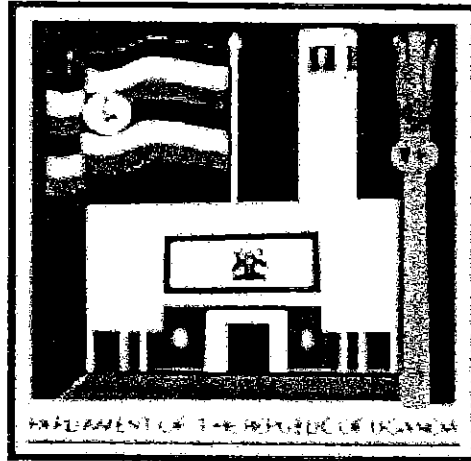


# PARLIAMENT OF UGANDA



REPORT OF THE PUBLIC ACCOUNTS COMMITTEE ON THE AUDITOR  
GENERAL'S FINDINGS ON UGANDA INDUSTRIAL RESEARCH INSTITUTE  
FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2011/ 2012

OFFICE OF THE CLERK TO PARLAMENT,  
PARLIAMENT OF UGANDA,  
P.O BOX 7178, KAMPALA

JUNE 2014

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**Introduction**

1 Rt. Hon. Speaker, and Hon. Members, in fulfilment of rule 148 (2) of the rules of procedure, I beg to present to this House the Public Accounts Report on the Auditor General's Report for the financial years ended 30<sup>th</sup> June 2011 and 2012, Volume 2 Central Government, covering Uganda Industrial Research Institute.

2 The Committee interacted with the Accounting Officer of the Institute and now begs to report as follows;

**Scope**

3 The Report covers audit queries covered in paragraphs 53, Uganda Industrial Research Institute for the financial years 2011 and 2012

**Terms of Reference**

The Committee was guided by specific audit queries contained in the Auditor General's report for the financial years ended 30<sup>th</sup> June, 2011 and 2012.

**Methodology**

- 4 In disposing off the audit queries, the Committee;
- Received and analysed responses and documents submitted by the Accounting Officer in regard to queries under review
  - Held meetings and received responses to the audit queries from the Accounting Officer of the Institute.

**Detailed Findings, Observations And Recommendations On Specific Audit Issues In The Financial Year Ending 30<sup>th</sup> June 2011, Para 53**

**53.1 Budget performance**

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**53.1.1 Revenue performance**

5 During the year under review, audit noted that the Institute budgeted to receive a total of Shs.14,063,000,000, out of which Shs.12,201,594,303 was received representing 86.7% performance there by leading to a shortfall of Shs.1,861,405,697.

**Committee Observations and Recommendation**

6 The Committee observed that failure to release funds that have been appropriated impedes service delivery as it directly inhibits the Institute's ability to undertake planned activities as per the annual work plan and budget hence jeopardizing the realization of its mandate.

7 Since MOFPED sets MTEF ceilings, it is imperative that these ceilings are respected by releasing the appropriated amounts, lest Parliamentary powers will be rendered inconsequential.

**The Committee recommends that the MOFPED should adhere to the Appropriations Act and desist from arbitrary budget cuts.**

**53.1.2 Expenditure and Physical Performance**

8 Audit noted that while expenditure during the year under review was generally within the approved budget, some planned activities for the period were not fully implemented.

**Committee Observations and Recommendation**

9 The Committee observed that whereas employees were entitled to other staff benefits, 11 employees were not paid.

10 The Committee noted that failure to implement all planned activities which the Accounting Officer attributed to budgetary shortfalls impedes the attainment of intended objectives of the

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Institute. Research and innovation is a costly undertaking and if tangible outcomes are to accrue to it, there is need to vote more resources.

**11 The Committee recommends that MOPED should adhere to the Appropriations Act.**

**53.2 Recruitment of staff on non-Competitive basis**

12 Audit revealed that several employees were recruited without following the recruitment procedure as prescribed in the Institute's Human Resource Policy (2009).

13 Out of a sample of 25 personal files verified, twenty (20) of these were found to have been recruited without the jobs being advertised.

**Committee Observation and Recommendations**

14 The Committee noted with concern that while the growth of a research institute like UIRI whose core focus is applied scientific research and development should be anchored on merit, the Accounting Officer was presiding over a nepotic and inherently unfair recruitment system. Moreover this was in violation of the institute's own human resource manual.

**15 The Committee recommends that the Accounting Officer be investigated for nepotism and appropriate disciplinary action be taken.**

16 In addition, a manpower audit should be undertaken so as to weed out all those whose recruitment was questionable with a view of terminating their employment and paving way for fresh competitive recruitment.

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**53.3 Vacant Posts**

17 Audit noted that out of the approved establishment of 366 posts, only 206 posts had been filled leaving a total of 160 posts vacant.

**Committee Observation and Recommendation**

18 The Committee noted that understaffing impedes the ability of the Institute to execute its mandate. While the Accounting Officer attributed this to a stagnant wage budget and a static and potentially un-attractive wage structure, the Committee noted the absence of evidence of attempts by the Accounting Officer to engage the MOFPED to have the Institute's wage allocation increased.

19 In addition, for an Institute that has the capacity to generate NTR and establish synergies with other development partners, it is absurd for the Accounting Officer to lament and keep waiting for government subventions.

**20 The Committee recommends that the Accounting Officer should be more proactive, innovative and strategic in his approach to management by exploring options of NTR and collaborative projects with credible development partners.**

**53.4 Irregular Variation of Contract Price**

21 Audit noted that the Institute entered into a contract worth Shs.34, 397,000 with a contractor to supply 220 pieces of metallic casting nets. This followed a procurement process where the same contractor was the only firm that submitted a bid. It was however noted that the Institute subsequently varied the contract price to Shs.46, 857,800 an increment of about 32% to the original price. This was beyond the 15% limit that is allowed under the PPDA regulations.

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**Committee Observation and Recommendation**

22 The Committee noted that this was a blatant irregularity and violation of the PPDA Act.

**23 The Committee recommends that the Accounting Officer be held liable for the breach of procurement laws.**

**53.5 Use of wrong procurement method**

24 Whereas Section 82 (2) of the PPDA Act, 2003, states that restricted domestic bidding should only be used to obtain competition and value for money to the extent possible, where the value or circumstances do not justify or permit the open bidding procedure, the Institute used this method of procurement while procuring services for completion of the Mezzanine floor of the TDC block at the Institute.

25 It was noted that the solicitation document was issued to four companies but only one company returned the bid document. The Institute went ahead to award the contract worth Shs.121, 321,200 (VAT Inclusive) to the only applicant

26 There is no evidence that the circumstances pertaining at the time warranted the use of such a procurement method, which in turn eliminated competition in the procurement in question contrary to the requirements of the PPDA Act.

**Committee Observation and Recommendation**

27 The Committee noted the blatant violation of procurement regulations by the Accounting Officer in undertaking this procurement.

**28 The Committee recommends that the Accounting Officer be held liable for using restricted domestic bidding instead of open domestic bidding without any justification and appropriate**

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disciplinary action be taken against him.

**Detailed Findings, Observations And Recommendations On Specific Audit Issues In The Financial Year Ending 30<sup>th</sup> June 2012, Para 70**

**70.1 Unimplemented Activities**

29 A review of the physical budget performance revealed that various planned activities during the year were not undertaken. For instance, Out of the planned recruitment of 60% staff only 31 were recruited while Research and Development for different bamboo products was not undertaken.

**Committee Observation and Recommendation**

30 The Committee observed that the non-implementation of planned activities was due to a budgetary shortfall of Shs.3.3bn.

**31 The Committee recommends that MOPPED should adhere to the Appropriations Act.**

**70.2 Projects with Missing MOUs**

32 Audit revealed that Eighteen (18) projects lacked Memorandum of Understanding (MOUs)/Contracts.

**Committee Observation and Recommendation**

33 The Committee noted that lack of MoUs jeopardizes the review and verification of the terms and conditions under which these projects were created and operated. In addition, the obligations of the participating parties cannot be ascertained.

34 The Accounting Officer's explanation that this was due to the transitory nature of some projects that were transiting from Pilot level to Commercial scale while some partners exhibited lack of readiness to kick start project operations was found inept especially

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considering that whether pilot or full scale, formality dictates a framework of engagement, the absence of which creates ambiguity.

**35 The Committee recommends that the Accounting Officer be held responsible for entering into projects without MoUs.**

**70.3 Active Projects under Virtual Incubation with Expired Contracts/MOUs**

36 It was noted that five projects namely;

1. Busia Meat Packers
2. Savoury classic quality meat products
3. Mushroom training resource centre
4. United foundation of entrepreneurial skills for development
5. Grace .K. Supermarket had expired contracts which had not

been renewed at the time of the audit. Besides, there was no evidence that Management was in the process of renewing these contracts.

**Committee Observation and Recommendation**

37 The Committee noted that operating projects/contracts that are expired is illegal.

**38 The Committee recommends that the Accounting Officer be held liable for running projects on expired contracts.**

**39 The Committee further recommends for the establishment of proper monitoring and compliance structures to keep tabs on the status of contracts and explore modalities of periodic revision of terms and conditions.**

**70.4 Internal Audit**

40 The role of internal audit is to provide independent assurance

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that an organization's risk management, governance and internal control processes are operating effectively. However the internal audit unit of UIRI is managed by one lady officer who mainly concentrates on pre audit of payment vouchers and verifying supplies delivered to the institute.

**Committee Observation and Recommendation**

41 The Committee noted that the lady officer at the internal audit unit did not have the capacity to solely carry out the internal audit function.

**42 The Committee recommends that the Accounting Officer ensures that the internal audit unit is fully staffed.**

**70.5 Poor Storage of Undisposed assets**

43 A review of the Auctioneers report revealed that 26 (twenty six) assets failed to attract any buyers at the time of disposal. Physical verification revealed that the assets were poorly stored. A case in point is where some items were kept on the verandah.

**Committee Observation and Recommendation**

44 The Committee noted that such poor storage exposes assets to loss of value.

**45 The Committee recommends that the Accounting Officer be held responsible for failure to provide proper storage facilities as required by the Treasury Accounting Instructions.**

**70.6 Failure to Engrave Assets**

46 Physical verification of the assets revealed that assets costing Shs.655, 017,280 were not marked with unique identification numbers. This can complicate the process of identification of such assets in case of loss.

**Committee Observation and Recommendation**

47 The Committee noted that failure to engrave assets exposes them to theft and compromises tracking and monitoring.

**48 The Committee recommends that the Accounting Officer should have all the assets of UIRI engraved and their details including engraved serial numbers entered into the fixed assets register.**

**70.7 Mango Fruit Juice Project-Arua**

49 Audit noted that this project was built at a cost of Shs.435,093,367 of which Shs.241,007,253 was for civil works and Shs.194,086,114 was for machinery, water and power. It is a build-equip-and-hand-over project.

50 Physical inspection of Nile Natural Fruit Product plant in Arua municipality during the month of January 2013 revealed that construction of the building had been completed and some machinery/ Equipment were offloaded at the site on 16<sup>th</sup> January, 2013 the same day this inspection took place. However, the following equipment was yet to be delivered to the site: pulper, homogenizer, three work tables, grill cover and two trolleys.





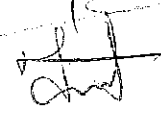
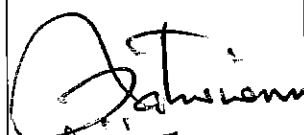
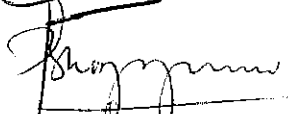

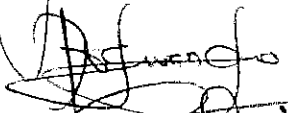
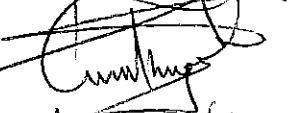
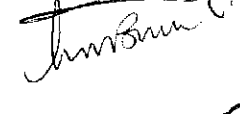
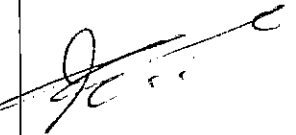

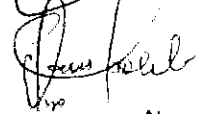
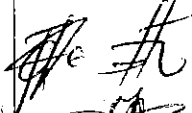




Production was expected to start in the month of May.

**Committee Observation and Recommendation**

51 The Committee observed that whereas this was a planned activity to be completed in two years, at the time of inspection, works were still ongoing for example electricity and equipment had not been installed, the site had not yet been fenced and compound paving was not done.

**Committee Recommendation and Recommendation**

**52 The Committee recommends that the Accounting Officer should ensure that projects are completed within their lifespan.**



### 70.8 Savoury Classic Quality Meat Products.

53 Audit noted that the project received machinery and equipment costing Shs.33, 390,000. Physical inspection of this project located in Arua town during the month of January 2013 revealed that production had not commenced.

54 It was noted that the project lacks a building to house the plant as some of the equipment was found at the site still packed in boxes. Further, it was also noted that there was no electricity in place to enable operating of the machines.

#### Committee Observation and Recommendation

55 Like the previous projects, the Committee noted an element of weak project planning and management.

56 **The Committee recommends that UIRI should improve on its project planning and management.**

### 70.9 Peanut Research & Processing Centre-Lira

57 Audit revealed that Uganda Industrial Research Institute contributed a total of Shs.853, 763,231 towards the construction, installation of machinery and equipping of the project. This is also a build- equip-and-handover project.

58 Physical inspection of the project carried on 15th January, 2013 revealed that construction of the plant had been completed and all the required machinery and equipment had been installed and commissioned. However, it was noted that production was low yet the store was full with unprocessed groundnuts.

#### Committee Observation and Recommendation

59 The Committee noted that this scenario is testimony of poor project planning and management.

70 **The Committee recommends that UIRI improves on its feasibility**

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studies and project management capabilities to ensure higher rates of project success.

**70.10 Fruit Juice Processing Project – Nabusanke, Mpigi**

71 Audit noted that Uganda Industrial Research Institute contributed a total of Shs.853, 763,231 towards the construction, installation of machinery and equipping of the project. This is also a build- equip-and-handover project. The land was donated by the church and the project is implemented by Kasaka Mothers Union based on the Presidential directive. However, due to the lack of entrepreneurial skills, the association has failed to manage the project that has not achieved full commercialization.

**Committee Observation and Recommendation**


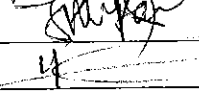

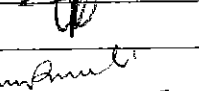

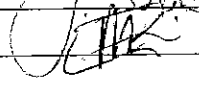

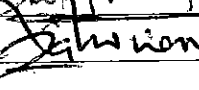
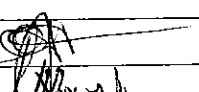
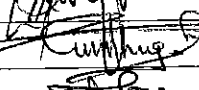
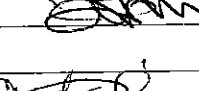
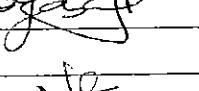


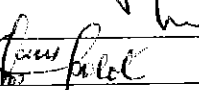
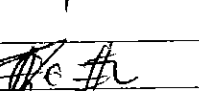
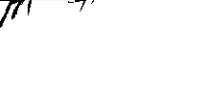





72 The Committee observed that the failure of full commercialization is a symptom of failure to effectively engage and prop up the capabilities of the relevant stakeholders. This is likely to impede sustainability.

73 The Committee recommends that UIRI improves its project management strategies lest the sustainability of its projects will remain at stake.

*[Handwritten signatures and notes on the right margin, including names like 'Kasaka Mothers Union', 'Uganda Industrial Research Institute', and various initials.]*

*[Handwritten signature or mark.]*

**PAC MEMBERS WHO ENDORSED THE COMMITTEE'S REPORT ON UGANDA  
INDUSTRIAL RESEARCH INSTITUTE**

S/N	NAME	SIGNATURE
1.	Alaso Alice Asianut - <b>Chairperson</b>	
2	Mwiru Paul - <b>Vice Chairperson</b>	
3	Ababiku Jesca	
4	Ajok Lucy	
5	Asupasa Isiko Wilson Mpongo	
6	Besisira Ignatius	
7	Boona Emma	
8	Byarugaba Alex Bakunda	
9	Dombo Emmanuel	
10	Kabakumba Mat/siko	
11	Kabasharira Naome	
12	Kamba Saleh	
13	Karuhanga Kafureeka Gerald	
14	Katwiremu Yorokamu	
15	Kiboijana Margaret N.	
16	Kwizera Eddie Wa Gahungu	
17	Lwanga Timothy	
18	Mugabi Muzaale Martin	
19	Musasizi Henry Ariganyira	
20	Musinguzi Yona	
21	Nakato Kyabangi Katusime	
22	Nandala Mafabi Nathan	
23	Nantume Jennifer Egunyu	
24	Ogwang Peter	
25	Okot Ogong Felix	
26	Olanya Gilbert	
27	Oleru Huda	
28	Opolot Jacob Richard	
29	Ssekikubo Theodore	
30	Ssewungu Joseph Gonzaga	