural development, approving Capital City, Municipal and Town structural plans and overall overseeing and monitoring the execution of the Metropolitan Authority Development Plan.

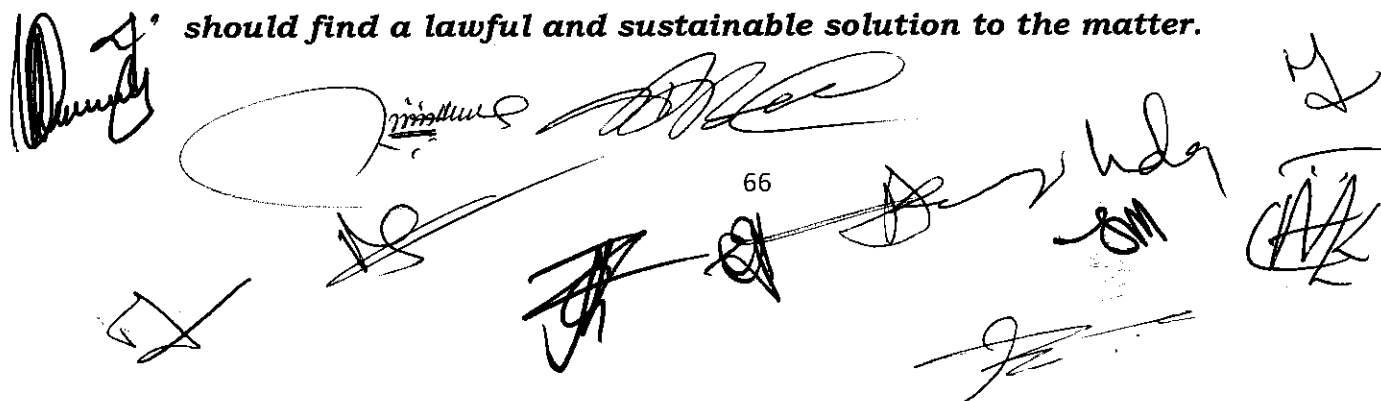
Contrary to the provision, it was noted that Metropolitan Physical Planning Authority was not instituted.

Response: The Accounting Officer conceded the audit observation and added that the matter is still a subject of consideration by the Honourable Minister responsible for Kampala, the Attorney General and other Government stakeholders to resolve pertinent legal issues which may have not been canvassed during the process of formulating and enacting the Kampala Capital City Act, 2010.

Observation and recommendation: The Committee notes that the absence of the Metropolitan Physical Planning Authority affects the quality and location of infrastructure in the city as inconsistencies between individual physical plans with the metropolitan plan may not be addressed. This is likely to have negative effects on not only the future plans of the Authority but on the structural outlook and well being of the City as well.

The Committee further notes that the absence of the physical planning Authority is a symptom of the leadership malaise at KCCA at the heart of which lies the resolution of the impasse regarding the Mayoral position.

The Committee recommends that the Accounting Officer and all the stakeholders in the leadership question surrounding the Authority should find a lawful and sustainable solution to the matter.

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7.13 Absence of a Metropolitan Police

Query: Section 26 of the Kampala Capital City Act, 2011 states that there shall be a Metropolitan Police Force for the Capital City. The Metropolitan Police Force shall comprise persons appointed under the police Act and trained by the Uganda Police Force. It was however noted that there is no such Police in place.

Response: The Accounting Officer conceded the audit observation and added that although the MOU has not been signed on by the Uganda Police Force, the Authority has and continues to extensively collaborate with Police in executing its statutory mandate.

Observation and recommendation: The Committee notes that failure to institute the metropolitan police hampers the Authority's efforts to effectively maintain law and order in the capital city.

The Committee recommends that the Accounting Officer liaises with the Uganda Police Force with a view of actualizing the command of the law with regard to the Metropolitan Police Force.

7.14 Absence of Standing Committees

Query: Section 6 of the Kampala Capital City Act, 2010 states that the Authority shall appoint Standing Committees not exceeding the number of Directorates of the Authority and other committees necessary for the efficient discharge of its functions which include overseeing the performance of directorates, receiving and approving directorate work plans, reviewing bills for ordinance and scrutinizing and recommending to the Authority budget proposals of the Authority's directorates.

Contrary to the requirement, it was noted that the Standing Committees of the Authority were not instituted.

Response: The Accounting Officer conceded the audit observation and added that the appointment of Standing Committees was a function of the Authority chaired by the Lord Mayor. However, given the absence of the Lord Mayor, the Minister responsible for the Kampala in exercise of his powers under section 79 of the Kampala Capital City Act 2010 directed the constitution of Working Groups to fill this gap.

Observation and recommendation: The Committee notes that this like the previous query is a symptom of a leadership malaise at the Authority for which a resolution of the questions surrounding the position of the Lord Mayor is the ultimate solution.

The Committee further notes that the absence of Standing Committees impedes the effective monitoring of the performance of directorates and this may jeopardize service delivery.

7.15 Unapproved Strategic plan

Query: The strategic plan is an important tool in steering any organization towards its vision, mission and its overall mandate. Annual activities undertaken by any organization should be derived from the strategic plan. Management developed a strategic plan, however this plan has not been approved yet.

Responses: The Accounting Officer conceded the audit observation and added that Consultations with Division Mayors, Councilors (at Authority and Urban division levels) had been done. A final session involving the Honorable Minister is underway to enable ultimate approval of the strategic plan.

Observation and recommendation: The Committee notes that the delayed approval and implementation of the strategic plan impedes the realization of the Authority's objectives.

The Committee recommends that the Accounting Officer expedites the consultative processes to enable expeditious approval and operationalization of the Authority's strategic plan.

7.16 Unsigned Authority Minutes



Query: The Fourth Schedule 3 (2) of the Kampala Capital City Act, 2010 states that the minutes recorded shall be submitted to the Authority for confirmation at its next meeting following that to which the minutes relate and when so confirmed, shall be signed by the Lord Mayor and at least one councilor in the presence of the members present at the latter meeting. Contrary to the requirement, all the minutes submitted for review for the financial year 2012/2013 were not signed.

Response: The Accounting Officer conceded the audit observation. She further informed the Committee that Minutes of the Authority meetings can only be confirmed and signed at a duly convened Authority meeting. The power to convene the Authority is vested in the holder of office of Lord Mayor. Since the removal of the Lord Mayor from office in November 2013 by a resolution of the Councilors, there is no elected leader in the Authority to exercise the powers to convene the Authority to confirm and sign minutes of its previous meetings.

Observation and recommendation: The Committee notes that in the absence of signed minutes, resolutions accruing to such meetings cannot arise. Subsequently decision making which is at the heart of managerial practice is grossly compromised.

It is also noteworthy that this audit observation is an offshoot of the malaise surrounding the office of the Lord Mayor, and if unresolved, this leadership question renders the effective management of the Authority a daunting task.

The Committee recommends that the Executive constructively engages the relevant stakeholders and expeditiously and resolves the leadership impasse at KCCA.



8.0 BUSITEMA UNIVERSITY

8.1 Misrepresentation of Gratuity Arrears

Query: A Council resolution referenced as minute 9/UC/20/2012 changed the University staff engagement terms from contractual to permanent basis resulting into total payable gratuity of UGX.3,718,173,901 out of which only UGX.496,876,521 was settled during the year leaving a balance of UGX.3,221,297,380.

This liability was however not reported in the Statement of Financial Position but was rather disclosed by way of a memorandum statement. The financial position is understated in this regard.

Response: The Accounting Officer conceded the audit observation and informed the Committee that this was done to forestall accrual of gratuity arrears and motivate staff. He further stated that Busitema is the only University with staff on non-permanent terms rendering staff retention an uphill task hence the need for motivation.

Observation and recommendation: The Committee notes that although the AO insisted that this gratuity figure was disclosed in a separate memorandum, this remains as a misstatement of accounts. The Accounting Officer should have stated this figure in the Financial statements. This liability should have been in the balance sheet and not in the memorandum statement.

The Committee recommends that the Accounting Officer be held responsible for non-disclosure of liabilities and thereby mis-stating the financial statements.

8.2 Non-alignment of the budget with the strategic plan

Query: The University strategic plan for the period 2008/09-2013/14 indicated a funding requirement of UGX.43,199,883,000 for the financial year 2012/2013 while the approved budget provided for only UGX.15,756,779,000 resulting into a funding gap of UGX.27,443,104,000. It was also noted that the budgeted activities were not properly aligned to the plan. The non alignment combined with the gross underfunding implies that the strategic objectives may not be achieved. It was also noted that the strategic plan did not identify the potential sources of funding to enable funds mobilization.

Response: The Accounting Officer agreed with the audit observation. He attributed it to the fact that the strategic plan that existed at the time was not realistic given that it was drawn up within a year of inception of the university and had not been revised. He added that the budget was aligned to the strategic plan but the variances in amounts of funds were due to limitation of funding.

Observation and recommendation: The Committee notes that the misalignment of the budget with the strategic plan jeopardizes the attainment of the University's objectives.

The Committee recommends that the Accounting Officer appropriately aligns the annual plans to the strategic plan and to enhance mobilization of the necessary funds.

8.3 Non-implementation of planned activities

Query: A comparison of the University's budget and Ministerial Policy Statement for the year with outputs achieved revealed that the following planned activities and acquisitions were not attained yet these activities impact directly on the quality of Education achieved;

- Farm structure construction;
- Modern Library construction;
- Machinery for the workshop; and
- Assorted furniture (Chairs and tables).

Response: The Accounting Officer conceded the audit observation and attributed the shortfall in performance to inadequate funding. He informed the Committee that in the year under review, they received 75% of their total budgetary allocation.

Observation and recommendation: *The Committee notes that inspite of the 75% release of the approved budget; there should have been a corresponding output of 75% but the university performed dismally.*

Of specific note is the construction of the modern library which was part of the planned activities for the year under review, but was not undertaken inspite of the 75% budget release and the sourcing of funds by the University from ADB.

The Committee recommends that the Accounting Officer bolsters liaison with the MoFPED to attain necessary funding and to prioritize key activities.

8.4 Advances not accounted for

Query: TAI 215 (a and b) of the Treasury Accounting Instructions require all advances to be accounted for without delay and immediately after the expense has been incurred. On the contrary, UGX.9,744,000 that was advanced to a University staff to facilitate a committee meeting was not accounted for.

Response: The Accounting Officer conceded the audit observation attributing it to a mix-up of documents impeding the availability of the requisite accountabilities to the Auditors.

Observation and recommendation: The Committee notes that delayed accountability may result into falsification of accountability documents.

The Committee recommends that the Accounting Officer be held responsible for failure to ensure timely accountability.

The Committee further recommends that the Accounting Officer recovers the unaccounted for funds within two months of adoption of this report. Failure to do so, the same be recovered from the Accounting Officer.

8.5 Management of ICT and Information Systems

a). Lack of ICT Policy and IT Steering Committee

Query: There was no ICT Policy in place at the time of audit and the University lacked an ICT Steering Committee to guide the related investments. This could result into inefficient and uncoordinated ICT operations.

Response: The Accounting Officer conceded the audit observation and explained that efforts were being made to form the Steering Committee and that there was a draft ICT Policy pending approval by the Planning Investment Committee.

Observation and recommendation: ***The Committee recommends that the Accounting Officer expedites the processes leading to and ultimately the approval and operationalization of the ICT policy.***

b). ICT Infrastructure and their security

Query: Various planned infrastructural activities had not been implemented. For instance LANs, WAN and intranet as well as connection to the National Infrastructure Backbone had not been done.

Contrary to Regulation 74 of the PFAR regarding control of access to data and computer systems, a number of security lapses were noted for example; unrestricted access to the computer server room and existence of some un-engraved ICT equipment. As a consequence, there were some losses of ICT equipment (Computers). Also noted was absence of fire control equipment in the computer/server room thereby exposing the entity to the risk of loss.

Response: The Accounting Officer conceded the audit observation and attributed it to the inadequacy of funds

Observation and recommendation: The Committee notes that budgetary releases are directly proportional to output. The integral nature of ICT to the functioning of organizations today implies that any funding shortages that impedes the realization of ICT infrastructural developments as in this case grossly impedes organizational development.

The Committee further notes that part of the audit observation points to administrative lapses in matters of security and procedure- a function that requires more of administrative than financial tact.

The Committee recommends that the Accounting Officer liaises with the Ministry of Finance, Planning and Economic Development to ensure adequate budgetary releases. In addition, the Accounting Officer should streamline the planning and budgeting function to ensure adequate resources are put in priority areas.

The Committee further recommends that the Accounting Officer not only be held responsible for the security lapses that predisposed ICT infrastructure to loss but also immediately institute administrative measures to bolster security of ICT infrastructure.

c). Staffing and Administration

Query: Whereas the ICT staffing establishment provides for twenty two (22) staff, the Unit had only 4 staff and was not represented at key University decision making organs thereby limiting its effectiveness. Management explained that the wage ceiling could not allow for more recruitment and as such any increment received would cater for the teaching staff.

Response: The Accounting Officer conceded the audit observation.

Observation and recommendation: The Committee notes with concern that Busitema University is operating at a paltry 30% staffing level, thereby grossly impeding the realization of its core mandate.

The Committee recommends that the Accounting Officer liaises with the Public Service Commission, the Ministry of Finance, Planning and Economic Development and other relevant responsibility centres to ensure urgent improvement of the staffing level at the University.

d). Lack of integration of software

Query: The University installed 2 Information Systems namely; Pastel Systems for financial management and Academic Information System for academics. However the two systems lack integration. They are also not linked to other units such as Library service management, student management and inventory management.

Response: The Accounting Officer conceded the audit observation

Observation and recommendation: The Committee notes that the fragmented nature of Information Systems at the University implies that the University is unable to harness the benefit of related databases which would aid efficient and prompt decision making.

The Committee further notes that this lapse in linkage of Information Systems stems from the absence of a fully fledged ICT policy and ICT steering Committee at the University.

The Committee recommends that the Accounting Officer should liaise with the other organs of the University to ensure the timely approval of the ICT policy and establishment of the ICT steering Committee.

The Committee further recommends that the Accounting Officer ensures the linkages of Information Systems at the University.

8.6 Contracts Committee decision making

Query: Regulations 51(2) to (4) of the PPDA Regulation, 2003 require the Contracts Committee to either approve or reject (with reasons in writing) the recommendations of an evaluation committee and to refer back the matter to the Procurement Unit. However, it was noted that the Contracts Committee made decisions without referring the matters back to the Procurement Unit in two cases namely; contract for construction of the lecture blocks at Nagongera campus by Peak Planets and supply of computers by CAL Ltd.

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Response: The head of procurement conceded the audit observation and expressed remorse for the contracts committee taking decisions without considering advice from the evaluation committees.

Observation and recommendation: The Committee notes with concern that the Accounting Officer who informed the Committee that he possesses a MBA in corporate strategy and management feigned ignorance of public procurement regulations

The Committee further notes that flouting of procurement regulations predisposes public resources to loss.

The Committee recommends that the Accounting Officer be held responsible for flouting Public Procurement regulations.

8.7 Procedural flaws in hand-over of projects

Query: Review of activities relating to the completion and takeover of University construction projects revealed that the procedures followed were contrary to provisions of the PPDA Act and General Conditions for Contracts as shown below;

- Sites taken over without key witnesses such as management representative and users;
- Non issuance of key documents such as; statement of Final Account issued by contractors and defects liability completion certificate issued by supervisors, certificate of occupancy issued by district/town health departments; and
- Absence of minutes for inspection meetings.

Response: The Accounting Officer conceded the audit observation and added that procedures had since been put in place to ensure that sites are handed over in the presence of a member of management as a witness and certificates of final completion are handed over to contractors.

He stated that they presently have contract management teams to ameliorate this situation.

Observation and recommendations: The Committee notes that failure to undertake appropriate procedures in project completion and takeover may result into taking over of works that are defective.

The Committee recommends that the Accounting Officer be held responsible for failure to adhere to procurement regulations and by so doing predisposing public resources to loss.

8.8 Formulation of University Procurement Plan

Query: Section 58 of the PPDA Act 2003, and Regulation 60 of the PPDA Regulations 2003, require that all user departments shall prepare and submit to PDU their procurement work plans, to form basis for formulation of the master procurement plan of the entity based on the approved budget.

It was noted that there was limited integration into the master procurement plan and alignment to the budget with regard to the procurement of stationery, ICT, medical supplies, insurance, maintenance civil, telecommunications, machinery and books/periodicals.

Response: The Accounting Officer conceded the audit observation.

Observation and recommendation: The Committee notes that in the absence of an integrated procurement plan, there is a risk of unbudgeted procurements and failure to harness the benefits of bulk procurements.

The Committee recommends that the Accounting Officer ensures that a Master Procurement Plan is developed with a view of making it comprehensive and aligned with the University budget.

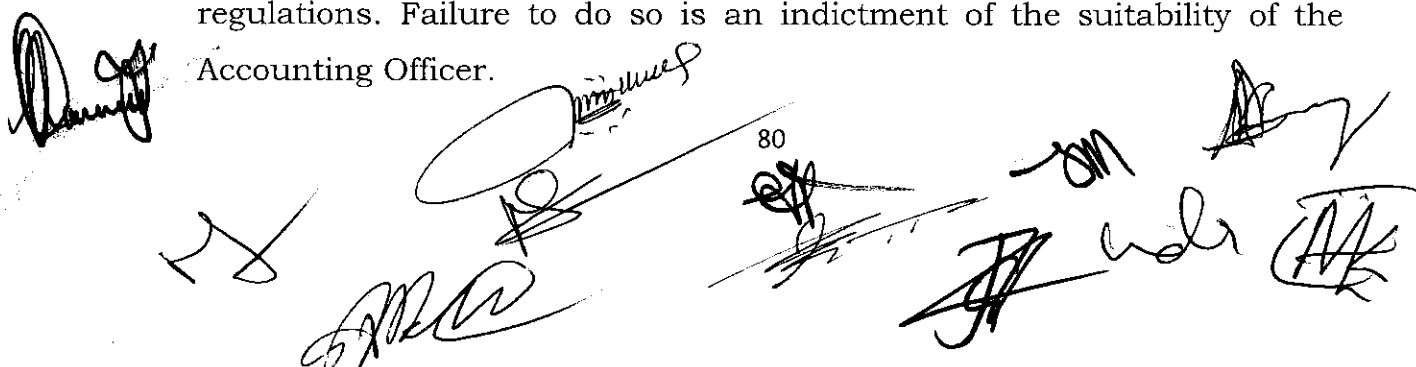
8.9 Non-competitive Procurements

Query: Section 94 (a) of the PPDA Act 2003, requires approval of the choice of a procurement or disposal method by the Contracts Committee. On the contrary goods, building and clearing materials worth UGX.19,398,006 were procured through Direct Procurement method without approval of the method by the Contracts Committee. Use of non competitive procurement methods without requisite approvals is vulnerable to influence peddling, substandard goods or services being provided at exorbitant prices.

Although management asserted that the supplier for building materials was solicited through Request for Quotation (RFQ) and that a framework contract for cleaning materials was in place, there was no documentary evidence to support this assertion.

Response: The Accounting Officer conceded the audit observation.

Observation and recommendation: The Committee notes that the Accounting Officer as the custodian of the relevant laws and regulations should at all times ensure adherence to procurement laws and regulations. Failure to do so is an indictment of the suitability of the Accounting Officer.

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The Committee therefore holds the Accounting Officer responsible for failure to adhere to the PPDA Act, 2003 and the regulations there-under.

8.10 Significant variances between Estimated and Contract prices

Query: PPDA Regulation 104 (2) requires that in estimating the value of procurements and confirming the availability of funds, the estimate should be realistic and based on current information and technical assessment. Comparison of the estimates with actual contract prices however revealed significant variances, which were not properly explained.

Response: The Accounting Officer conceded the audit observation and attributed it to erroneous estimation.

The University engineer attributed the variances to 3 reasons: the reliance on factory prices, the time lag between quotation and contract award and the non inclusion of taxes in the quotation.

On the Arapai library, the Engineer informed the Committee that the dean of the faculty wrongfully handed over a different building to the contractor. The contractor treated it as a directive. The University on realizing that the abandonment of work would complicate the entire project, decided to incorporate both the erroneous site and the initial site leading to a variation of both scope of works and price.

Observation and recommendation: The Committee notes with concern that the Accounting Officer did not revert to the engineer at the time of decision making on the variation of cost. The Accounting Officer could not avail copies of receipts of WHT and a copy of the master-plan duly

approved and how the contracts committee treated this matter such as minutes of meeting. As such the decision on Variation of cost was unilateral by the Accounting Officer. The Accounting Officer therefore abdicated his oversight mandate and predisposed public resources to loss.

The Committee recommends that the Accounting Officer be held responsible for negating the PPDA Act and the regulations thereunder.

8.11 Inspection Report

Query: Inspection of the infrastructure at the Arapai Campus revealed the following state of affairs:

- Dilapidated infrastructure including roads, lecture rooms and residential houses;
- Inadequate lecture rooms, dormitories, furniture and fittings;
- Some houses are still roofed with asbestos sheets which is a health hazard to occupants;
- Lack of a proper green house; and
- Insufficient number of animals kept for student practical lessons, non- operational dairy farm.

Response: The Accounting Officer conceded the audit observation and attributed it to insufficient funds. He added that an assessment of renovations needs had been done and the results partially included in the BFP for the FY 2014/15 and that the University was in advanced stages of preparing a business plan to improve the facilities at the campus.

Observation and recommendation: The Committee notes that the poor state of infrastructure if not improved is likely to impact negatively on the image and general performance of the University and the health of the students.

The Committee further notes that the rapid expansion of Busitema University within a short time through assimilation of about 5 other public institutions in Eastern Uganda and yet without the requisite technical, institutional and budgetary capabilities to effectively translate the assimilation into realization of intended objectives poses the risk of stifling instead of cascading skills development. The multi-campus model is expensive to manage and unsustainable.

The Committee recommends that the Executive re-thinks the multi campus model of Busitema University especially considering that Government must urgently adequately staff and resource the many campuses.

9.0 DEPARTMENT OF ETHICS AND INTEGRITY

9.1 Mischarged Expenditure-Shs.753,056,165

Query: The Parliament of Uganda appropriates funds in accordance with the needs of the country and this appropriation is implemented through the budget in which funds are tagged to particular activities and outputs using account codes and MTEF codes.

A review of the Directorate's expenditures revealed that the entity charged wrong expenditure codes to a tune of Shs.753,056,165. Such a practice is contrary to the intentions of the appropriating authority and leads to incorrect financial reporting.

Response: The Accounting Officer conceded the audit observation and attributed it to inadequate budgets on some codes and yet work had to proceed. Management also attributed the problem to the de-linkage between IFMS and output budgeting.

Observation and recommendation: The Committee notes that mischarge of expenditure is not only an indicator of budget indiscipline through undermining the appropriating authority and the very essence of planning and budgeting but also grossly distorts financial statements.

The Committee recommends that the Accounting Officer be held responsible for mischarge of expenditure.

9.2 Funding gap-Shs.281,287,468

Query: According to the statement of appropriation account based on services voted by Parliament, the Directorate had budgeted to receive transfers from treasury worth Shs.4,228,503,691 but only Shs.3,947,216,222 was received, creating a funding gap of Shs.281,287,468. The shortfall directly affected the procurement of;

- Video cameras, still cameras, soft wares, boxes of CDS, wireless routers, network switches and voice recorders to facilitate investigations
- Conclusion of the National ethical value policy for ethical direction and management
- L.C bill to guide operations and management of Local Councils and
- Printing of corruption bill to disseminate to various stake holders which were planned but were never procured as per the procurement plan.

Response: The Accounting Officer conceded the audit observation and explained that the PS/ST had been requested to provide explanation for the funding gap but no response had been received.

Observation and recommendation: The Committee notes that arbitrary budget cuts grossly impede the realization of planed output.

The Committee recommends that the Accounting Officer continues liaising with Treasury for purposes of ensuring the appropriated resources are released.

9.3 Human Resource Issues

(a) Vacant positions

Query: A review of the Directorate approved structure/establishment indicated that whereas 54 posts were approved, only 43 had been filled by the year-end leaving 11 vacant posts unfilled. The most affected departments were the information centre and the legal department as indicated in the table below.

Post Title	Approved	Filled	Vacant	Salary
Legal Department				
Commissioner Legal Services	1	0	1	UIE
Legal Officer	2	0	2	U4
Information Center				
Principal Information Scientist	1	0	1	U2
Communications Officer	1	0	1	U3
Information Scientist	3	2	1	U4

Response: The Accounting Officer explained that the delay in recruitment was caused by lack of a fully constituted Public Service Commission in place.

Observation and recommendation: The Committee notes that the absence of such essential staff may negatively impact on the entity's service delivery.

The Committee recommends that the Accounting Officer continues liaising with the responsible authorities and ensure that the key vacant posts are urgently filled.

(b) Irregular payment of allowances

Query: Monthly top up allowances amounting to Shs.247,786,000 were paid to entity staff on a monthly basis. These payments are irregular because they are not supported by any administrative circular or standing order instruction from the ministry of public service. In addition, PAYE deductions were not effected.

Response: The Accounting Officer conceded the audit observation and explained that the payments were to minimally meet the daily cost incurred by staff such as lunch, transport, telephone and overtime.

Observation and recommendation: The Committee notes that the payment of allowances that are not provided for by any standing orders is irregular.

The Committee recommends that motivation of public servants should not be left to such piecemeal interventions but rather a comprehensive salary review that cuts across the civil service besides the establishment of a salary review commission.

9.4 Un-accounted for fuel funds deposited with Standard Chartered Bank

Query: Shs.96,000,000 was deposited with Standard Chartered Bank through advantage card system to cater for official fuel and motor vehicle servicing as per details in the table below:

Invoice	Description / Purpose	Amount	Supplier
R 0101/8	Fuel Advance for the 1st qtr	21,000,000	Advantage Card Disburse
R 054/11	Operational fuel expenses for DEI	20,000,000	Advantage Card Disburse
R 171/11	Operational fuel expenses for DEI	10,000,000	Advantage Card Disburse
R 025/02	Fuel Advance for Jan. 2013	45,000,000	Advantage Card Disburse
		96,000,000	

The following were observed:

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- Response:** The Accounting Officer conceded the audit observation and informed the Committee that the issue of fuel is under investigation by the IGG. At that time the cash sale receipts from the stations were not being obtained and currently they are.

The Committee notes that the card account holders contravened the National Audit Act by withholding documents from the Auditors. The Committee notes that this matter is being investigated by the IGG.

The Committee takes cognizance of the ongoing investigations by the IGG and recommends the expeditious conclusion of the same.

W. J. K.

10.0 MINISTRY OF EAST AFRICAN COMMUNITY AFFAIRS

10.1 Mischarged Expenditure

Query: The Treasury Accounting Instructions require that transactions should be recorded in the books of account using the Government of Uganda Chart of Accounts as prescribed by the Accountant General. The detailed explanations for each account prescribe what expenditures should be charged on the account.

However, expenditure of UGX.631,272,089 was charged on expenditure codes other than those under which it was appropriated.

Response: The Accounting Officer partially conceded the audit observation adding that the magnitude of the mischarge was less than what is stated by the Auditor General. She set it at Ushs. 200m.

Observation and recommendation: The Committee notes that mischarge of expenditure negates the appropriation function of parliament and distorts planning, budgeting and oversight.

The Committee recommends that the Accounting Officer ensures strict adherence to financial laws and regulations to avert any future incidences of mischarge.

10.2 Expenditure on Foreign exchange Account

Query: The Ministry spent UGX 15,212,588,098 out of its foreign exchange account of which UGX 12,500,392,970 was transferred to the EAC Secretariat and the balance of UGX.2,712,195,128 was spent on other activities. The details on the bank statement show that UGX.758,031,287 was drawn in cash during the financial year.

The auditor was not availed with accountability documents relating to this cash withdrawal for examination.

Response: The Accounting Officer dispelled the audit observation and stated that at the time of the audit, these documents were available and that after the addendum to the management letter, they submitted a photocopy of the accountabilities to the external auditors.

Observation and recommendation: *At the behest of the Committee, Officials from the Office of the Auditor General verified the documents and ascertained that indeed the accountabilities were available at the time of audit.*

The Committee takes note of the development

10.3 Expenditure on Travel Abroad

Review of the records relating to travel abroad for various activities revealed the following matters;

Inappropriate representation to conferences

Query: There were officers being nominated to travel and attend conferences but by their designations were not appropriate to attend these conferences. There is a risk that as a country, Uganda may not be benefitting from such representation at high level conferences because they are attended by staff who are not coming back to implement what they learn. Besides, supporting accountability documents for these trips such as back to office reports were not made.

Response: The Accounting Officer disputed the query. She cited the case of a Personal Assistant to the Minister traveling abroad alongside the Minister.

Observation and recommendation: *The Committee notes that it is incumbent on the Accounting Officer to ensure that representation abroad is done by suitable officers.*

10.4 Retrospective requests for Clearance

Query: There were cases of staff who travelled without clearance from the Prime Minister but later requested for retrospective ones. This was contrary to a letter referenced ADM/125/128/01 of 19th December 2012 stopping the retrospective clearances, with exception of those who were forced to stay abroad after being cleared.

Response: The Accounting Officer agreed with the audit observation.

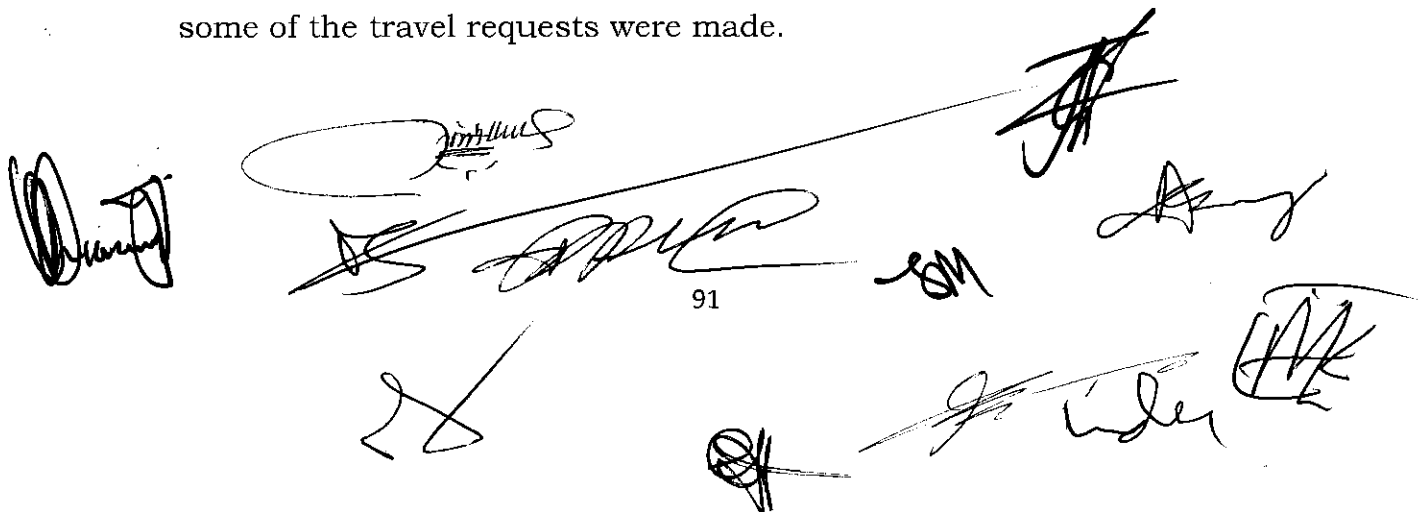
Observation and recommendation: The Committee notes that the ministry risks incurring travel expenditure on staff whose clearances could be rejected.

The Committee recommends that the Accounting Officer ensures that Officers are cleared by the Prime Minister as a pre-requisite for facilitation.

10.5 Travel abroad without the clearance of the Prime Minister

Query: It was noted that the travels abroad whose expenditure amounted to UGX 318,396,600 were not supported with clearance by the Prime Minister for trips abroad.

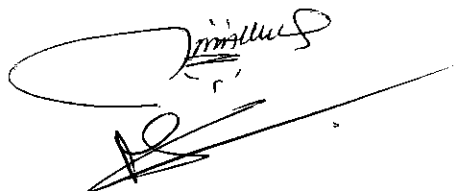
Responses: The Accounting Officer conceded the audit observation and explained that this was caused by the short notices at which some of the travel requests were made.



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Observation and recommendation: The Committee notes that travels were not promptly planned so as to enable timely clearance.

The Committee recommends that the Accounting Officer should always plan properly for the travels so that the appropriate clearances are sought in time.



11.0 JUDICIARY

11.1 Mischarge of Expenditure - Shs.4,701,073,327

Query: A review of payments revealed that wrong expenditure codes were charged to a tune of Shs.4,701,073,327 without authority contrary to S.156 of the TAIs. This practice undermines the intensions of appointing authority and also leads to incorrect financial reporting.

Response: The Accounting Officer conceded the audit observation and attributed it to underfunding of some institutional activities and spending pressures that emerged after appropriation.

Observation and recommendation: The Committee notes that mischarge of expenditure impedes the implementation of other prior planned activities as resources are diverted to other activities.

The Committee observes that while the practice of mischarging leads to variances and when such variances are not reported as with the case of the judiciary, then the books are essentially flawed. The financial statements of the judiciary for the year under review did not contain any notes on the variances and yet the details of such variances would indicate the activities that were affected by the mischarge.

The Committee recommends that the Accounting Officer be held responsible for flouting the Appropriations Act and usurping the powers of Parliament.

11.2 Payables

Query: A review of the Statement of Financial Position revealed outstanding payables of Shs.6,615,748,840. This amount comprised of trade creditors of Shs.2,539,771,946 and security deposits of Shs.4,075,976,894. The trade creditors' position as at 30th June 2012 stood at Shs.1,745,647,214 implying that there was an increase in

domestic arrears (trade creditors) by Shs.794,124,732 (45.5%) compared to last year.

Response: The Accounting Officer conceded the audit observation and attributed the accumulation of arrears to the rent and other utilities. The Accounting Officer informed the Committee that out of 367 courts only 65 are owned by the judiciary. The rest are rented premises.

Observation and recommendation: The Committee notes that the continued accumulation of domestic arrears is an affront on the Commitment Control System and casts government as a bad debtor.

The Committee further notes that in 2013, the Judiciary received UGX. 4,075,976,894 as deposits – potentially court bonds. The Committee is concerned as to whether this money should revert to the consolidated fund account or appear in the books of accounts of the Judiciary as a payable. In the view of the Committee, it is erroneous to continue reflecting this money as a payable in the books of accounts of the Judiciary.

The Committee recommends that;

the Accounting Officer prioritises the offsetting of the outstanding and verified domestic arrears as a first call on the budget of the proceeding financial year.

the Accounting Officer liaises with the MoFPED with a view of increasing the budgetary ceiling for the Judiciary.

The Parliamentary Committee on Legal and Parliamentary Affairs ensures that in the next budget the domestic arrears are adequately budgeted for

11.3 Staffing Gaps

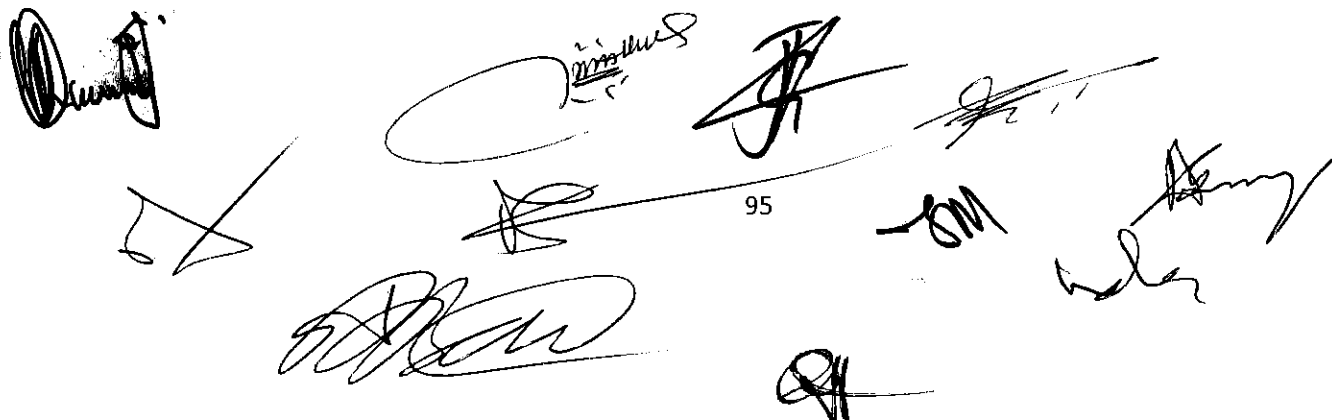
Query: A review of the staff establishment revealed that 297 posts remained vacant during the year. This included the post of Chief Justice (filled with Acting Capacity), Deputy Chief Justice and head of Court of appeal, 8 Justices of Court of appeal, 4 Justices of the Supreme Court and 8 High court Judges. The post of Chief registrar has been filled with staff in acting capacity for some time now.

Response: The Accounting Officer conceded the audit observation and added that the positions of Chief Justice and the Deputy Chief Justice have been communicated to the Appointing Authority and the process of filling the vacancies is underway.

She further added that vacancies in the Supreme Court, Court of Appeal and the High Court, the current position is that Justices of the Supreme Court have increased from 4 to 8, in the Court of Appeal they have increased from 5 to 11 and the Judges of the High Court are 56 as per the current structure. For the other cadre of staff, management has continuously liaised with the Ministry of Finance, Planning and Economic Development and Ministry of Public Service to approve and provide for the numbers required.

Observation and recommendation: The Committee notes that the long spell of absence of a substantive Chief Justice was imprudent and grossly undermined the institution.

The Committee however welcomes the recent appointment of a Chief Justice and implores the Judiciary to maintain liaison with the relevant Offices to ensure the filling of the other vacancies too.



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11.4 Staff in unapproved positions

Query: The Auditor identified cases of over staffing for some staff categories. It was observed that 335 staff were recruited above the establishment contrary to the recruitment policy and procedures. The excess workforce created an

Response: The Accounting Officer agreed to the query and stated that these are largely contract staff and the money for paying them is from the non-wage component of the budget. The wage bill for these auxiliary staff stands at UGX.140m per month. The Accounting Officer further explained that the Judiciary was last restructured in 1998 and since then, there have been structural adjustments due to continuous and increased demands for Judicial Services. As a result therefore, there are certain structures that became a necessity but were not in the structure of the Judiciary.

Observation and recommendation: The Committee notes that unapproved positions implies unapproved increase in the wage bill.

The Committee recommends that the Accounting Officer liaises with the Public Service Commission, MOFPED and other relevant organs of government with a view of expediting the revision of the staff structure and having it duly approved.

11.5 Narrow Structure of the Court of Appeal

Query: The Court of Appeal has jurisdiction to hear appeals from the High Court. A narrow structure of the court of appeal was noted in as far as the handling of cases from the High Courts is concerned. The eight divisions of the High Court and the High Court circuits all feed into the un-divisionalized Court of Appeal which impedes the smooth flow of cases.

Response: The Accounting Officer explained that the nature of operation of the Court of Appeal is through quorum/ panels to execute their duties. Therefore because of the lack of enough Justices, divisionalising the Court of Appeal may not be easily affordable.

Observation and recommendation: *The Committee notes the need to broaden the structure of the Court of Appeal to match with the High Court structure. This will go along way in solving the case backlog in the court.*

11.6 Uganda Good Governance (UGOGO)

(a) Lack of records for the Project

Query: UGOGO is one of the projects under Judiciary. The Project planned to spend Shs.4,018,000,000 to undertake several activities in the year under review. Outline of the activities that were planned for the Project is below:

Planned Activity	Budgeted Cost UGX
Capacity building to Judiciary staff	2,000,000,000
Purchase of office and ICT equipment	1,100,000,000
Purchase of office and residential furniture and fittings	118,000,000
Construction and rehabilitation of Judicial courts	800,000,000
Total	4,018,000,000

The performance of this Project has not been reported on as no details were availed for audit review. The cash book, expenditure vouchers, bank statement together with the bank reconciliation statements were not


provided even after several communications from OAG and intervention by SJ and PS/ST. Some of the planned activities such as construction and rehabilitation of Judicial Courts are a responsibility of JLOS project.


Response: The Accounting Officer conceded the audit observation and informed the Committee that the Judiciary Accounting Officer does not have control over the books of accounts of this project. This state of affairs was brought to the attention of the Permanent Secretary/Secretary to Treasury who has initiated negotiations between Ministry of Finance Planning and Economic Development and the Danish Government to streamline the project operations.

Observation and recommendation: The Committee notes that the Chief Registrar who is performing the role of Accounting Officer for the UGOGO project and yet he is not a designated Accounting Officer of Government. The then Chief Registrar denied the auditors relevant information on this project. By so doing he breached section 37 of the National Audit Act.

The Committee further notes that the accountability arrangements for the project that precludes the Accounting Officer of the Judiciary from taking charge of the project is inherently flawed as it impedes the Judiciary Accounting Officer's purview of the UGOGO project. This poses the risk of duplication of activities.

It must be noted that the components of this 3-year project under the Judiciary had never been audited by the Auditor General while in other Government Departments like the Ministry of Local Government it was open to audit.

 This UGOGO project was also the basis of the qualified opinion.

 The Committee held a joint meeting with the Accounting Officer of the Judiciary, the Chief Registrar of the Courts of Judicature, Accountant General, the PSST and the Auditor General during which it was resolved

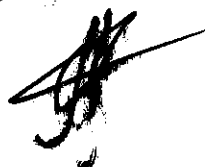
that the role of Accounting Officer for UGOGO be re-assigned to the Accounting Officer of the Judiciary.

The Committee recommends that;

- i) The Accounting responsibility over the UGOGO project be immediately transferred to the Accounting Officer of the Judiciary as per the resolution of the stakeholder meeting mentioned above,***
- ii) The Auditor General conducts a forensic audit of the UGOGO project since inception***
- iii) The Chief Registrar who was the Accounting Officer for UGOGO be held responsible for obstructing audit, withholding information from the Officials of the Auditor General***
- iv) A review of the UGOGO MoU be conducted by the PSST, Accountant General and other stakeholders with a view of aligning the various provisions of the MoU with the National Audit Act and other relevant laws.***
- v) the Chief Registrar be investigated by the IGG with a view of prosecution for the breach of section 37 of the National Audit Act.***
- vi) The Committee further recommends that the Memorandum of Understanding of the UGOGO Project be reviewed to vest the overall responsibility of accountability in the Accounting Officer of the Judiciary.***



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(b) Control of Uganda Good Governance (UGOGO) Project

Query: The Auditor further noted that the UGOGO Project profile in the Judiciary Ministerial Policy Statement indicated that the Secretary to the Judiciary would be the responsible officer for the project. However, interaction with the Secretary to the Judiciary, who is also the Accounting Officer revealed that the responsibility for the project is with the Chief Registrar who is not a designated accounting officer, which responsibility was embedded in the Memorandum of understanding between the Danish Government and Government of Uganda.

Response: The Accounting Officer conceded the audit observation. She added that this matter had been brought to the attention of the PSST and although the PS/ST had provided guidance in regard to the management and control of the project, his advice was not adhered to.

Observation and recommendation: The Committee notes that streamlining responsibility in line with the established structures enhances role clarity and ultimately efficiency and effectiveness. Unfortunately at the Judiciary, the UGOGO project is devoid of this much needed role clarity. And for accountability purposes, this is potentially detrimental.

The Committee recommends that the project reporting and operations structure be reviewed. This will inevitably warrant a review of the UGOGO MoU.

11.7 Payments to Personal Individual Accounts

Query: The Treasury Accounting Instructions, Sections 227, 228 and 229 state that all payments should be made by the Accounting officer directly to the beneficiaries.

Where this is not convenient, an imprest holder should be appointed by the Accounting Officer with the approval of the Accountant General.

It was noted that a sum of Shs.588,533,829 was transferred to personal accounts of staff to undertake Department activities without following the regulations.

Response: The Accounting Officer conceded to the audit observation and explained that advances were made to personal individual accounts to undertake departmental activities especially routine inspections. In order to comply with the circulars from the Ministry of Finance, Planning and Economic Development restricted cash withdrawals were made.

Such a practice of depositing huge funds on personal accounts exposes

Observation and recommendation:

The Committee notes that the continued advancing of public monies to individual accounts predisposes public resources to loss.

The Committee faults the Accounting Officer for non-adherence to the 2012 circular by the PSST that directed the halting of such advances to individual accounts;

The Committee recommends that the Accounting Officer should restrict advances to personal accounts to duly appointed imprest holders and ensure timely accountability so as to forestall any possibility of loss of public funds.

11.8 Rental Expenditure

Query: The Judiciary budgeted to spend Shs.7,855,956,325 on rent for the various courts in the year under review of which only Shs.6,188,930,812 was released to the entity creating a short fall of Shs.1,667,025,513. It was noted that the arrears for rent at the end of the financial year stood at Shs.1,923,979,955. Some of the arrears relate to the financial year 2011/12.

Responses: The Accounting Officer conceded the audit observation and attributed the increase in the cost of rent to the recruitment of more judicial Officers which requires more space. She alluded to continued engagement with MOFPED in a bid to secure an increase in resource allocation.

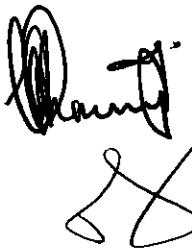
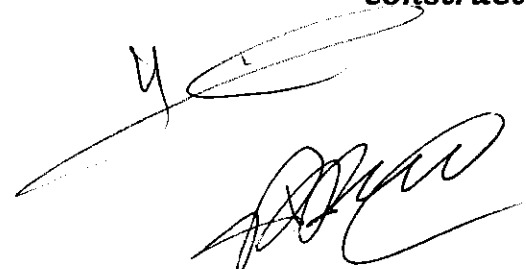
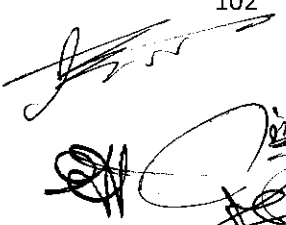
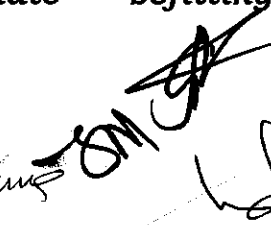

The Accounting Officer informed the Committee that at of the 122 Courts that operate throughout the country, 79 courts operate in rented premises and that at the time of interface with the Committee there were 24 courts spread across the Country demanding for rent arrears totaling to almost UGX 2bn excluding utilities. She further informed the Committee that with the support of development partners the Judiciary is currently constructing 13 courts and the JLOS house will house the Appellate courts.

Observations and recommendations: *The Committee notes that the delayed settlement of rental obligations by the Judiciary poses the risk of penalties and litigation resulting into nugatory expenditure.*

The Committee further notes that any such litigation accruing to failure to meet rent obligations would earn the Judiciary a negative reputation.

In addition, the reliance on development partners for securing Office accommodation for the Judiciary is unsustainable.

The Committee recommends that;

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- i) The Accounting Officer should liaise with the MoFPED to ensure that the rent arrears are cleared immediately.*
 - ii) in the interim, the Executive prioritizes the increase in the budgetary ceiling of the Judiciary so as to enable the timely payment of rent costs.*
 - iii) In the long run, the Executive should explore the construction of appropriate befitting housing*
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infrastructure for the Judiciary to mitigate the cost of rent.

11.9 Motor Vehicles due for boarding off

Query: Out of a fleet of 235 vehicles, 57 vehicles were due for boarding off. However, the entity has not been able to board off the vehicles.

Response: The Accounting Officer conceded the audit observation and stated that a Board of Survey was constituted and the process is now at about 70%.

She added that the vehicles with missing logbooks are those inherited from the District Land tribunals and that the logbooks are with the MOLHUD. The Accounting Officer notified the Committee that she had written to the MOWT to secure the log books so as to enable boarding off of the vehicles.

The Accounting Officer however dispelled the audit observation on missing vehicles stating that all the vehicles were available.

Observation and recommendation: The Committee notes that the continued retention of old vehicles not only escalates the cost of repairs but also reduces the salvage value of these vehicles.

The Committee further notes that some retired judges continue to drive cars bearing government vehicle number plates. While the Accounting Officer explained that a precedent had been set where judges who retired went with the vehicles they had been using, the use of government number plates is unethical.

The Committee recommends that the ongoing process of revising the emoluments and benefits of judicial officers should either provide for the purchase of a new vehicle or equivalent monetary

value. In this case, upon retirement, the vehicle should be transferred to the judge and given a private license plate number.

The Committee further recommends that the Accounting Officer should at all times ensure compliance with the TAIs in regard to assets management.

11.10 Gross tax

Query: The Department budgeted for Shs.1.6bn as gross tax; Shs.668million was released to cater for gross tax expenditure. However, only Shs.200 million was spent on this item resulting into un-utilized amount of Shs.468 million. These funds were subsequently returned to the consolidated fund.

Response: The Accounting Officer conceded the audit observation and attributed it to the Judiciary's inability to undertake some development activities for which the gross tax had been earmarked because of the non-release of UGX. 1.245bn of the approved development budget of UGX. 3.695bn. This budgeted development component had a corresponding gross tax and the non-release could not warrant expenditure on the gross tax. The Accounting Officer informed the Committee that part of this money was for procurement of vehicles for chief magistrates to ease their movement during the course of their work.

Observation and recommendation: The Committee notes that the non release of approved funds renders the planning process futile and jeopardizes national development objectives.

The Committee further notes that the allocation of funds for activities with a remote likelihood of occurrence leads to low absorption and may precipitate future budgetary cuts.

The Committee recommends that the Accounting Officer liaises with the MoFPED to follow up budget releases so as to avert the recurrence of this query.

11.11 Budget Performance

Query: The Judiciary department approved budget for the year under review stood at Shs.59,150,639,609, comprising Recurrent of Shs.55,455,168,261 and development of Shs.3,695,471,348. A total of Shs.57,667,444,976 was released.

Table below shows the budget:

Despite release of 97.5% of the budget, under performance was noted on a number of planned activities for the year. Details are shown in the table below;

Output		Planned Output	Budget and	Actual Performance	Expenditure and	Variance-performance	Remarks
		No. of cases	Cost 000's	No. of cases	Cost 000's		
Disposal of appeals in the supreme court	Criminal appeals	53	5,399,000	3	5,688,000	50	Under performed 94%
	Civil appeals	28		9		19	Under performed 68%
Disposal of appeals and Constitutional Matters in the court of appeal	Criminal appeals	277	5,686,000	77	5,556,000	200	Under performed 72%
	Civil appeals	150		128		22	Under performed 15%
Disposal of appeals and suits in the High Court	Criminal suits	3,094		1,893		2,568	Under performed
	Family suits	3,056		2,345		711	Under performed
	Anti-corruption suits	388		360		28	Remarkable performance noted
	Civil and Criminal appeals	3,070		502		2,568	
Construction and Rehabilitation of Judicial Courts	Construction of Ibanda Chief Magistrate Court	1	1,696,000	0	242,000	1	No performance noted
	Construction of Lugazi/Mayuge GI Court	1		0		1	No performance noted
Capacity	130 inspections			632 cases			No capacity
building of staff in the Judiciary	resulting to over 900 complaints handled to completion			Inspected conclusively out of 682 complaints registered			building activity was reported to have taken place.
Purchase of office and ICT Equipment, including software	Provide Transcription and Court recording equipment to 4 Chief magistrate courts	4	410,924				Court recording equipment to 4 Chief magistrate courts not procured.

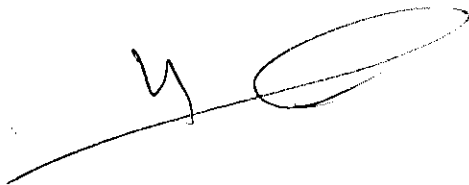

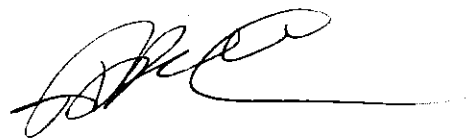
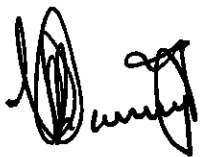
Response: The Accounting Officer conceded the query. The Accounting Officer admitted that in the year under review, Judiciary used to treat its budget releases as a lump sum and allocated and re-allocated as the need arose.

She added that the targets especially on cases under the Supreme Court, Court of Appeal and High Court were not achieved because of lack of adequate judges.

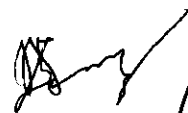
Observation and recommendation: The Committee notes that under-performance does not only escalate the case backlogs but also leads to

double funding as funded planned activities are rolled over to subsequent periods.

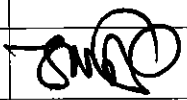
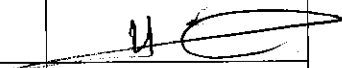
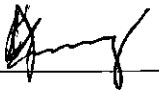



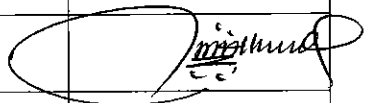
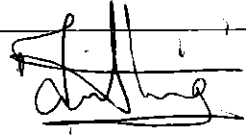
The Committee recommends that the Accounting Officer follows up recruitment of adequate personnel to enable the Judiciary achieve its mandate.






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**ACKNOWLEDGEMENT OF ENDORSEMENT OF THE REPORT OF THE
PUBLIC ACCOUNTS COMMITTEE ON THE ENTITIES WITH
QUALIFIED OPINIONS VOLUME III, 2012/13; JULY 2015**

NO	NAME	DESIGNATION	SIGNATURE
1.	Hon. Alaso Alice Asianut	Chairperson	
2.	Hon. Mwiru Paul	D/Chairperson	
3.	Hon. Ababiku Jesca	Member	
4.	Hon. Ajok Lucy	Member	
5.	Hon. Asupasa Isiko Wilson Mpongo	Member	
6.	Hon. Besisira Ignatius	Member	
7.	Hon. Boona Emma	Member	
8.	Hon. Byarugaba Alex Bakunda	Member	
9.	Hon. Dombo Emmanuel Lumala	Member	
10.	Hon. Eguny Nantume Janepher	Member	
11.	Hon. Kabakumba Masiko Labwoni Princess	Member	
12.	Hon. Kabasharira Naome	Member	
13.	Hon. Kamba Saleh Moses Wilson	Member	
14.	Hon. Karuhanga Kafureeka Gerald	Member	
15.	Hon. Katwiremu Yorokamu Bategana	Member	
16.	Hon. Kibojana Margaret	Member	

	Namara		
17.	Hon. Kwizera Eddie Wa Gahungu	Member	
18.	Hon. Lwanga Timothy Mutekanga	Member	
19.	Hon. Mugabi Muzaale Martin Kisule	Member	
20.	Hon. Musasizi Henry Ariganyira	Member	
21.	Hon. Musinguzi Yona	Member	
22.	Hon. Nakato Kyabangi Katusiime	Member	
23.	Hon. Nandala-Mafabi Nathan	Member	
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27.	Hon. Oleru Huda Abason	Member	
28.	Hon. Opolot Jacob Richards	Member	
29.	Hon. Ssewungu Joseph Gonzaga	Member	
30.	Hon. Theodore Ssekikubo	Member	