THE REPUBLIC OF UGANDA

THE PARLIAMENT OF UGANDA

THE REPORT OF THE PUBLIC ACCOUNTS COMMITTEE ON THE
REPORT OF THE AUDITOR GENERAL FOR THE PUBLIC
ACCOUNTS OF THE GOVERNMENT OF UGANDA FOR THE
FINANCIAL YEAR ENDED 30TH JUNE 2006
(VOL I)

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The Speaker
Parliament of Uganda

REPORT OF THE PUBLIC ACCOUNTS COMMITTEE ON THE REPORT AND OPINION OF THE
AUDITOR GENERAL TO PARLIAMENT ON THE PUBLIC ACCOUNTS OF THE REPUBLIC OF
UGANDA FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2006

1.0 INTRODUCTION

The Auditor General conducted the audit of public funds of the Government of Uganda in accordance
with the established International Standards on Auditing and Government of Uganda Legislation. The
Audit was meant to obtain reasonable assurance as to whether the financial statements were free of
material mis-statement. The Report submitted to Parliament included an examination on a test basis of
evidence supporting the amounts, disclosures in the financial statements as well as evidence
supporting compliance with relevant laws and regulations. Accounting principles were assessed and
the overall financial statement presented, was evaluated and reported upon.

Mr. Speaker Sir, the Report of the Auditor General which was the basis of our Report was presented to
Parliament in 2007, and committed to the Public Accounts Committee for further scrutiny in accordance
with Rule 148 (2) of our Rules of Procedures.
The Committee analyzed the opinion of the Auditor General on the Public funds and in order to satisfy
itself:-

(i) as to whether the financial statements fairly represented the material respects of the
financial position as at 30th June 2006 and that the results of the operations and cash flows
for the year ended, complied in all material respects with the laws governing the financial
management of this country, and that

(ii) the expenditures and receipts were applied in all material respects, for the purposes,
intended by Parliament.
implement the Committee's recommendations on strengthening Internal Audit in Government. The Committee however further recommends that Internal Audit should report to the Permanent Secretary/Secretary to Treasury the custodian of public resources other than the people they audit. This creates independence and strengthens public financial management.

2.2 EXPENDITURES UNDER PRESSURES

Mr. Speaker, as you may be aware; the Government of Uganda projects are partly funded by Government of Uganda and partly by the Partners.

The Committee however found out that not all donor funded projects are consolidated in the Government of Uganda financial Statements and because of that they are actually not approved by Parliament. The Committee found out that there is no clear policy on the Consolidation of project expenditures, as in some Ministries only Government of Uganda fully funded projects and the Government of Uganda counter-part funding component of donor funded projects are consolidated leaving out projects which are fully funded by donors. In the Ministry of Water and Environment for example, it was reported that almost 50% of the expenditure on water sector through the partnership fund was not being disclosed in the Ministry’s financial statements. The absence of a clear policy and guidelines in consolidation of project expenditure leads to inconsistencies in recognition of project expenditure, further leading to misleading financial statements. But above all, it leads to certain expenditures in government being hidden out from appropriation by Parliament.

The Committee recommends that all public expenditures whether grants or loans in all Ministries/Department be declared, and reflected in the financial statements produced in order to provide full disclosure of revenues and expenditures. This should be done immediately. Any Accounting Officer who does not do so will be held liable. The Accountant General should ensure that this is done appropriately.
2.10 CONCLUSION

Mr. Speaker Sir, the Public Accounts Committee wishes to express its gratitude to you and the House for entrusting it with the opportunity to scrutinize the Report of the Auditor General for the year under review. We call upon Government to take keen interest in the recommendations of the Committee and ensure that public funds are spent wisely and to the satisfaction of the tax payer. The Committee also wishes to pay tribute to all the Accounting Officers who appeared before it and tendered both oral and written submission. But above all, I wish to thank the Members of the Committee for their commitment and effort in producing this work. I thank the Auditor General and his entire team for the tireless effort in ensuring that the taxpayers’ money is properly utilized. Furthermore, I thank the Office of the Clerk to Parliament for his unfailing assistance to the Committee through its deliberations.

Mr. Speaker, the following underlisted were the Members of Public Accounts Committee whom the House had mandated to scrutinize the report of the Auditor General and came up with this report.
<table>
<thead>
<tr>
<th>Name</th>
<th>Signature</th>
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<tbody>
<tr>
<td>Hon. Nathan Nandala-Mafabi (Chair)</td>
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<tr>
<td>Hon. Tindamanyire Kabondo G</td>
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<td>Hon. Achia Terence</td>
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<td>Hon. Amongi Beatrice Lagada</td>
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<td>Hon. Byarugaba Alex</td>
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<td>Hon. Kabahweza Florence Hashaka</td>
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<td>Hon. Kamba Saleh</td>
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<td>Hon. Kazibwe Tom</td>
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<td>Hon. Namayanja Rose Nserekho</td>
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<td>Hon. Ndeeziz Alex</td>
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<td>Hon. Nsubuga William</td>
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<td>Hon. Oburu Grace</td>
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<td>Hon. Tumwebaze Frank</td>
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<td>Hon. Oduman Albert Okello</td>
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<td>Hon. Euku Simon Ross</td>
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<td>Hon. Birekeraho Nsubuga Mathias</td>
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<tr>
<td>Hon. Wamanga Wamai Jack</td>
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3. OFFICE OF THE PRESIDENT

3.1 ALLOCATION OF GOVERNMENT LAND: AUDIT REPORT PARA 1.6

The Report of the Auditor General has observed that Government land which has been held in trust by Uganda Land Commission was being allocated to investors and individuals without carrying out consultation with the responsible institutions. The Office of the President was mentioned as one of the affected institutions. The Auditor General was concerned that part of the problem for this is that government land had not been surveyed thus had no titles processed, a problem attributed to lack of funding.

The Committee however observed that although the responsibility for this falls under Uganda Land Commission, the Commission was not forthcoming in providing titles for the land under the Office of the President and instead it was proceeding with selling any available land under the Office of the President. The Committee found out that Uganda Broadcasting Corporation was then the most affected.

Although the Committee noted that it had already issued a separate report to Parliament on this, it asked the Accounting Officer to provide it with a list of all land under Uganda Broadcasting Corporation. The Committee reports that this was never done. The Committee decided that the Accounting Officer, Uganda Broadcasting Corporation should be held for hiding this information from Parliament.

Secondly, the Ministry of Finance, Planning and Economic Development should provide all the required resources to the Ministry of Lands to have all the land under Office of the President surveyed. The Committee further recommends that the Inspector General of Government (IGG) and the CID should investigate Uganda Land Commission for mismanagement of public land.
3.2 STORES CADRES: AUDIT REPORT PARA 1.8

A review of staffing of stores cadre in the Office of the President revealed inconsistencies in the management of stores. It was found that there was no clear standard of qualification, job description and documentation to enhance stores management. As a result there was inadequate staffing, poor record keeping, loss of stores and unrestricted accessibility to confidential information.

The Accounting Officer informed the Committee that her office was already working with Ministry of Public Service to address the situation.

The Committee noted that this was a common problem in the whole Public Service but that the Ministry of Public Service was already in the process of streamlining the management of stores.

The Committee awaits the outcome.

3.3 DOMESTIC ARREARS AND CONTINGENT LIABILITIES: AUDIT REPORT PARA 1.12

a) Domestic Arrears Shs. 3,286,820,387/= 

The Auditor General reported that the Office of the President incurred arrears to the tune of Shs3,386,820,387/=.

The Accounting Officer submitted that the bulk of domestic arrears under her vote (Shs.3,196,036,916/=), fell under Classified Expenditure for the Internal Security Organisation (ISO) and the External Security Organisation (ESO). She said that the amount accumulated between FY 1999/2000 and 2004/05 due to inadequate funding for the security agencies' operations.

She further observed that the remaining portion of arrears arose because of Shs. 61,000,000/= that was an amount outstanding for purchase of vehicles from the Central Purchasing Company which had since been settled; Shs 21,875,272/= was withholding tax that was retained from payments made at the close of the Financial Year and was transferred to the Consolidated Fund before funds could be remitted to URA and Shs.7,908,199/= comprised stale cheques whose funds also got transferred to the Consolidated Fund at the closure of the Financial Year.
The Committee demanded for evidences of the following expenditures and it was not given.

- Shs 61,000,000
- Shs 21,800,000
- Shs 7,908,199

Since evidence was not availed, the Accounting Officer, Ms T. Kinalwa should be held liable.

b) Pension Liabilities Shs 15,228,186/= 

The Auditor General reported that the Office of the President had Pension arrears to the tune of Shs 15,228,186=.

The Accounting Officer submitted that the correct figure for gratuities was Shs 15,238,787/= and not Shs 15,228,186/= as reported by the Auditor General. And that this amount was an accumulation of gratuity arrears for the ISO and ESO staff from Financial Year 1987/88 to 2004/05 due to inadequate funding. She noted that the gratuity was clearly stipulated in the terms and conditions of work as per the 'The Security Organisations' Terms and Conditions of Service (Regulations) 2000. She reported that although the terms and conditions of service specifying gratuity entitlements came into force in July 2000, the arrears were calculated retrospectively from the year 1987/88 as specified by the Act.

The Committee noted that this matter was to be handled under classified expenditure. However, the Committee recommends that since these were gratuities for services already done, the staff of ESO and ISO should be paid within 12 months. The Committee also observed that there is need for amendment of the law so that the staff of ISO and ESO are made to be civil servants.

3.4 OUTSTANDING ADVANCES (Shs. 30,845,000/=): AUDIT REPORT PARA 1.13

The Auditor General reported that the Office of the President had outstanding advances worth Shs 30,845,000/= contrary to regulations.
The Accounting Officer submitted that whereas in the Report of the Auditor General, it was indicated that Shs 30,845,000/= was the outstanding advance, in her records, the correct amount was Shs 19,535,000/= broken down as follows:

<table>
<thead>
<tr>
<th>Advanced to</th>
<th>Amount</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ssemwogerere R.</td>
<td>Shs 3,895,000/=</td>
<td>Accounted</td>
</tr>
<tr>
<td>Ssemwogerere R.</td>
<td>Shs 500,000/=</td>
<td>Accounted</td>
</tr>
<tr>
<td>Kabandwa K.</td>
<td>Shs 2,500,000/=</td>
<td>Accounted</td>
</tr>
<tr>
<td>C.E. Okuraga</td>
<td>Shs 2,000,000/=</td>
<td>Accounted</td>
</tr>
<tr>
<td>P. Eramu</td>
<td>Shs 1,340,000/=</td>
<td>Accounted</td>
</tr>
<tr>
<td>L. Kivumbi</td>
<td>Shs 9,300,000/=</td>
<td>Accounted</td>
</tr>
</tbody>
</table>

She submitted that the Accountability was yet to be received from other officers who received the funds to implement other activities for Shs 19,535,000/=.

The Committee received the accountability for:

- Shs 3,895,000 and Shs 500,000 - Mr. Ssemwogerere. The Auditor General was yet to verify.
- Shs 2,500,000 - Kabandwa. The Auditor General was yet to verify.
- Shs 2,000,000 - Okuraga. The Auditor General was yet to verify.
- Shs 1,340,000 - Mr. Eramu. The Auditor General was yet to verify.
- Shs 9,300,000 - Mr. Kivumbi still outstanding.

The Committee directed the Accounting Officer to have the funds deducted from the salaries of the Officers responsible within one month. The Committee however noted differences in figures of outstanding advances as of Auditor General’s Report, of Shs 24,165,000 and the figure of Accounting Officer of Shs 19,335,000= and directed that this be resolved and clarified.
3.5 RELOCATION OF UGANDA BROADCASTING CORPORATION- TELEVISION FROM NAKASERO TO A NEW LOCATION: AUDIT REPORT PARA 3.2

It was reported that Uganda Broadcasting Corporation (UBC) signed a contract, valued at US$6,913,880 with a foreign company to decommission all its equipment at Nakasero with a view of relocating and installing the reusable equipment at the then existing Broadcasting House. The contract also required the company to effect repair and refurbish the equipment before re-use, supply new equipment to replace the obsolete equipment, renovate the studios and related facilities at the Broadcasting House but maintain the station’s transmission and broadcasting during the relocation period.

During the financial year under review a total of Shs.3,281,850,000 was paid to DFCU Bank by the Office of the President purportedly on the account of UBC as a 30% down payment required for the remittance abroad of US$1,755,000 to the U.K based company. A review of the contract and its implementation led to the following observations:-

According to records and the progress report, negotiations with the foreign company were held and a contract figure of US$5,850,000 was agreed upon. However, the Contract agreement signed indicated US$6,913,880 as the contract price. The variation was not explained. It was also noted that contrary to existing procurement procedures, the above advance payment of US$1,755,000 was not supported by a bank guarantee or performance bond.

- The Contract agreement did not specify the completion date nor were the schedules of what equipment to be supplied indicated. It was not explained why.

- It was not clear whether the money advanced to Uganda Broadcasting Corporation by the government was a grant or under an on-lending agreement.

- The PPDA had advised the Uganda Broadcasting Corporation to have its contracts Committee handle the transaction as a direct procurement method under emergency circumstances.
However, details of how the Contracts committee subsequently handled the procurement were not availed hence limiting the scope of the audit.

The progress report indicated that out of the Contract value of US$6,913,880, the Contractor had executed work to the tune of US$3,017,052. However, most of the equipment supplied had not been installed and were then lying idle in the stores. There was a risk that the equipment could get damaged and the warranty could be lost on the equipment before it is used. The construction of the new studio had not been carried out and was then operating in the Outside Broadcasting Van acting as the studio. The contractor halted further work on the project until the Government guaranteed funding for the project. It was also noted that the relocation was hurriedly done. Information available indicates that UBC management was yet to settle down. Many major activities of the relocation had remained unattended to due to lack of funds.

Furthermore due to inadequate security during the relocation, a lot of equipment was either damaged or looted. Generally the relocation exercise was not properly planned and managed. The Auditor General had advised the Accounting Officer and Management of UBC to liaise with the relevant authorities to find an immediate solution to the problem. There was need for a comprehensive review of the performance of the contract with a view of putting it back on track to avoid possible penalties or litigation by the contractor and to ensure that all deliverables were implemented without further delays.

The Accounting Officer told the Committee that she had drawn the attention of the Management of the Uganda Broadcasting Corporation (UBC) to the issues raised by the Auditor General regarding the management of relocation of UBC-TV because Office of the President was only a conduit for the funds for the relocation. She submitted that UBC had been divested and became autonomous in November 2005; and that UBC had provided a response to the salient issues which included the failure to execute the bank guarantee for the advance payment which was an oversight which they had corrected and that the funds that Government extended were a grant to the Corporation.

The Management of UBC however explained to the Committee that the contract provided for completion of the project, in a period of 90 days, subject to fulfilment of the payment terms by
Government and that Government had then indicated willingness to release the balance of the contract sum and that UBC had held negotiations with the contractor and had agreed on that basis to execute an addendum to the Contract. In the addendum, the contract sum changed to US$5,580,000 down from US$6,913,880/= and that the addendum provided for a new studio complex to be constructed at the Broadcasting House. Management presented a copy of the addendum to the contract, a copy of clearance by the Solicitor General and copies of Minutes of the UBC Contracts Committee, meetings to the Committee.

The Committee noted that this had been corrected by signing an addendum to the original agreement. The two figures US$5,850,000 and US$6,913,880 had been harmonized and included in the addendum. The Committee discovered that the Vice President, Prof. Gilbert Bukenya was involved in the hurried movement of the studios and negotiations of the original contract.

Public Accounts Committee stood over the matter and directed for further investigation on the matter to confirm the role and interest of the Vice President in this transaction.

3.6 UN-DEPLOYED PRESIDENTIAL APPOINTEES: AUDIT REPORT PARA 3.3

It was reported that two Resident District Commissioners ceased holding their posts in November, 2001. The Appointing Authority then directed their transfer to Ministry of Foreign Affairs. They had not however been taken on by the Ministry of Foreign Affairs and had since been un-deployed but continued drawing salary, gratuity and related benefits from the Office of the President. The Accounting Officer had told to audit that the appointing authority had been reminded about the matter. The matter was reported in audit report of 2004/05 but no progress had been made to address it.

The Accounting Officer explained to the Committee that during the last appointment and retirement of Resident District Commissioners (RDCs) and Deputy Resident District Commissioners (DRDCs), His Excellency, the President retired Mr. Wilson Wamimbi and re-deployed Hajji Asadu Lutale to Kamuli District as RDC.

The Committee noted that corrective action had been taken and dropped the query.
4. STATE HOUSE

4.1 DELAYS IN SUBMISION OF FINANCIAL STATEMENTS YEAR 2005/06: AUDIT REPORT PARA 1.2

It was reported that contrary to section 319 of the Public Finance and Accountability Act 2003, which requires Accounting Officers to prepare and submit financial statements for their Ministries/Agencies, to the Office of the Auditor General for Audit within three months after the year end (by 30th September). State House did not submit its Financial Statements on time as required and therefore directly impacted on the operations of Audit office.

The Accounting Officer explained that financial statements were prepared in time but submitted late due to technical issues of classification of the Jet Lease and contingent liabilities that had to be resolved by the Accountant General and Auditor General.

The Committee warned the Accounting officer against late submissions of the final accounts and noting that it would not accept such delays in future.

4.2 STORE CADRES: AUDIT REPORT PARA 1.8

A review of staffing of stores cadre in a sample of Ministries revealed inconsistencies in the management of the stores cadre. The Auditor General found no system of on-job training to equip existing staff with new methods of work. There was also no clear standard of qualification, job description and documentation to enhance stores management. As a result, there was inadequate staffing, poor record keeping, loss of stores and unrestricted accessibility to confidential information. It appears the stores function in Government had been underrated and thus not receiving enough attention in terms of training and staffing. The Auditor General advised that the Ministry of Public Service and other stakeholders should come up with a clear policy to govern stores management in terms of staffing, qualification, job description and training. This is to ensure safe guard of Government assets.
The Accounting Officer said that in the absence of seconded staff from Ministry of Finance to manage stores, State House had taken the initiative to recruit one stores Assistant in contract terms in accordance with Articles 171 and 172(2). He however noted that the Ministry of Public Service in consultation with Ministry of Finance had established a stores cadre in accordance with Establishment Notice No. 2 of 2007.

The Committee asked the Accounting Officer to give a sample of stores receipts and issues for the month of June 2007 and also provide evidence that the President had created the Offices in question. The Committee however got was no response from him and, therefore decided that the Accounting Officer Mr. Muhinda, had lied before Parliament and should be surcharged for payments made illegally.

4.3 DOMESTIC ARREARS AND CONTINGENT LIABILITIES: AUDIT REPORT PARA 1.12

It was reported that the Consolidated Domestic arrears as at 30th June, 2006 for State House stood at Shs 16,781,091,412. The Auditor General had observed the need for the Accounting Officer to comply with Government regulations and desist from continually incurring domestic arrears.

a) Domestic Arrears

The Accounting Officer explained that the existing stock of Domestic Arrears at 30th June 2006 was Shs.16,781,091,412 reflecting a reduction of Shs. 4,077,786,309 from the figure of Shs.20,858,877,721 as at 30th June 2005. He reported that the figure further reduced to Shs.4,488,339,469 as at 30th June 2007. He noted that there had been deliberate management effort to reduce the debt stock.

The Committee directed the Accounting Officer to reconcile the figures with the Auditor General and the Auditor General to report accordingly.

b) Contingent Liabilities

On the contingent liability the Accounting Officer explained that the Contingent Liabilities amounting to Shs.6,150,760,859 that was declared in the statements related to outstanding Presidential pledges.
He said that H.E. the President had then been advised on the inadequacy of budgetary provisions to effectively cover the level of donations pledged and that he had since scaled down on these commitments limiting himself to the war ravaged areas of Northern and North Eastern Uganda. The Accounting Officer observed that in the case of pledges of an institutional nature they were being referred to their respective votes.

The Committee requested the Accounting Officer to present a list of Presidential pledges noting that the answer provided was quite vague. The Accounting Officer was asked to provide pledges and scholarships for the last ten years. This was never presented.

The Committee recommended that since these were public resources, the Accounting Officer, Mr. Muhinda be held for loss of Shs. 6,150,760,859.

The Committee further recommends that State House Scholarships should be made public, so that the people know who are entitled to benefit from tax payers' money.

The Committee further recommends that instead of these scholarships benefiting a few privileged individuals, these funds should be channelled to Higher Institutions of Learning through Ministry of Education and Sports to benefit the many Ugandans who cannot afford tuition fees at these Universities/Institutions.

4.4 OUTSTANDING ADVANCES: AUDIT REPORT PARA 1.13

The Auditor General noted that there was laxity in the Ministry over advances. He reported that contrary to regulations the Ministry at the end of the financial year under review did not account for its general advances totaling Shs.1,320,568,400

The Accounting Officer reported that the figure of Shs. 1.3 billion for the outstanding advances was raised by the Auditor General in the Management letter.

He said that when he earlier appeared before the Auditor General, he was advised to hand over the accountabilities to the Auditor General for verification which he did.
The Committee directed for the Accountability to be produced and verified by the Auditor General.

4.5 EXCESS EXPENDITURE: AUDIT REPORT PARA 4.2

It was reported that State House had incurred excess expenditure amounting to Shs. 647,321,049 without Parliamentary approval. Unauthorised excess expenditure was an indication of weakness in controls over budgetary expenditure. The Accounting Officer had explained to Audit that this was because of the limited funding compared to the workload and emergency requirements of the office.

The Accounting Officer explained that to the Committee Shs. 647,321,041/= was due to heightened Presidential Programmes associated with mobilizing the rural masses against poverty, and unforeseen foreign travels. He observed that the supplementary provision was not sufficient to cater for this expenditure.

The Committee however noted that the Vice President was not well facilitated with accommodation and transport to carry out its duties.

The Committee observed that, part of the work done by the President should be delegated and that there was an overlap between what was done by State House and Office of the President. There seemed to be no proper boundaries of operation undermining Accountability. The Committee asked the Accounting Officer to provide for:

- The budget for the activities in question?
- What the activities were, the expenditures meant for and
- The actual expenditure/ Deficient

On unpresented cheques, the Accounting Officer was to present the details of cheques i.e. payee and what was being paid for. This was never presented and the Committee recommended that the Accounting Officer should be surcharged for loss of Shs. 647,321,041/= spent without approval.
4.6 PROCUREMENT OF GOODS AND SERVICES: AUDIT REPORT PARA 4.3

The Auditor General reported that procurements amounting to Shs 329,220,570 financed from the Capital Development Budget did not have Contracts Committee approval contrary to the existing procurement Regulations. Audit was not aware how the companies were selected and observed that Non adherence to recommended Procurement Procedures undermined the principle of competitiveness and value for money. It was also noted that goods worth Shs 210,454,580 were not taken on ledger charge as required by the Treasury Accounting Instructions. They could neither be traced to the records by the Treasury Accounting Instructions nor could their eventual use be confirmed.

The Accounting Officer explained that out of Thirteen (13) procurements totalling Shs. 329,220,57, nine (9) were approved and awarded by the Contracts Committee. He regretted that four (4) of the said Procurements were not subjected to the proper procurement process due to circumstances beyond control.

The Committee observed that since the Procurement law addresses emergency, the Accounting Officer's reasoning was deficient. The Committee instead found that there was poor planning on the part of the Accounting Officer. The Accounting Officer was asked by the Committee to provide information on whether cars in question were budgeted for. The Accounting Officer was also asked to provide all supporting documents for Shs 329,220,570 and show what was cleared by the Contracts Committee on Shs 210,454,580. The Accounting Officer was directed to put the funds in question on a ledger. The ledger and records regarding the above should be submitted, for audit verification.

The Committee recommends that the Accounting Officer, Mr. Muhinda be surcharged for loss of Shs.210,454,580.
4.7 PAYABLES: AUDIT REPORT PARA 4.4

The Auditor General reported that the financial statements indicated that out of a total of payables of Shs. 16.7 billion outstanding, against State House a total of Shs. 1,382,672,996 was incurred as arrears during the year, contrary to Government Commitment Control System. From a sample of arrears verified it was noted that an amount of Shs. 44,001,305 was not supported by local purchase orders contrary to procurements regulations. Another Shs 5,400,000 represented invoices entered more than once. The Accounting Officer was advised to carry out a comprehensive review and reconciliation of the arrears to ensure that all the anomalies are eliminated.

The Accounting Officer noted that the Commitment Control System was being adhered to, but due to budgetary pressures and unavoidable activities, they were times when the office found itself over committed.

He said that a comprehensive review and reconciliation of all arrears had been undertaken and invoices worth Shs. 5,400,000= erroneously captured more than once, had then been corrected. He explained that invoices worth Shs. 44,001,305= not supported by LPOs arose out of transport services rendered by suppliers beyond dates covered by previously issued LPOs.

The Committee directed as follows;

(a) On Shs 5,400,000

The Committee wanted to know how the Accounts balanced with the error corresponding debit entry.

(b) On Shs 44,001,305

The Committee asked the Accounting Officer to submit the details of the above payments with reasons why LPO's were issued late.

The Committee also directed that details of arrears for i.e. 2004/05 and all that was settled be submitted.

Since the Accounting Officer never presented the required items, he is to be held for loss of Shs. 5.4 million and Shs. 44,001,305 and recommended that he be charged for abuse of office.
4.8 ESTABLISHMENT: AUDIT REPORT PARA 4.5

The Auditor General observed that State House was then staffed with total of 607 employees as opposed to the 559 approved Establishments by the Ministry of Public Service. This had led to an over establishment of 48 employees which was caused by appointment of Officers in excess of the approved posts. A scrutiny of the Establishment revealed that some of the posts had been over filled, while others were grossly under filled. A case in point was the office of the Principal Private Secretary which had an over staffing of 69 personnel. While at the same time 233 vacant posts existed in the overall structure. The Audit noted that this clearly reflected weakness in Human Resource Management and could lead to budget over-runs on salaries and allowances items, difficulties in supervision, poor performance in departments where there was under staffing, and poor facilitation to staff, all of which could result into poor service delivery.

The Accounting Officer had explained to audit that that the structure which was approved in the year 2000 was out of step with the current demands of the Office. Besides, in accordance with the Constitution, the Offices had been created in State House to carry out various functions. He had further stated that the structure was being reviewed to reflect the Organisational needs. Audit had advised him to speed up the process and have the optimum structure approved by the Ministry of Public Service.

The Accounting Officer explained to the Committee that the then structure of State House was last reviewed in the year 2000 and that the structure had become out of step with human resource demands of the Office.

Additionally he said that in accordance with Article 171, offices had been created in State House to carry out various functions.

In view of the above, consultations were made with the Ministry of Public Service to review the structure of State House to reflect the Organisational needs. The consultations were then on going and it was hoped that an approved structure would be in place by mid-2008.
The Accounting Officer reported that 4 offices had been created namely. For Poverty, youth, land unit, women affairs and were being headed by Private Secretaries.

The Committee observed that there seems to be duplication in duties between the staff at the Office of the President and those of the main stream public service. The Committee directed the Accounting Officer to get approval of these positions from Ministry of Public Service within two (2) months, failure of which he should be surcharged for the loss as result of the excess staff.

4.9 TAXES: AUDIT REPORT PARA 4.6

The Auditor General reported the following:-

a) That Payments worth Shs. 156,729,641 made to Uganda Revenue Authority in respect of Withholding Tax, PAYE, Customs duty had not been acknowledged as received by the Tax body at the time of Audit.

The Accounting Officer explained to the Committee that the amount queried was Shs. 16,729,641 and not Shs 156,729,641 as reflected in the report. The amount had been acknowledged as per copies of the receipts presented to the Committee.

The Committee asked the Accounting Officer to submit Invoices that were used to make the payments which he did and the query was dropped.

b) That an amount of Shs 3,905,084 had been paid to a private firm in respect of VAT, yet no VAT certificate invoice was presented to confirm that the company was VAT registered.

The Accounting Officer explained that M/S Tarpo Industries were VAT registered and a copy of VAT registration certificate was presented to the Committee.
The Committee asked the Accounting Officer to submit invoices that were used to make the payments which he did and the query was dropped the money.

c) That an amount of US$39,000 had been paid for Air Charter services but Withholding Tax amounting to US$2,340 was not deducted at source contrary to regulations.

The Accounting Officer explained that Tax amounting to US$2,340 was not deducted at source because M/S Air Navette were exempted from Withholding Tax in Uganda as per section 86(3) of the Income Tax Act Cap 340. He said that consultations were made with Uganda Revenue Authority following the query and they confirmed this.

The Committee accepted the explanation and dropped the query.

4.10. VEHICLES; AUDIT REPORT PARA 4.7

(a) Accident Vehicles

It was reported that two vehicles had been involved in a very fatal accident along Masaka Road and Bombo Road respectively. The estimated repairs were Shs. 16 million (Shs 7.5million and Shs8.5million) it was however observed that:-

- In both accidents the drivers were not employees of State House.
- One vehicle was repaired at a cost of Shs 22m. This was done without Contracts Committee approval. Audit did not know why and how the Service Provider had carried out works without first obtaining authority and order. Besides, no Police report was availed as required by regulations.
- For the second vehicle the accident had happened on the 21st of December 2004, only one year after it had been purchased at a cost of Shs 30 million. Surprisingly, the last instalment of Shs 5 million was paid in May 2006 (one and a half years after the accident). The vehicle had then been dumped at Entebbe Garage as scrap. This was wasteful. The Accounting Officer had explained to audit that disciplinary measures would be instituted. Audit did not know how, since the drivers were not employees of State House.
The Accounting Officer explained that Motor Vehicle No. UG 0436C was attached to a State House Officer and got an accident under the charge of Officer of State House. Arrangements were made to effect recoveries against the Officer’s salary to make good the loss caused to Government. He said that the State House contracts Committee gave an award to M/S Victoria Motors for the repairs.

On the second vehicle referred to in the query he noted that the vehicle had a purchase price of Shs.30,000,000= (Thirty Million) payable in two instalments of Shs.25, 000,000= (Twenty Five Million) on delivery and Shs. 5,000,000= (Five Million) at a later date. The vehicle was for a classified assignment. He said that due to the nature of its operations, head sanctioned self drive for the vehicle. He told the Committee that the balance of Shs 5,000,000= had to be settled since it was a contractual obligation on the part of the Ministry.

The Accounting Officer reported that Mr. Ngoma Ngime was the Officer who had the vehicle. He explained that when Mr. Ngoma Ngime was out of the country, the wife asked another person to drive the car and the vehicle was smashed. Mr. Ngoma Ngime later wrote to explain the circumstances and the Accounting Officer decided to make good, the vehicle repair from the salary of the Officer.

The Committee asked the Accounting Officer to provide the letter to Ministry of Public Service, showing the extent of recovery and in the meantime, the Committee still directed that the Officer be disciplined.

(b) Boarded off Vehicles

The Auditor General had reported that 69 vehicles had been earmarked by the Ministry for boarding off since 2004. However, till then no board off had been effected. The report observed that these vehicles were parked in various private workshops and had been left to wear away or been vandalized and their realisable values had been declining day by day. The Accounting Officer had promised audit to have the Boarding off exercise speeded.

The Accounting Officer reported that majority of vehicles were collected at a central place in an Entebbe Garage. The process of boarding off was on going and was about to be completed.
The Committee asked for the list of all vehicles to be boarded off and also advised him to run an advertisement for sale of these vehicles in order to get the best value out of them.

4.11 PAYMENT FOR SUPPLY AND FIXTURE OF IRON NETTING: AUDIT REPORT PARA 4.8.

It was reported that a private firm had been paid Shs 6,526,800 to supply and fix iron nettings at Masaka State Lodge. However, this work was already included and paid for in earlier extra works done by the main contractor who renovated the lodge. Accordingly there appeared to be double payments as a result of non-reconciliation of bills of quantities and scope of works Audit had advised the Accounting Officer to further investigate and recover the funds.

The Accounting Officer explained that upon completion of renovation works by M/S Akright, the client found it appropriate to vary the frames and nettings to provide for the desirable quality. He said that the contractor was requested to execute the variation but had declined because of lack of appropriate material and had recommended M/S Hwang Sung, who were subsequently taken on for this assignment.

The Committee noted that the contract included netting works, which were not done to the needs and expectations of State House. The work was then redone by State House. The Committee observed that it was the failure on the part of the Accounting Officer not to have given the right specification to the contractor in the first place. The Committee was of the opinion that the Accounting Officer be held personally responsible and refund the funds in question. The Accounting Officer was asked to provide all necessary documents such as bills of quantities, reasons necessitating changes certificates for completion and the Contract itself. Since this was not done, the Committee recommends that the Accounting Officer, Mr. Muhinda refunds Shs. 6,526,800 used for redoing the work as this was wastage which could have been avoided.
5. OFFICE OF THE PRIME MINISTER

5.1 DELAYS IN THE SUBMISSION OF FINANCIAL STATEMENTS: AUDIT REPORT PARA 1.2.

It was reported that contrary to section 319 of the Public Finance and Accountability Act 2003, which requires Accounting Officers to prepare and submit financial statements for their Ministries/Agencies, to the Office of the Auditor General for Audit within three months after the year end (by 30th September), The Office of the Prime Minister did not submit its Financial Statements on time as required and therefore directly impacted on the operations of Audit office.

The Accounting Officer said that there was need to strengthen the capacity of his Accounts Department in the Ministry to enable it to meet the requirements of the law. He attributed the delays to capacity challenges which had since been addressed.

The Committee accepted the explanation but warned the Accounting Officer against late reporting and submission of its financial statements.

5.2 STORES CADRES: AUDIT REPORT PARA 1.8.

The Auditor General reported inconsistencies in the Management of stores cadres. There were no clear standards of qualification, training, Job description and documentation to enhance proper stores management. This had resulted into inadequate staffing, poor record keeping, loss of stores and unrestricted accessibility to confidential information.

The Accounting Officer informed the Committee that the Ministry of Public Service had taken up the matter and was revaluating the stores.

The Committee noted that Office of the Prime Minister was among the Ministries/Departments with the biggest stores and was concerned on its management. The Accounting Officer was asked to give a detailed report on stores management in the Office of the Prime Minister. This had however not been done by the time of this report.
5.3. FLEET MANAGEMENT SYSTEM AUDIT REPORT PARA 1.11

The Auditor General noted lack of a proper fleet management system in most Government institutions which exposed Government vehicles to uncontrolled movements, surging fuel, repairs and maintenance costs. During the year under review an amount of Shs.280,210,821 were spent by the Office of the Prime Minister in repairs and maintenance of vehicles. The Office also had vehicles above the recommended 2500 cc.

The Accounting Officer admitted that Shs.280,210,821/= was incurred on repairs and maintenance of vehicles. He explained that at the time in question, the Office of the Prime Minister had 10 Ministers, who were all field oriented in assignment. He noted that the vehicles the Ministers were using were very old. It was the responsibility of the Ministry of Public Service to provide vehicles to Ministers, a policy which had since been reversed. He reported that the office had since then bought two (2) vehicles for the Ministers from its meagre resources. He reported that the Ministry had five very old trailers which were permanently grounded plus one truck used for transporting food and non-food relief items to various parts of the country. He however noted that these vehicles were donated to the Ministry of Rehabilitation in 1987 by the Italian Government. Hence that high cost of maintenance.

On the proper management of vehicles under the Ministry, the Accounting Officer reported that he had put in place a system aimed at ensuring proper management of Government vehicles in the Ministry. He said that a motor vehicle register for the entire Ministry’s fleet was then being maintained and proper management procedures were being enforced and these included:

- Procurement of vehicles in line with the Public Service guide lines and with strict adherence to PPDA regulations.
- Each Head of Department in liaison with the Transport Officer enforcing use of log books by the driver.
- Internal Control Procedures for vehicle repairs and maintenance e.g. no vehicle goes to the garage without authority from the Head of Department and no repairs without local purchase order (LPO)
• Strict adherence to the PPDA guidelines, procedures and regulations in the repair and servicing of the Ministry’s vehicles.
• Maintenance and regular updates of the motor vehicle register.
• Replacement policy for vehicles being followed taking into account seniority, age of vehicles and versatility of assignment.
• Use of logbooks and vehicle movement orders for all the Government vehicles in the Ministry.

The Committee noted that the vehicles the Ministry had above 2500 cc were mainly donations to disaster management to Department. There were however, two which were purchased by the Office of the Prime Minister above the required capacity and the Committee asked for the authority for purchase of these vehicles. The Committee also asked for evidence showing that three vehicles were donations. The Committee recommends that the Accounting Officer, Mr. Odwedo be personally liable for procurement of vehicles with capacity more than 3000 cc and be charged for the loss of Shs.280,210,821. Secondly the Committee recommends that Office of the Prime Minister should immediately dispose of the old trailers to avoid unnecessary costs.

5.4 DOMESTIC ARREARS: AUDIT REPORT PARA 1.12.

The Auditor General reported that the domestic arrears for the Ministry as at 30th June 2006 for the stood at Shs 817,923,236.

The Accounting Officer reported that these were part of the verified arrears which lacked supporting documents. He said however that the Office of the Prime Minister was managing its arrears within the budget and was not incurring any other arrears any more.

The Committee asked the Accounting Officer to submit the details of companies that had not claimed for their debts for the last 2 years. It was noted that such debt could be taken as bad debts.

On the inconsistencies on the Accounts, the Committee asked the Accounting Officer to explain what;
• 1.62 billion Adjustment of arrears consists of.
• 1.095 billion Adjustment of arrears consists of.
• Given the discrepancies how did the accounts balance?
This was reconciled by the Accountant General and verified by the Auditor General. However, the Committee recommends that debts of more than three (3) years which had no documentation be written off immediately.

5.5 FUNDS NOT ACCOUNTED FOR: AUDIT REPORT PARA 5.2

a) Outstanding Advances and Deposits;
Advances and fuel deposits totalling Shs. 173,111,370 remained unaccounted for. In the absence of proper accountability, Audit was not able to satisfy itself, that the funds were spent on the intended purposes.

The Accounting Officer admitted that the advances and fuel deposit totalling Shs. 173,111,370 (one hundred seventy three million, one hundred and eleven thousand, three hundred seventy only) was not accounted for at the time of audit. However, Shs. 164,691,370/= (one hundred and Sixty four million, six hundred and ninety one thousand, three hundred and seventy shillings only) had since been accounted for and the accountability documents were available for verification by the Auditors. He said that he had put in place measures to recover the balance of Shs. 8,420,000/= not accounted for, from the Officers concerned.

The Accounting Officer later reported that accountabilities had been received and that Shs 164 million had then been accounted for. The Committee asked the Auditor General to verify the accountabilities submitted, and report accordingly.

The Committee further observed that the Transport Officer be held answerable for this case and should make a report on how he used to manage the fuel and explain why he failed to account within 60 days. The Accounting Officer also to provide evidence/books from the petrol station on the balance of Shs.8,420,000. The Committee asked the Accounting Officer to submit the schedule for Shs.173,111,370 and the dates in which they were given. The Committee further directed that Shs.8,420,000/= be recovered from the Transport Officer immediately.
a) Disarmament Exercise in Karamoja:

The Audit report revealed that a total of Shs.50 million was paid to Members of Parliament (MPs) from Karamoja region to cater for mobilization for a disarmament exercise. However, Shs 9,000,000 that was meant for meals remained unaccounted for.

The Accounting Officer explained that the mobilisation exercise was a very urgent assignment which arose as a result of the need to intervene in the security situation in Karamoja where there were road ambushes and cross-ethnic raids. He noted that the Ministry of Finance Planning and Economic Development was then directed to avail to the Office of the Prime Minister Shs. 50 million to enable the Members of Parliament from Karamoja urgently carry out this exercise. The Members of Parliament had agreed on the formula to apportion the money to enable them effectively mobilize the community. The money was budgeted to take care of night allowances, fuel, drivers' allowances and meals for participants during meetings, and was to be accounted for as such. He said that the outstanding advance of Shs 9million was made to the Member of Parliament Mr. Paul Lokeris.

He however noted that he had written a letter to Mr. Paul Lokeris reminding him to submit accountability. He also reported that Mr. Peter Lokeris was then the member of the District Service Commission of Nakapiripirit District and he would request the CAO to assist in obtaining this accountability from him.

The Committee directed that Mr. Lokeris refunds these funds within sixty days effective June 2010. The Committee should be given progress on this recovery.

b) Improper Accountability

The Auditor General noted a number of anomalies on the accountabilities submitted amounting to Shs. 42,101,000=. The accountabilities had inconsistencies in dates, amounts, evidence of utilization and eventual receipts which needed to be addressed.

The Accounting Officer explained to the Committee that the actual figure to be properly accounted for was Shs 23,096,000 and not Shs. 42,101,000=.
He however noted that there was some mix up in the accountability documents presented for the funds. He reported that the Officers responsible had accounted for the money and the documents together with the field reports in respect of these activities were availed to the Auditors for verification.

The Committee noted that the right figure was Shs.23,096,000. It directed that all the outstanding funds be recovered from the responsible Officers within sixty days (60) from June 2010.

c) Tax Deposit Not Accounted For;
A total of Shs. 81,872,000 was paid to Uganda Revenue Authority during the financial year 2004/2005 as a deposit for future taxes. However, the deposits remained outstanding during the financial year under review. Audit could not establish under what Regulations, the Ministry made tax payments. Furthermore, the amount was not reflected as repayment (asset) in the Accounts. There was a possibility that the funds of the Ministry could have been used to clear taxes for goods belonging to other organisations.

The Accounting Officer explained that the experience of the Ministry was that during the vote on Account period, the Office would normally receive donations yet the releases on taxes were either insufficient or would not have been appropriated by Parliament as a budget. He noted that at that time was aware that there would be some consignments that would be received just before vote on Account was passed.

He explained that at the time, the Office would deposit funds with Uganda Revenue Authority (URA) on the understanding that these funds would be used to clear obligations that fell due in the immediate month of July.

He however reported that following the introduction of Gross tax system in the FY 2006/2007, only deferred tax forms were signed and the money would remain on credit.

He said that he had notified the Accountant General about this money which was then with Uganda Revenue Authority and requested him to incorporate this figure in the amount to be released for offsetting the subsequent taxes.
The Committee noted that URA had recognised the payments as PAYE instead of advanced tax. The Committee asked the Accounting Officer to get a confirmation that this was an advance payment. URA should also confirm refund of these funds. The Accounting Officer was also asked to explain why it was not recorded as advance payments and receivable. The Accounting Officer was asked to submit the names of Officers responsible for this transaction and that the person who signed for the cheques. The Committee recommends that Uganda Revenue Authority refunds Shs. 81,872,000 to the Ministry immediately.

5.6 DONATIONS NOT ACCOUNTED FOR: AUDIT REPORT PARA 5.3

It was reported that customs tax amounting to Shs. 1,099,418,542= was paid to the Office of the Prime Minister from a Non Governmental Organisation. The C.I.F. value of those relief goods was estimated at Shs. 2,324,545,841=. However, there were no clear records indicating the recipients and their subsequent receipt of the items by the beneficiaries.

It was further reported that the store’s records were non-existent and the available record were scanty and inconclusive. For instance, issue records and confirmation of receipt of goods by the beneficiaries were not available for a container for which customs tax of Shs 120,745,653 was paid. The container contained 380 bales of old clothes from men (100), ladies (100), children (100) and T-shirts (80) all estimated at C.I.F. value of Shs. 220,610,520= and a donation of magnetic sound tapes for sound recording.

Audit could not confirm that all the donations had been properly accounted for.

The Accounting Officer admitted that customs tax amounting Shs. 1,099,418,542= was paid for donations to the Office of the Prime Minister from a Non Governmental Organization. He explained that the huge consignment of donation was from the Humanitarian services, Church of Jesus Christ. Because the Ministry lacked sufficient storage facilities, an understanding was reached with World Food Programme to have the consignment stored in their stores in Nalukolongo and Lira respectively. The bales of clothes and food were taken to the camps for distribution to the people there.
He observed that the distribution of these items was normally supervised by the District Disaster Management Committees (DDMCs) which were being chaired by the Chief Administrative Officers (CAOs) of the respective districts.

He submitted to the Committee copies of the documents showing how the items were distributed to the recipient District as indicated.

The Committee observed that the goods were almost taxed at 50% of their value and noted that this was irregular, that is Shs 1,099,418,542 tax on goods worth Shs 2,324,545,841. The Committee asked for the:-

- Original documents (C.I.F.)
- Customs documents
- The goods involved.

The Committee further observed that Shs. 1,099,418,542 is too much because tax on old clothes is 10% and hence tax paid should have been Shs. 232 million. Uganda Revenue Authority should refund Shs.867 million immediately. The Accounting Officer should ensure this is done.

5.7 IMPROPERLY VOUCHED EXPENDITURE: AUDIT REPORT PARA 5.4.

The Auditor General reported that Custom Tax amounting to Shs 708,723,503/= was paid to URA but the payment vouchers were not sufficiently documented. Some of the supporting documents for such payments were missing. The Custom Entry Form (CFM) (Single Administration Document) and the commitment to pay Deferred Taxes on Imports Form (CPTIF) were compromised. In the absence of sufficient documentation, Audit could not satisfy itself that the taxes paid were properly assessed and as such was a proper charge to the vote of the Office of the Prime Minister.

The Accounting Officer admitted that Tax amounting to Shs. 708,723,503/= was paid to URA and that some of the vouchers were not sufficiently documented. These documents included the Customs Entry Form (CEF) also known as the Single Administrative Document (SAD) and the Commitment to Pay Deferred Taxes on imports Form (CPDTIF). He explained that the documents that were attached to the payment vouchers were photocopies and Bank of Uganda could not accept photocopies. He noted that
according to the new guidelines issued by PS/ST for the management of Tax payments and fast clearance of goods, Clearing Agents would submit photocopies of documents including the Customs Entry Forms (CEF) to be used in processing tax payments to URA. He said that the new system based on the Centralized Gross payment Account at Bank of Uganda came into force when cheques for outstanding taxes to the Office of the Prime Minister from imports by Non Governmental organisations (NGOs) had been printed. Bank of Uganda couldn't accept these cheques with photocopied attachments and this left cheques amounting to Shs. 241,656,463/= not honoured and had to be returned to Treasury.

The Committee noted that cheques amounting to Shs. 362.4 million went stale.

The committee asked for the details of 708.7 millions and the receipts attached noting that the Accounting Officers needed to investigate further on how goods were cleared under the Office of the Prime Minister. C.I.D. was asked to take interest on this issue and investigate and report to the Committee.

The Accounting Officer was also asked to submit the list of the cheques that went stale. The Committee also asked for all the bank statement from July 2005 to the 31st December 2006, for further investigation.

**Recommendations**

- The Committee recommends that URA refunds Shs. 241,656,463 and Shs. 708.7 million immediately.
- The Committee further recommends that Shs. 362.4 million be transferred to the Consolidated Fund immediately.

5.8 ADJUSTMENTS IN THE STATEMENT OF CHANGES IN EQUITY: AUDIT REPORT PARA 5.5

The Auditor General reported that Funds allegedly transferred to the Consolidated Fund during the year were shown as Shs. 241,843,163/=. However, no General receipt form Treasury was presented for Audit. Audit was unable to confirm that the amount was actually transferred to the Consolidated Fund Account. Other adjustments to the tune of Shs. 465,089,021= (understated expenditure Bank
Balance, Shs.145,594,074/= and adjustments to domestic arrears of past years, Shs. 319,494,947=) were made but audit was not provided with detailed documentation and no proper explanation was given.

The Accounting Officer explained that the Auditor General should have confirmed the amount of Shs.241,843,163/= included in statement of equity as transfers to the Consolidated fund, because the receipt was available. However, for the adjustments of Shs.465,089,021= he said that the matter had been presented to the Accountant General for guidance on the way to adjust the accounts which had been consolidated by the Auditor General. He said the Accountant General eventually had carried out the adjustments and communicated to him on how he dealt with the adjustments.

The Committee asked for the details of payees of the un-presented cheques, the dates of the cheques, the cheque numbers and the status of cheques. The Committee accepted the General receipt for the transfers and dropped that part of the query. The Committee however recommends that the Accountant General should makes the adjustments of overstated domestic arrears of Shs.465,059,021 immediately to Government Accounts as prior year adjustment.

5.9 NON-DELIVERY OF OX-PLOUGHS: AUDIT REPORT PARA 5.6.

It was reported that an order was made to a local company to supply 542 ox-ploughs with chains worth Shs. 96,042,400=. The documents availed for audit showed that only 200 ox-ploughs were distributed. Therefore, 342 ox-ploughs worth Shs. 60,602,400= were not delivered to any known place as they did not appear in the ledgers. Although the delivery note showed that they were collected from the factory at Soroti by the driver, the driver in question denied the allegation. Besides, the customer's signature on the delivery note purported to be his, also appeared forged. This appeared potentially fraudulent and could have led to loss of public funds.

Audit had advised Management to further investigate the matter with a view of obtaining proper accountability for 342 ox-ploughs worth Shs. 60,602,400=.
The Accounting Officer confirmed that only 200 out of 542 ox-ploughs ordered from M/s SAIMMCO were delivered and were acknowledged by the districts. He reported that the non-delivery of the 342 ox-ploughs was because of change in policy to include providing the neighbouring Districts of Karamoja affected by cattle rustlers with hand- hoes from the account of ox-ploughs.

He explained that the funds for the 342 ox-ploughs had to be converted for the supply of hand- hoes arising from the inability of the company to supply the Ministry with the ox-ploughs due to the increasing costs of steel materials. Thereafter the contract was revalidated to allow the company to supply hand- hoes in lieu of the ox-ploughs. The company had then committed itself to supplying hand- hoes equivalent to the value of 342 of ox-ploughs that had not been supplied by the time, the audit was done. He said he was closely monitoring these supplies to ensure that the beneficiaries who were meant to receive ox-ploughs actually get the hand- hoes.

The Committee noted that there was collusion between the firm and the officer of the Office of the Prime Minister. The Committee observed that this was fraud and the officers responsible should be held responsible. The Committee asked C.I.D. to follow up and take appropriate action on the matter. In the meantime, the firm should supply 342 ox-ploughs without further delay and within 30 days.

5.10 THE UGANDA VETERANS ASSISTANCE BOARD: AUDIT REPORT PARA 5.7.

The Uganda Veterans Assistance Board (UVAB) was set up by an Act of Parliament in 1992 to provide co-ordination, supervision, guidance and assistance to the Veterans of Uganda Peoples Defence Forces (UPDF) for their smooth transition into civilian life. The following matters relating to this Board arose during audit:-

(a) Tenure of Office;
According to section 9(1) of the Uganda Veterans Assistance Board, Statute 1992, Members of the Board other than the Executive Secretary hold office for two years. The first board members were appointed in the year 1992 and their tenure of office expired more than twelve years ago. However, there had been no new appointments or re-appointments as required by the statute.
The Accounting Officer noted that as required by the Statute (then Act cap.112) which established Uganda Veterans Assistance Board (UVAB) members of the Board other than the Executive Secretary were meant to hold office for two years. The first Board Members were appointed in 1992 and their tenure of office expired thirteen years ago. However, as had been, the Board's term of office had been renewed as per copies of instruments he presented to the Committee.

The Committee noted that the members of the Board had been serving without substantive appointment. It directed that unless the appointments for this period were regularised, actions done after the Board had expired were null and void. The Committee insisted that even the purported renewal by the president was invalid.

The Committee recommends that the Board should be appointed every two (2) years as per the Law. Any diversion from this will invalidate all transactions done by a non appointed board.

(b) Staff Remuneration;

There was no properly authorised staff remuneration structure. In December 1992, the Board approved staff remunerations which included a basic salary, housing and medical allowances. Since then, the salaries and allowances had had increment but without authority of the Board. Although the Accounting Officer had stated that the Board had sanctioned a new salary and allowances structure, including gratuity payments, since its tenure of office had expired its decisions could be challenged in future. The Accounting Officer had been urged to inform the appointing authority of the need to have a new Board in place as the existing Board had no legal mandate to direct and supervise the Organization.

The Accounting Officer admitted that there had been no properly authorised staff remuneration structure for UVAB since 1992. However, a review of salary scales and allowances had been sanctioned by the very sitting Board whose term of office had just been renewed. He reported that the Board had rectified this under minute 2362/2006 of its 44th meeting which was held on 19th September 2006.
The Committee noted that the acts of the Board were illegal and unless regularised these actions would be wrong and any increments of salary must be refunded as they were illegal. The Committee directed that the salaries of the Board should be reversed.

c) Accounts of the Board;

The Audit Report noted that the Board is self accounting with its own books of accounts and financial statements auditable by the Auditor General according to section 23 of the Act. However, the board was then being run as a department of the Office of the Prime Minister. The Accounting Officer had stated that the Board used to be self accounting when; it was receiving donor contributions but that the status had since changed because all its funds were being contributed by Government of Uganda. Audit had advised him that the Board should operate independently as established by law.

The Accounting Officer explained that section 23 of the Act provides that the Board is self accounting with its own books of accounts and financial statements audited by the Auditor General. He said that UVAB was being run as a Department in the Office of the Prime Minister where it was placed when donor funding stopped and for it to become self accounting, there was need for a political decision. Otherwise UVAB operated 100% on Government funding.

The Committee asked the Accounting Officer to submit the accounts of UVAB for the last 7 years. It noted that UVAB as a self accounting institution should have operated independently and accounted as an independent entity.

The Committee recommends that UVAB funds should be availed as a separate Vote by the Permanent Secretary/Secretary to Treasury and resources be appropriated accordingly as a self-accounting unit with immediate effect.

5.11 THE BALANCE SHEET: UNSUPPORTED PAYABLE BALANCE: AUDIT REPORT PARA 5.8.

The Audit report revealed that the Statement of the financial position (balance sheet) of the Office of the Prime Minister showed payables of Shs. 817,923,236=. However, the Auditor General was neither availed with a comprehensive list of what constituted the amount nor the respective individual
bills/invoices. In the circumstances, Audit was not able to confirm that the amount was properly stated. Meanwhile, although domestic arrears paid during the year were stated as Shs 180,651,155, payment vouchers for only Shs. 34,664,478= were availed for audit. Payment vouchers for domestic arrears to the tune of Shs. 145,986,678= were not availed for audit.

The Accounting Officer provided to the Committee the list of payables as at 30th June 2006 as captured by the Internal Audit verification, built from year to year showing the supplier, the invoice details and the amount.

He explained that with the transfers of staff and rotation of responsibilities, it was not possible to produce all the physical bills that constituted the list. However, he said that by the time they were verified by the Internal Audit Department of Ministry of Finance, they should have existed, and this was the basis for stating them in the account.

He further submitted that following these observations, a fresh verification exercise for the bills was carried out and a new position had been communicated to the Accountant General. This reduced the amount to Shs. 552,375,762= based on existence of physical bills. He said that what remained was for the Accountant General to adjust the accounts for that purpose, and reported that he had written to him on 5th December 2007.

The Committee asked that the payment vouchers for Shs. 145,986,678 and the bills be submitted. The Committee recommends that Shs. 145,986,678 be written off from domestic arrears as there were no supporting vouchers and the money in question should be refunded to the Consolidated Fund. The Committee also asked the Accountant General to carry out prior year adjustments on domestic arrears totalling to Shs. 552,375,762=.

5.12 STATEMENT OF APPROPRIATION ACCOUNT: AUDIT REPORT PARA 5.9.

The Auditor General noted that according to the Appropriation Act, 2005, and the Supplementary Appropriation Act, 2006, the approved estimates expenditure for the recurrent budget was Shs 3,740,031,000/= and the Development Budget Shs. 14,359,996,000 (local). However the statement of
Appropriate Account incorrectly stated the approved expenditure budget to be Shs. 23,734,728,260= for both the Recurrent and Development budgets instead of Shs. 18,100,027,000.

The Accounting Officer said that the budget figure had been wrongly captured as it should have been Shs 18,100,027,000 instead of Shs.23,734,728,260 as reported and reported that this had been rectified.

The Committee noted that action had been taken to correct the situation and decided to drop the query.

5.13. STATEMENT OF CONTINGENT LIABILITY: AUDIT REPORT PARA 5.10.

The Audit Report revealed that the statement of Contingent liability showed a balance of Shs. 556,346,157= for a clearing firm. No detailed documentation showing the circumstances under which the provision arose was provided. Audit was therefore not able to confirm whether conditions necessary to make such a provision were met.

The Accounting Officer explained that the accounting standards (IAS 37), define contingent liabilities as a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the enterprise. He reported that the liabilities came about because of bills for M/S Afro Freight Clearing and Forwarding Company and M/S Inter capital Forwarders. These were bills incurred for clearing consignments for relief suppliers to the Office of the Prime Minister. He explained that when the bills were submitted to the Permanent Secretary for payments, they were forwarded to the External Auditors for verification and it was then towards the end of the financial year. By the time of preparing the final accounts, the External Auditor had not come up with a position, of whether to classify them as true bills or reject them. They were therefore included as contingent liabilities, pending verification. He noted that the matter was referred to the Public Accounts Committee and during the committee discussions, CID was directed to investigate. He reported that the actual amounts payable had since been determined and
cleared by PAC and had been communicated to the Accountant General to recognise them as true arrears.

The Committee recommends that the Accountant General recognises payables for only the agreed amounts cleared by the Public Accounts Committee.

The Committee asked the Accounting Officer to show documentation relating to Shs 566,346,157 i.e. the 320 million due to the firm and 234 million wrongly placed yet it was a supplementary received by the Office of the Prime Minister. Unless the documentation is received, this amount should be written down by the Accountant General as prior year adjustment as it was not supported.

5.14 NON-DEDUCTION OF WITHHOLDING TAX: AUDIT REPORT PARA 5.11

The Auditor General reported that withholding Tax (6%) worth Shs. 1,475,640 was not deducted from payments made to three companies violating the Tax law. The Accounting Officer had accepted the error and had stated that the firms had been directed to deposit the deductions with URA. No further information was however available at the time of writing Audit report, to confirm that the error had been corrected.

The Accounting Officer admitted that Shs.1,475,640/= (one million, four hundred seventy five thousand, six hundred and forty shillings) was not deducted as 6% withholding Tax from 3 (three) companies. He said that non-deduction of the withholding tax was an error and the Ministry had asked the affected companies to pay directly to Uganda Revenue Authority. One of the companies had already paid Shs.259,444/= that was not deducted from it. He said that the Ministry had asked the others to do the same and that had also been communicated to Uganda Revenue Authority.

The Committee noted that the explanation of the Accounting Officer was not right since it was not possible for the company to have paid, when it was the Office of the Prime minister who owed the firm. The Committee asked for a satisfactory explanation to be given. The justification for the payment appeared to be wrongly placed.
The Committee recommends that the Accounting Officer should recover this amount of money from the three companies; in question.

5.15 NON-AUTHORIZED ALLOWANCE RATES: AUDIT REPORT PARA 5.12.

The Auditor General reported that the Common Wealth Secretariat conducted meetings, workshops and interviews in Gulu for the Northern Uganda youth centre, between 24th-25th October 2005. Consequently, some officials were paid honoraria of Shs. 200,000/= and interview allowance of Shs.200,000/= per person all amounting to Shs.2,200,000/= Another amount of Shs.1,200,000/= was also paid to 6 officials at Shs.200,000/= per person, in respect of interview allowance for 2 days while interviewing candidates for the post of Project Accountant of the NIMES project. However, standing instruction No.2 of 2005 from the Ministry of Public Service established rates payable for Interview allowance to be of Shs. 40,000, or Shs. 30,000/= per sitting depending on one’s salary scale and honoraria at the rate of the number of days worked times 40% of basic monthly salary divided by thirty. It was however noted that the above regulations were ignored resulting in over payments totalling over Shs. 2 million.

The Accounting Officer submitted as follows;

- That the allowances and honoraria were paid to officials who carried out activities under the Commonwealth Youth Centre in Gulu during the financial year 2005/06. He said that there was an utmost urgency to get the Northern Uganda Youth Centre in place taking into account the time limits that had been set. He noted that at the end of it all, the Office of the Prime Minister was able to complete the Northern Youth centre in time and the centre was formerly launched on 17th November 2007 as part of the CHOOGM activities.

- That there was also an urgent need to have the project Accountant for NIMES in place. The recruitment exercise for the NIMES Project Accountant required people to work continuously for 4 days. Over 30 applications were received and the rate of Shs. 50,000/= was paid to each technical person, which was in line with statutory instrument No.3 of 2005 from the Ministry of Public Service.
The Committee asked the Accounting Officer to confirm the number of days paid. If the Accounting Officer had made excess payments, refunds should be made. The Accounting Officer was also directed to stop making irregular payments.

The Committee further directs that the Accounting Officer should clear these rates with the Permanent Secretary, Ministry of Public Service. Failure it will be surcharged on his account.

5.16 DOUBLE PAYMENTS: AUDIT REPORT PARA 5.13

It was observed that Shs 2,774,016 (net) payable to a local firm in respect of two invoices was paid twice. The Accounting Officer accepted the anomaly and stated that he had written to the firm informing it of the same and that it promised that the excess funds will be recovered in the subsequent payments to the firm.

The Accounting Officer confirmed that Shs.2,774,016/- was paid to a local firm in respect of two invoices. He explained that this was because the first invoice had gone missing and the firm was advised to come with a certified copy. The first invoice was discovered after some time and was paid in error. He said that this error was drawn to the attention of the firm who had equally acknowledged receiving the money. However, the firm had requested the Ministry to deduct the amount still owing to them out of the outstanding local purchase orders (LPOs).

The Committee noted that the Ministry had poor record keeping. The Committee also directed that the company (SK Uganda Holdings) be blacklisted as it was found to be not trustworthy. In the mean time they should refund the funds in question within one month.

5.17 UNSATISFACTORY ASSETS INVENTORY: AUDIT REPORT PARA 5.14.

The Auditor General reported that the Ministry’s inventory of assets was found to be unsatisfactory due to the following deficiencies:-

a) The serial numbers of the machines or equipment were not indicated contrary to the Treasury Accounting Instructions, 2003. Examples of such equipment were computers, photocopiers, typewriters, Fax machines, printers etc.
b) Engraving of assets was not done as required by the Treasury Accounting Instructions 2003.

c) Contrary to Treasury Instructions 2003, the Inventory in place was not accurate regarding location of assets. For example, many assets such as computers (over 20) were stated to be in the offices for Kasese Task Force and Karamoja Headquarters. However, those offices were not in existence and the whereabouts of the assets was therefore not known.

d) Assets should remain on charge until they are written off with due authority, as required by the Treasury Accounting instructions, 2003. However, present inventory does not identify those assets which are now unserviceable, obsolete and redundant. There is a room full of such assets. Audit had advised management to address the deficiencies urgently.

The Accounting Officer admitted that at the time of Audit, the inventory of Assets was found to be unsatisfactory. He however noted that since the time of Audit corrective measures had been put in place which include:

The assets register with details including among others the serial numbers of the machines.

a) The Ministry assets had been engraved and new purchases were engraved as and when such purchases were made.

b) All the assets remain on charge until they are written off.

A copy of the assets register was submitted to the Committee.

The Committee found the Assets register to be unsatisfactory and archaic and therefore asked that an update be made and enough information be given for purposes of easy identification i.e. serial numbers be provide. All these be put in place within one months time. On the other hand vehicles with NGO number plates should be registered within a period of two weeks. This should be reported to the Public Accounts Committee immediately.

The Committee recommended that Ministers should not drive cars with NGO number plates. Any Ministers found doings so will be held for abuse of office. The Committee also asked the Auditor General to audit the asset register and report in the next audit.

CID should follow up the issue of cars with NGO number plates.
6. MINISTRY OF PUBLIC SERVICE

6.1 STORES CADRES: AUDIT REPORT PARA 1.8.

The Auditor General reported inconsistencies in the Management of stores cadres. There were no clear standards of qualification, training, job description and documentation to enhance stores management.

The Accounting Officer noted that the Ministry of Public Service under the Establishment Notice No.2 of 2007, provided for the grading and minimum entry requirements for stores cadres and office supervisor, in the Uganda Public Service. Under the provisions of this Establishment Notice, the staffing levels for stores and office supervisors in the Ministries/Department had been reviewed; rationalized and new job descriptions specifications had been drawn up. He reported that all posts pertaining to this cadre were cleared up for filling.

6.2 FLEET MANAGEMENT SYSTEM AUDIT REPORT PARA 1.11

a) The Auditor General noted lack of a proper fleet management system in most Government institutions and observed that this had exposed Government vehicles to uncontrolled movements, surging fuel, repairs and maintenance costs. During the year under review an amount of Shs.86,297,352 were spent by the Ministry of Public Service in repairs and maintenance of vehicles.

The Accounting Officer reported that, he had put in a number of mechanisms in place to properly manage the fleet system in his Ministry. Such mechanisms include:-

(1) Access and use of vehicles
(a) Gate passes
The Ministry had instituted a system of gate passes for all government vehicles whenever they are exiting the parking area. He noted that it is a requirement that every driver is given a gate pass before
he or she uses a vehicle. This has helped the Ministry to control access and use of vehicles once they have been parked.

(b) Movement Orders
The Ministry had strengthened the process of issuing movement orders for all vehicles moving out of Kampala. A form had been designed to be used by officers to access vehicles for field work. Any officer traveling outside Kampala must request for a motor vehicle through his/ her Head of Department stating the purpose of the journey, the days required, the number of officers traveling and routes to be taken. He said that this was to be signed and approved by the head of Department before the Transport Office can allocate a vehicle. He observed that this had helped the Ministry to control the access and use of vehicles.

(c) Logbooks
He also noted that the Ministry had further strengthened the use of motor vehicle log books for Ministry vehicles. Drivers were given log books which they would fill on a daily basis under monitoring of individual officers who use the vehicles. This had also helped the Ministry to monitor the use of vehicles.

1) Fuel
The Ministry uses a system of fuel cards. Money for the payment of fuel is processed in the names of Standard Chartered Bank. The money is then loaded onto the cards of individual officers who are required to provide accountability after use of the allocated fuel. This he noted had also helped the Ministry to keep the fuel bill within the budgetary provision.

2) Repair and Maintenance of vehicles
The Ministry uses pre-qualified service providers to repair vehicles. Once the request is by the driver or user, the transport officer in conjunction with the procurement unit, process the repairs and service as provided for by the law.

After repair of vehicles, users are required to certify that the vehicles have been properly repaired and were in good working condition.
b) Types and classes of vehicles.  
The Auditor General also reported that over years the Government issued regulation regarding types and classes of vehicles Accounting Officers can purchase. The maximum capacity being 2800cc for Ministers and Permanent Secretaries and 2500cc for pool vehicles. The Ministry of Public Service however flouted this and purchased 9 vehicles over and above the approved classes.

The Accounting Officer explained that most of these vehicles were purchased through its projects. He said that many of these projects were Donor Funded that comes with guidelines on the purchase of materials and motor vehicles. Such guidelines had at times been agreed upon by government in the funding agreements. He noted that such funding agreements had at times guided the procurement policies as provided for by the Public Procurement and Disposal of public Assets Act (section 4).

The Committee noted the explanation but urged Government to desist from flouting its own regulations. The Committee further recommended that the Ministry carries out at least quarterly inspections on all government agencies to confirm if they are conforming to the set guidelines on the fleet management, asset management, human resource management etc. Punitive action should be taken on offenders.

6.3 CONTINGENT LIABILITIES: AUDIT REPORT PARA 6.2.

The Audit report revealed that a sum of Shs.107,000,000,000 had been reported in the Statement of Contingent Liabilities as a contingent liability relating to Military Pensions. The amount was treated as a contingent liability because it lacked the necessary supporting documentation. However, the basis used to quantify the estimated liability was not explained. The Auditor was unable to satisfy that this was a fair approximation of the contingent liability. This contingent liability had stayed in the government accounts for three years. The Accounting Officer had stated to audit that he had received a confirmation from his colleague in the Ministry of Defence that documents were being compiled. No documents were however availed to audit at the time of writing the Audit report.

The Accounting Officer explained to the Committee that budgeting on this was done on the basis of the estimates that had been provided by the Ministry of Defence. He said that Ministry of Defence was still undertaking the verification exercise. He also reported that his Ministry had had meetings and
correspondences to expedite the process. He noted that Public Service had to rely on the submissions made by Ministry of Defence to undertake the payments.

The Committee noted no wrong doing on the part of Ministry of Public service, but insisted that this exercise be concluded within three (3) months. The Committee recommends that the retired citizens be paid within four (4) months as they are suffering and others dying before payment and yet they have served the country diligently.

6.4 PAYROLL CLEANING EXERCISE: AUDIT REPORT PARA 6.3

It was reported that in August 2005, H.E. the President directed all Accounting Officers to clean and remove invalid records on the Government Payroll. Following this directive, an Inter-Ministerial Task Force comprising Ministry of Public Service, Ministry of Education and Ministry of Finance, Planning and Economic Development carried out a payroll cleaning exercise. The objectives of the payroll exercise were to get the departmental heads authenticate that the payroll data was accurate, update the personnel information, identify invalid records on the payroll and obtain accurate payroll numbers that would facilitate government to budget accurately for salaries. The report on the Payroll cleaning exercise made various important findings and recommendations. Among the key findings was the existence of invalid records on the payroll. Using the July 2005 payroll for Ministries/Departments, and March 2006 payroll for Local Governments/Referral Hospitals and Educational Institutions/Schools, it was found that out of 229,901 records verified, 26,473 were invalid, 78 percent of which related to Educational Institutions/Schools, 20% Local Governments/Referral hospitals and 2% Ministries/departments. According to the report, the 26,473 invalid records comprised of delayed transfers (65.25%), retired (10.26%) absconded (10.03%), died (4.62%), resigned (1.37%), left (0.37%) and others (7.69%). Subsequently, a total of 9,199 invalid records were deleted from the payroll leading to a saving of Shs.1,734,170,984 in salary costs tabulated as follows:
<table>
<thead>
<tr>
<th>MALG</th>
<th>Payroll Records</th>
<th>Deleted</th>
<th>Saving</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ministries/Departments</td>
<td>July 2005</td>
<td>458</td>
<td>141,123,923</td>
</tr>
<tr>
<td>Local Government/Hospitals</td>
<td>March 2006</td>
<td>4,412</td>
<td>814,143,295</td>
</tr>
<tr>
<td>Educational Institutions</td>
<td>March 2006</td>
<td>4,329</td>
<td>778,903,766</td>
</tr>
<tr>
<td></td>
<td></td>
<td>9,199</td>
<td>1,734,170,984</td>
</tr>
</tbody>
</table>

The report made a number of important recommendations to improve the management of the payroll. The Auditor General had asked the Accounting Officer to update the stakeholders on the progress made in implementation of the recommendations.

The Accounting Officer reported that a total of 9,199 invalid records had since been deleted from the payroll leading to a saving of Shs 1,734,170,984 in salary costs.

He reported that he had since circulated to all Accounting Officers the pay roll report. He noted that some Accounting Officer had remitted money back to the Consolidated Account. He further informed the Committee that his Ministry was working hand in hand with IGG and CID to conduct further investigations. On the payroll, he said that the payroll cleaning exercise was continuous.

The Committee recommends that all illegal payments be recovered from the culprits within two (2) months. The Committee further recommends prosecution of the officers involved in this scam.

The Committee also recommends that a total clean up of the payroll for the entire Public Service be done within three (3) months.

6.5 INFORMATION TECHNOLOGY (IT) POLICY AND STRATEGY: AUDIT REPORT PARA 6.4

The Audit report noted that the Ministry of Public Service with the assistance from UNDP contracted a consultancy firm to develop and implement a computerized pension's management system which became operational in 2000. It also noted that the Ministry was in the advanced stages of developing an Integrated Payroll and Personnel Management System (IPPS) with the support from the development partners. All these initiatives were aimed at improving the management of the payroll and pension business processes. However as the Ministry carried out these initiatives, there was need for
the Ministry to develop an IT Policy and Strategy to give the Ministry a policy direction in introduction and management of IT resources. The IT Strategy should give guidance on governance, software development, capacity building and change management.

In response, the Accounting Officer informed the Committee that the Ministry was embarking on an integrated Personnel and payroll system (IPPS) with a software that would have a Human Resource module and Pension’s management module. The IPPS is supposed to interface with the IFMS, EMIS, HRHIS and LOGICS among others. This is meant to improve efficiency in Service delivery. He however clarified that delay in payments was tagged to other factors like lack of funds, inadequate supporting documents.

The Accounting Officer reported further that in the financial year 2007/08 the Ministry had budgeted for Shs 284 billion, but only Shs 186 billion was approved. The amounts were to be used to pay off more than 20,000 beneficiaries. He said that Shs. 15 billion had been paid in the first quarter to 900 beneficiaries and Shs 60 billion was to be paid in the second quarter. He said that through the EFT System, the beneficiaries were to get their pension on their bank accounts.

The Committee recommends that any retiring officer must access the pension payroll immediately before he/she leaves the usual payroll as the data for that officer already exists.
Secondly the Auditor General should audit the Shs. 18 billion to confirm if the right beneficiaries got the money. All the balance should be budgeted for in full and yearly pension as a direct charge on the Consolidated Fund and there should be no arrears again.
7. MINISTRY OF FOREIGN AFFAIRS

7.1 DELAYS IN SUBMISSION OF FINANCIAL STATEMENTS (2005/06): AUDIT REPORT PARA 1.2

The Auditor General noted that section 31(a) of the Public Finance and Accountability Act 2003, requires Accounting Officers to prepare and submit financial statements for their Ministries/Agencies to the Office of the Auditor General’s for audit within three months after the year end (by 30th September). It was however noted that the Ministry did not submit its financial statements on time as required and therefore directly impacted on Audit operations. The Report noted that this was partly due to laxity by Accounting Officer to have the accounts prepared on time. It is also attributed to capacity gaps in the accounting functions of the Ministry and Agencies.

The Accounting Officer admitted that the Final Accounts for Financial year 2005/2006 were submitted late. He attributed to this fact that IFMS had just been introduced to the Ministry and Accounts staff had just been trained hence unfamiliar with the system. However, the staff had then gained adequate experience and as a result the Final Accounts for Financial year 2006/2007 were submitted in time by 30th September, 2007.

The Committee noted the explanation but cautioned the Accounting Officer to avoid such delays and warned that he could be penalized for the delay in accounts.

7.2 CIRCUMVENTION OF PROCUREMENT PROCEDURES BY MISSIONS: AUDIT REPORT PARA 1.4.

During the financial year, instances were noted where a number of missions made procurements equivalent to Shs 1,188,951,973 without going through Contract Committees. It was noted that this was mainly due to absence of these Committees in the missions contrary to part III of the PPDA Act 2003. This law establishes structures namely; the Procurement and Disposal Unit and Contracts committee, in the Procurement and Disposal Entities. Missions are procurement and disposal entities which should have had these structures in place to ensure compliance with the law and enhancement of
transparency in the procurement process. There is need for the Treasury and the PPDA to offer more
guidance to missions in matters relating to Public Procurement.

The Accounting Officer observed that missions had a unique set up with some having only two (2)
home based staff. He however observed that for missions where the Ministry had adequate staff,
contracts committees were operational. He said that the Ministry had consulted PPDA with a view of
developing simplified procurement Guidelines for such unique set ups.

The Committee recommends that PPDA should come up with guidelines of such unique cases for
Parliamentary approval. PPDA should also work out this within one (1) month without further delay
avoid to losses to Government.

7.3 VISA STAMPS: AUDIT REPORT PARA 1.6

During inspection of Uganda’s Missions Abroad, the Auditor General discovered that stamps were still
being used in issuance of visas to Uganda instead of visa stickers. Out of a sample of nine Missions
inspected, two were found to be still using stamp visas instead of visa stickers. The two missions were
Beijing and Tripoli. The number could be more, given that Uganda has 29 Missions abroad. The use of
stamps in issuance of visas exposes the revenue collection system to manipulation, as there is no
record/trail against which actual collections can be verified.

The Accounting Officer reported that the issue of visa stamps was addressed when the Ministry in
conjunction with that of Finance, Planning and Economic Development introduced a harmonized visa
regime that was implemented by all Mission Abroad with effect from July, 2007 (including Tripoli and
Beijing).

He reported further that he had written to all Missions to stop using visa stamps and that he had also
written to Permanent Secretary Ministry of Internal Affairs to issue visa stickers. He further noted that
he had directed all Missions to requisition for visa stickers on a quarterly basis.
The Committee was concerned about the weak management of visa system in Government noting that it was weak and directed that the use of stamps should stop immediately.

The Committee further recommends that any Accounting Officer found using stamps will be held for abuse of office and charged accordingly.

The Committee directed that Ministry of Internal Affairs should ensure adequate supply of stickers to all Missions abroad.

7.4 STORES CADRE: AUDIT REPORT PARA 1.8.

A review of staffing of stores cadre in a sample of Ministries revealed inconsistencies in the management of the stores cadre.

There was no system of non-job training to equip existing staff with new methods of work. There was also no clear standard of qualification, job description and documentation to enhance stores management. As a result, there was inadequate staffing, poor record keeping, loss of stores and unrestricted accessibility to confidential information. It appeared that the stores function in Government had been underrated and thus not receiving enough attention in terms of training and staffing. There is need by the stakeholders to come up with a clear policy to govern stores management in terms of staffing, qualification, job description and training. This will ensure safe guard of Government assets.

The Accounting Officer observed that although stores cadre was not in the Ministry of Foreign Affairs structure, the Ministry of Public Service recognizes its importance. He said that the Ministry of Foreign Affairs had made and submitted its requirements to Ministry of Public Service for consideration.

The Committee was concerned that the Ministry of Foreign Affairs had been operating with no stores cadres. It directed for a detailed report on how Foreign Affairs had been managing its stores. The Committee however recommended that qualified Stores Cadre be recruited to manage Ministry stores within three(3) months.
7.5 BOARD OF SURVEY: AUDIT REPORT PARA 1.9

The Auditor General reported that contrary to regulations that require that at the end of each year, boards of survey be appointed to survey cash and stores for all Ministries, Departments, Agencies and Foreign Missions abroad the Auditor General did not receive board of survey reports on cash and stores from the Ministry of Foreign Affairs. The absence/inability by the Ministry to produce reports on cash and stores prevented Audit from obtaining an independent third party assurance on those cash balances as reflected in the respective balance sheets as at 30th June, 2006 and therefore made him unable to independently confirm these cash balances.

The Accounting Officer submitted that the board of survey on cash and stores for Ministry of Foreign Affairs Headquarters was carried out and these forms were attached to the Final Accounts for 2005/06 Financial Year.

The Committee confirmed that the Ministry of Foreign Affairs had done the board of surveys and dropped the query.

7.6 FLEET MANAGEMENT SYSTEM: AUDIT REPORT PARA 1.11

a) The Auditor General reported lack of a proper fleet management system in Government institutions which exposed Government vehicles to uncontrolled movements, surging fuel, repair and maintenance costs. He noted that during the year under review, some Ministries attempted to set up fleet management systems. It was however noted that, still these systems were not strictly followed. In many cases the movement log books were not up to date, vehicles were still used on unofficial activities, service was not done on time, and repairs were done without proper documentation like pre-inspection reports, job cards and post inspection reports.

Although the Government policy is to replace vehicles after 5 years in use, this was not being done. Instead vehicles were being used for between 5 to 10 years. As such Government continued to incur
large sums of monies on repairs and maintenance of vehicles. During the year under review an amount of Shs. 198,364,934 was spent by Ministry of Foreign Affairs on repair and maintenance of vehicles.

The Accounting Officer submitted that the vehicle replacement policy existed in the Ministry but lack of adequate funds in the budget made it hard for it to be operationalised. He noted that because of this, the Ministry was always unable to replace the old vehicles when they become uneconomic to maintain. He said that sometime the Ministry has had little or no funds provided for purchase of vehicles in spite of regularly budgeting for it and had to depend largely on donations from development partners. Unfortunately, most of the vehicles donated were rare models whose spares were not readily available on the Ugandan market.

He observed that to ensure continued efficiency of the old fleet the Ministry introduced management controls such as the use of log sheets to track movements of vehicles and job cards/ledgers for repair/service. Service tags were also being used as maintenance records for determining when a vehicle is due for service. Under the IFMS, procurement for service/repairs is initiated and sanctioned by the user department using PP Form 20 before an order is issued by the Transport Officer. He reported that in the Financial Year 2007/2008 the Ministry budgeted for fleet management software for effective management of vehicles.

He also reported that the use of smart fuel cards had helped to reduce misuse of fuel by limiting amounts loaded per card per month to every entitled officer. He said that administratively, all Ministry vehicles were being parked at the Office every evening to avoid abuse. He submitted that the Ministry was awaiting the results of the study that had been commissioned by the Ministry of Finance Planning and Economic Development to review the entire Vehicle management policy for Government Ministries/Institutions.

On the problem of counterfeit spare parts, the Accounting Officer noted that it was a challenge to government because of standards and quality controls problems in the open market. He said that because of this, the Ministry insisted on using only pre-qualified garages in fulfillment of PPDA regulations. The garages provided guarantees for the parts supplied or repairs carried out. He said that
the Ministry also monitored performance of the vehicles to ensure that value for money on repairs is obtained.

The Committee noted the steps that had been taken by the Accounting Officer to address the concerns of the Auditor General and recommends that the Auditor General verifies to confirm if controls were in place as prescribed by the Accounting Officer, Ministry of Public Service and Ministry of Works and transport. Any divergence should be punished by Ministry of Public Service immediately.

b) Types and classes of vehicles:

The Auditor General also noted that over the years Government had issued regulations regarding the types and class of vehicles Accounting Officer can purchase. The maximum capacity being 2800cc for Ministries down to 2500cc for pool vehicles. This was done with a view of saving government the exorbitant costs of new high class vehicles and their corresponding high fuel consumption and maintenance costs.

It was however noted that the Ministry had flouted such regulations and purchased 3 vehicles over and above the approved classes (some reaching up to 4016cc).

The Accounting Officer regretted the divergence but noted that he had written to Ministry of Public Service for a retrospective waiver for the three (3) vehicles over and above authorized engine capacity.

The Committee noted the action taken and recommended that the Auditor General confirms the waiver and if Ministry of Public Service did not give a waiver, the Accounting Officer will be held personally liable.

7.7 DOMESTIC ARREARS AND CONTINGENT LIABILITIES: AUDIT REPORT PARA 1.12.

It was reported that the Consolidated domestic arrears as at 30th June, 2006 for Ministry of Foreign Affairs stood at Shs 30,420,566,352. The Auditor General noted the need for the Accounting Officer to comply with Government regulations and desist from continually incurring domestic arrears.

The Accounting Officer confirmed that as at 30th June, 2006, the Ministry had an outstanding domestic arrears amounting to Shs 30,420,566,352. He however noted that the bulk of these arrears totalling Shs.28,810, 428,386 equivalents to 94.7% was outstanding due to contributions to International
organizations leaving a balance of Shs 1,610,137,966 (5.3%) as payables to Trade creditors. He noted that whereas the contributions to International Organizations was a mandatory payment, the funds available were inadequate or there was no provision in the budget made to offset them. He however said that the domestic arrears as a result as at 30th June 2007 were Shs 24,859,666,378. This he said was a result of payments effected during 2006/2007 and adjustments and reconciliation made by the Internal Auditors.

He reported that in order to address the problem of contribution to International Organizations, the Cabinet decided that payments to these Organizations, that is East African Community, IGAD, commonwealth, African union United Nations, Organizations of Islamic countries and World Trade Organizations would be made statutory.

On the contingent liabilities, the Accounting Officer reported that the Ministry provided Shs 1,007,737,954 to cater for the following contingent liabilities:-

<table>
<thead>
<tr>
<th>Organization</th>
<th>Amount in ug Shs.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. UTB</td>
<td>32,904,702</td>
</tr>
<tr>
<td>2. A &amp; M Executive Cleaning Services</td>
<td>85,329,374</td>
</tr>
<tr>
<td>3. DPRK</td>
<td>234,846,936</td>
</tr>
<tr>
<td>4. Nigerian Embassy (Nzalali $134,198.5)</td>
<td>8,602,782</td>
</tr>
<tr>
<td>5. Crane Crafts</td>
<td>8,602,782</td>
</tr>
<tr>
<td>6. M/S Kirigwaljo &amp; Sons</td>
<td>11,376,580</td>
</tr>
<tr>
<td>7. I.G. Salongo &amp; Co.</td>
<td>15,371,395</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,007,737,954</strong></td>
</tr>
</tbody>
</table>

He however noted that as at 30th June, 2007 the Ministry had contingent liabilities totaling Shs 89,401,439. He reported that this arose as a result of payments made to clear some of the liabilities and adjustments made by the Internal Auditors.

He reported that as at 30th November, 2007 the Ministry had cleared the above outstanding amount of Shs 89,401,439 as contingent liabilities leaving a nil balance.
The Committee scrutinized payments to International Organizations and noted that there was no system that had been put in place for making the payment to as International Organizations as this could be done either by Ministry of Finance or Ministry of Foreign Affairs on adhoc basis. The Committee directed that the matter be rationalized. The Committee further recommends that the Auditor General audits all the arrears due to International Organization and payments be made from Ministry of Finance, Planning and Economic Development and Ministry of Foreign Affairs. The Committee further recommends that total budget for International Organisations be made and be paid through Ministry of Foreign Affairs. It further recommends that payments made by Ministry of Finance, Planning and Economic Development be passed over to Ministry of Foreign Affairs and directed the Accountant General to make adjustment accordingly.

7.8 OUTSTANDING ADVANCES: AUDIT REPORT PARA 1.13

The Auditor General reported laxity in control over advances in the Ministry. Contrary to regulations that require that all advances to be accounted for, by the end of the financial year to which they relate, the Ministry did not account for its general advances totaling Shs 1,474,528,041.

The Accounting Officer clarified that the outstanding advances for Ministry of Foreign Affairs total was Shs 1,435,539,761 but not Shs 1,474,523,041 as stated in the Auditor General’s report. He provided the breakdown of the advances as follows;

<table>
<thead>
<tr>
<th>ITEM</th>
<th>AMOUNT IN UG SHS</th>
</tr>
</thead>
<tbody>
<tr>
<td>CHOGM Funds (police)</td>
<td>550,040,400</td>
</tr>
<tr>
<td>Travel Abroad</td>
<td>885,499,361</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,435,539,761</strong></td>
</tr>
</tbody>
</table>

On the Commonwealth Heads of Government Meeting (CHOGM) funds (Police), he explained that the Accountability for CHOGM Funds for Shs 482,150,000 advanced to CHOGM Security Subcommittee was received leaving a balance of Shs 67,890,400 to be accounted for.
He reported that he had written to the Accounting Officer, Office of the President who was the Accounting Officer for the CHOGM 2007 security and Accreditation sub-committee demanding for accountability of this balance.

On travel abroad, the Accounting Officer regretted that this information was captured wrongly by the time of audit. The figure covers per diems and air tickets for Financial Year 2005/2006.

The Committee asked the Auditor General to confirm the accountability that had been submitted and also directed for full accountability to be made within one (1) month. Any person who fails to account, be surcharged for the amount and be held for theft and corruption.

7.9 PAYABLES: AUDIT REPORT PARA 7.2

The Audit Report revealed that out of Shs.30,420,566,352 included in the Final Accounts as payables, Shs.28,810,428,368 related to Uganda’s indebtedness to International organizations while Shs.1,610,137,966 was owed to local organizations. Apart from the amount owed to local organizations which had supporting documents, the amount owed to International Organizations lacked supporting documents like ledgers showing the running balances, memorandum of understanding between Government of Uganda and the International Organizations, on the assessed contributions or amount to be paid by member states. Audit could therefore not confirm the correctness of the amount. During audit discussions, the Accounting Officer had stated that the list and supporting documents were available for audit. None were however presented for verification.

The Accounting Officer noted that the matter was handled under domestic arrears. He said however that the ledgers showing arrears due to International organizations were available and had been updated. He explained that the letters of demand from these organizations constituted the supporting documents for the ledger postings.

The Accounting Officer further explained that in International Organizations contributions are determined on scale of assessment with the participation of all members and that in the case of the United Nations (UN) scale of assessment, Uganda’s contribution is 0.005 of the entire budget.
He reported that the UN Budget committee decides bi-annually on the overall budget level. He noted that the UN Secretary General computes the required contribution based on that scale and notifies the individual member states on how much it should contribute through a statement of Account. This statement of Account constitutes the basis for effecting payment. He reported that there is no specified memorandum of understanding between member states and the organization.

The Committee noted that it had earlier handled this matter under domestic arrears in Para 7.7

7.10 BORROWINGS (INTEREST BEARING LIABILITIES) – OVERDRAFT: AUDIT REPORT PARA 7.3

The Auditor General reported that a balance of Shs.3, 670,458,784 had continuously appeared in the Accounts of the Ministry with no supporting documents provided for audit. The Accounting Officer had stated to Audit that he had written to Bank of Uganda for details. The Auditor General had however advised the Accounting Officer that supporting documents for the overdraft be provided and steps be taken by the Ministry to settle its indebtedness as disclosed. The Audit had also demanded for the authority of Parliament.

The Accounting Officer explained that this expenditure related to Financial year 2000/2001 and 2001/2002, and submitted supporting documents for Shs. 3,670,458,784 that had been retrieved from Bank of Uganda. He said that had written to the Permanent Secretary/Secretary to the Treasury for release of supplementary to clear the over draft with Bank of Uganda.

The Committee asked the Auditor General to further audit this expenditure. The Accounting Officer was also asked to provide all the related documents to the Committee and provide explanation on what circumstances Shs. 3,670,458,784 was acquired without Parliamentary approval. This should be submitted with one(1) month. The Permanent Secretary/Secretary to Treasury should explain this overdraft which existed since 2000/01.
7.11 EXCESS EXPENDITURE: AUDIT REPORT PARA 7.4

The Auditor General reported that the Ministry incurred excess expenditure amounting to Shs1, 031,523,893 without authority.

The Accounting Officer explained that the excess expenditure of Shs 1,031,523,893 which was reflected in the Appropriation Account was a result of including accrued Contributions of Shs 4,494,466,730 in the statement.

The Committee asked the Accounting Officer to reconcile this and explain how the accounts had earlier balanced, with such omission. The Accountant General should also provide authority of inclusion of excess of Shs 1,031,523,893 in accounts without Parliamentary approval.

7.12 UNAUTHORIZED RE-ALLOCATION: AUDIT REPORT PARA 7.5

The Audit report revealed that a total of Shs 6,008,180,668 was reallocated from other expenditure items without authority. Shs 4,500,000,000 was reallocated from Recurrent expenditure to Capital development to fund the initial installment payment towards the acquisition of 25% share holding in a private company, while Shs 73,777,201 was not explained, Shs 1,508,180,668 was used to pay domestic arrears; these domestic arrears were not budgeted for. The Accounting Officer had promised to seek retrospective authority. The Auditor General advised him to expedite the process but by the time of writing audit report, no evidence had however been availed.

The Accounting Officer reported that a retrospective authority to reallocate Shs 4,500,000,000 from Recurrent to Development budget was obtained from Permanent Secretary/ Secretary to the Treasury. He confirmed that the Ministry paid Shs 1,508,180,668 to clear some of the critical domestic arrears as follows;
<table>
<thead>
<tr>
<th>Item</th>
<th>Details</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>211103</td>
<td>Allowances</td>
<td>118,537,265</td>
</tr>
<tr>
<td>221003</td>
<td>Training</td>
<td>7,324,366</td>
</tr>
<tr>
<td>221009</td>
<td>Welfare</td>
<td>3,655,050</td>
</tr>
<tr>
<td>221011</td>
<td>Printing &amp; Stationeries</td>
<td>30,362,527</td>
</tr>
<tr>
<td>222001</td>
<td>Telecommunications</td>
<td>544,768</td>
</tr>
<tr>
<td>227003</td>
<td>Haulage &amp; Freight</td>
<td>192,468,202</td>
</tr>
<tr>
<td>262101</td>
<td>Common wealth</td>
<td>155,278,490</td>
</tr>
<tr>
<td>262101</td>
<td>Contribution to IGAD</td>
<td>1,000,000,000</td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
<td></td>
<td><strong>1,508,180,668</strong></td>
</tr>
</tbody>
</table>

He noted that during the Financial Year under review there was no provision for domestic arrears in the Ministry's budget. However, it was found necessary and prudent to clear the above arrears and because of this the Ministry went ahead to clear them from relevant items. In case of allowances he said that the officers who had ended their tour needed to be paid to enable them settle down. In addition the haulage and freight charges for their household properties, had to be paid so that they could have access to them.

For IGAD, he reported that there was pressure to clear outstanding arrears to enable Government to participate in IGAD summit.

He noted that as the next host of CHOGM 2007, Government was also under pressure to clear arrears on the contribution to the Common Wealth Secretariat before the CHOGM 2005 in Malta.

He observed that some of the supplies like those of stationery had threatened to take the Ministry to court and to avoid incurring nugatory expenditure; the arrears to these firms had to be cleared.

With regard to Shs. 73,777,201, he said that he was seeking clarification from the Auditors.

The Committee noted the explanations given and decided to drop the query with warning that this should never occur again. The Committee however recommended that all domestic arrears and clearly anticipated expenditures of urgent nature, with fixed time and contractual obligations, be budgeted for in full and should be first call on the following financial year's budget.
7.13 JOINT VENTURE PROJECT BETWEEN THE GOVERNMENT OF UGANDA AND A PRIVATE COMPANY: AUDIT REPORT PARA 7.6

The Auditor General noted that the Government of Uganda represented by the Ministry of Finance, Planning and Economic Development entered into a Joint venture with a private company on the 19th March, 2006 for jointly developing, constructing, furnishing, equipping and operating conference facilities, Presidential suites and other related facilities for purposes of hosting the upcoming 2007 Commonwealth Heads of Government meeting (CHOGM) at Munyonyo under the already registered Munyonyo Commonwealth Resort Ltd. (MCRC). A memorandum of understanding expressing intent of both sides was signed on the 13th March 2006 and that preceded the Joint Venture arrangement. Consequently, a total of Shs.13, 300,000,000 had then been paid to the Private Company in respect of Government of Uganda’s contribution to the Capital of MCRC which allegedly represented the acquisition of up to 25% of the equity of MCRC. Out of the above amount, Shs.4, 500,000,000 was paid in financial year 2005/2006 while the balance of Shs.8, 800,000,000 was paid in the financial year 2006/2007. The Auditor General noted the following:

a) Creation of Limited Liability Companies by Government under the Companies Act

As pointed out, under the provisions of the Public Finance and Accountability, 2003 Act, audit could only be performed on those companies which fit the definition of “state enterprises”. Under the Act he could not audit nor does he have authority to demand accountability for 25% share holding in the joint venture. The Constitution on the other hand mandates him to conduct financial and value for money audits in respect of any project involving public funds. The Public Finance and Accountability Act which was meant to operationalise the provisions of the Constitution appeared to be limiting his mandate and therefore conflicting with the Constitution.

Audit observed that detailed provisions/procedures needed to be put in place to enable the Auditor General to audit the joint venture. Furthermore, the Auditor General did not understand the rationale of government creating limited liability companies and recommended that procedures be put in place for the formation of such companies only after the approval of Parliament.
The Accounting Officer explained that the Attorney General had provided an opinion to the effect that Government could take equity financing in a private enterprise based on the principle of national interest. A copy of the opinion was presented to the Committee.

The Committee decided to study the documents presented and found out that whatever Government does in national interest is always budgeted for and approved by Parliament. The national interest, the Attorney General quoted had no legal basis and there had no law to operationalise it. It is therefore wrong not to get Parliamentary approval for investments and Munyonyo should not be exceptional since all Government expenditures should get Parliamentary approval. The Attorney General should provide legal opinions which develop the country not those that suite a certain situation as required by the Executive.

b) Lack of Parliamentary Approval
The Auditor General reported that contrary to the Public Finance and Accountability Act, 2003 funds used for paying Government of Uganda's 25% share contribution towards the joint venture were not budgeted for but instead funds formerly intended for other CHOGM activities were used to finance the Capital Development project. The expenditure was extra budgetary and it required Parliamentary approval in accordance with Section 17 of the Public Finance and Accountability Act, 2003.

The Accounting Officer reported that Parliament approved all funds which were given under both the Recurrent and Capital Development Budget for all CHOGM 2007 activities. He noted that the responsibility for allocation to various stakeholders was vested in the CHOGM 2007 National Task Force and approved by the CHOGM 2007 Cabinet Sub–Committee, chaired by H.E the Vice President.

The Committee asked the Accounting Officer to submit the authority used for the release of the funds. The Committee recommends that all national interest investments should have Parliamentary approval and no withdrawal from the Consolidated Fund should ever be made without Parliamentary approval.
c) Lack of Certification of the Bills of Quantities

The Auditor General further reported that the Joint Venture agreement under Article 1.1 required that "upon signing of the agreement and subject to acceptable valuation, Government of Uganda (GOU) was to contribute to the capital of MCRL". However, the GOU contribution was made basing on proposed bills of quantities drawn by a private firm of Architects and Consulting Engineers. The purported bills of quantities prepared by the private firm were not subjected to independent verification by the technical Ministries of Works, Lands and Housing to enable the audit confirm its accuracy and authenticity.

Audit had recommended that the bills of quantities presented by MIL from the private firm be subjected to independent verification by the Ministry of Works to ascertain the actual project cost. A Project of civil works of such magnitude required the involvement of technical Departments of Government.

The Accounting Officer reported that the bills of quantities presented by MIL was scrutinized and approved by the Ministry of Works. The verification and certification was carried out and approved by the Chief Quantity Surveyor of the Ministry of Works and Transport. He noted that plot numbers 1047 and 1049, Kyandondo Block for 255 Munyonyo CWRL were valued by the Chief Government Valuer.

The Accounting Officer was directed by the Committee to:-

- Submit the bills of quantities of the works in question,
- The original documents of evaluation of Munyonyo, including evaluation of works and the Certificate of completion.

However, the Committee noted that Government had very little input in the Bills of Quantities. It observed that Government officials just "rubber stamped" the figures submitted by M/S Meera and Government was made to foot all the bills that developed the project. The Committee recommended that an independent qualified valuer be appointed to carry out further analysis of Government's role in this project.
d) Government of Uganda Contribution to the Joint Venture

Article 1.1 of the Joint Venture Agreement states that "upon signing of this agreement and subject to acceptable valuation, Government of Uganda shall contribute to the Capital of MCRL, thereby acquiring up to 25% of the equity of MCRL". Article 3 states that the authorized and issued share capital of the joint venture would be Shs.75,000,000. From the preliminary Bills of Quantities presented, the total estimated project cost was indicated as US$28,809,555.36 equivalent to Shs.48,976,244,112 (at the current exchange rate of 1US$ = 1,700). There was a risk of Government contributing more than the amount required to execute the project. Government needed to come up with measures to mitigate this risk.

The Accounting officer reported that Government had taken the following measures to address the concerns raised by the Auditor General:

- Any extra contribution on operational capital was to be determined by the Board of Directors. The Government representatives on the Board were given technical advice by the relevant technical Ministries i.e. Lands, Works and Finance.
- A ledger showing paid up capital was to be maintained as a measure of mitigating the risk of Government contributing more amount than is required.

He reported that Government’s holding of 25% shares represented Shs 18.75 billion of which Shs 13.3 billion had been paid by the end of June 2006.

The Committee asked the Accounting Officer to present:

- Share capital
- Share certificate of 25%
- Original copy of the ledger for the payments
- Breakdown of the Shs 75,000,000,000/= The Committee was availed with the required documents and was satisfied.
Government interests in the Joint Venture hadn’t been well protected. This had exposed Government to the risk of not realizing fully the objectives of the Joint Venture. The Audit recommended that Government of Uganda nominate Directors to the Joint Venture and a business plan be adopted. During audit discussions, the Accounting Officer had stated that Government had two members on the Board of Directors. No evidence was however provided to Audit to authenticate the statement.

On the Business plan, the Accounting Officer said that a Business Plan was being developed by the management from the feasibility study and was to be presented to the Board of Directors for consideration and approval before the end of February, 2008.

On the Appointment of Board of Directors, the Accounting Officer said that the Government of Uganda’s representation to the Board of Directors was approved in a resolution passed at the extraordinary meeting held on 21st August, 2006. They included the Permanent Secretary/Secretary to the Treasury, Ministry of Finance, planning and Economic Development and the Permanent Secretary, Ministry of Foreign Affairs.

The Committee was concerned that there was no business plan. It directed it to be put in place within one (1) month.

7.14 NUGATORY EXPENDITURE: AUDIT REPORT PARA 7.7

It was reported that a total of Shs.48,247,084 was paid to two companies in respect of storage charges for clearance of consignments of personal effects belonging to two officers formerly at Uganda’s New Delhi High Commission, two vehicles received by the Ministry from the Korea International Co-operation Agency and as Container Detention Charges. The following observations were made:-

(a) The purported consignments were not cleared within the statutory period for import declaration, thus leading to demurrage costs. The delayed in clearance of the consignments resulted into wasteful expenditure which should have been avoided, had the cargo been cleared on time. In his written reply to audit, the Accounting Officer had stated that the delay was caused by the clearing agent presenting the supporting documents late and also due to the fact that funds were released late.
Audit had recommended that the system of clearance of goods be improved to ensure reduction and elimination of demurrage charges.

The Accounting officer explained that the two (2) vehicles were donations from Korea International Cooperation Agency however; the taxes and clearing charges for these vehicles had not been budgeted for. He however reported improvement as the tax item for Government imports was then centrally managed by the Accountant General.

The Committee cautioned the Accounting Officer and directed him to always follow the Procurement Law. It recommended that in future the Accounting Officer would be personally held responsible and charged for the loss arising from costs of such delays.

b) Irregular Award of Contracts

Circumstances under which the two companies were awarded the shipment contracts was not clear. There was no proof of competitive bidding and Contracts Committee authority for these transactions, contrary to the Public Procurement and Disposal of Public Assets Act. This implied that the awards of the above shipment contracts were irregular and contravened Government regulations on procurement. Audit had advised the Accounting Officer that procurement of clearing services should as far as possible be competitively bided for, to minimize the risk of over invoicing by the Service providers.

The Accounting Officer said that these shipments originated from the Missions. He admitted that Missions did not have a Contract Committee. However, this had been since then addressed by having Missions to appoint their own Contracts Committee and pre-qualify for works, goods and services. He noted that Missions have a unique set up with some having only two (2) home based staff. He however noted that for missions where there were adequate staffs, Contracts Committees were operational. He said that the Ministry had consulted PPDA with a view of developing simplified procurement guidelines for such unique setups. The PPDA new guidelines had been laid before parliament for approval.
The Committee noted the explanation of the Accounting Officer but again directed him to always follow the Procurement Law. It noted that the Ministry should have contracted the shipping companies as the Ministry has the Contracts Committee in place. The Committee warned that any other future appointment of shippers without following required procedures will be punished under the law.

7.15 CONSULTANCY SERVICES/LEGAL FEES FOR HOSTING CHOGM: AUDIT REPORT PARA 7.8

A total of US$750,000 was paid to a United Kingdom based company in respect of consultancy services/legal fees allegedly rendered to the Government of Uganda in connection with Uganda's bid to host the Commonwealth Summit in 2007. The following observations were made: -

(a) Contrary to Sec. 81 and 83 of the Public Procurement and Disposal of Public Assets Act 2003 which requires either open international bidding or restricted international bidding for such procurement (s), it was noted that the firm was selected without competitive bidding as required by law. The criterion used to select the firm was not explained.

(b) The Auditor General was not provided with the Contract for the services rendered, to enable him ascertain the nature of services rendered and whether the terms were fair to Government.

(c) There was no acknowledgement receipts from the Company presented for audit. The Accounting Officer had explained that the award was in compliance with Sec. 85 (1) of the PPDA Act of the PPDA regulations. The Audit had informed him that the circumstances at that time did not call for the above sections as there was no emergency/exceptional situation. The Auditor General had further advised that the Contract for the services rendered together with the acknowledgement receipts from the firm, be provided for audit and that all procurements should be in accordance with the PPDA Act and regulations. The Accounting officer explained to the Committee that the political development in the country at the time on the Constitutional Reform debate had created a situation of overarch where some donor
countries were cutting development assistance and gathering momentum to deny Uganda the opportunity to host CHOGM 2007. It was therefore, a matter of extreme urgency, and if the Ministry had gone through the normal process of competitive bidding there was a real danger of losing aid and hosting CHOGM 2007 with adverse consequences on the economy. Therefore, the decision was taken in good faith to protect national interests.

The Committee observed that the procurement procedures had been faulted and that those responsible be held to answer. The Committee found out that the Minister of Foreign Affairs, Hon. Sam Kutesa is the one who appointed the firm (Huton and Williams) contrary to PPDA Act. The Contract was never cleared by the Attorney General as per the Constitution and Hon. Sam Kutesa had no authority to enter into any procurement contract for goods or services other than the Accounting Officer.

The Committee observed that:

- Hon Sam Kutesa overstepped his mandate and recommended that he should be reprimanded.
- Any future recurrence should be treated as abuse of office.
- This contract should be cleared by the Attorney General.
- The Appointment of Lawyers should have been the function of the Attorney General and not Ministry of Foreign Affairs.
- The Public relations is a function of the Missions abroad and not the Minister of Foreign affairs. It recommended that Government should equip the Missions abroad to do the publicity.

7.16 SHIPPING CHARGES: AUDIT REPORT PARA 7.9

A total of Shs.192,468,202 was paid to various officers and a shipping agent as a refund for the transportation of their personal effects upon completion of their tours of duties. Some payments were however found to have been made directly to the Officers instead of the Shippers. Audit was therefore, unable to confirm whether the refunds were authentic. Furthermore, there was no evidence provided to show that the shipping agent used was approved by the Ministry's Contracts Committee through competitive bidding. The possibility of inflated and doubtful bills being presented for refund could not be ruled out.
The Accounting Officer submitted that of the Shs 192,468,203, Shs 171,967,492 were paid directly to AGS Fraser's International, the sole Government mover-shipping company at the time and other amount was paid directly to the individuals as refunds. The refunds to officers were pre-audited before payment and this saved Government money which would otherwise had been paid through accumulation of demurrage charges.

The Committee demanded for proof of payment for Shs 192,468,202. It directed that the documents to be submitted to the Committee for Auditor General to verify. The Committee warned the Accounting Officer to have prequalified shippers to get competitive prices.

7.17 CHOGM SECRETARIAT: AUDIT REPORT PARA 7.10

In order to ensure proper co-ordination of activities related to the smooth hosting of the CHOGM Summit in Kampala, the Government of Uganda established a Secretariat headed by the Executive Director to oversee its preparations. Examination of the available documents however revealed the following:-

a) Lack of Approved Staff Structure

The Secretariat did not have an approved staff structure and the terms under which they were working were not clear. The absence of an approved staff structure and related terms and conditions of service limited the scope of audit for the payments then made.

The Accounting Officer explained that at the time of audit, the approval of the CHOGM 2007 staff structure was being finalized and the Terms and conditions had then been approved by Ministry of Public Service.

The Committee asked the Auditor General to audit the structure and report.
b) Payment of Duty Facilitating Allowances

A total of Shs.290, 232,000 was paid to various members of the CHOGM task force as duty facilitating allowances. However, the scope of audit was limited as Audit could not confirm whether the amounts paid were commensurate with the actual duties performed since vital records such as minutes of various committee meetings, attendance registers and actual/performance reports were not availed for audit. Furthermore, contrary to Sections 18, 19 and 21 of the Income Tax Act, a total of Shs.87,069,600 was not deducted from the beneficiaries, as PAYE and remitted to Uganda Revenue Authority.

The Accounting Officer regretted that the omission of not deducting of Shs 87,069,600 as P.A.Y.E. He said that he had consulted with Uganda Revenue Authority on PA.Y.E deductions and Provisional schedule of recovery was being developed from the individual beneficiaries. He further submitted that the records such as minutes of various meetings, attendance registers and actual performance reports for Financial Year 2005/2006 were then available for audit.

The Committee asked the Accounting Officer to provide it with the list of the beneficiaries and proof of the demand notes to pay P.A.Y.E. The copies of various Committees meeting minutes, the list of the task forces and their remuneration per persons be submitted. The Committee further directed that the Accounting Officer should recover Shs. 89,069,600 from the concerned officers within one (1) month.

7.18 DISTURBANCE ALLOWANCES: AUDIT REPORT PARA 7.11

The Auditor General noted at Section 19 (1) (a) of the Income Tax Act defines Employment Income as “Any income derived by an employee from any employment and includes any wages, salary, leave pay, payment in lieu of leave, overtime pay, fees, commission, gratuity, bonus, or the amount of any traveling, entertainment, utilities, cost of living, housing, medical, or other allowance”. A total of Shs.244, 949,000 was paid to various officers who completed their tours of duties abroad to enable them settle on return. However, by the above definition, the amount paid qualifies as employment
income and therefore should have attracted PAYE amounting to Shs.73,484,700 which was not the case. The Ministry could face serious consequences from Uganda Revenue Authority for its failure to comply with regulations. The Accounting Officer had stated to audit that he was consulting Uganda Revenue Authority on the matter. The Auditor General advised him to expedite the consultations and conclude the matter.

The Accounting Officer explained to the Committee that there was an ongoing review of the allowance based on the UN Cost Living Index and said that the whole issue would be sorted when that matter is resolved.

The Committee directed that Shs. 73,484,700 PAYE be deducted from the officials concerned immediately within one (1) moth.

7.19 DOUBTFUL EXPENDITURE: AUDIT REPORT PARA 7.12

The Auditor General was reported that the Ministry spent a total of Shs.140, 000,000 on Pan African Movement (PAM) related activities, of which Shs.120,000,000 was allegedly paid to PAM as Government of Uganda’s contribution and Shs.20, 000,000 to a private individual in respect of office rent of the space occupied by the PAM Secretariat. It was noted however that the criterion used for determining the contribution/subscription was not explained. The purported rent payment lacked Government Valuer’s report to indicate the rental value of the premises.

Furthermore, the presidential directive putting PAM under the Department of Regional Co-operation in the Ministry of Foreign Affairs required operationalisation by the Ministry of Public Service into the new Ministry structure which was not done.

In his written reply to audit, the Accounting Officer had stated that the value of the contribution was a Presidential directive and that the Organization in question was already in the premises by the time of the contribution thus the lack of Government valuer’s report. The Audit had recommended that the Ministry liaises with the Ministry of Public Service to regularize the existence of the Secretariat in the Ministry structure. Audit had also advised that a proper mechanism for determining the Government of
Uganda contribution be developed, so that in future other Government organs are involved in areas of their specialization i.e. the Government Valuer in time.

The Accounting Officer explained that Pan African Movement, to which H.E. the President was the patron, was a Non Governmental Organization and hence could be integrated into the Government structure. He said that H.E. the President had made a contribution of Shs 140,000,000 to activities of Pan African Movement (PAM) Secretariat of which Shs 20 million was for rent. He noted that he had written to the Permanent Secretary Ministry of land Housing and urban Development to request the Chief Government Valuer to value the premises.

The Committee observed that there was no structure in place for PAM and noted that there was need for the Auditor General to audit all the accounts of PAM. The Chief Government Valuer should also value the PAM premises to determine the rent.

The Committee further recommended that PAM should be based at the African union so that their contributions are directed to African Union. H. E the President should also be advised that the contribution of PAM will be directed to African Union. This should be clearly stated in the budget process of Ministry of Finance, Planning and Economic Development.

7.20 PAYROLL: AUDIT REPORT PARA 7.13

Examination of the Ministry's payroll revealed a number of irregularities as shown below: -

(a) Officers with Expired Contracts
Contrary to Regulations, a number of officers had their contracts expired but continued in service. Some of the contracts expired way back in 2001 and had never been renewed. The continuous stay of these officers in service without valid employment contracts was considered irregular and should have ceased immediately. The Auditor had recommended that the Ministry liaises with the Ministry of Public Service to have the officers' contracts renewed or the officers be advised to relinquish their duties.
The Accounting officer said that all officers whose contracts had expired have had their contracts renewed.

The Committee asked for the list of expired contracts pending renewals to be submitted and recommended as follows:-

(i) All moneys paid to officers with expired contracts be recovered.
(ii) The persons in question be removed from the payroll immediately.
(iii) CID to follow up and report
(iv) In future anybody found in office without valid contract should be held for theft and impersonation.

(b) Under Staffing

The Auditor General reported that a number of Departments at the Headquarters and the Missions abroad were under staffed. This had undermined service delivery and promotion of commercial diplomacy. Audit had recommended that the staffing gaps identified, be filled in order to realize efficiency.

The Accounting Officer reported that vacant positions identified in the Headquarters and Missions abroad had been filled.

The Committee asked the Auditor General to verify to confirm whether the positions had been filled and report.

(c) Unapproved Positions and Over Staffing

The Auditor General also reported that although some departments and Missions were understaffed as seen above, others had unapproved positions and in some cases were over staffed. The existence of unapproved positions and over staffing rendered some staff redundant and had also constrained, the scarce resources available to Missions. The Audit had recommended to the Accounting Officer that staff rationalization be carried out with the view of ensuring efficient allocation of staff in the respective departments and Missions abroad.
The Accounting Officer observed that in order to keep up the pace, with the dynamic global trends, staff rationalization both at Mission and Headquarters was being carried out in consultation with the Stakeholders like Ministry of Planning and Economic Development and Ministry of Public Service.

The Committee asked the Accounting Officer to put in place an ideal approved structure in each mission within two (2) months.
8. MINISTRY OF JUSTICE AND CONSTITUTIONAL AFFAIRS

8.1 DELAYS IN SUBMISSION OF FINANCIAL STATEMENTS (2005/06): AUDIT REPORT PARA 1.2

The Auditor General noted that section 31(a) of the Public Finance and Accountability Act 2003, requires Accounting Officers to prepare and submit financial statements for their Ministries/Agencies to the Office of the Auditor General’s for audit within three months after the year end (by 30th September). It was however noted that the Ministry did not submit its financial statements on time as required and therefore did directly impacted on the operations of audit. This was partly due to laxity by the Accounting Officer to have the accounts prepared on time. It was also attributed to capacity gaps in the accounting functions of the Ministry and Agencies.

The Accounting Officer insisted that the Ministry’s Accounts were submitted to Treasury before the deadline of 30th September, 2006. He reported that after audit of Treasury Accounts by the Auditor General, the Ministries was requested to make adjustments in their financial statements and that it was probable the date of resubmission of adjusted accounts was the one noted by the Auditor General as opposed to the first date of submission of the first copies.

The Committee noted that the delay was a result of the Ministry joining IFMS system when it was not conversant with the system. The Accounts submitted therefore had errors which were reflected by the system and had to be returned for correction.

The Committee directed that the accounting staff should learn IFMS urgently and such delays should never be repeated.

8.2 STORES CADRE: AUDIT REPORT PARA 1.8.

A review of staffing of Stores cadre in a sample of Ministries revealed inconsistencies in the management of the Stores cadre.

There was no system of on-job training to equip existing staff with new methods of work. There was also no clear standard of qualification, job description and documentation to enhance stores
management. As a result, there was inadequate staffing, poor record keeping, loss of stores and unrestricted accessibility to confidential information. It appeared that the stores function in Government had been underrated and thus had not received enough attention in terms of training and staffing. Audit had recommended that the Ministry of Public Service and other stakeholders should come up with a clear policy to govern stores management in terms of staffing, qualification, job description and training. This is to ensure a proper safe guard of the Government assets.

The Accounting Officer noted that much as the Ministry was affected by the issues identified by the Auditor General, it was the responsibility of Ministry of Public Service to come up with measures to address the concerns. He said that the Ministry stores were then poorly staffed and were managed by the Office supervisors. He noted that store records were being maintained in the Stores registry and that the receipts and deliveries were recorded and releases noted.

The Committee noted the gaps in the stores of the Ministry and asked the Accounting Officer to submit records of June and May 2006 (Stores Management) i.e. receipts, issues and delivery notes to the Auditor General to verify if they comply to good stores management. The Committee further recommends that the Accounting Officer should employ qualified Stores cadres within three (3) months as the Committee had already agreed to this with the Ministry of Public Service to avoid further losses of Government assets.

8.3 DOMESTIC ARREARS AND CONTINGENT LIABILITIES: AUDIT REPORT PARA 1.12.

The Auditor General reported that the Consolidated domestic arrears as at 30th June, 2006 for Ministry of Justice stood at Shs 20,766,605,675. The Audit noted the need for the Accounting Officer to comply with Government regulations and desist from continually incurring domestic arrears.

The Accounting Officer explained that the arrears attributed to the Ministry were composed of unpaid court awards and compensation of cases managed by the Ministry.
He noted that the Ministry had then in place a Sectoral Policy to reduce Domestic Arrears to the effect those commitments would reduce and also reduce arrears by 25% each FY starting with FY 2007/2008.

He noted that in the past, budgeted funds in any given year had not been sufficient to pay off case that had been fully decided. In particular year, thus the inevitable accumulation of arrears. He reported that Government had in the financial year 2007/08 provided Shs. 38. 75 billion towards settlement of court awards and compensation arrears.

The Committee asked the Accounting Officer to submit the list of payables indicating the names, cases involved, amounts paid and dates of award of such payments. The Committee also asked the Accounting Officer to give details of settlements made in 2005 and those in 2006. These were availed and the Committee noted the following:-

(i) The last commitments were being paid first leaving out the earlier commitments.
(ii) The rates charged seemed to have been on a higher side implying that they had not been any negotiations.
(iii) There were cases which could have been avoided if due care was taken.

The Committee recommends that:-

(i) Payment should be done on the basis of first in first out (FIFO).
(ii) The Ministry should have a strong negotiating team to handle cases and staffs involved should be trained in negotiating skills.
(iii) The Ministry should avoid going to court for the sake of it.
(iv) The Auditor General should audit these claims and submit the report.
(v) The officers who fault the Government laws and regulations leading to such cases should be held personally liable for these cases and should be surcharged and removed from public service immediately.

On the Contingent liability the Accounting Officer reported that the Ministry had taken some measures to address the matter reported by the Auditor General. These included;

(i). Creation of regional offices to provide legal services to local authorities.
(ii). Conduction of seminars for Accounting Officers of Central and Local Governments to educate them on Compliance with the law and Management of Government contracts.

(iii). At the initiation of the Attorney General’s chambers, Desk Liaison officers had been appointed in all Central Government Ministries and Agencies to liaise with the Ministry on issues of litigation.

The Committee recognized these efforts.

8.4 LOSSES: AUDIT REPORT PARA 1.14.

The Auditor General reported that the loss of the Ministry vehicle UG 01355 was not reported on the final accounts.

The Accounting Officer explained that the loss was a result of the riots which had engulfed Kampala at the time. He however noted that all the necessary steps were taken to report the loss to the Permanent Secretary/Secretary to Treasury, Auditor General and the Police in accordance with PFA 2003. He regretted that it was an omission on his part not to have reported in the final accounts.

The Committee warned the Accounting Officer against such omissions and warned that for any future occurrence of such he will be held for incompetence. The Committee recommends that the Accountant General should adjust the accounts taking into consideration, this loss.

8.5 PAYABLES: AUDIT REPORT PARA 8.2

The Auditor General reported that the statements of financial position of the Ministry indicated payables amounting to Shs.20,766,605,675 at the end of the financial year. However, both the schedule and detailed information relating to the liability indicated total payables of Shs.63,871,374,390. The Accounting Officer had explained to audit that the difference of Shs.43,104,768,715 represented bills that could not be committed on the IFMS system due to lack of funds and that the Accountant General had been consulted for advice.
The Accounting Officer explained that because of the principle of disclosure, the Ministry had to give a total liability of Shs 63,871,374,390 in the schedule. He however noted that out of this total, Shs 20,766,606,675/= were verified payables and had been captured on the IFMS and hence were appearing on the statement of Financial position.

He however noted that the payables relating to a figure of Shs. 43,104,768,185/= were subjected to verification by a special audit team set up by the Accountant General. He said that on finalization of the audit exercise, the verified figures would then be posted on to the system (IFMS).

The Committee noted that the answer of the Accounting Officer was not satisfactory and directed the Accounting Officer to review the query further and provide a better answer. On failure to provide sufficient answer, the Committee decided as follows:-

(i) The Accountant General confirms this insertion in the Account.
(ii) The Auditor General audits the total liability of Shs. 63,871,374,390 to confirm if there is a basis.
(iii) After the agreed position, the accountant General should adjust the accounts accordingly and the Ministry of Justice should budget for all the arrears to avoid further penalties.

8.6 DEBT SWAP ARRANGEMENTS BETWEEN GOVERNMENT AND UTL: AUDIT REPORT PARA 8.3

The Auditor General reported that over the years, Government had accumulated bills in respect of telephone services provided by former UPTC. On the other hand, UTL had inherited bills in form of loans extended to it by Government of Uganda (GOU) through on-lending agreements. A decision was reached in which bills would be cleared through the debt swap system. Subsequently, four debt swap agreements were signed between GOU and UTL between the period 1997 and 2001.

At the end of every swap the balance would be carried forward. At the end of the last swap (4th swap) there was a balance of Shs.2,034,944,951 in favor of UTL. Meanwhile, Government institutions continued to accumulate telephone bills which resulted in a civil suit by UTL against GOU claiming Shs.16,093,088,688. The bill was purportedly accumulated by forty (40) GOU institutions for the period ranging from the financial years 1999/2000 to 2003/2004. Government of Uganda then signed a mediation settlement with UTL and agreed to pay Shs.12,068,633,305 leaving the balance of
Shs.4,024,456,383 to be paid after audit verification. Payment of the undisputed amount had since been made. An independent audit was carried on these payments and revealed the following:-

a) Lack Of Independent Verification Of The Bills Swapped
In the first three debt swaps, the Debt Settlement Committee independently verified the figures that were swapped. This was however not the case with the fourth swap, the bills swapped appeared therefore not to have been verified by any recognized government body and were doubtful.

b) Understatement of Receipts by UTL of Shs.10,031,021,440
While the statements indicated that UTL received Shs.2,942,287,416 during financial year 2003/2004, a record of payments from Uganda Computer Services and corroborative information from the institutions concerned indicated that Shs.12,973,308,856 was actually paid during the same period. UTL did not therefore acknowledge receipt of the difference of Shs.10,031,021,440. This therefore indicated an overstatement of the UTL claim by Shs.10,031,021,440 which needed to be explained with proper supporting evidence.

c) Disputed Claim
The claims amounting to Shs.144,519,955 were objected to by two institutions which challenged UTL to justify the claims. However, there was no indication that UTL responded to these objections. The claims were however maintained. In absence of clearance to the objections, the claim was overstated by the amount. The institutions were:-

- Ministry of Gender, Labour and Social Development 110,000,000
- Mulago Hospital 34,519,955
Total 144,519,955

d) Unexplained Previous Swap Claims
Included in the claim that resulted in a mediation settlement was an amount of Shs.4,911,854,046 relating to the financial year 1999/2000. However, further investigation into the history of the claim indicated that this amount had been settled in the previous debt swap agreement (Swap IV) that was signed in the year 2001. This debt swap agreement covered the period ending 30th May 2001. The period 1999/2000 fell within the period for which debts had been swapped. Unless a proper explanation
was received, this claim appeared to have been double paid and needed to be recovered. The Auditor General had advised the Accounting Officer to investigate the above findings and take necessary action.

The Accounting Officer explained that the Ministry wrote to the advocates of UTL requesting them to explain the issues raised by the Auditor General and that the Ministry had also written to the Ministry of Finance Planning and Economic Development to give appropriate answers to this query.

The Committee asked the Auditor General to further investigate the matter and report. However, the Committee recommends that UTL should refund the following money within one (1) month.

(i) Understated receipt of Shs. 10,031,021,440/=  
(ii) Double payment of Shs. 2,942,287,416/=  
(iii) Overstated claim of Shs. 144,519,955/=  
(iv) Claim paid in 2001 under Swap IV and claimed again of Shs. 4,911,854,046/=.

Therefore, total refund due to Government by UTL is Shs. 18.2 billion.

8.7 DIRECT PROCUREMENT OF VARIOUS ITEMS WITHOUT DUE JUSTIFICATION: AUDIT REPORT PARA 8.4

The Auditor General noted that Public Procurement and Disposal Act provides that procurement of all items should go through competitive bidding process unless exceptional circumstances do not permit a competitive method to be used (S.85). However the Ministry procured motor vehicles worth Shs.397,529,880 using direct procurement (sole source) method without demonstrating that those exceptional circumstances existed at the time. Below were details of the purchases: -
<table>
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<th>Voucher No.</th>
<th>Cheque No</th>
<th>Payee</th>
<th>Items Purchased</th>
<th>Amount</th>
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<tbody>
<tr>
<td>D61/6/06</td>
<td>000394</td>
<td>TATA (U) LTD</td>
<td>Two (2) TATA trucks</td>
<td>129,965,000</td>
</tr>
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<td>TOYOTA (U) Ltd</td>
<td>Toyota Land Cruiser GX.</td>
<td>50,366,420</td>
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<td>&quot;</td>
<td>32,780,000</td>
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<td>000368</td>
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<td></td>
<td>57,233,460</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td></td>
<td><strong>397,529,880</strong></td>
</tr>
</tbody>
</table>

The Auditor General observed that using direct procurement denied the Ministry an opportunity to shop around for cheaper or better goods from other suppliers. The Accounting Officer had regretted to audit the mistake of single sourcing and had promised to desist from this practice in future, but added that in regard to TATA trucks; there were exceptional circumstances that made them preferable under single sourcing. The Accounting Officer was advised to always adhere to the established procurement regulations.

The Accounting Officer explained that the exceptional circumstances that made the Ministry prefer TATA trucks procured for Uganda Prisons Service under JLOS, were as follows.

- The Uganda Prison Service had been procuring and dealing with TATA trucks for a period of over 20 years.
- The Uganda Prison Service had trained specialized mechanics in the repair of TATA Trucks.
- The TATA trucks had low fuel consumption and were cheaper to maintain.
- Their performance in up-country prisons had been and were superb.
- TATA Trucks spare parts were easily obtainable on the local market.
- The Authorized dealer (M/S TATA (U) LTD) were cooperative in regard to payment terms i.e. delayed settlement of purchased vehicles.
- In line with the standardization, the Uganda Prisons Service already had a fleet of 65 TATA trucks.
The Committee noted that the Accounting Officer had committed an error and needed to be sanctioned for faulting the rules. He was directed to follow PPDA regulations in all transactions in the Ministry. The Committee also asked the Accounting officer to submit the capacities of the vehicles in question. The Committee recommended that the Accounting Officer gets PPDA waiver for single sourcing and Public Service clearance of excess and capacity of the vehicles. The Committee also recommended that the Accounting Officer be disciplined by the Ministry of Public Service for faulting the laws.

8.8 PART PAYMENT FOR A CONTRACT TO PARTITION THE DEPARTMENT OF ADMINISTRATOR GENERAL’S OFFICE: AUDIT REPORT PARA 8.5

The Auditor General reported that a contract was signed between Ministry of Justice and a local company to partition the office of the Administrator General, at a contract price of Shs.93,817,398, but later revised to Shs.117,271,748. According to the agreement the Ministry was to pay 50% of the contract as a down payment before commencement and to pay the balance after the completion. A payment of Shs.11,150,198 was made to the company during the year. The following observations were noted:-

a) Contract Duration
The contract agreement did not specify the duration of the contract, up till then the work had not been completed over 1½ years later.

b) Incompetence of the Contractor
Physical verification of the work revealed some level of incompetence on the part of the contractor. It was observed that while the contractor claimed to have been frustrated due to slow payments, the work done then did not appear to match the payments. Also the fact that work could not continue without further advance being made indicated a possibility of financial incompetence. Moreover there was no evidence of work certification by Ministry of Works’ technical staff.

c) Revision of Contract Price
Revision of the contract price was an extra burden on the taxpayer. It was noted that while the revision had been accepted, no evidence was available to show that the reasons for the revision were being addressed implying that a further revision was still possible.
The Accounting Officer explained that the Ministry had revisited the contract performance for partitioning of the office of the Administrator General and realized that there were management and administrative shortcomings on the part of the Ministry. This was caused by the inadequate funds and the urgency to partition the Offices. He said that several consultative meetings with the contractor had been held and as a result of this, partitioning of the 2nd floor had been completed and that the process of completing the remaining floor was then going on. Copies of the contract bill of quantities and procurement process were presented to the Committee.

The Accounting Officer however regretted the non specification of the duration of the contract in the agreement, but expressed the Ministry's commitment to review the contract to ensure non occurrence of similar loopholes and to guarantee a conclusive execution.

The Committee asked C.I.D. to investigate the matter and report. The Committee was concerned on how the Attorney General cleared these contracts that were proving bad for his own Ministry. It was noted that he should have taken care of the loopholes in the agreements.

The Committee recommended that future contracts be cleared by competent people, loopholes be identified in time and be sealed. It warned against clearance of poor contracts, and that concerned officers will be held for theft and abuse of offices.

8.9 RECOGNITION OF CONTINGENT LIABILITY: AUDIT REPORT PARA 8.6

The Auditor General noted that the Ministry did not have a clear system of recognizing Contingent liabilities nor was there a system to identify when the liability crystallized into payables. The practice in the Ministry was that files were reviewed by the officers of the department of civil litigation whenever information was required and a schedule was made. The implications however, were that some contingent liabilities would not be captured. The Auditor General had recommended a ledger system to record all contingent liabilities. The Auditor General had also noted that it was also important that a system of recognition of continent liabilities be instituted which would among other things specify the
point of recognition and also detail processes for proper recording and documentation. The Accounting Officer had concurred with the recommendations and hoped that with the installation of the court awards/compensation computer system then underway, the recommendation would be implemented. The Auditor awaited completion and implementation of the system.

The Accounting Officer submitted that a data base, known as Attorney General Chamber's case Management System had been created with a provision for Contingent liability. The final accounts effective FY 2007/2008 would reflect this Contingent liability.

The Committee recommends that the Accounting Officer should before the software takes off, maintain the records manually and properly. The Committee also recommends that the contingent liabilities should be separated from likely liabilities. The Committee further recommends that the Auditor General should verify these contingent liabilities and report accordingly.

8.10 ADMINISTRATOR GENERAL—OUTSTANDING ISSUES: AUDIT REPORT PARA 8.7

a) Follow-up Issues
i) Estate Management

The Auditor General had in his earlier reports, noted the need for Office of the Administrator General to have an estate manager to take control of the assets/properties administered by the Administrator General. While the response had been that the issue was being handled by the Ministry of Public Service, there was no fresh evidence of follow up to ensure that the issue was sorted out. There appeared laxity on the part of management in addressing the problem.

The Accounting Officer submitted that the post of Estates Officer has been created but awaited restructuring of the Administrator General's Department. He reported that as a stop gap measure, this responsibility had been assigned to an Officer to perform in addition to his other specified duties. He said that an Assets register of rentable estates had been established.
The Committee recommends that recruitment of a qualified Estates Manager should be done immediately as they await the restructuring of the Ministry. This will reduce the losses being incurred to the beneficiaries. The Committee further recommends that the rent should be paid at the current market price.

**ii) Revenue records**

As had earlier pointed out, there was lack of relevant revenue control ledgers and this was an impediment to proper revenue management at the department. It was noted that existence of such records, would enhance control regarding the expected revenue, the actual collections and the balances outstanding at the end of every financial year. This would further give reasons why some revenues had not been collected and solutions would be sought.

In the same report, Auditor General had recommended the need for computerization of the records management to which management had responded by indicating that serious steps had been taken address the matter. The response indicated that the department had been identified to be comprehensively funded under the Justice, Law and order sector (JLOS) during the second 5-year strategic investment plan (2006/2007 - 2010/2011).

The response further revealed that as a start, a comprehensive baseline survey of the department would be conducted to identify the bottlenecks to be addressed. However, evidence to show serious commitment could not be sited. Audit had recommended that, the estates management and revenue records be streamlined urgently to avoid losses.

The Accounting Officer reported that the Ledgers had been opened up and he was optimistic that with the recruitment of the Estates Officer, revenue ledgers would be managed effectively.

The Committee asked the Accounting Officer to submit the list of all unclaimed estates. The Committee also directed that the list of Estates with unclaimed funds be published on the media.

The Committee further recommended that each asset should have its revenue control ledger which is updated on monthly basis. None compliance with this will be treated as fraud and the official responsible will be held for corruption. The Committee directed that these ledgers be updated within two (2) months.
• International Organizations are under Ministry of Foreign Affairs not Ministry of Finance, therefore Shs. 2,935,949,850 should be transferred to Ministry of Foreign Affairs.
• Outstanding arrears should be paid immediately.

9.6 PAYABLES: AUDIT REPORT PARA 9.2

The Auditor General reported that out of payables of Shs 55,556,650,911 the supporting documents totaling Shs 3,268,237,328 could not be verified.

The Accounting Officer submitted that at the time of audit, payables totaling Shs 3,268,237, 328 could not be availed for verification because they had already been settled as arrears in the F/Y 2006/7 and were thus attached to the payment vouchers. This delayed retrieval of the supporting documents but were later submitted for verification.

The Committee requested the Auditor General to verify all these documents and report accordingly. The Committee further asked that the Accountant General to confirm that Shs. 3,268,237,328 was part of 2005/06 not 2006/07.

9.7 BORROWING FROM BANK OF UGANDA: AUDIT REPORT PARA 9.3

The Audit report indicated that figures included in the borrowing from Bank of Uganda was an overdraft totaling Shs.4,231,364,000. He was not aware whether Parliamentary approval was obtained for the loans incurred. The Accounting Officer in her written response had explained that she had requested for supplementary funding of Shs.4,231,364,000 which was in favour of the defunct Uganda Airlines as charges to IATA. The Auditor General was waiting for supporting documents for the loan and evidence of the approval of Parliament.

The Accounting Officer explained that the overdraft of Shs 4,231,364, 000 was used to clear the debt which the defunct Uganda Airlines Corporation owed to IATA. She noted that during discussion of the audit Report for the F/Y 2004/05 with the Public Accounts Committee, the Accounting Officer was advised to apply for supplementary funding to pay Bank of Uganda. This was done but it had been proposed that the overdraft be included in the domestic arrears. She admitted that the payment should
the Accounting Officer to investigate this further with a view of recovery and taking other appropriate administrative action.

The Accounting Officer said that Bundibugyo Teachers arrears were for the period 1993/4 to 2004/5. She explained that the repetition of particulars of some beneficiaries arose out of claims relating to different financial years. Other staff had the same names as indicated in the clarification from Chief Administrative Officer of Bundibugyo.

The Committee was not convinced with the explanation given and demanded that actions be taken against the official; the then CAO of Bundibugyo and recover the money. Secondly CID should follow-up the matter with intention of instituting criminal charges on the CAO and any other officer(s) involved.

- **Wakiso District:**
  Furthermore, salary arrears amounting to Shs 173, 993,417 were disbursed to Wakiso District in May 2006. The Auditor however noted that unlike other stations where individuals wrote specifying reasons and the period over which they were not promptly paid resulting into arrears, the District did not have written claims from teachers. Although photocopies of teachers’ identity cards were attached, several cases were identified where signatures of the holders of these copied identity cards significantly differed from signatures of individuals receiving the money. Other beneficiaries did not have copies of identity cards attached. There was a risk that Government could have lost funds due to lapses in follow up of accountabilities.

  The Accounting Officer had explained that the variances in signatures had been drawn to the attention of the Accounting Officer concerned and an answer was being awaited. The Auditor had advised the Accounting Officer to closely monitor and supervise disbursement and ensure proper accountability of all funds released for salary arrears.

  The Accounting Officer admitted that Shs 173, 993,417 was disbursed to Wakiso district for salary arrears. She said that the teachers were required to fill in claim forms and not written claims. The Ministry was informed that some teachers authorized colleagues to collect their salary arrears from the District Head quarters. This caused the variance in the signature. She further reported that some
teachers did not have identity cards attached to the payment schedule because of lack of photocopying services in the district. They would however show the identity cards to the paying officer.

The Committee asked the Accounting Officer to follow up this case further and investigate the concerns of the Auditor General and report within two (2) months.

The Committee recommends that deduction should be made from their district votes and the CAOs then should be held liable for abuse of office.

(b) Payment To a Foreign Consultancy Firm

The Auditor General reported a total of Shs.547, 500,000 was paid to a Commercial bank in settlement of outstanding bills to a foreign company for consultancy services rendered to the Ministry. At the time of audit, the amount remained unaccounted for.

The Accounting Officer confirmed that the Ministry paid M/S Whittaker group, for consultancy services during the period under review. She said that at the time of audit, there was no accountability for the payment in terms of performance reports. The consultant however had since submitted relevant documentation and indicated their deliverables as accountability for this payment.

The Committee demanded for original receipts and evidence of payment of taxes on these bills. The Committee also observed that this contract had no deliverables and had never been cleared by the Attorney General as required by the Constitution. It was signed by the Minister of Finance, Planning and Economic Development. The Committee also found that the procurement of these services never followed PPDA Act.

The Committee recommends that:-

(i) Hon. Dr. Ezra Suruma be held for flouting the PPDA Law and the Constitution of Uganda.

(ii) The Services of M/S Whittaker group should be subjected to Ugandan Laws.
9.9 PAYMENT OF TAXES: AUDIT REPORT PARA 9.5

(I) Duty and VAT Taxes paid on behalf of Non-Governmental Organizations (NGOs)

The Auditor General reported that during the year under review, the Ministry settled VAT and duty tax claims of various Non-Governmental Organizations. Shs.18,930,488,415 was paid to Uganda Revenue Authority in this respect. However, the basis and criteria used to select NGOs that benefited from the scheme was not explained. As a result, The Auditor was not able to ascertain the legality and regularity of these transactions totaling Shs.18,930,488,415. The Auditor had advised management to ensure that they came up with a clear policy guideline and procedures for implementation of the scheme. During audit discussions, the Accounting Officer had stated that the policy was available for audit. None was however provided for verification.

The Accounting Officer confirmed that the Ministry paid Shs 18,930,488,415 in taxes and duties for different Organizations. She said that the selection of NGOs that benefit from this Government scheme was based on the following criteria:

- Agreements and protocols signed between Government of Uganda and other Governments or NGOs to support various activities e.g., USAID/VOCA, SNV, Danida, and World Vision among others.
- Religious Organizations and Institutions indicated in the first schedule of the VAT Act (CAP 349)

The Committee asked the Accounting Officer to submit a more detailed report on what basis this criteria was based on to enable the Auditor general to verify and report on this within a period of one month.

(II) VAT Payments on Behalf of Hotels

The Auditor General submitted that a sum of Shs 645,677,433 was paid to Uganda Revenue Authority in respect of VAT on behalf of hotels. However, payment was effected without attaching bills of quantities, detailing items and quantities imported. As a result the Auditor could not ascertain whether imports paid for, qualified for tax rebate.
The Accounting Officer confirmed that the Ministry paid Shs 645,677,433 to Uganda Revenue Authority in respect of VAT for various Organizations. However, this amount was paid on behalf of organizations with which Government had signed protocols e.g. ACDI VOCA (USAID) and other specific exemptions granted by the Ministry for construction of the National Mosque, BIDCO palm oil and other NGOs. She reported that the requirement for the provision of Bills Of Quantities (BOQs) was specifically for Hotel construction.

She however noted that Bills of Quantities existed in respect to the Hotels for which Government had paid taxes for construction and input materials. She said that the internal Audit of the Ministry verified BOQs invoices, bills of lading, packing lists and authority letters. It was upon confirmed verification that the deferred tax commitment forms were signed and forwarded to the Accountant General for verification, and payment.

The Committee asked the Accounting Officer to submit the said bills of quantities detailing items and quantities imported for all hotels and are to be verified against these bills. This was done and the Committee awaits the verification report of the Auditor General.

(iii) Donations

The Auditor General reported indicated that taxes amounting to Shs.92,703,500 were paid in respect of four vehicles imported for an NGO. There was however no evidence that one of the vehicles costing Shs.13,945,715 was delivered and registered in the names of the NGO. The Auditor General requested that this matter be investigated with a view of having the funds recovered or the delivery, be effected.

The Accounting Officer confirmed that the Ministry paid taxes amounting to Shs 92,703,500 on behalf of Uganda Muslim Supreme Council (UMSC) for donation of motor vehicles for use by the different Council Departments. She said that URA was to ensure that all the vehicles were registered in the names of UMSC.
The Committee directed the Accounting Officer to write to the Secretary General UMSC to ascertain if the fourth car was delivered and registered. It also directed that, the exemption process be clarified and made transparent.

(iv) Payment of PAYE for Employees of a Private Company

The Auditor General reported that taxes worth Shs. 291, 219,483 relating to PAYE for the employees of a local company, for the period prior to July 2001, were paid by the Ministry in June 2007. Audit however noted that the statutory instrument on which the payment was based had expired way back in June 2001. Audit wanted know under what circumstances this payment was made.

The Accounting Officer admitted that the Ministry paid taxes worth Shs 291,219,483 as PAYE for employees of Excel Construction Company. She reported that there was an existing statutory instrument, where the waiver had been granted. This was based on a commitment by Government of Uganda (GOU) to exempt the staff from PAYE. A statutory instrument was issued but by the time of enactment of the Income Tax Act 1997, the instrument had not been gazetted. Since the law under which the instrument had been repealed could not allow gazeteting to take place and in order to ensure the continuation of the accrued benefits, Government decided to pay the tax.

The Committee directed that the Permanent Secretary/Secretary to Treasury to recover the said amount from Excel Construction Company within one (1) month.

9.10 CONTRIBUTIONS TO INTERNATIONAL ORGANISATIONS: AUDIT REPORT PARA 9.6

The Auditor General reported that the Ministry made payments totaling Shs.6, 326,183,503 as contributions to various International Organizations including UNDP, African Regional Centre for Technology (ARCT), African Caribbean and Pacific Group of States (ACP) and Commonwealth Fund for Technical Co-operation (CFTF) without copies of protocol agreements together with the cabinet decisions as support to the payments. Although Government's contribution to the International
Organizations was very significant, there had never been any attempt to assess their impact or outcomes to justify Uganda’s continued subscription. Audit had advised that inter-ministerial mechanisms of evaluating outcomes be instituted.

The Accounting Officer confirmed that the Ministry had paid Shs 6,326,183,123 as contribution to various International Organizations like the UN, African Regional Centre for Technology (ARCT), African Caribbean and Pacific states (ACP) and the Commonwealth. She reported that Government had protocols with these Organizations and the Ministry was therefore obliged to settle the country’s contribution to the Agencies.

The Committee directed that these protocols be submitted. The Accounting Officer was also asked to provide details of the payments made and a report on an impact assessment of the payments to the International Organizations in question within two(2) weeks. This was done and the Auditor General was asked to verify and confirm if there is no double payments through Ministry of Foreign Affairs and also to also to confirm if these were not arrears in the Ministry of Foreign Affairs.

9.11 BRIDGE LOAN TO A PRIVATE COMPANY: AUDIT REPORT PARA 9.7

The Auditor General reported that the Ministry paid a sum of Shs.560,000,000 equivalents to US$300,000 to a Commercial Bank through UDBL to cater for a loan to a private company for modernization and expanding the production capacity of textile products using domestically produced organic cotton. However, the loan agreement between the company and the government highlighting the terms and conditions pertaining to the bridge loan were not availed for audit. There was also no evidence of Parliamentary approval as required by Public Finance and Accountability Act, 2003 and the Constitution.

The Accounting Officer had stated that the Ministry had capitalized Uganda Development Bank Limited (UDBL) so that it could provide development loans to investors and that the Private company benefited from this capitalization. She had further stated that since UDBL handled the loan, UDBL had to make the agreement. She however promised to request the bank to avail a copy of the agreement for audit.
The Committee however reports that none was however made available by the time of writing this report. Furthermore, re-capitalization of UDBL required a Statutory Instrument. None was also produced for audit.

The Accounting Officer explained that Shs 560,000,000 that was advanced to UDBL was for onward lending to Phoenix. There was a loan agreement between Phoenix and the Japanese Investment Bank to provide an investment loan to Phoenix for export of finished textile made out of organic Uganda cotton to the AGOA market. She said that the payment was agreed upon by the Development partners. As such, Phoenix had increased the textile export and provided employment to Ugandans.

The Committee directed that the evidence of capitalization of UDBL and payments to Kashwanda be produced including that agreement made by UDBL, Parliamentary approval of the loan and terms and conditions pertaining this loan be provided. Since there was no Parliamentary approval, the Minister of Finance, Planning and Economic Development, Hon. Ezra Suruma be held personally liable and be surcharged, since onward lending would require Parliamentary approval.

The Accounting Officer was warned for the omission of the Parliamentary approval as this is criminal.

9.12. MAINTENANCE OF VEHICLES: AUDIT REPORT PARA 9.8

The Audit report revealed that the Ministry spent a total of Shs.123,780,507 on repairs and maintenance of vehicles. However, the Ministry did not have a vehicle fleet management system that would have helped monitor vehicle movements, repair and maintenance among others. The Auditor General had advised on the need for a comprehensive review of the system for repair and maintenance of vehicles for the Ministry to address the existing control weaknesses that exposed the Ministry to uncontrolled escalating vehicle maintenance costs. In her written reply to Audit, the Accounting Officer had stated that there was a need for continuous improvement in the management of vehicles and to this effort, a draft consultancy report to review the fleet management policy throughout Government was being discussed. The Auditor General still awaited the result of this effort.
The Accounting Officer submitted that all the weakness highlighted in the query had been addressed and that the Ministry had developed a Fleet Management Policy.

The Committee noted that it had already handled this matter under fleet management.

9.13 IMPROPERLY VOUCHED EXPENDITURE AND UNACCOUNTED FOR FUNDS: AUDIT REPORT PARA 9.9

The Auditor General reported that payments worth Shs.28,365,000 were made to various beneficiaries without supporting documents such as loose minutes, invoices, acknowledgment receipts, etc, making it difficult to ascertain the genuineness of the expenditure. In another instance, Shs.13,858,005 advanced in the case of a Commission of Inquiry was not accounted for. The Auditor General had advised the Accounting Officer to ensure that all payment vouchers were accompanied with supporting documents and that she makes accountability of the funds in question.

The Accounting Officer submitted that all the relevant documents had been presented to auditors for verification.

The Committee asked the Auditor General to verify and report.


The Ministry paid Shs.34,938,280 from the Recurrent budget to cater for tuition, membership fees and refund for stationery, for a number of staff undertaking graduate degree courses, certificates, diplomas and other professional courses. Other projects under the development budget ‘Institutional Support to Good Governance and Accountability’ and ‘EFMP II’ also had similar activities budgeted at Shs.1,066,455,000 and Shs.182,500,000 respectively. The Auditor General had observed that the absence of a policy on training could result into duplication of activities. The Accounting Officer had explained to audit that the Ministry had adopted the Training Policy issued by Ministry of Public Service and that a training committee had been inaugurated to streamline all training within the Ministry. The Auditor General had further observed that the Ministry of Public Service Training Policy was just a
general guideline, and individual Ministries needed to draw up policies in line with that of the Ministry of Public Service detailing guidelines on how the Ministry is to handle training.

The Accounting Officer informed the Committee that the Ministry had put in place a customized Training Policy.

The Committee confirmed that there was a training policy in place and dropped the query.

9.15 STAFFING/ESTABLISHMENTS IN THE MINISTRY: AUDIT REPORT PARA 9.11

Examination of the Ministry’s staffing by the Auditor General revealed that, the staff establishment in the Ministry had not been streamlined. There were cases of various vacant posts and cases of overstaffing in some posts. It was further established that only the Accountant General’s office had been restructured leaving the main Ministry intact creating parallel structures within the Ministry which in a number of instances could cause improper co-ordination of staff management. In her written report, the Accounting Officer had stated that the Ministry was undergoing a restructuring exercise and would thereafter fill all vacant posts accordingly. The Auditor awaited the completion of this exercise and the synchronization of the posts in the Ministry as a whole.

The Accounting Officer confirmed that the Ministry’s establishment had vacancies in some departments although it did not have overstaffing in any area. She said that the Ministry of Public Service had then issued the draft restructuring report for discussion and that the report had addressed the gaps mentioned.

The Committee confirmed the explanation but asked the Auditor General to monitor, verify and report, accordingly.
10. MINISTRY OF AGRICULTURE, ANIMAL INDUSTRY AND FISHERIES

10.1 STORES CADRE: AUDIT REPORT PARA 1.8.

A review of staffing of stores cadre in a sample of Ministries revealed inconsistencies in the management of the stores cadre. There was no system of on-job training to equip existing staff with new methods of work. There were also no clear standard of qualification, job description and documentation to enhance stores management. As a result, there was inadequate staffing, poor record keeping, loss of stores and unrestricted accessibility to confidential information. It appeared the stores function in Government had been underrated and thus was not receiving enough attention in terms of training and staffing. The Audit had observed the need for the Ministry of Public Service and other stakeholders to come up with a clear policy that govern stores management in terms of staffing, qualification, job description and training. This would ensure a proper safeguard of the Government assets.

The Accounting Officer reported that the exercise to strengthen stores cadre was under way by the Ministry of Public Service. He observed that the store cadre ship in the Ministry was very thin, poorly equipped and had not been tasked enough right from the point of joining the service. He however confirmed that there was a problem of job competence among the stores cadres' staff.

The Committee asked the Accounting Officer to liaise with Ministry of Public Service to address this issue urgently and have the qualified stores cadre in place within three (3) months.

10.2 DOMESTIC ARREARS AND CONTINGENT LIABILITIES: AUDIT REPORT PARA 1.12.

It was reported that the Consolidated domestic arrears as at 30th June, 2006 for Ministry of Agriculture stood at Shs 10,071,662,717. The audit observed the need for the Accounting Officer to comply with Government regulations and desist from continually incurring domestic arrears.
The Accounting Officer reported that the domestic arrears were accumulated over years and arose out of own payments for utility and outstanding payments on obligations to International Organizations. The Committee demanded for the details of the Shs 10,071,662,717/= and requested that the Auditor General verifies domestic arrears of Shs. 10,071,662,717/=.

### 10.3 OUTSTANDING ADVANCES: AUDIT REPORT PARA 1.13

The Auditor General noted that there was laxity in the Ministry over advances. He reported that contrary to regulations the Ministry at the end of the financial year under review did not account for its general advances totaling Shs 231,352,333.

The Accounting Officer submitted that the advances in question were activity based and it took long for the accountability to be made. He however reported that the accountability for Shs 154,000,000 had been made and were available for verification.

The Committee observed that it had taken too long for the accountability to be made. It directed the Accounting Officer to submit, the details of the Shs 154,000,000 accountability submitted (certificate of completion and a copy of advance ledgers. The Committee also asked the Auditor General to verify the accountability of Shs 154,000,000 submitted. The Committee decided that the outstanding accountability of Shs 77,462,327 be recovered immediately from the concerned officers and the officer in addition be charged of theft and abuse of office.

### 10.4 LOSSES: AUDIT REPORT PARA 1.14

The Auditor General reported that during the year under review loss of cash of Shs 42,303,000 was reported under the Ministry but had not been reported in the final accounts.

The Accounting Officer could not explain the nature of this loss and promised to make a formal response on the matter.
The Committee awaited for his response on the matter but to no avail. The Committee therefore recommends that CID investigates this matter and prosecutes the concerned officers.

10.5 EXCESS STAFF ON THE MINISTRY’S PAYROLL: AUDIT REPORT PARA 10.2

The Auditor General reported that the Ministry was restructured in 1998 and as a result a number of functions were divested. The institutions affected were Agricultural Engineering Workshop-Namaterere, Agricultural Research Institute-Serere, Agricultural Research Institute-Kawanda, Botanical Gardens, Lusenke Stock Farm, Namanve Holding Grounds, Olweny Swamp Rice Irrigation Scheme and Agricultural Research Development Centres (ARDCs), formerly DFIs. Some staff of these divested Institutions were absorbed in other Institutions that needed their services such as National Agricultural Research Organisation (NARO). However, others were not absorbed and remained on the payroll of the Ministry but outside the existing structure.

The Auditor General further observed that in 2004, the Ministry started arrangements with the Ministry of Public Service to retire those that could not be absorbed but no progress had been registered on this matter. A total of 291, staff of varying job titles were affected and had been drawing total monthly salaries of Shs.37,554,255 (Shs.450 million annually) at the then rates (2006/2007 financial year). This expenditure was nugatory as it should have been avoided if arrangements had been promptly put in place to either retire them or fully absorb them in the Ministry structure. The Accounting Officer had explained that the Ministry had initiated consultations with the Ministries of Finance and Public Service to address the matter and by then 153 cases had been cleared by the Public Service Commission for retirement, on the abolition of office and would only go off the payroll after funds to settle their packages had been secured. He also explained that another 114 staff were expected to be deleted from the payroll during financial year 2007/08. The Auditor General urged the Accounting Officer to expedite the process of termination of this hemorrhage.

The Committee demanded for;
- List of staff
- Confirmation as to whether the staff in question had become pensioners
The progress report on the affected 51 staff

The Committee further recommended that, all the affected staff be retired or absorbed within three (3) months and their terminal benefits be paid immediately. Those who qualify for pension be put on pension payroll. Failure to do so, the Accounting Officer should be held responsible for loss of Shs450million per annum.

10.6 RECONCILIATION OF TREASURY GENERAL ACCOUNT: AUDIT REPORT PARA 10.3

The reconciliation of the Treasury General Account No. 210.20329.1 showed an un-reconciling difference of Shs.51,719,309 which was not properly explained, included in the un-presented cheques were various cheques totaling Shs.31,514,212 that had remained un-presented for over one year and went stale. The Accounting Officer had stated that he was still awaiting guidance from the Accountant General on how to proceed, as the physical cheques were not available within the Ministry. The Auditor General had advised him to expedite the consultations to ensure reconciliation of the account and, completion of the stale cheques transactions. The Auditor General had also explained to him that he did not need physical cheques to adjust stale cheques in the accounts.

The Accounting Officer requested for more time to reconcile the position on this query with the Auditor General.

The Committee however asked him to provide the list of all stale cheques including all their details. These were availed and the Committee recommends the write back in the Accounts of Shs.51,719,309 and unpresented cheques of Shs. 31,514,212. The Accountant General should adjust the Accounts by prior year adjustment of these figures. The Accounting Officer should also transfer Shs.51,719,309 and Shs. 31,514,212 to the Consolidated Fund immediately and avail the transfer receipt to the Auditor General for verification.
10.7 BUTEMBA UPLAND RICE PROJECT, KIBOGA DISTRICT: AUDIT REPORT PARA 10.4

The Auditor General noted that Butemba Farmers Association Project was formed in November 1996 and registered on 30th May 1997 as an NGO. The main objective was to promote growth of upland rice and alleviating poverty among its members as well as increasing food security. Management of the Project later decided to re-register the NGO as a limited company by guarantee. The name was also changed to Kiboga Agricultural Co-operation (Farmers Association) Ltd. An audit was carried out on the activities of the Project and the following were the observations made:-

(i) The reasons for changing the names and status of the Organization from an NGO to a company limited by guarantee were not properly explained.

(ii) Kiboga Local Government received the first disbursement of the Project funds from the Ministry in late 2004 and immediately ordered and paid for items worth Shs.48, 599,500. These included 5,000 gunny bags, 404 pieces of hoes, 6,000 bags of upland rice seeds, 396 litres of herbicides and a total of 16,830 bags of various types of fertilizers. However, the purchases were done before plans were laid down for preparing the land for any agricultural activity. As a result the items remained in store up to June 2006. By the time the Association prepared the land, the rice seed fertilizers and herbicides had expired. The Project Manager single handedly decided to dispose off all the items realizing Shs.14,738,000 leading to a loss of Shs.33,861,500. Furthermore, the proceeds of Shs.14,738,000 from the sale of the items remain unaccounted for. Besides, the disposal of the items was not done in accordance with the established Procurement procedures.

The Committee recommended the recovery of Shs. 33,861,500 from Kiboga Local Government within one (1) month and the then CAO or officers involved be held for abuse of office. The Project Manager be held for abuse of office and theft of Shs.14,738,000/= CID should follow-up this matter.

(iii) The Growing of Rice at the Nucleus Farms

Physical inspection of the farm did not reveal any agricultural activity since the inception of the Project contrary to reports by the Project Manager. The Manager had suggested that in March 2006, five acres
of land were planted with rice, but the land in question had bushes overgrown on it and no sign of rice
grown. In his response the Accounting Officer had explained that one acre of rice planted by Kiboga
district Local Government in September, 2005 did not germinate because the rice seed had expired
and that another 5 acres of rice and 8 acres of maize planted by the Association was heavily affected
by drought and had dried up.

The Committee recommends that the then CAO of Kiboga then and the then Project Manager be
charged for abuse of office and theft of government resources. CID should follow up this matter.

(iv) Construction of the Store
In 2001, plans were drawn for the proposed rice store whose measurements were specified. Later,
sighting financial constraints, the size of the proposed store was reduced and drawings revised.
However, the store put up by the contractor fell short and did not match with the measurements in the
revised drawings. During the course of the construction, the issue of the size/height of the store was
raised and it was resolved that management liaises with the Contractor to find ways of rectifying the
size and cost of the store. During the audit, it was established that the District Engineer at that time
insisted and directed the Contractor to go ahead with his measurements.
The Accounting Officer had attributed the problem to Kiboga District Local Government (KDLG)
officials who misled the Contractor. It was indicated that after protracted consultations between the
Association, KDLG and the Contractor, it was agreed that the Contractor forfeits some payment as
compensation for the lost space and that the Ministry withheld the balance due to the Contractor
pending investigation into the general management of the Project. Audit awaited the results of the
investigation.
The Committee recommends that the CAO of Kiboga then and the District Engineer be charged for the
loss of the funds for the construction of the store. If there is any Kiboga District Local Government
official involved, he/she should also be charged for theft.
The Committee further recommends that CID should follow up this matter urgently.
(v) Project Tractor

The Project procured a Massey Ferguson Tractor with a disc harrow, Boom Sprayer, Tipping Trailer, Air Seeder and Fertilizer Spreader which was supplied at a cost of Shs.129, 490,340. The safety of the machine and its implements were wanting as they were scattered in different places. The Tractor was kept at Bukwiri Trading Centre on Hoima Road, several miles away from the farm. The rice planter and disc harrow were allegedly hired out to some farmers while the Boom Sprayer and Fertilizer Spreader were kept at the District Stores. It was only the Tapping Trailer and Air Seeder that were kept at the farm.

The Accounting Officer had explained that the Boom Sprayer, Air Seeder and Rice Huller were kept at the District Stores because they had not been handed over officially to the Association. The Rice Huller could not be installed at the farm because it could not fit in the store that was constructed short of the required dimensions.

The Accounting Officer in his response to the above issues raised by the Auditor General explained that this project was in the form of a Japanese Grant to Butemba Farmers Association in Kiboga District implemented by Kiboga District Local Government. He further said that the Ministry Of Finance, Planning & Economic Development (MoFPED) formally requested for the Japanese Grant on the strength of a recommendation by Ministry of Agriculture Animal Industry and Fisheries (MAAIF). The overall objective was “Poverty Alleviation”. However the project became operational in 2004 (July). Kiboga District Local Government received Shs 338,468,000 from the Ministry of Finance Planning and Economic Development in November 2004. The MAAIF undertook to offer technical support and monitoring within its mandate. He noted that the Accountant General accordingly enjoined the Permanent Secretary-MAAIF as Accounting Officer for the grant and authorized the opening of a Bank Account with M’s STANBIC BANK (U) Limited – Kiboga Branch. The Kiboga District Local Government and the project (Butemba Farmers Association – later Kubota Agricultural Cooperation) undertook direct implementation of the project from 2005, but by 2006 it emerged that the project was problematic and performing very poorly. The Permanent Secretary, MAAIF intervened in 2006 and requested External Auditors to conduct a special audit.
The Accounting Officer reported that the report of the Auditor General brought out the glaring failures of the project. Audit had requested the Permanent Secretary Ministry of Local Government to cause action on the Officer(s) of Kiboga District Local Government who were responsible and for recovery of unaccounted for and/ or lost funds. In the same vein, effective FY 2007/08 he submitted to the Permanent Secretary, Secretary to Treasury, Ministry of Finance, Planning and Economic Development to place the project under Ministry of Local Government monitoring.

The Committee observed that the Accounting Officer had taken long to act on the culprits and directed that CID takes up the matter and investigate with intention to prosecute the officers involved. In the meantime the CAO then, the District Engineer, and any other officers involved should be suspended pending investigations. All the persons who were involved in hiring out the equipment should be charged for theft and abuse of office and should refund the money collected.

10.8 ENCROACHMENT OF THE MINISTRY LAND: AUDIT REPORT PARA 10.6

The Audit report revealed that the Ministry owned land which it had planned to be put to use but most of it was not surveyed and lacked Certificates of title. This land had been a subject of encroachment and trespass by unscrupulous persons. Even some pieces of land with land titles had been encroached on. This was likely to lead to a loss of Government property. The Auditor General had advised the Accounting Officer to have all the Ministry land surveyed and Certificates of title obtained. Arrangements should also been put in place to recover all the Ministry land affected by encroachment. The Accounting Officer had stated to audit that a task force to look into the matter of the Ministry land had been constituted. The task force was yet to submit its findings.

The Accounting Officer reported that Captain Basaija encroached on land in Sanga and despite the directive of the IGG for the fraudulent lease to be cancelled he was still occupying the land. He said that the Minister of Agriculture, Solicitor General and the President had all instructed him to vacate the land but was still hanging on.
The Committee directed that the Accounting Officer implements the instructions of other organs of Government which had directed that the Capt. Basaija vacates the land. The Accounting Officer was instructed to do this in consultation with the Solicitor General. He was also directed to make a comprehensive report to the Committee on all the land under the Ministry.

The Committee further directed that Ministry of Finance, Planning and Economic Development should avail Ministry of Agriculture, Animal Industry and Fisheries resources to have all its land surveyed and titled within (6) months.

10.9 IRREGULAR VAT PAYMENTS: AUDIT REPORT PARA 10.6

The Auditor General noted that Value Added Tax (VAT) was charged by VAT-registered companies on supply of non-exempt goods and services. Contrary to this practice, a number of firms charged, were paid VAT totaling Shs.17,775,323 without proper tax invoices. The Accounting Officer had stated that he had communicated to the affected firms to provide him with their VAT details with a view to recovering the funds, in case the firms were not properly registered for VAT. The outcome of this action was still being awaited.

The Accounting Officer regretted that this was an omission on his part to pay these companies without recovering the necessary taxes.

The Committee directed that the Accounting Officer recovers these funds from the companies in question within two (2) months and the Auditor General to verify the recovery.