THE REPUBLIC OF UGANDA

THE PARLIAMENT OF UGANDA


(VOL III)

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11. MINISTRY OF WATER, LAND AND ENVIRONMENT

11.1 DELAYS IN SUBMISSION OF FINANCIAL STATEMENTS: 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 for audit within three months after the year end (by 30th September). It was however noted that the Ministry of Water, Land and Environment did not submit its financial statements on time as required and therefore 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.

The Accounting Officer acknowledged that some of the causes of the delays had been as follows;
(a) Delays in receiving bank statements from Bank of Uganda to facilitate the reconciliation process.
(b) The dialogue process between the Ministry and Treasury before the accounts were finally accepted.
In particular, the Ministry had to generate consensus on the treatment of some accounting issues arising out of changes in some Accounting Policies.

The Committee noted but advised the Accounting Officer to desist from frustrating the work of the Auditor General. The Committee further warned the Accounting Officer that this should never be repeated again as it would lead to sanctions.

11.2 FLEET MANAGEMENT SYSTEM: AUDIT REPORT PARA 1.11

a) Fleet Management System

The Auditor General reported the lack of a proper fleet management system in Government Institutions which had exposed Government vehicles to uncontrolled movements, surging fuel, repair and maintenance costs. 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 then being used on unofficial
activities, vehicle 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 alone an amount of Shs 517,957,410 was spent by the Ministry of Water, Land and Environment on repair and maintenance of vehicles.

The Accounting Officer admitted that although Government policy is to replace vehicles after 5 years in use, it was not being done. Some Ministry Vehicles were as old as 10 years and had covered over 250,000 Kms. It was also true that these old vehicles were expensive to maintain. He however reported that the failure to replace vehicles after 5 years as required by Government Policy was due to lack of funds.

He said that his Ministry however, had a fleet management system in place and that procedures were being followed in the procurement process and payments on the maintenance and repair service providers.

The Committee recommended that the Fleet Management System must be followed as guided from Ministry of Works and Ministry of Public Service. Any divergence will be treated as abuse of office and theft. The Auditor General to verify if the system is operating and report thereafter.

b) Types and Classes of Vehicles
The Auditor General observed that over the years, Government had issued regulations regarding the types and class of vehicles the Accounting Officers could purchase. The maximum capacity being 2800cc from Ministries up to Permanent Secretaries and 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. It was however noted that most Accounting Officers flouted such regulations and purchase vehicles, over and above the approved classes (some were reaching
up to 4164cc). The Ministry of Water, Land and Environment violated this regulation and purchased 27 vehicles in that manner.

The Accounting Officer said that he had noted that the concerns raised by the audit regarding the capacities of the vehicle procured. He explained that Out of the 27 vehicles listed, 7 belonged to the Land sector and 20 belonged to the Water sector. The Land sector vehicles were procured for field activities under the Land Tenure Reform Project. Similarly, the Water sector vehicles were procured for field work. He said that the capacities of the vehicles were dictated by the difficult terrain in which the field operations were carried out.

The Committee recommended that even if they are project vehicles, Ministry of Public Service guidelines should be followed. Any divergence should be cleared.

The Committee recommends that no vehicle should be procured beyond the prescribed capacity

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

a) Domestic Arrears

It was reported that the Consolidated Domestic arrears for the Ministry as at 30th June 2006 stood at Shs 12,962,323,590. The Auditor General observed the need for the Accounting Officer to comply with Government regulations and desist from continually incurring domestic arrears. Government should also endeavor to settle the existing stock of domestic arrears in order to portray a positive image in its management of the budget and avoid litigation and unplanned impacts on the economy.

The Accounting Officer noted the concern of the Auditor General and explained that the arrears were caused by circumstances beyond the Ministry's control. He gave examples of such circumstances as follows:

(i) Contributions to International Organization- The annual contributions accrue despite ceilings imposed on the Ministry due to national contractual obligations. Contributions to the Regional Centre for Mapping and Surveys alone amounted to USD 150,000 per annum. Other organizations included UNEP, AMacen, IGGAD and AMcow.
(ii) Ground rent and rates for Government properties.

(iii) Contractual obligations to service providers and contractors of ongoing contracts.

(iv) Responsibility for compensation for land taken over by Government e.g. ranches.

The Committee asked the Accounting officer to submit:

- The list of all domestic arrears paid.
- The ledgers for domestic liabilities; and
- Directed the Accounting Officer to confirm, if all the unspent balances at the end of the financial year under review were banked to the Consolidated Fund account.

Although the Accounting Officer submitted the above, the Committee recommended that:

(i) All International Contributions should be made on time or government should withdraw from them. All the outstanding arrears should be settled within this Financial Year.

(ii) The Ground rent and rates should be paid immediately as this is income for Local Governments.

(iii) The Ministry should stick to the Commitment Control System to avoid other arrears.

(iv) Compensation of ranches should have been done immediately when the ranches were required as this property belonged to private people and government had acquired them forcefully for purposes of land redistribution.

(v) The Auditor General should verify if the end of year cash was returned to the Consolidated Fund.

11.4 OUTSTANDING ADVANCES: AUDIT REPORT PARA 1.13.

The Auditor General noted the laxity in control over advances in the Ministry. He observed that Regulations require that all advances be accounted for by the end of the financial year to which they relate. Contrary to these regulations, some Shs 131,922,000 was not accounted for.

The Accounting Officer reported that all the outstanding advances amounting to Shs. 131,922,000, related to the Directorate of Water Development then under the Ministry of Water and Environment. The Permanent Secretary, Ministry of Water and Environment had been requested to provide a response to this query.
In his response to the Committee the Accounting Officer Ministry of water submitted that all the accountabilities were available for Audit verification. The Committee requested the Auditor General to verify and report accordingly.

11.5 PAYABLES: AUDIT REPORT PARA 11.2

The Auditor General reported that Shs.12,962,323,590 was reflected as payables as at 30th June 2006. Included in the figure was an amount of Shs.3,337,383,100 that related to property rates for various urban councils. However, Uganda Land Commission did not have a register for all Government properties for which the rates were assessed. A number of properties had been sold and there was a high possibility that rates due on these properties was still being charged to Government. In some cases, verification of the assessed amounts were not done by the Valuation Division in the Ministry.

In absence of the property register and lack of verification reports by the Valuation Division, Audit was not able to state with certainty that the property rates figure of Shs.3,337,383,100 included in the payables was correct. The Auditor also reported that this amount was part of Shs.12,167,752,114 for past years but was being recognized for the first time. The Accounting Officer had stated to audit that the payable records were being streamlined. Audit had advised him to submit bills for the property rates, verification reports by the valuation division and evidence that the properties in question then belonged to Government.

The Accounting Officer admitted that although the ULC did not maintain a register of Government properties for the purpose of effecting payment for rentals and rates, it did use a rating list submitted by each Urban Centre, which reflected all Government properties. He said that claims from the urban centers as contained on that rating list were then verified by the Ministry's valuation division before the payment was effected.

On the matter of having included the property rates figure of Shs.3,337,383,100 into the Ministry's debt stock, the Accounting Officer submitted that this was done so as to fulfill the requirement of Accounting Officers having to disclose to the Accountant General all arrears accruing to their votes at the end of each financial year. Such submission would then form part of the Ministry's debt stock. He noted that
the figure as captured was provisional as it was an estimate figure captured from the demand notes received from various urban centers. He noted that excluding this figure would have resulted in the understatement of liabilities of the Final Accounts since liability had accrued and the obligation was due.

He said that as noted by the Auditor General, this figure although part of the domestic arrears' stock was being recognized for the first time, because it was going to be subjected to valuation and verification to ascertain what had been capture as provisional. The resultant figure would then be captured in the domestic arrears stock replacing the one that had been entered as a provisional one. He also reported that the valuation division always carried out verification prior to payment as a matter of routine.

The Committee asked the Auditor General to verify the bills of Shs 3,337,383,100. It also asked the Accounting Officer to reconcile with the Auditor General and provide the explanation as to why the difference of Shs 180million was realized in the payables figure. The Committee also directed the Accounting officer to produce the authority for utilizing Shs 180million which was due to the Consolidated Fund.

The Committee further directed that Uganda Land Commission produces updated property register of all property owned by Government of Uganda. The Committee recommended that before the Accounting Officer pays for these rents and rates, he must verify to confirm existence of these properties. This should be based on the updated Property Register from Uganda Land Commission. The Committee noted that the other part of arrears had been handled under 11.4.

11.6 LAND COMPENSATION: AUDIT REPORT PARA 11.3

During the financial year under review, a total of Shs.1,260,000,000 was paid to two people for purchase of land (2 plots) at Mutungo Hill for security reasons. While details of one plot were known, details of the second plot were not provided. The Auditor was therefore not able to establish how much the land in question costed the Government because no such details were provided. Besides, there
appeared to be no valuation report from the Government Valuer. The Auditor General observed that Government was likely to lose money since the transaction lacked transparency. The Accounting Officer had explained that negotiations were ongoing between the sellers and Presidents Office and that the details were to be availed. The Audit was yet to receive the valuation report and evidence of ownership.

The Accounting Officer confirmed to the Committee that Government paid for the two plots of land and that the details of the second plot of land were unknown. This was because government actually purchased six (6) plots of land from the said two people. The details of these particular plots were known and were available. He however said that it was not true that there was no valuation of these plots. Valuation was carried out by the Government Valuer and his report was available. He presented copies of the valuation report and evidence of ownership by the people, from whom these plots were appropriated, to the Committee.

The Committee noted that the money in question was huge and paid on land that had a caveat. The Committee decided to investigate this matter further and demanded for the following documents:-

- Copies of the titles
- Evaluation report
- Agreement between the parties.
- Report on how the titles were issued

These documents were to be reviewed by the Auditor General and report, accordingly. The Committee however observed that the Valuation Report was done with an officer who had bad reputation in Ministry of Lands and had been since interdicted. The Committee is therefore suspicious about the genuinity of the transaction.

The Committee recommends therefore, that a proper Valuation Report be carried out by the Chief Government Valuer himself. Secondly, payments only be effected when the caveat that had been lodged is withdrawn. Thirdly, Government should also put a caveat on this land. Fourthly, the presidential Assistant by then, Mr. Kashilingi be investigated and prosecuted for theft and abuse of office in this matter.
11.7 NON RECONCILIATION OF NTR COLLECTIONS BY URA: AUDIT REPORT PAR

11.4

An audit of the Non Tax Revenue records revealed that revenue collected by URA on behalf of the Ministry was not properly reconciled. Monthly returns from URA and receipts by the Ministry showed that a total of Shs. 36,141,230 was not receipted thus under-stating the NTR revenue by the same amount.

Audit found the Accounting Officer's response, that it was the responsibility of URA to reconcile, unacceptable since it was the Ministry's NTR that was understated; Audit had advised him to regularly reconcile NTR position of the Ministry and that of URA for early and timely resolution of any anomalies. The Auditor awaited rectification of the above anomaly.

The Accounting Officer stated that the Ministry took the Auditor General's advice and that he was regularly reconciling its monthly NTR revenue collection. However, he noted that the reconciliation was only limited to use of NTR receipts/schedules submitted by URA and the BPAFs issued by the Ministry. He said that the Ministry had no access to the bank statements to enable it carry out a complete reconciliation as required by the Auditor General.

He noted that all he could do was to point out errors in the URA reports vis-à-vis BPAFs issued by the Ministry and inform URA accordingly. He however observed that the URA had been very uncooperative (i.e. it does not give feedback) in this area and yet they were the custodian of the NTR bank account. He said that he had written to the Accountant General for his intervention, but still there was no response.

The Committee noted that the Accounting Officer was then carrying out reconciliations with the URA and directed the Accounting Officer to report on the outcome of the reconciliation. The Committee was however concerned on how Shs 36,141,230 had been recognized in the Ministry's final Accounts without the receipts. The Committee recommends that URA should carry out reconciliations with Ministries on monthly basis. The Accountant General should be a part to reconciliation as is the Custodian of all Government Accounts. The Accountant General should not intervene but be part of the process.
11.8 PAYMENT OF VAT WITHOUT TAX INVOICES: AUDIT REPORT PARA 11.5

It was reported that a total of Shs. 32,481,281 was paid out to various suppliers as VAT charged on various procurements without tax invoices contrary to the law. In some cases the VAT numbers were just handwritten on the invoice, proforma invoice, delivery note as well as the purchase order. Such documents could not be used to charge VAT. There was a risk that such payments were not disclosed to the tax authorities leading to loss of revenue. The Accounting Officer had promised to investigate the matter and keep audit informed.

The Accounting Officer reported that, the Ministry had written to all the concerned companies to issue "tax invoices" as required by the VAT Act and had also requested them to attach copies of their VAT Certificates as proof of VAT registration. Failure to do this was to lead to recovery of the VAT payments made to them.

The Committee directed the Accounting Officer to reconcile with URA as per the invoices.

The Committee further recommends recovery of Shs. 32,481,281 from the suppliers within one (1) month unless they accounted for VAT to Uganda Revenue Authority. The Auditor General should verify and report, accordingly.

11.9 DONOR FUNDS (JOINT PARTNERSHIP FUND) NOT CAPTURED IN THE ACCOUNTS: AUDIT REPORT PARA 11.6

The Auditor General reported that in September 2002, a concept paper for the establishment of a basket fund named Partnership Fund, was adopted with the idea of planning for the water and sanitation sector. The main objective was to replace the traditional project Aid Modality i.e. first with a basket funding modality for sub-sector support and later with budget support modality. He reported that DANIDA and SIDA were the main partners whose main objective was supporting rural water and sanitation infrastructure development through a general budget modality.

The Auditor General however made the following observations on this Basket Fund.
• Operationally the fund was financially independent and had its own management structure. Separate bank accounts were maintained in Bank of Uganda into which these funds were received and spent. The funds did not however go through the Consolidated Fund account. Similarly, by its nature the JPF operated like a special fund as specified under the PFAA 2003, but arrangements had not been made to regularize it.

• During the year under review, the fund draft accounts indicated that, over Shs.12 billion was received from various donors out of which over Shs.8 billion was spent. However, all the funds had not been disclosed in the Ministry's financial statements although the incomes and expenditure were known with certainty. In his written reply to Audit, the Accounting Officer had stated that donor funds had parallel accounting structures required by the donors. He had further stated that he had written to the Accountant General and the Permanent Secretary/Secretary to the Treasury to streamline the anomaly Audit awaited for further necessary action.

The Accounting Officer reported that this was an anomaly that needed to be streamlined and it could only be done by the Accountant General and the Permanent Secretary/Secretary to the Treasury.

The Committee asked the Accountant General to incorporate these expenditures in Government Accounts and to avail the templates for the Accounts for audit verification. The Committee observed that the non-disclosure of these figures understates the recommendation that all Government Projects should be declared in the Accounts so that the Auditor General is able to audit them and recommended stern measures against such omission.

11.10 LAND TENURE REFORM PROJECT: AUDIT REPORT PARA 11.7

NON DEDUCTION OF TAXES FROM ALLOWANCES PAID UNDER THE COMMISSION OF INQUIRY

It was reported that a total of Shs.329, 490,000 was advanced and transferred to a Commission of Inquiry’s Account for payment of honoraria and other Commission activities. However, PAYE
amounting to Shs.67, 207,100 was not deducted from the individual payments for remittance to the tax authority. Meanwhile at the time of audit, one Ministry Vehicle was yet to be returned to the Ministry although the Commission closed its business in July 2006.

The Accounting Officer confirmed the observation of the Auditor General. He explained that the responsibility of paying the requisite taxes was upon the Secretary to the Commission. He noted that the Ministry used to effect a lump sum advance to the Commission Secretary who would then break it up and apply it according to Commission's work plan, and that the workplan was privy only to the Commission.

He said that he had written to all the employers of the members of the Bunyoro Commission and requested them to attach the salaries of the Members of the Commission in question for the owed taxes and also addressed the former members with unknown formal employment to pay their tax dues. Regarding the unreturned vehicle, the Accounting Officer reported that this had since been returned.

The Committee directed that the Commissioners pay the money back within six months and the Auditor General should verify and report.

11.11 PAYMENTS OF GROUND RENT TO KAMPALA CITY COUNCIL: AUDIT REPORT PARA 11.8

During the year under review, over Shs.2.8billion was paid from the domestic arrears item to KCC as ground rents/property rates for properties owned by the Ministry of Water, Lands and Environment. However, there were no acknowledgments for all the monies paid. Although the Accounting Officer had stated that he had written to request KCC to acknowledge receipt of the payments, no further details were available for audit at the time of writing audit report.

The Accounting Officer submitted that it took some time for Kampala City Council to acknowledge receipt of the payment. He said that they had since responded and provided the requisite accountabilities. The relevant documents were presented to the Committee
The Committee noted that the Ministry had paid Shs 2.8 billion to KCC however KCC did not pass over the money to the Central Division and therefore Uganda Land Commission remained indebted with the Central Division accounts as regards to this payment.

The Committee directs that Kampala City Council should transfer these funds to the Central Division and only retain their portion as authorized by the Local Government Act. This should be done within two (2) weeks.

**11.12 FUNDS BORROWED NOT YET REFUNDED: AUDIT REPORT PARA 11.9**

It was reported that a total sum of Shs.622,825,099 was borrowed from two different projects to fund two other project activities in respect of Consultancy services, workshop and valley tanks construction in Sembabule. However, only Shs.507,663,574 was later refunded to the projects leaving a balance of Shs.115,161,520 outstanding. The implication was that project activities where monies were borrowed were crippled. This affected the overall goals and aims of the projects. Besides, the borrowing could easily result into unauthorized re-allocation of funds. In his written reply to audit the Accounting Officer had stated that this was done on the advice of the Permanent Secretary/Secretary to the Treasury that redundant project funds at year end be utilized on the understanding that it would be later refunded.

The Audit had advised the Accounting Officer to desist from such unauthorized inter borrowings or re-allocations; and to ensure that the outstanding balance are refunded to the affected projects.

The Accounting Officer reported that the funds were borrowed from Schools and Community Project and BADEA projects and paid to different service providers as follows;

<table>
<thead>
<tr>
<th>PROJECT BORROWED FROM</th>
<th>PROJECT THAT BORROWED FUNDS</th>
<th>AMOUNTS (UG. SHS)</th>
<th>SERVICE PROVIDER PAID</th>
<th>STATUS</th>
</tr>
</thead>
<tbody>
<tr>
<td>BADEA Project</td>
<td>Small-Town Project (STWSP)</td>
<td>10,204,000</td>
<td>PICPAM Technical Services</td>
<td>Not Yet Refunded To Be Refunded This Financial Year.</td>
</tr>
<tr>
<td>School Community Sanitation Water Project</td>
<td>Small Towns Projects (STWSP)</td>
<td>80,000,000</td>
<td>PICPPAM Technical Services</td>
<td>Not Yet Refunded To be Refunded This Financial Year</td>
</tr>
<tr>
<td>School Community Sanitation And Production</td>
<td>Water For Production</td>
<td>532,621,099</td>
<td>Mulowoza Technical Services</td>
<td>All The Funds Paid Back To The Project</td>
</tr>
</tbody>
</table>
The Committee directed the Accounting Officer to make all the outstanding refunds. The Committee further recommended that borrowing money from projects was illegal and Parliamentary approval should be sought first. Any further borrowing without Parliamentary approval will be treated as theft and abuse of office.

11.13 REFUND TO STATE HOUSE COMPTROLLER: AUDIT REPORT PARA 11.10

It was reported that Shs.66 million was refunded to the Accounting Officer of State House in respect of funds released to Mityana Town Council for purchase of land for Mityana Town Council water supply. No land title had been availed to confirm ownership in the names of Mityana Town Council.

The Accounting Officer submitted that a memorandum of understanding (MOU) was signed between Mityana Town Council and Joyce Ziribagwa Kamya to confirm that the land was being procured from her and that the processing of a land title in the names of Mityana Town Council commenced thereafter. He reported that the Ministry of Water and Environment had been advised to ensure a speedy conclusion to this effort.

The Committee asked the Auditor General to verify title and the evaluations and to report accordingly. The Committee recommended that in future, any dealings of land should be made after a confirmation that the title was correct and without encumbrances.
12. MINISTRY OF EDUCATION AND SPORTS

12.1 UNIVERSITIES: AUDIT REPORT PARA 1.5

Approval of University Budgets:

The Universities and other Tertiary Institution Act, requires the budgets of Public Universities to be approved by the Council, the Minister for Education and Parliament. However, most budgets of Universities still lacked the approval of the Minister and Parliament. The process of approval of University budgets by Parliament was deficient in that it did not cover the budget financed by internally generated revenue. The approval by way of the Appropriation Act covered only the appropriation for Government subvention to the Universities. The other component of the University budget financed by internally generated revenue was not approved by Parliament as was required by the law.

The Auditor General had advised the Accountant General to work out procedures on how the entire budgets of the Public Universities would be approved by Parliament. The Auditor General had further advised the Accounting Officer, Ministry of Education to establish a structural framework that would enable it effectively review the budgets for Public Universities and give necessary guidance during their formulation and implementation.

The Accounting Officer reported that the system had been then put in place and that the Universities were complying.

The Committee asked the Auditor General to confirm the progress of the compliance and report accordingly.

12.2 ALLOCATION OF GOVERNMENT LAND: AUDIT REPORT PARA 1.6

The Auditor General reported that Government land which was held in trust by the Uganda Land Commission was being allocated to investors and individuals without carrying out consultation with the responsible institutions. The Auditor General was concerned that part of the problem for this was that government land had not been surveyed to have titles processed, a problem he attributed to, lack of funding.
In a related development the report had also observed that the Buganda Government was said to be claiming ownership of land in which Kyambogo University was located noting that the responsible authorities should follow up the matter to its logical conclusion to avoid complicating University operations.

The Accounting Officer informed the Committee that he was not aware of any claims by the Buganda Government and assured the Committee that the Ministry had a title for the University land.

The Committee noted but directed that this confirmation be made in writing. Secondly, the Committee recommended that all Ministry land should be surveyed and titled within six (6) months.

12.3 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. The Auditor General was concerned that the stores function in Government had been underrated and thus not receiving enough attention in terms of training and staffing. He urged Ministry of Public Service and other stakeholders to come up with a clear policy to govern stores management in terms of staffing, qualification, job description and training. This would ensure safe guard of Government assets.

The Accounting Officer submitted that the Ministry of Education and Sports stores were managed by qualified stores cadre and that a lot had been done to improve stores management.

The Committee noted that the management of Stores in the Ministry had been streamlined by Ministry of Public Service. The Committee however recommends that the Ministry should always ensure that there are qualified stores cadres managing the stores.
12.4 FLEET MANAGEMENT SYSTEM: AUDIT REPORT PARA 1.11

The Auditor General noted that he had earlier reported the lack of a proper fleet management system in Government institutions which exposes Government vehicles to uncontrolled movements, surging fuel, repair and maintenance costs. 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 car 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 was 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. 898,301,874 were spent by Ministry of Education and Sports on repair and maintenance.

The Accounting Officer reported that the Ministry of Education and Sports had already acquired Software in an attempt to streamline management of its fleet. The software had helped the Ministry to improve on the following:

- Fuel management.
- Cost Management
- Work order Management.
- Service order Management.
- Inventory Management.
- Tyre Service Management.

He observed that since the introduction of this software, the costs on vehicle maintenance had reduced drastically from Shs. 300 million to Shs 90 million per quarter.

The Committee noted that there had been a problem initially but the situation had then been improved. The Committee commended the Accounting Officer for this effort and recommends that the Auditor General should verify this and report. The Committee further recommends that all Accounting officers should emulate the example of Ministry of Education and Sports.
Types and classes of vehicles:

The Auditor General also noted that over the years Government had issued regulations regarding the types and classes of vehicles that the Accounting Officer could purchase. The maximum capacity being 2800cc for Ministers and Permanent Secretaries and 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.

It was however noted that the Ministry had flouted such regulations and purchased 7 vehicles over and above the approved classes.

On violation of the recommended capacities of vehicles procured the Committee recommends that vehicles to be procured should follow the prescribed Public Service guidelines and any divergence will be treated as abuse of office. This should stop forthwith. The Committee however directed that, the seven (7) vehicles in question should be formalized with Ministry of Public Service.

The Accounting Officer admitted that more than 5 vehicles would always be on the move at every one time. Considering that the Ministry had 90 vehicles, servicing was carried out at least once a month on each vehicle at an average cost of Shs. 350,000/= per vehicle. This translated into Shs 350,000 x 12 months = Shs378,000,000. This left Shs 520,301,874 for normal maintenance, tyres and accessories. He noted that an average of Shs. 5,781,131/= per vehicle for a year as detailed below:

- Maintenance (repairs) 340,094 per month per vehicle on average x 12 months x 90 vehicles = Shs 367,301,874=
- Tyres (4) once in a year per vehicle x 90 x 1,200,000= Shs 144,000,000.
- Accessories i.e. floor mats, carpets, radios, seat Covers and steering cover 90 vehicles x 100,000/ = - 9,000,000.

The Committee accepted the explanation ad dropped the query.
12.5 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 Education stood at Shs 3,357,670,034/= The Accounting Officer needed to comply with Government regulations and desist from continually incurring domestic arrears.

The Accounting Officer reported that domestic arrears were mainly composed of utility payments and obligation to international Organizations.

The Committee was concerned with the reconciliation done with the Ministries prior to adjustments. It demanded for;

- Details of Shs 1.6 billion adjustment of domestic arrears for first years.
- Confirmation whether the adjustment was part of the 1.3 billion.
- A confirmation of all payment already made.
- A reconciliation of 1.3 billion plus 1.6 billion with 37 million.
- The Auditor General was to verify and report.

The Committee however recommended that:

(i) Government should pay for International Organizations in time or withdraw from being members. It directed that all arrears should be paid within the Financial Year 2009/2010.

(ii) The Commitment Control System should be adhered to. Any divergence will be treated as abuse of office and corruption.

(iii) Proper provision should be made for utilities and should form the first call on the budget.

12.6 UTILITIES: AUDIT REPORT PARA 12.2

During the period under review, the Ministry incurred Shs.889,680,679 on utilities as shown in table below:

<table>
<thead>
<tr>
<th>Utility Company</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Telecommunications</td>
<td>125,889,250</td>
</tr>
<tr>
<td>Electricity</td>
<td>463,791,429</td>
</tr>
<tr>
<td>Water</td>
<td>300,000,000</td>
</tr>
<tr>
<td>Total</td>
<td>889,680,679</td>
</tr>
</tbody>
</table>
These expenses related to utilities consumed both by Ministry of Education & Sports (Headquarters) and the Business Technical Vocational Education Training (BTVET) Colleges. No statements of accounts from utility service providers detailing units consumed credits, debits, account numbers, locations etc. were provided for audit and neither were creditors (subsidiary and control) ledgers for utility accounts kept at the Ministry’s Headquarters. As a result, the Auditor General could not provide assurance that the figures in the financial statements relating to utilities were fairly stated. In his reply to audit, the Accounting Officer had stated that the statements of accounts were available for audit and ledgers were being maintained. None was however provided for verification.

The Accounting Officer submitted the statements of Accounts and ledgers to the Committee. The Auditor General made verifications and reported satisfaction.

The Committee directed that the act of delaying submission of documents to the Auditor General must stopped and warned that any future delay will be punished as per the law. The query was dropped.

12.7 STALE CHEQUES: AUDIT REPORT PARA 12.3

The audit report indicated that the opening cash balances were restated by Shs.63, 853,848 representing stale cheques. However, the schedule in support of the adjustment was not presented for audit hence limiting the scope of audit. In his response, the Accounting officer had explained to audit that the figure of Shs.63, 853,848 was discovered to be part of the initial adjustments on the cash balances that were loaded on the IFMS system and treated as stale cheques. He had further stated that the IFMS specialists were investigating it. Audit awaited the results from the investigation.

The Accounting officer explained that this was a Government wider problem which affected most IFMS sites which were under the pilot implementation and that guidance was yet be provided by the Accountant General on how it should be treated.

The Accounting Officer however confirmed that Shs. 63 million were not stale cheques but figures of adjustment.
The Committee noted the explanation provided and confirmed with the Auditor General. However, the Committee recommended that the Accountant General should adjust these figures as prior year adjustments in the final accounts of Ministry of Education and Sports and overall Government Accounts. The query was dropped.

12.8 INSPECTION OF DELIVERIES: AUDIT REPORT PARA 12.4

The Auditor General noted that the Internal Auditor and Storekeeper did inspect goods for quality and quantity before goods were accepted by the Ministry. However, it was noted that for specialized equipment like scientific equipment, materials and chemicals which required technically qualified personnel to review their quality, there was no evidence that they were verified by technical personnel. For voluminous deliveries like instructional materials, the Internal Audit workforce was too thin to adequately verify the deliveries. There was a risk of supplying unwanted inferior goods and short/under delivery.

The Accounting officer submitted on the query as follows;

(i). Regarding the issue of quality he noted that the Officers in Secondary Education department were former science teachers who were knowledgeable in this field and they were engaged to ascertain the quality of the chemicals. In addition he said that the Ministry at times, sourced practicing science teachers to verify. He said that this ensured that the quality of the chemicals was not compromised. Furthermore, the Internal Audit unit had measured up to the task and proper stock taking was done before the goods were received and accepted.

(ii). As far as the internal Audit Workforce was concerned, he admitted that it was then too thin, compared to the very many activities the Ministry handled. Nevertheless he said that a lot of effort was being made by the Accountant General to streamline it.

The Committee noted that the deliveries had been inspected by qualified personnel. It however recommended that the Accountant General should send more Internal Auditors in the Ministry of Education and Sports to strengthen Internal Audit.
12.9 FIXED ASSETS: AUDIT REPORT PARA 12.5

a) Ownership and Valuation: Title Deeds

The Audit report indicated that although the Ministry had a number of properties like Land and Buildings; they were not titled. The report notes that although the policy of government is that all government land is vested in the Uganda Land Commission, any land under Uganda Land Commission that was not held in trust for the Ministry of Education was at risk. Examples include the then allocation of Shimoni PTC, Shimoni Primary School and Butabika Nursing School to private investors. The allocation of Ministry land to other parties disrupted the affected institutions’ activities which ultimately affected their performance. The Auditor General had advised the Accounting Officer that in processing the titles, the Ministry should advise Uganda Land Commission to have the Land held "in Trust for the Ministry of Education". This would to a large extent minimize the risk of loss of such land, the Accounting Officer had promised to follow it up.

The Accounting Officer noted that as a practice whenever the titles were to be processed, a request was made to the Uganda Land Commission to have the Land held in Trust for the Ministry of Education. He reported that for all other educational institutions under the Ministry, he had written to them requiring them to proceed and open boundaries, undertake surveys and secure titles with the assistance of the Districts and the Ministry.

In the case of Butabika School of Psychiatric Nursing Land where there were attempts to give the land to private investors, the Accounting Officer submitted that he had already contacted the Uganda Land Commission to appropriately protect the land.

The Committee demanded for details of the investor who was to take over the Butabika Nursing School.

The Committee also advised the Accounting Officer to open up all the Ministry’s Land and title them within six (6) months.
12.10 DISPOSAL OF ASSETS: AUDIT REPORT PARA 12.6

a) Disposals without Following Procurement Procedures

For disposal of assets to other sister institutions, the Ministry used the transfer method whereby assets were transferred to its affiliated institutions/schools for teaching purposes. Although the Regulations required that for such a method of disposal to be applied, the Chief Mechanical Engineer should have valued the transferred assets, this was not being done. Furthermore the Regulations required that the following be done in cases of transfer of assets:

- Application to Contracts Committee to approve such a method.
- Proper handover procedures and report thereof.
- Legal obligations and responsibility of both transferer and transferee
- Acknowledgement of receipt of assets by the receiving entities.

There was no evidence that the procedures above were followed. Audit had advised the Accounting Officer to follow the recommended procedures for disposal of assets transferred to other institutions.

The Accounting Officer noted that he had since been following the recommended procedures except for having valuation from the Chief Mechanical Engineer. However, after the guidance from the Auditor General, this was being done as well.

The Committee accepted explanation of the Accounting Officer on the omission. Since there was no loss, it decided to drop the query.

b) Un-Disposed Off Furniture and Equipment

The Auditor General reported that the old furniture and equipment due for boarding off had not for over three years been boarded off but had all along been stored at Kyambogo University. The furniture and equipment had not been valued and there was a risk that its value was deteriorating day by day. The Accounting Officer had promised to have them boarded off.
The Accounting Officer reported that the furniture had been boarded off and had been given to the needy schools. He said that the Ministry was in the process of boarding off the equipment through the recommended methods by PPDA since they were not useful to the schools.

The Committee observed that the method of choosing the Schools that were needed was not transparent. The Committee however directed that all unusable furniture and equipment should be boarded off immediately within one (1) month following PPDA procedures.

12.11 PROCUREMENTS: AUDIT REPORT PARA 12.7

The Auditor General reported that procurements made by the Ministry were reviewed and some irregularities noted as further explained below:

a) Inappropriate Procurement Methods

The Audit report indicated that in a number of procurements, the procurement methods recommended by the PPDA regulations were not used as indicated below:

<table>
<thead>
<tr>
<th>CONTRACT NO.</th>
<th>WHAT WAS SUPPLIED</th>
<th>CONTRACT VALUE</th>
<th>PROCUREMENT METHOD</th>
<th>RECOMMENDED METHOD</th>
<th>WINNER OF THE CONTRACT</th>
</tr>
</thead>
<tbody>
<tr>
<td>SUP/0506/2005/C0179</td>
<td></td>
<td>89,081,740</td>
<td>Restricted bidding</td>
<td>Open bidding</td>
<td></td>
</tr>
<tr>
<td>MOES/GDS/05-06/2111/0216</td>
<td></td>
<td>294,780,874</td>
<td>Restricted bidding</td>
<td>Open bidding</td>
<td></td>
</tr>
<tr>
<td>MOES/05/SUP/1997/C0194</td>
<td></td>
<td>98,880,000</td>
<td>Restricted bidding</td>
<td>Open bidding</td>
<td></td>
</tr>
<tr>
<td>(Insert details)</td>
<td></td>
<td>211,853,946</td>
<td>Restricted bidding</td>
<td>Open bidding</td>
<td></td>
</tr>
</tbody>
</table>

The use of inappropriate procurement methods was a result of weaknesses in procurement planning. In his reply, the Accounting Officer had explained to Audit that the timing for the release of funds towards the closure of the financial year could not permit use of the recommended method which required a minimum of 69 days. The Auditor General had advised the Accounting Officer to liaise with the responsible Ministry to have the release of funds properly planned in order to allow the Ministry plan for its procurements properly.
The Accounting Officer submitted that although he had made requests to the Ministry of Finance in most cases, funds were not released in time.

The Committee demanded for the following;
   a) The dates of procurements.
   b) The types of goods.
   c) The purpose of the goods.
   d) The dates at which Treasury released the funds to the Ministry.

From documents submitted the Committee observed that they could have been loss of value due to restricted bidding. The Committee recommends that:

   (i) Procurement should follow the procurement plan. The Accounting Officer should seek clearance from the Permanent Secretary/Secretary to Treasury to start the process in anticipation of release of resources.

   (ii) Restricted bidding should be done in extremely exceptional circumstances like only in emergency situations and should be cleared by PPDA.

b) Non Deduction Of With Holding Tax

The Auditor General observed that payments to a local company amounting to Shs.506, 626,400 for supply of motor vehicles did not have WHT of Shs 30, 397, 000 deducted at source contrary to the Income Tax Act. Although the Accounting Officer had explained that the firm was exempt, evidence to this effect was lacking. A copy of the exemption letter found, belonged to the sister company. Audit had informed him that this was not tenable because each company should have its own exemption. Audit had advised that the necessary tax be recovered from the firm.

The Accounting officer reported that the issue was referred to Uganda Revenue Authority (URA) for guidance. URA wrote back and clarified that transaction for Africa Motors and Machinery which was a Department of Mantrac (U) Ltd, were for tax purposes incorporated in the Mantrac (U) Ltd Tax returns. URA therefore advised that the With Holding Tax exemption letter for Mantrac (U) Ltd could then be used to cover transactions of Africa Motors and Machinery.
The Committee stood over the matter pending further investigation on the letter from URA. The Committee asked the Legal department of parliament to give legal advice on the matter. The Committee further recommended that Uganda Revenue Authority should provide separate exemptions for Withholding Tax even if they are sister companies or subsidiaries, because each is a separate legal entity.

12.12 AUDIT INSPECTIONS: AUDIT REPORT PARA 12.8

A sample of payments in the Ministry indicated that Shs.14,063,105,732 had been remitted to various Business Technical Vocational Education Training (BTVET) colleges. However, due to the shortage of internal audit staff, the Ministry could not make a follow up of the accountabilities at the various colleges. With only two audit staff, the internal audit section could not effectively carry out the required inspections, monitoring and supervision of the various colleges, institutions and projects financed by the Ministry. To address the problem, the section was assisted by internal audit staff drawn from other Ministries; this arrangement in the Auditor's view was not sustainable in the long run. The Accounting Officer had explained to audit that he did not have adequate manpower to carry on an effective supervision and follow up of the accountabilities. He had indicated that the Ministry would need more audit staff to operate effectively. The Auditor had advised him to liaise with the Accountant General to find a long lasting solution to the problem.

The Committee recommends that the Accountant General should avail the Accounting Officer more Internal Audit staff.

The Auditor also carried out inspections on twelve (12) selected institutions and made the following observations:

a) Poor Staffing

The inspections revealed a general problem regarding staffing in various schools and colleges visited. It was noted that many vacancies were yet to be filled at the time of audit as indicated in the table below. From a sample of 6 colleges visited, out of 292 established posts, only 209 were filled leaving 83 vacant. The institutions faced risk of poor service delivery resulting from poor staffing. The Auditor
General had advised that the Ministry to endeavor to fill all the gaps in order to enhance better service delivery. The Accounting Officer had explained to audit that submissions had already been made to the Education Service Commission but the appointments could not be effected because, the Commissioners had not been appointed at the time nor had their contracts been renewed.

<table>
<thead>
<tr>
<th>Name</th>
<th>Established posts</th>
<th>Filled posts</th>
<th>Vacancies</th>
</tr>
</thead>
<tbody>
<tr>
<td>St. Augustine PTC</td>
<td>21</td>
<td>10</td>
<td>11</td>
</tr>
<tr>
<td>Canon Apollo PTC–Fort Portal</td>
<td>43</td>
<td>25</td>
<td>18</td>
</tr>
<tr>
<td>Bwera PTC –Kasese</td>
<td>19</td>
<td>12</td>
<td>7</td>
</tr>
<tr>
<td>Bushenyi core PTC</td>
<td>72</td>
<td>57</td>
<td>15</td>
</tr>
<tr>
<td>Bishop Stuart core PTC-Kibingo Mbarara</td>
<td>88</td>
<td>64</td>
<td>24</td>
</tr>
<tr>
<td>Ndegeya core PTC-Masaka</td>
<td>49</td>
<td>41</td>
<td>8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>292</strong></td>
<td><strong>209</strong></td>
<td><strong>83</strong></td>
</tr>
</tbody>
</table>

The Accounting Officer submitted he had written a reminder, to the secretary Education Service Commission to re-advertise for the jobs urgently.

The Committee noted but asked the Accountant General to ensure that the Ministry gets enough accounts staff. The Committee requested the Education Service Commission to urgently fill these vacancies so that Government gets good service delivery.

**b) Deletion of Established Members of Staff from the Payroll**

At Jinja School of Nursing and Midwifery, the five members of support staff were removed from the Ministry payroll. The Accounting Officer had promised to ascertain the circumstances that led to their removal from the payroll and if unjustified the staff in question be put back to the payroll.

The Accounting Officer submitted that these staff were originally on Ministry of Health payroll and were later transferred to his Ministry’s pay roll. However, it was established that they had been appointed on contracts which had long expired in 1996. These appointments were supposed to have been regularized through the Education Service Commission validation exercise. However, when the
interviews were carried out by the Commission, the results could not be released on ground that the structures of these institutions had not been approved by the Cabinet.

The Committee asked the Auditor General to verify this but also asked the Accounting Officer to follow up the matter with the Education Service Commission and report BACK within one (1) month. The Committee further recommends that if the staff were still valuable, they should be put on permanent basis unless they are above retirement age.

c) Books of Accounts

The Auditor General reported that the Bank Statements and Cashbooks for three bank accounts of tuition, development and grants for Jinja School of Nursing and Midwifery were not availed for verification. At Bwera PTC Kasese the Auditor was not able to access the books of accounts. The Auditor was further informed that the bursar, who had been suspended by the college, locked the books in office and left with the office keys way back in March 2006. Till then no action had been brought against him. This limited the scope of audit by the Auditor General.

The Accounting Officer explained that the Bursar for Bwera PTC had been appointed by the Board of Governors and his services were terminated by the same Board of Governors.

He said that the Bursar having received the letter of termination refused to hand over the keys for his office which remained locked. The Principal reported the matter to the Board of Governors meeting which wrote to the Chief Administrative officer (CAO) to intervene. The CAO wrote to the Bursar asking him to make a proper hand over of office, but the latter refused. The CAO then asked the Police to arrest him but he since disappeared. The Ministry awaited further developments from the Police and a letter had been written to the CAO requesting for a Police progress report.

The Committee asked the Accounting Officer to confirm what was got in the office when the Police walked inside, avail the Police report, establish if the books of account were done and also establish when the last Audit was done when the bursar was in office. The Auditor General should audit these books and confirm the true position and report thereafter.
d) Revenue Generated From Private Students

The Audit report indicated that Jinja School of Nursing and Midwifery had private student's enrolment of 410 from whom tuition was collectable. The Auditor was not shown the students' fees registers indicating how much was invoiced, collected and dues outstanding. There was a possibility that some tuition fees were collected and put to private use.

The Accounting Officer submitted that the information from Jinja School indicated that at the time the Auditors went to the school, the Computer in which records were kept had a problem and the information could not be accessed however, there was evidence that all records were available and all books of accounts including fees registers for private students were well kept.

The Committee asked the Accounting Officer to submit the Register and Cash Book and the hard copy of the students list. The Auditor General was requested to verify this and report.

e) College Infrastructure

Although the Ministry was making efforts to renovate the infrastructure at various colleges, the Auditor General found that a lot still had, to be done. Many colleges still had old dilapidated buildings which were not suitable for occupation. Below were some of the cases highlighted during inspection.

➢ Mubende Technical Institute (MTI)

Most of the buildings were dilapidated with roofs leaking, doors and window panes broken. The staff quarters also required renovation. A dormitory for the male students had its entire roof blown off on 17th October 2006. It had been accommodating 100 students, who were then squeezed in classrooms. Sanitation was also poor as the pit latrines had been filled up. Bathrooms were in a sorry state and were shared by both male and female students. It was noted that the kitchen was almost non-existent and meals were prepared in the open. Generally there was lack of instructional materials for most of
the departments such as Motor Vehicle department, Carpentry and Joinery, Tailoring and Cutting, Brick Laying and Concrete Practice, plumbing and Electrical Installation.

The Accounting Officer admitted before the Committee that Mubende Technical Institute was then in poor condition. He said that this was one of the Oldest Technical Institutions but had suffered management problems as well as under facilitation in terms of Capital Development funds. However, he said that the ministry was:

a) Making changes in administration.
b) Planning to invest in the rehabilitation of the institute in the F/Y 2007/08.

The Committee asked the Accounting Officer to submit an updated status of this Institution. The Committee further recommended that the Accounting Officer should budget for all these Institutions in full for both capital and recurrent expenditure so that Parliament should appropriate resources for them. The Committee noted that it is important that these Institutions be well maintained and equipped.

Bushenyi Core PTC

The Auditor General reported that during the course of the inspection, he had noted that the entire female dormitory block with 4 rooms designed to accommodate 74 students was completely burnt down by fire on 7th October 2006. The cause of fire was attributed to a poor wiring system. This he observed, could create accommodation problems and subsequently affect enrolment if not addressed in time. The total cost of reconstruction and replacement of the damaged property was estimated at Shs.74,900,000. The Accounting Officer had promised Audit to follow up the matter.

The Accounting Officer reported that the department had made work plans which included renovation of the dormitory.

The Committee recommended that all Government buildings be insured to avoid subh losses. It also recommended that the Permanent Secretary/Secretary to Treasury allocates funds to repair the damages made to this PTC.
Bwera PTC- Kasese

The Audit report indicated that during the period under review a letter of credit for Shs.237,768,028 was opened on 28th April 2006 in favour of a local company for the construction of a 2-classroom block and principal’s house at Bwera PTC. By the time of writing audit report a total of Shs.165,869,243 had been paid to the contractors. The following was noted:

- A two-roomed classroom block with two small offices had been completed and awaiting handover. However, electrical installations had not yet been completed. The kitchen attached to the Principal’s house, the garage floor and septic tank were also incomplete. The replacement of the water tank, toilet and bathroom works in the master bedroom together with floor and wall tiling was yet to be done.

The Accounting Officer submitted that the works in question had then been completed and that, the defects liability had expired on 7/08/2007 and final inspection was carried out on 12/9/07. He reported that the principal was asked to confirm in writing that the areas which required improvement had all been attended to before the final payment could be effected. This was done and a final payment certificate prepared on 2nd November, 2007.

The Committee asked the Accounting officer to submit a copy of the partial Certificate of completion. The Committee recommends that all works be inspected by Ministry of Works engineers with Ministry of Education and Sports engineers before payments are done. It however directs that the company in question should be blacklisted for poor workmanship.

The Auditor General should verify and report.

- A Pediatrics Classroom block estimated at Shs.60,750,000 was constructed at the School. Although the company had been paid fully for the job, the window panes for 4 window frames and 4 door frames, electrical wiring for the structure and paintings of the structure were yet to be carried out. During discussions, the Accounting Officer had attributed the poor infrastructure to lack of an adequate Capital Development budget. He had explained that the Ministry on average received Shs.8 billion for Capital Development which was too little to meet the needs of the Ministry. The Ministry was therefore forced to prioritize by targeting resources to the most core areas of the
Institution like laboratories and equipment. He indicated that the Ministry had put in place a long-term plan for the renovation of many of the facilities. Although the Auditor General agreed with this position, he noted the need to remain systematic in having interventions in areas that give maximum value for money. Audit had also advised him to rectify the anomalies identified.

The Accounting Officer reported that the anomalies had since been rectified. The Committee noted that the contractor was fully paid before completion of works. It directed the Accounting Officer to submit documents of completion of the works. The Committee also recommended as follows:

(i) That the Auditor General verifies the works and report.
(ii) That the Ministry of Works Engineers be involved in issuing certificates of completion as they are the technical staff.
(iii) That the Companies which do bad work be blacklisted.
(iv) That the Ministry of Education and Sports submits to Parliament its total requirements for renovating education facilities within three (3) months.
(v) That Parliament should authorize funds for these renovations as this is the backbone of the Country.
13. MINISTRY OF HEALTH

13.1 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 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 the operations of audit. This was partly due to laxity by 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 said that the delays in the submission arose due to a number of factors that included the loss of the Principal accountant and various investigations that the Ministry was involved in.

The Committee accepted the explanation and warned against delays in submitting financial statements.

13.2 ALLOCATION OF GOVERNMENT LAND: AUDIT REPORT PARA 1.6

The Auditor General reported that Government land which is supposed to be held in trust by Uganda Land Commission was being allocated to investors and individuals without carrying out consultation with the responsible institutions. The Auditor General was concerned that, part of the problem for this is that government land had not been surveyed to have titles processed, a problem attributed to lack of funding.

The Accounting Officer explained that the Ministry was carrying out an inventory on all land under the Ministry. She observed that some of the land in the various hospitals had been encroached for reasons
beyond the Ministry's control but this matter was something under Uganda Land Commission. She noted particularly that the problem of Kitgum Hospital land was still being investigated.

The Committee observed that the Accounting Officer was not in control of the situation of land in her Ministry and directed her to submit a progress report on putting in place the inventory of all land under the Ministry by January 2008.

The Committee recommends that all Ministry land be surveyed and titles given within six (6) months. Any encroachments be reported to the Committee within one (1) month. The Committee further recommends that CID investigates the Kitgum hospital land and take appropriate action on the encroachers.

13.3 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 the stores function in Government had been underrated and thus not receiving enough attention in terms of training and staffing. The Auditor General 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 would ensure safe guard of Government assets.

The Accounting Officer submitted that Ministry of Public service had already advised the Ministry to recruit qualified staffs that were to address these problems. She said that she had established a procurement Unit which had streamlined the stores management in the Ministry.
The Committee demanded for the Internal Audit report that had been submitted by the Internal Audit, advising the Accounting Officer of this anomaly in the Ministry. The Accounting Officer was asked to explain further on why she had since not recruited a qualified Stores person.

The Committee recommended that:

(i) The Ministry recruits qualified stores cadre within three (3) months.

(ii) The Internal Audit should be effective to assist the Accounting Officer on inadequacies in Internal Controls and procedures.

13.4 FLEET MANAGEMENT SYSTEM: AUDIT REPORT PARA 1.11

a) Fleet Management System

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

The Committee was concerned that the Ministry’s vehicles were being involved on private activities. The Committee also found that the Transport Officer of the Ministry was not an engineer. The Committee recommends as follows:-

(i) Fleet Management Systems should be strictly followed. Any divergence will be held as abuse of office and corruption.

(ii) Use of vehicles for private purposes should be held as against the law and be charged accordingly.

(iii) Police should arrest all government vehicles caught doing private work or moving outside office hours without the authority of the Accounting Officer.

(iv) All vehicles should follow the Ministry of Works’ and the Ministry of Public Service guidelines.

(vi) The Accounting Officer should recruit an engineer as a Transport Officer.
b) Types and classes of vehicles:-

The Auditor General also noted that over the years Government had issued regulations regarding the types and classes of vehicles Accounting Officer can purchase. The maximum capacity being 2800cc for Ministers down to Permanent Secretaries and 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.

It was however noted that the Ministry had flouted such regulations and purchased 20 vehicles over and above the approved classes.

The Accounting Officer was asked to update the Committee on how many of the 96 vehicles were bought after the F/Y 2004/05.

The Accounting Officer was also asked to submit a copy of the letter she wrote to the Development Partners on the need to purchase Vehicles at a set Government limit. This was submitted.

The Committee directed that all projects must work within the laws of Uganda. The Committee asked the Accounting Officer to distinguish from the separate 96 vehicles on those belonging to the projects and those outside the project.

The Committee further recommends:-

(i) All vehicles procured should follow Public Service guidelines and any divergence should be treated as abuse of office.

(ii) Donors should accept Government of Uganda guidelines and accept to procure vehicles according to Uganda Laws. The Permanent Secretary/Secretary to Treasury should follow up this issue with donors.

13.5 DOMESTIC ARREARS AND CONTINGENT LIABILITIES: AUDIT REPORT PARA 1.12

It was reported that the Consolidated Domestic arrears as at 30th June, 2006 for the Ministry of Foreign Affairs stood at Shs 30,420,566,352. The Accounting Officer needed to comply with Government regulations and desist from continually incurring domestic arrears.
The Accounting Officer submitted that the outstanding domestic arrears were mainly composed of taxes. The Ministry owed to Uganda Revenue Authority and others commitments to International Organizations.

The Committee asked Auditor General to check on how much of this had been paid. On the taxes he should confirm on how much had been written off by the URA and if not why. The Committee recommends as follows:

(i) Taxes that were written off by Parliament should be adjusted from arrears. The Accountant General should do the adjustment and Auditor General should verify and report.

(ii) The Accounting Officer should follow the Commitment Control System without exception.

13.6 OUTSTANDING ADVANCES: AUDIT REPORT PARA 1.13

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

The Accounting Officer submitted documents of accountability to the Committee.

The Committee asked the Auditor General to verify and report.

On the issue of Final Accounts;

The Committee demanded for evidence of transfer of Shs 3.4 billion and also asked the Accountant General to explain why Shs 1.5 billion was not transferred in time and only Shs 1.1 transferred. Furthermore the Accounting Officer was asked to explain the transfer of Shs 1.4 billion and the transfer of Shs 4.5 billion.
13.7 NUGATORY EXPENDITURE: AUDIT REPORT PARA 13.2

The Auditor General reported that during the year, a foreign company was paid Shs.996, 750,400 (US$538,784). Supporting documents for the payments were however all photocopies and efforts to trace the originals were fruitless. Included in this payment were interest of Shs.303,242,750 (US$163,915) for late payment of the outstanding balance as at 23rd June 2001 amounting to US$374,869 (Shs.693,507,650). This payment was nugatory in nature since it would have been avoided had management honored the terms of the contract. It was further noted that the outstanding payment of US$374,869 (Shs.693,507,650) mentioned above included interest of US $352,804 on foreign component and US$60,878 on local component. Interest was therefore being paid on interest. The total interest component on US$538,784 was US$516,719 (352,804 + 163,915) (Shs.955,930,150) i.e. 96% of the actual payment made. Besides, the interest rates of 15% on foreign component and 27% on local component appeared high and unreasonable on such a contract. The Auditor General had advised the Accounting Officer to carry out a proper reconciliation of all payments due and those made to the company under the contract to clearly establish the extent of debt by Government. Audit had also advised the Accounting Officer to ensure that all effort is made to minimize nugatory expenditure of this nature.

The Accounting Officer confirmed to the Committee that the Ministry had to pay interest to the contractor- M/S Spencon because of failure to pay the contractual sum on time. He explained that the delay in payment was a result of cash flow problems. The Ministry was not receiving cash release from Ministry of Finance, Planning and Economic Development (MOFPED) in time and therefore could not pay the Contractor in time.

He noted that such extra expenses would have been avoided if the Ministry had received adequate financial releases from Ministry of Finance Planning and Economic Development in time. He also noted that the Ministry still owed the Contractor some money and if the Ministry of Finance, Planning and Economic Development did not provide funds, the bill would continue to attract interest.

The Committee directed the Accounting Officer to submit:-

• The original documents of the initial payments made.
- A copy of the contracts and evidence of efforts to secure funds from the Treasury.
- Payments schedule showing how interest was earned
- Reconciliation on the final accounts on all payments due on the project.
- Certified copy on the invoice on which payments could have been made.

The Committee was availed the documents which clearly stated that any delay attracted interest. The Committee also noted that the contract was cleared by the Solicitor General. The Committee recommends:

(i) That the Contractual obligation which has a penalty should be avoided. If not, then it should be provided for in full in the budget.

(ii) The Accounting Officer should immediately pay the balance to avoid interest. The Secretary to Treasury should avail these resources urgently.

13.8 FUNDS FOR NECDP: AUDIT REPORT PARA 13.3

The Auditor General reported that during the year under review, Shs.140,386,742 was transferred from the Ministry Treasury General Account to another project (The Communicable Disease) account. The amount was purportedly transferred to cater for the activities of the Nutrition and Early Childhood Development Project (NECDP). This followed a reconciliation which revealed that the monies had earlier been spent on non NECDP related activities during the year ended June 2005. No explanation was however provided as to why money had to first be paid to another project rather than effecting payments directly from the Treasury General Account. The amount had further not been accounted for. Auditor could not confirm that the amount had been spent on NECDP activities.

The Accounting Officer regretted the anomaly and explained that the payment was a refund of money earlier borrowed from the project for other Ministry activities. He said that at the time of refunding the money, the project had ended and its account had been closed but there were outstanding activities and bills. The money was used to clear these outstanding commitments.
The Committee noted that there was no authority to borrow these funds. It demanded that the Accounting Officer submits the details of all the expenditures of Shs 140,386,742 and provides reasons for the movement of funds as was described by the Auditor General and the effect of this borrowing on that project. Documents were submitted and the Auditor General is to verify and report.

The Committee recommends as follows:

(i) Borrowing of project funds without Parliamentary approval should stop forthwith. If done this will be treated as abuse of office and corruption.

(ii) The Auditor General should verify to confirm if these were the activities of the project.

(iii) The Auditor General should verify and confirm how much was exactly borrowed.

13.9 PAYROLL CLEANING EXERCISE: AUDIT REPORT PARA 13.4

It was reported that during the year, H.E. the President directed the cleaning of the payroll. The exercise was effected in September, 2005 and unearthed a loss of Shs.38,575,654 resulting from various irregularities arising from delays in effecting deletions from the payroll. The amount comprised of Shs.10,580,213 relating to staff salaries which continued to be paid for sometime after the staff had left the Ministry and Shs.28,575,634 which continued to be paid up to the time of the exercise. The cause of this appeared to be negligence of duty by the responsible officer and weaknesses in the payroll management system.

The Accounting Officer had then reported that the list of the affected beneficiaries had been compiled for appropriate action. Audit had advised that monies earned wrongfully should be refunded by the beneficiaries. The existing weaknesses in the payroll management system should also be addressed.

The Accounting Officer responded as follows:

- On why there were delays in deleting staff who had left from the payroll, the Accounting Officer explained that the Ministry was not supposed to delete an Officer from the payroll when he/she had been transferred to another Ministry, before the Officer accesses the payroll of the receiving Ministry or before the last local pay certificate and the particulars of service were forwarded to the receiving Ministry.
• On the efforts made to recover the money paid wrongly, the Accounting Officer submitted that
letters had been written to the three officers who were working with the Global Fund Project
and continued to draw Government salary, to have the money recovered from them.

• The Accounting Officer reported that the payroll was cleaned despite the regular transfers of
Officers from time to time and the attrition rate upcountry. He said that the Ministry normally
sends the Local Last Pay Certificates and particulars of service of transferred staff to the
receiving Ministry immediately one is transferred. She noted that most of the doctors referred to
in the query were no longer on station except one who was working with Mengo Hospital.

The Committee asked the Accounting Officer to submit the plans of action she had in place to get
these funds paid and to outline the role of the Personnel Department on this matter. It further noted that
it was fraudulent on the part of the Officers involved in this matter and directed that given the details
available, the Officers responsible be handed over to the Police for further investigation. CID is yet to
report by the time of writing this report.

The Committee further recommends that this money be recovered within two (2) months.

13.10 DOMESTIC AIR TRAVEL: AUDIT REPORT PARA 13.5

During the financial year under review, the Auditor General reported that Shs.33,000,000 was paid out
to a local Airline to cater for air travels for performance monitoring of the District Health Services in the
north, mid western, and West Nile regions by the area teams. However, the travels did not take place
but the money was not refunded by the Airline. A search for the company further revealed that the
company had gone burst and wound up operations. It was therefore evident that Government lost
money as a result of the inability by the firm to offer the service. During audit discussions, the
Accounting Officer had promised to institute recovery measures and advise audit accordingly.

The Accounting Officer explained that the money was prepaid to UNITED AIRLINES for Officials travel
on performance monitoring and inspection of health service delivery in the North, Midwest and West
Nile Regions. The officials travelled and carried out the inspection and monitoring activities. Unfortunately, the Ministry later on could not get documents from the Airline Company because it had closed down.

The Committee noted that the firm in question belonged to one of the Minister in the Ministry. It therefore directed the Accounting Officer to:

- Explain why the Airline was paid in advance
- Confirm on the officials who traveled and those who did not
- To explain why those who never traveled did not do so

The Committee then recommended that:

(i) The then Minister, Hon. Mike Mukula should provide receipts and logs for those who travelled or else he refunds the money within one (1) month.
(ii) Since there was no competitive bidding, the Minister then be held for influence peddling. CID should follow up this matter.
(iii) the Officers who purportedly never travelled should refund the cost incurred on them within two (2) months. CID should follow up this issue.

13.11 UGANDA COMMUNITY BASED HEALTH FINANCING ASSOCIATION (UCBHFA):

It was reported that Shs.45,726,000 was paid to M/S Uganda Community Based Health Association to cater for its activities. However, funds had not been accounted for by the time of audit contrary to financial regulations. Efforts to trace the memorandum of understanding between the association and the Ministry were also fruitless hence limiting the scope of audit. Furthermore, according to the requisition letter, the activities which were to be funded were similar to those which were financed by the Ministry’s Department of Community Health Services (Planning). This implied that there was unnecessary duplication of activities which resulted into wasteful expenditure.

In his written reply to Audit, the Accounting Officer had explained that both the accountabilities and Memorandum of Understanding were available but none was however later presented for verification.
The Accounting Officer explained that the activities carried out by UCBHFA were complimentary to those carried out by the Community Health Services Department in that the latter could not reach all areas where there was need at all times. This was in line with the “Integrated National Health Care System and increasing accessibility to Health Care Policy”. She observed that this arrangement of NGOs operating in the field of health, private health care providers and the Public Health sector constituted one integrated health system. Their activities were planned, coordinated and monitored through joint structures like Annual National Health Sector Strategic Plan, Joint Health Sector Review Missions and National Health Assemblies. The Possibility of duplication of activities therefore did not arise.

The Committee demanded for:-

• Details of these organizations, where they were based and who signed for the money.
• Details of the payment vouchers
• Criteria used for making payments from such projects i.e how were the beneficiaries identified
• The details of submission of funds to various districts for the past eight years

The Committee hence forth decided that the Ministry should:-

• Send money directly to the NGOs which work hand in hand with the Ministry
• Provide services to the Public directly and not through the politicians. Guidelines be put in place to avoid pressures from Politicians who are only responsible for oversight
• Since there was no memorandum of understanding and no accountability, the funds be refunded and the officers concerned be held responsible. This should be done within two (2) months. CID should follow up this matter.
14. PARLIAMENTARY COMMISSION

14.1 STORES CADRE: AUDIT REPORT PARA 1.8

The Auditor General observed that 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 not receiving enough attention in terms of training and staffing. 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 will ensure safe guard of Government assets.

The Accounting Officer said that the Parliamentary Commission had trained two competent staff in stores and that stores management had been streamlined and that there had been no major problem regarding the management of stores. He said that all the records were electronically kept linking the store to the accounts. He provided an overview of the operations of stores.

The Committee congratulated the Accounting Officer for the good system in place. However, the Committee recommends that strong Internal Controls should be put in place and Internal Audit should review them regularly to confirm if they are operational.

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

It was reported that the Consolidated Domestic arrears as at 30th June, 2006 for the Commission stood at Shs 30,420,566,352. The Auditor General asked the Accounting Officer to comply with Government regulations and desist from continually incurring domestic arrears.
The Accounting Officer submitted that the figure of Shs. 18,626,731/= was carried forward from financial year 2004/05.

He further explained that Shs 31 Million were liabilities of which Shs 13 Million had been paid. But the Shs 13 million were not reflected in the Final Accounts.

The Committee wanted to know how the final accounts balanced without Shs 13 million. The Committee asked the Accounting Officer to submit reconciled Accounts.

The Final Accounts also showed that Shs 41,460,000 was the figure at the end of the Following Year but only Shs 13,451,155 was transferred to the Consolidated Fund.

The Committee demanded to know why less was transferred. Evidence of transfer of full amount was however later provided.

The Committee recommends that all liabilities should be declared in the accounts. Any liabilities which had a remote possibility of occurrence should be put in Memorandum in the Accounts.

14.3 OUTSTANDING ADVANCES TO MEMBERS OF PARLIAMENT: AUDIT REPORT PARA 14.2

The Auditor General reported that during November 2005, Members of the Seventh Parliament were advanced a total of Shs. 2,882,500,000 for constituency development. This advance was not retired by year end risking a possible loss to Government. In his response, the Accounting Officer had expressed difficulty in getting accountability especially from members who were not re-elected back to Parliament.

He also expressed difficulty in ascertaining the authenticity of the accountability as he had no way of establishing that the funds were expended on what was purported to have been done. He further stated that he had advised government to enact a law to establish a fund known as Constituency Development Fund which would detail how much money should be disbursed, utilized and accounted for. The Auditor General recommended that measures should be taken to ensure that full accountability was obtained and he awaited the response from Government to the advice from the Accounting Officer.
The Accounting Officer confirmed that Members of the 7th Parliament were paid a total of Shs2,882,500,000/= for Constituency Development.

He explained that before the funds were disbursed, all members were given guidelines for utilization of the Constituency Development Fund which, among other things treated the funds as an advance and obliged members to provide satisfactory accountability for the money.

He said that his role as Accounting Officer was to receive accountability documents and forward it to the Auditor General for verification. He said that although a few members submitted accountability, they were examined by the Internal Audit of Parliament and found lacking. The opinion of the Internal Auditor and the list of Members of Parliament who attempted to account was submitted to the Committee.

The Accounting Officer noted that it was his considered opinion that the problem of lack of accountability would continue as long as the funds were paid directly to the Members and if there was no law to regulate the management of the fund. He reported that he had drawn the attention of the Executive to the problem.

The Committee noted that the Members of Parliament whose accountability had not been reflected had not been informed of the situation. The non accountability of funds (Advanced to Members of Parliament) was also found not reflected in the Final Accounts. This should be reflected in the next Following Year accounts as adjustment. The Committee also directs that those who had not accounted fully should be asked to refund including attaching their pension. The Auditor General was asked to confirm the ex-officials involved and why they were paid CDF.

For those whose accountability was queried the Committee directed that they should be given 60 days to clear or else they should also refund. The Committee directed that a registry be put in place for receipt of accountability submitted and certificates also should be made for all accepted accountability. No more advances should be given to any Member of Parliament until he/she satisfies the first outstanding accountability. The Committee recommends that no payment of CDF should be done to
ex-officials and those paid should refund as it is an abuse of the purpose. The money should be recovered within two (2) months.

14.4 PAY AS YOU EARN (PAYE) DEDUCTIONS FROM STAFF: AUDIT REPORT PARA 14.3

The Auditor General submitted that during the year under review, the Commission paid staff allowances amounting to Shs.1,327,203,312 without recovery of PAYE at source of Shs.398,160,996 as required by the Income Tax Act, risking a tax penalty for failure to remit the tax. The Accounting Officer in his response to Audit had stated that in his opinion the allowances being queried were not taxable and that he had sought legal opinion of the Attorney General. The Auditor General awaited the opinion.

The Accounting Officer submitted that the issue of the unrecovered PAYE from staff allowance amounting to Shs. 1,327,203,312/= was before the Parliamentary Commission which had sought the legal opinion of the Attorney General but had not received any response.

The Committee decided to handle the matter with the Attorney General. The Attorney general gave an opinion that Parliamentary staff is also exempt from PAYE as Members of Parliament.

14.5 ACCOUNTABILITY FOR TRAVEL ABROAD: AUDIT REPORT PARA 14.4

The examination of expenditure revealed that a total sum of Shs.741,179,880 was paid to one travel agent in respect of air tickets for Officials and Members of Parliament on for travel abroad on official duty. However, documentation to confirm occurrence of the travels, in form of ticket coupons were lacking. In his written reply the Accounting Officer had stated that delegations had always submitted reports and records of conferences, workshops upon return thereby signifying that the delegation indeed traveled and participated in the events. He further stated that he had instituted additional measures to ensure full accountability for travel abroad. The Auditor General urged him to ensure that the funds were fully accounted for.
The Accounting Officer explained that in the past, accountability for travel abroad had been through submission of report on conferences/meetings attended. He said that he had implemented the Auditor General's advice to have ticket coupons submitted as accountability but the response had been rather poor as some members did not submit the tickets/boarding passes.

The Committee noted that this was a serious matter as be enforced to prove that they had traveled for the right days and that they have attended the said meetings. The Committee directed that effective the eighth Parliament, travels be accounted for by coupons, reports, air tickets e.t.c.

The Commission should address the payments made to Members of Parliament who do not attend plenary. The Committee to decide on the way forward. However, the Committee recommends that all Members of Parliament and staff of Parliament on return should submit travel coupons within five days to the Clerk. Failure, the culprits should not travel again and also refunds money for air ticket and per diem.

14.6 CONTRIBUTION TO AFRICAN PARLIAMENTARY UNION: AUDIT REPORT PARA 14.5

The Audit reported that a sum of US$19,697 remitted to the African Parliamentary Union in Abidjan was not acknowledged as received by the recipient. In his written reply the Accounting Officer stated that he had written to the Union and was awaiting a response. The Auditor General had advised that measures should be instituted to ensure prompt acknowledgement of money remitted. He also recommended that the Accounting Officer continues with the effort and keep him informed.

The Accounting Officer reported that the African parliamentary Union subsequently acknowledged receipt of the contribution of US$19,697 and presented the receipt.

The Committee asked the Accounting Officer to attach the copy of the total, contribution and acknowledgement.

The Committee recommends that acknowledgement should always be demanded from the recipients of public funds.
14.7 PAYMENTS TO UGANDA REVENUE AUTHORITY: AUDIT REPORT PARA 14.6

During the year, the Commission remitted taxes totaling Shs.3,123,092,793 of which only Shs.3,116,079,371 were acknowledged as received by Uganda Revenue Authority while Shs.7,013,422/= remained not acknowledged as received. Audit recommended that receipts of the remaining Shs.7,013,422/= be obtained and made available for audit.

The Accounting Officer noted that the Auditors who raised the query did not specify the vouchers for the Shs.7,013,422/= Consequently, he was unable to trace the Uganda Revenue Authority receipt for tax remission of the amount because of this lack of clarity in the query.

The Committee asked the Auditor General to reconcile with the Accounting Officer to enable him to account.
15. MINISTRY OF WORKS AND TRANSPORT

15.1 ALLOCATION OF GOVERNMENT LAND: AUDIT REPORT PARA 1.6

The Auditor General reported that Government land which was supposed to be held in trust by Uganda Land Commission was being allocated to investors and individuals without carrying out consultation with the responsible institutions. The Auditor General was concerned that part of the problem for this was that Government land had not been surveyed to have titles processed, a problem attributed to lack of funding.

The Auditor General also noted that the Ministry had Roadway camps on the high ways whose status the Ministry needed to resolve.

The Accounting Officer informed the Committee that there was an ongoing study on the Roadway camps by the Consultant who was supposed to advise the Ministry on how to handle these Roadway camps. He told the Committee that the study was already half way done.

The Committee was however concerned of the structures that had existed on these road camps and whose status were deteriorating further.

The Accounting Officer informed the Committee that the structures had already deteriorated and that the concern of the Ministry was mainly on the land. He said that the consultant would advise on the value and what belongs to the Ministry.

The Committee gave the Accounting Officer up to June 2008 to update it on the progress.

15.2 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 the stores function in Government had
been underrated and thus not receiving enough attention in terms of training and staffing. 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 will ensure safe guard of Government assets.

The Accounting Officer said that the responsibility on stores of Government was passed over to the Accountant General and the staff in the stores were to be handled by Public Service. He said that some restructuring had been done by the Ministry of Public Service but noted that it was still lacking and it ignored professionalizing the cadre in the Public Service system. He said that his Ministry stores were properly managed as the Ministry finds the stores management critical. He said that the Ministry had all the necessary cadres though he was not happy in terms of their numbers, training and structures.

The Committee noted and directed the Accounting Officer to follow up this matter with the Ministry of Public Service.

15.3 FLEET MANAGEMENT SYSTEM: AUDIT REPORT PARA 1.11

a) Amounts spent on repairs

The Auditor General noted that he had reported the lack of a proper fleet management system in Government institutions which had exposed Government vehicles to uncontrolled movements, surging fuel, repair and maintenance costs. During the year under review, some Ministries attempted to set up fleet management systems. It was however noted that, still these systems were not being strictly followed. In many cases, the Movement log books were not up to date, vehicles were still being 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 was 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. 1,425,181,121 was spent by Ministry of Works Transport and Communication, on repair and maintenance.

The Accounting Officer outlined government's policy and guidelines for the replacement of vehicles in its fleet as prescribed in among others;

- The Cabinet Extract No. 216 (CT 1994)
- The Circular Letter ref FAD 175/306/01 of 11th December 2003 to all Accounting Officers by Permanent Secretary/ Secretary to the Treasury.
- The Circular Standing Instructions from the Ministry of Public Service.

He noted that the guidelines indicate for example the age (Years/ mileage), conditions at which vehicles should be boarded off and replaced, standardization for purchase/ replacement and for used vehicles the age (years/ mileage), condition etc of second hand vehicles for purchase.

He reported that the recommended period for replacement of saloon cars for example; 5 years or 100,000-150,000Km whichever is earlier, light trucks and station wagons at 5years or 150,000-250,000 km whichever is earlier.

In case of replacement involving used vehicles, the Accounting Officer noted that the age limit recommended was up to 4 years and lower mileage. On account of the fundamental problem of lack of funds however, Government tended to own its fleet longer than expected and this therefore contributed to both the high age profile and the subsequent heavy repair costs of the government fleet. He said that Government would nonetheless continue to review its vehicle replacement policy guidelines as the Country's economy improved. He reported that Government in 2007 through MoFPED commissioned a study to look into the use of vehicles in the public sector. The findings and recommendations of this study would be used to review among others the Government vehicles replacement policy guidelines.

On the Unofficial use of Vehicles, the Accounting Officer reported that the issue was being handled by the Ministry of Public Service. He however observed that in his Ministry, upcountry equipment and
vehicles were not rigidly restricted to official working hours. This he said was dictated by the nature of
the works which at times called for working after the stipulated time and even during weekends to
enable the clearing/ opening up of the roads that would have been blocked up by unavoidable
circumstances.
Regarding servicing and general maintenance of the Ministry’s vehicles he said that the Ministry had in
place the following:-

- **Use of Log books**
All the Ministry’s vehicles had log books. These log books had vital information regarding the age and
maintenance history of the vehicle, including the service record.

- **Maintenance chart and vehicle maintenance file**
The Transport Officer also maintained a programmed maintenance chart and vehicle maintenance file
that contained information regarding repair works carried out.

- **Garages and workshops**
Major repairs were carried out in approved and where applicable, manufacturer’s approved franchised
dealers through recommendations from the Chief Government Engineer. In addition, the vehicles were
inspected and certified before they were released to the allocated user.

On (Shs 1,425,181,121) spent on repairs and maintenance of vehicles, the Accounting Officer
confirmed that a large sum of money totaling Shs1,425,181,121 was spent on maintenance of the
Ministry’s fleet during the financial year 2005/06. The expenditure involved procurement of spare parts,
repairs of vehicles/equipment both in house and with the approved service providers (Dealers
inclusive).

He however noted that the Ministry operated a large number of vehicles/ equipment of different types
ranging from bulldozers, graders, excavators, wheel loaders, ferries, trucks, station wagons and pick
ups to help it carry out its mandate of road maintenance. He reported that these totaled to about 800
pieces of equipment and vehicles. He said that these were acquired over several years through donor
funding, procurement and from completed road projects and that most of the equipment was aged
and that the average life of the equipment stood at 10-12 years.
The Committee noted that the Ministry had taken steps to improve management of fleet under its Ministry.

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 could purchase. The maximum capacity being 2800cc for Ministries down to Permanent Secretaries and 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.

It was however noted that the Ministry had flouted such regulations and purchased 6 vehicles over and above the approved classes.

The Accounting Officer noted that the vehicles in question are as follows:

1. UG 1260W of 2835cc
2. UG 1264W of 2835cc
3. UG 1274W of 2835cc
4. UG 1237W of 2835cc
5. UG 1207W of 2835cc, and
6. UG 1209W of 2835cc.

He said that the Ministry's mandate was among other things to plan, develop and maintain an adequate and effective infrastructure, to facilitate provision of safe and efficient transport services by road, rail, water and air.

This therefore necessitated the inspection of the construction sites and road networks. This was normally carried out by the Ministry's senior staff and that called for moving in bigger vehicles like station wagons to cover the road conditions and terrains that were normally ragged and slippery. He said that these vehicles were used to facilitate the movement though at times, they were also used by the senior staff like Directors on their official day to day movements.

He noted that as the level of the road conditions continued to improve, procurement of such vehicles would inevitably stop.
The Committee accepted the explanation of the Accounting Officer on the matter. The Committee also noted that the policy was inconsistent and does not specify makes and types of vehicles. The Committee recommended the standardization of the policy. The Committee decided to take up the matter of vehicle management with the Ministry of Public Service.

15.4 LOSSES; AUDIT REPORT PARA 1.14

During the year, the Auditor General reported that the Ministry lost a laptop valued at Shs 5milion. It also reported that cash worth Shs 20,643,300 was lost under the Ministry but not reported in the Final accounts.

The Accounting Officer said that the loss of Shs 20,643,300 was duly reported as required. The Officials involved were in the process of paying back. He also said that he would ensure that the balances were reflected as receivables in the final accounts.

The Accounting Officer also confirmed that Ministry lost a Toshiba lap-top valued at Shs. 5,000,000/= as at April 2006 allocated to the Assistant Commissioner Policy and Planning (AC/PP) for official use during the F/Y 2005/06. He said that the Lap-Top in question was stolen from the vehicle used by the AC/PP while guiding the new Ministry's staff around the ministries department and parastatals on 23/06/2006, at Face technologies in Kyambogo. The case was reported to Kyambogo Police Post where a statement was recorded by the Officer, and the driver of UG0020W, under case ref. No. 12/23/06/06. It was also reported to Treasury on the relevant form as required by the Treasury Accounting Instructions.

He reported that as a follow up action, the Ministry had been writing to Kyambogo Police Post requesting for an update as to whether the suspects' were got or whether the laptop had been recovered. Police informed the Ministry that no suspects had since been arrested in connection to this theft and that investigation was then on going.
Given the above scenario, he said that the responsible officer was made to procure a laptop, with the same specifications as the one which was stolen. The laptop was taken on charge, engraved and issued out for use.

On the Shs. 20,643,330 not reported in the final accounts, the Accounting Officer confirmed that the loss of Shs. 20,643,330/= took place from the Soroti station. However, this loss did not occur during the year under review. It actually occurred in the F/Y 2004/05 as it took place on the night of 11/10/04.

The Committee confirmed that the loss had then been reported and that the Officers responsible were paying back.

15.5 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 Works stood at Shs 14,845,652,057/= The Accounting Officer needed to comply with Government regulations and desist from continually incurring domestic arrears.

The Accounting Officer reported that the domestic arrears arose as a result of insufficient budgetary allocation (ceilings) and insufficient counterpart release for road construction projects. The arrears in question were incurred during the years before the IFMS. They were aggregated and carried forward from the previous system to the IFMS.

He explained that for Donor financed projects, there had always been a requirement that the Government of Uganda meets part of the costs. The counterpart funding had been ranging from 10%-20% of the projects total budget. This was in addition to local costs such as land acquisition and taxes, while these counterpart obligations were always budgeted for, the release had in most instances been less that the budgets resulting in the arrears.

He indicated the arrears as follows;
<table>
<thead>
<tr>
<th>Company</th>
<th>Activity</th>
<th>Amount owed</th>
<th>Amount paid</th>
<th>Outstanding Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gibbs (EA) Ltd</td>
<td>Sironko-Kapchorwa</td>
<td>1,037,388,733</td>
<td>1,037,388,733</td>
<td>0</td>
</tr>
<tr>
<td>Grabowsky and Poort Pv.</td>
<td>Entebbe Road Supervision</td>
<td>66,600,000</td>
<td>0</td>
<td>66,6000,000</td>
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<tr>
<td>Put Sarejevo</td>
<td>Sironko –Kapchorwa</td>
<td>3,833,815,420</td>
<td>2,571,531,214</td>
<td>1,262,283,706</td>
</tr>
<tr>
<td>Various Claimants</td>
<td>Eastern road Supervision</td>
<td>150,000,000</td>
<td>150,000,000</td>
<td>0</td>
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<td>Kampala Urban Interface</td>
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<tr>
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<td>Wanjohi consulting Engineers</td>
<td>Kapchorwa-Suam/Kiboga</td>
<td>720,000,000</td>
<td>720,000,000</td>
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</tr>
<tr>
<td>Energo (U) Ltd.</td>
<td>Mityana –Fort portal</td>
<td>1,149,817,870</td>
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</tr>
<tr>
<td>Roughton international</td>
<td>Kyotera- Mutukula road.</td>
<td>74,667,069</td>
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</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>14,845,682,057</strong></td>
<td><strong>13,917,729,374</strong></td>
<td><strong>13,917,729,374</strong></td>
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</tbody>
</table>

The Committee noted and asked the Auditor General to confirm if there were no more arrears incurred in the F/Y 2005/06 and also to confirm if there was transfer of cash and cash balances of Shs.4,096,642,222 to the Consolidated Fund. The Auditor General was also asked to verify whether accountability for Shs 859,825,045 receivables had been retired.

15.6 NUGATORY EXPENDITURE: AUDIT REPORT PARA 15.2

It was reported that during the financial year 2005/2006, the Ministry paid a total of Shs.142, 849,972 (US$77,205.39) to a local consultancy firm for services rendered during the rescaling and rehabilitation of urban streets and markets (1996/1997). Scrutiny of the payment documents showed that a total of US$39,490 had remained unpaid to the firm and earned interest of US$37,715.39 over a period of seven years (1997 – 2003) hence the payment of bills of US$77,205. Another amount of US$195,848.75 (Shs.361, 410,000) was paid to another firm as part settlement of US$390,973.18 that had accrued as interest on unpaid bills of US$798,258 for consultancy services on Busunju – Hoima – Butiaba and Mbale – Kapchorwa – Suam roads between 1994 and 1999.
The total expenditure of US$428,688.57 was nugatory as it could have been avoided if the Ministry had settled the bills in time as per the terms of the Contract. The Accounting Officer had attributed the delays to settle the bills to Government’s failure to provide funds for the purpose. It was then explained that the funds released by the Ministry of Finance, Planning and Economic Development to clear the bills were not enough to settle both the Principal amount and the Accumulated interest at the time.

The Auditor General noted that Government should properly plan for the financing of civil works projects to avoid cost escalations arising from penalties and interest charges. The Auditor also informed the Accounting Officer that there was also need to properly negotiate contracts to reduce the high penalty and interest charges to an acceptable and manageable level.

The Accounting Officer admitted that during the F/Y 2005/2006, the Ministry paid Shs. 142,849,972 (US$77,205.39) to International Development Consultants/Wanjohi Consulting Engineers (IDC/WCE) JV for services rendered during the rehabilitation of urban streets and markets under the Northern Uganda Reconstruction Project (NURP).

He explained that the above payment resulted from an outstanding amount of US$ 24,000 which had been disputed by the implementing agency, Ministry of Local Government (MOLG) and the Consultants. The dispute was transferred to the Ministry of Works and Transport when the Engineering Department in Ministry of local Government was transferred to Ministry of Works and Transport.

The dispute was on the verge of going to arbitration when a 3 man team was appointed to review the dispute with the possibility of settling it amicably. The team in their report recommended that based on the information they had obtained from the key players to the project and from their own assessment, the Consultant’s claim was valid and should be settled.

Subsequent to this recommendation, the Consultant invoked the provisions in the contract for interest on delayed payment and ended up with a total settlement amount of US$ 77,205 including interest on delayed payment.

The other payment of US$195,848.75 (Shs 361,410,000) paid out to Wanjohi Consulting Engineers was part settlement of US$390,973.18 which had accrued as interest on an outstanding principle sum of US$798,258 in respect to a Feasibility study on Busunju-Holima-Butiaba and Mbale Kapchorwa-Suam road between 1994 and 1999. This stemmed from a similar query raised in 2003/04 in which audit had stated that the delay arose as a result of a delay between the Government of Uganda and
World Bank in agreeing on the shortlist of the Consultants. The consultancy works therefore started very late and by the time the credit closed the Consultant fees had not yet been paid.

The Committee asked the Auditor General to investigate whether the interest of US$37,715.39 was up to 2003. The Auditor General was also asked to confirm who was supposed to pay this initially i.e. was it the Local Government or the Ministry. The Auditor General also was to confirm that the liability was moved from Local Government to the Ministry of Works.

15.7 MANAGEMENT OF KALANGALA SHIP: AUDIT REPORT PARA 15.3

a) Procurement of Management Services for the Ship

The Audit report indicated that the process of contracting an operator to run the ship had not been concluded. After the launch of the ship in March 2006, trial runs were to be made by the building contractor at a monthly fee of Euros 113,814 (over Shs.261, 000,000) per month. The arrangement was taken as an extension and variation of the original contract of constructing the ship as arrangements were being made to contract another firm to manage the ship. Although the Ministry advertised for management services for the ship in order to get a manager at more competitive rates, the process had not been concluded. The contractor’s monthly management fee of Euros 113,814 (for fuel and lubricants, insurance cover, crew remuneration, technical assistance and safety management), i.e. €1,365,768 annually equivalent to Shs.3.14 billion appeared high given the earnings it registered.

In his response, the Accounting Officer had explained that the delay was caused by the PPDA halting of the procurement process following complaints by some bidders. The Ministry sought guidance on how to proceed from the PPDA but this was not forthcoming. He further stated that after failing to get the guidance, the Ministry re-initiated the procurement process in October 2006 and it was expected that a local operator would have been procured by end of March 2007. Audit had advised the Accounting Officer to expedite the process of procurement of an operator. There was also need for the Ministry to develop local capacity for ship management services in order to reduce the running costs of the Ship.
The Accounting Officer also confirmed that by the time of audit, the Ministry had not yet procured a Commercial Private Operator, to manage the ship.

He explained that the Ship was built by M/S Damen Shipyards of the Netherlands at a cost of Euros 5,432,659 equivalent to Shs 12.5 billion. After the launch of the Ship in March 2006, the Contractor started conducting trial runs at a monthly fee of Euros 113,814 equivalent to Shs 261.8 million. The trial runs were intended to study the operating parameters of the Ship and to market and stimulate demand for the transport services on the lake. This was initially approved by the Contracts Committee for one (1) month, but was extended to allow for the process of procuring a Commercial Private Operator. The arrangement was also taken as an extension and variation of the original contract of constructing the Ship.

He said that for the trial runs, the Ship builder/contractor had earlier presented a proposal of Euros 155,689 per month equivalent to Shs 358 million. This was however negotiated downwards to Euro 113,814, equivalent to Shs 261.8 million per month to cover fuel, lubricants, technical assistance, insurance cover, crew remuneration and safety management. This contract fee compared well with base line operating costs for MV Kalangala of Shs 224.8 million per month computed by the Ministry. The negotiated amount was also far below the 25% threshold that would normally be acceptable for a variation on contract and was within 20% of the Ministry’s estimated costs of running the vessel.

The Accounting Officer further submitted that the initial procurement of along term Commercial Operator was planned to be concluded in June 2006 (the envisaged end trial runs) but following PPDA’s instruction to have the tender reviewed to allow the Ministry to address complaints by some bidders and this being the first project of its kind; the Ministry had to conduct consultations so as to address concerns raised by the bidders. A completely new competitive bidding process was restarted in October 2006 and was concluded in June 2007. The procurement process therefore took a longer time than expected.

The Accounting Officer reported that the Ministry finally contracted the management of Kalangala Ship to M/S Mulwoozza and Brothers Ltd, a local firm to operate the ship for a period of 3 years starting from 15th June 2007, subject to review at the end of the 1st year.
In addition a number of Ministry Officers had undergone Port and shipping Operations Management courses abroad in an effort to create ship management capacity. The Ministry further intended to attach these officers to the ship to create further local capacity for the Ministry as provided for in the contract agreement for management of the vessel- under Technical Assistance (TA).

The Accounting Officer noted the experience gained during the trial runs was to a great extent applied during contract negotiations with the new operator- M/s Mulowooza and Brothers Limited and to ensure efficiency of the operations, the Ministry monitored and evaluated the performances of the private operator and ensured that the ship was serviced and maintained to Lloyd's class.

Financially he reported that the private operator had narrowed the gap between the cost of operations and revenue collections. For example, in the first quarter of operations by the private operator that ended 14/09/2007, revenue of Shs 215 million was collected. Although this was only 80% of the projected revenue- (Shs 267.5m) the amount was almost double the revenue collected during trial runs which was Shs 40 m per month on average i.e. Shs 120 m per quarter.

The cost of operations for the quarter (i.e. Shs 739.8m amount paid to the contractor, minus Shs 215 m revenue collected) was approximately Shs 525million. This amount compared with the revenue collected during the last quarter of the trial runs (i.e. Shs 783million- paid to M/s Damen Shipyards, minus revenue of Shs 120m) yielded Shs 663m and this was a saving of Shs 138 m for the quarter.

The Committee asked the Auditor General to provide it with the copy of administrative review of the contract. The Committee was concerned that the Contractor who constructed the Ship M/s Damen, the shipyards, were the same company made to manage the same ship and asked the Accounting Officer to report on how Damen got this contract i.e. contract documents e.g. tender, payment made e.t.c.

The Committee asked the Accounting Officer to confirm;

- That the fuel gauge was working right from day one.
- How much fuel was agreed rate for running of the Ship?
- Whether there were manuals on the Ship at the time of trials.
- What the expenditure on the manager was since these were ship builders?
- What the reasons were for the extension of the trials?
- What income received and expenditure incurred was
- What was the Role of PPDA in the contracts right from the trials.
- The procedure for selection of staff that were trained and
- the viability of this ship.

b) Insurance Cover

Out of the management fees of Euros 113,814 paid for ship management Services under the current arrangement, Euros 18,650 (about Shs.42, 768,464) were meant for insurance. However, this insurance arrangement was just a short term measure to have cover for the ship during its trial runs. The Government needed to enter into a separate and clear agreement with an insurance provider to ensure continuation of cover after the existing management contract. The Accounting Officer had stated that an Insurance Broker had been procured and was in the process of securing an Insurance Agent to provide insurance cover for the ship.

On the insurance cover, the Accounting Officer confirmed that it was genuine.

The Committee asked him to provide copy of the insurance cover by Dammer.

15.8 REHABILITATION OF KIBUYE – BUSEGA AND NAKULABYE – NANSANA ROAD:
AUDIT REPORT PARA 15.4

The Auditor General reported that a Contract to rehabilitate the two roads was awarded to a local firm, through direct procurement at a cost of Shs.5,360,823,901. A works variation order of Shs.9.6 million was later approved, revising the contract sum to Shs.5.45 Billion. The intention to use direct procurement was to enable the firm experiment/test the use of road material produced by the firm’s new installed plant. This was in line with the Ministry policy of developing the capacity of local contractors.

The execution of the contract had been slow. The contract was scheduled to commence on 5th May, 2005 and end by 4th November, 2005 (6 months). By

February, 2007 (21 months later), only 76% and 58% of the Kibuye – Busega and Nakulabye – Nansana roads respectively had been completed. This had led to public dissatisfaction and inconvenienced the business community operating in the affected areas. The Accounting Officer attributed the delays and slippages to lack of experience in cash flow/financial and personnel management on the part of the Contractor. He explained that the Contractor had submitted a revised programme for completion of the works by April, 2007.
scope of work that was included in the contract, which involved heavy reconstruction of some road sections using large quantities of crushed stone and Geo-fabric materials, was over estimated, while the time frame for completion (6 months) was under estimated. This was confirmed by the Supervising Consultant during an evaluation of a claim that was lodged by the contractor in 2006, where by the consultant stated that the time should have been 12 months. The long time taken to execute the works led to the contract suffering the effects of increase in costs of inputs that had occurred since the works started and this adversely affected performance hence the slow progress.

He reported that the extended contract period was scheduled to end on 30th April 2006, however by then the works had not yet been completed and not any where near completion. A number of options were considered and discussed at length for the future of the contract. The options among others, included termination of the contract. This option was analyzed by the Solicitor General who advised the Ministry not to opt for it as it would lead to loses being incurred by Government if works were for example re-advertised. The Solicitor General advised the Ministry to allow the contractor to continue and complete the works as the least costly option. The Ministry went ahead with the Solicitor General’s advice and allowed the Contractor as he has been awarded time and cost compensations. The PPDA and the Solicitor General consented to and cleared the compensation awards.

He reported that the work was then almost substantially completed because the physical progress till then was was 84%. The carriage way works on both road sections were 100%, outstanding works included sealing of shoulders and ancillary works on both road sections. The status of the Contract was received in November 2007 and a revised date for completion of outstanding works was agreed and set as 28th February 2008. This revised completion date had also been cleared by the Solicitor General.

On Policies on Capacity Building the Accounting Officer submitted as follows:

(i) Policies on capacity building of local entrepreneurs were dealt with by the Ministry through:-

- Classification of Contractors and Consultants and continuous review of their capacity and performance (competence) to handle different sizes/categories of jobs.

- Awarding/letting out works to the different classes of contractors and consultants to give them opportunity to gain experience.

- Offering Training and Experimentation opportunities to any contractor who comes up with an innovation, say in new technologies/techniques.
A well documented policy on Development of the Local Construction Industry with Training of local contractors as a major component was being developed and was then at advanced stages. This policy was to be an integral part of the F/Y 2008/09 Ministerial budget Statement.

(ii) On Guidelines and Criteria for Selection of Projects and Contractors, the Accounting Officer reported that;

(a) Proper guidelines for selection of contractors had been developed. The criteria and choice depended on the prevailing circumstances at the particular time.

(b) Different sizes of contracts/ jobs based on financial input by government had been let out to contractors of matching capacity. Guided by the above mentioned classification of contractors.

The Committee asked the Accounting Officer to submit the developments in the works carried out i.e. the role of PPDA and the role of the Solicitor General.

15.9 LEGAL STATUS OF SOROTI FLYING ACADEMY: AUDIT REPORT PARA 15.5

The Auditor General reported that the Academy, formerly belonged to the East African Community until its Collapse in 1977 and was taken over by the Ugandan Government and put under the Ministry of Works and Transport as a Department. The Academy finances its operations with grants from the Ministry and its own revenue generated from fees paid by students and chartering planes. However, although the Department operates like a semi autonomous institution, the Ministry of Works and Transport had not come out clearly to define its legal status and give it strategic direction. The Academy organization structure then and the guidelines under which the Academy were run were not adequate to help it achieve its objectives. Although the Ministry of Public Service conducted a restructuring exercise in early 2006, with a view of reorganizing and streamlining the Academy, the report was yet to be presented to Cabinet for approval.

The Accounting Officer confirmed that the Academy was placed under the Ministry of Works and Transport (MoW&T) upon the collapse of the former East African Community in 1977. The need to
have clearly defined status for the academy was realized by the Ministry and during the 1998 restructuring exercise, it was noted that the Academy’s services were non-core to the Ministry and cabinet had agreed that the academy should exit government funding. However this had not yet been implemented because soon thereafter the Academy was declared a “Centre of Excellence” by the EAC which meant that the Government had to retain and nurture it for sometime. In the interim therefore the Academy remains part of the Ministry of Works and Transport.

He reported that in 2005, the Ministry of Public Service was asked to review and re-structure the Academy bearing in mind the above issues. A draft restructuring report was produced in February 2006 and as a result the Ministry of Public Service (MoPS) approved the filling of 76 posts in the Academy to enable the Academy achieve its objectives namely;

- Training and Development manpower in the aviation discipline in the EA region
- Transfer of aviation skills from the expatriates who had hitherto been employed in the sector to indigenous people among other objectives. The exercise was then on-going and would be completed by the end of December 2007.

The Accounting Officer submitted that the Draft Restructuring Report was yet to be presented to Cabinet by the Permanent Secretary of the Ministry of Public Service. The delay of the presentation of the report to Cabinet was partly due to the reasons mentioned above and partly as a result of the ongoing consultations with the stakeholders i.e. the Ministry of water, Ministry of Finance, Planning and Economic Development, Ministry of Public Service, CAA and the Airline Companies, on the best way forward for the Academy. Some of the stakeholders felt that the recommendation of the draft restructuring Report to transfer the Academy to the Ministry of Education and Sports be reviewed and a cost benefit and viability analysis be carried out to ascertain whether Government should continue funding the Academy and the best location for it.

He said that accordingly, the Ministry drafted the TOR and had commenced the procurement processes for a consultant who would come up with the way forward for the Academy especially as a centre of excellence within the East African region.

The Committee asked the Auditor General to give a report on the available plans to rehabilitate the Academy and re-establishing it as a transport facility e.t.c.
The Committee also asked the Accounting Officer to;

- Explain how far the safety loan that had been given to Soroti flying School had been managed.
- What happened to the other East African Instructors in Soroti
16 BUTABIKA HOSPITAL

16.1 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 audits operations.

The Accounting Officer regretted that the Hospital could not prepare and submit the accounts in time according to the law. This was as a result of staffing gaps existing in the hospital at the time. The Accounts section that should have been with seven staff members had only four. The necessary balancing and reconciliations could therefore not be finalized in time. He however reported that in line with the Auditor General’s recommendations, more staff had been posted to the hospital and as a result the Accounts for 2006/07 were submitted on 2nd September 2007.

The Committee noted that the problem was being addressed.

16.2 ALLOCATION OF GOVERNMENT LAND: AUDIT REPORT PARA1.6

The Auditor General reported that Government Land which was held in trust by Uganda Land Commission had been allocated to investors and individuals without carrying out consultation with the Hospital. The Auditor General was concerned that part of the problem for this was that Government land had not been surveyed to have titles processed, a problem attributed to lack of funding.

The Accounting Officer admitted that Butabika Hospital land had been affected by the re-allocation of their land by Uganda land commission.

He said that in line with the Auditor General’s advice, he had worked with the Ministry of Health and Uganda Land Commission and on 22nd March the State Minister for lands handed over the land title for
the remaining piece of land for Butabika Hospital to the State Minister for Health (General Duties). Thereafter, the title was taken by the Secretary Uganda Land Commission for custody. The Committee noted that it had prepared a separate report on this to the house.

16.3 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 therefore that the stores function in Government had been underrated and thus not receiving enough attention in terms of training and staffing. 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 will ensure safe guard of Government assets.

The Accounting Officer reported that the hospital had adequate structures in place for stores management although they needed to be expanded. He said that Ministry of Public Service had posted officers to the existing posts.

The Committee asked the Auditor General to confirm the staffing levels of stores cadres in the Hospital, and report accordingly.

16.4 FLEET MANAGEMENT SYSTEM: AUDIT REPORT PARA 1.11

The Auditor General noted that he had earlier reported the lack of a proper fleet management system in Government institutions which exposed Government vehicles to uncontrolled movements, surging fuel, repair and maintenance costs. 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 being used on unofficial
activities, vehicle service was not done on time, and repairs were done without proper documentation like pre-inspection reports, job cards and post inspection reports.

Although Government policy was 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. 191,627,153 were spent by Ministry of Finance, Planning and Economic Development on repair and maintenance.

The Accounting Officer reported that the Hospital had a fleet of 10 vehicles which included 2 ambulances and one staff Van, 3 pick ups for Community and Outreach programmes and 4 vehicles for Management in Administration services. He said that the Hospital spent Shs. 42 million on servicing and repairs of vehicles and Shs. 60 million on fuel.

The Committee noted that fleet management system was in place.

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

It was reported that the Consolidated Domestic arrears as at 30th June, 2006 for the Hospital stood at Shs 1,409,599,443. The Accounting Officer needed to comply with Government regulations and desist from continually incurring domestic arrears.

The Accounting Officer submitted that the domestic arrears figure of Shs 1,409,599,443/= reported in the Audit report was unsettled contractual obligations of the African Development Bank (ADB) funded Support to the Health Sector Strategic Plan Project (SHSSPP) which was being implemented under Vote 162. He reported that since then funds were secured and the obligation settled.

The Committee noted that the obligations of Shs 1,409,599,443 had been settled.
16.6 NON-ACCOUNTABILITY FOR TAX REMITTANCES: 16.2

A total of Shs.35,035,643 was deducted from various suppliers as withholding tax for purposes of remittance to Uganda Revenue Authority. However in the absence of Uganda Revenue Authority acknowledgement receipts, it was not possible to ascertain whether the funds were duly remitted. In response management had stated that delays were caused by bureaucracy between Uganda Revenue Authority and Accountant General’s Office. Audit advised that management should liaise with Uganda Revenue Authority and Accountant General’s office to account for the tax remittances.

The Accounting Officer explained that during the financial year under review, the Hospital deducted Shs. 133,810,742/= in form of 6% WHT from various suppliers. The Shs 35,035,643/= quoted in the audit report was part of the above sum which was remitted to URA and acknowledged vide receipt NO. BXG 2517575 dated 31st July 2006. He presented evidence of acknowledgment receipts from URA was produced. He said that at the time of Audit the acknowledgment had not been received but was obtained and attached to the report.

The Committee asked Auditor General to verify and report.

16.7 ALLOCATION OF HOSPITAL LAND: AUDIT REPORT PARA 16.3

This issue was raised in audit report for 2003/2004 Para 22.3 and the Committee had recommended cancellation of the titles. However, an update of the position revealed that out of the original acreage of 656 acres, a total of 506 acres had been allocated to various developers leaving the Hospital with only 150 acres in spite of development plans by the Ministry and Hospital management. The implication was that future development plans of the Hospital would be adversely affected. Management re-stated that their efforts to protect the land were fruitless.

Audit had then advised the Accounting Officer to liaise with Ministry of Justice, Ministry of Health, Ministry of Lands and Uganda Land Commission to forge a way forward in compliance with the directive given by the Committee.
The Committee noted that it had made observation on this in Para 16.2 above of this report.

16.8 HOSPITAL CANTEEN: AUDIT REPORT PARA 16.4

Butabika Referral Hospital contracted a local company to operate the Hospital Staff Canteen. It was noted however that the contract had no provision of rent and its treatment, leading to a non-collected income of Shs.200,000 per month.

It was further noted that the electrical appliances used belonged to the Hospital and the equipment being used by the company were worth over Shs.3 million but were not engraved and were being used free of charge. It was also noted that the Hospital furnished the Canteen with 10 tables and 40 chairs worth about Shs.2 million, which were also not engraved. Both the electrical appliances and the furniture were not mentioned anywhere in the agreement and were not reported on in the Board of Survey report. This put the assets valued at Shs.5,000,000 at risk since there was no proof that they belonged to the Hospital. Under the contract document, Section GCC 22.2, the Service provider was to pay for his/her water and electricity bills. However, the Hospital footed the utility bills wholly. The audit revealed a sudden increase in utility bills following the engagement of the provider from approximately Shs.16,695,564 per month to Shs.24,708,931 an increase of Shs.8,013,273 which could not be explained.

In his written reply to Audit the Accounting Officer had stated that the provider was given incentives in a bid to provide food to its over 400 members of staff without interrupting working hours. This was done due to the fact that there were no nearby places for eating, and also that despite several attempts to engage providers, only two showed interest in providing the service.

Audit had advised him that all Hospital assets should be engraved and that a renegotiation of the contract should be entered into to cater for the concerns mentioned. Meanwhile the utility bills needed to be investigated to enable proper apportionment of cost.

The Accounting Officer reported that the Hospital publicly advertised for the provision of canteen service, in the Hospital, unfortunately only one applicant responded. During the negotiation, the applicant was unwilling to provide the required services at a lowered rate because of the high
expenses. In an attempt to facilitate the staff to access food at an affordable cost, it was agreed, on a trial basis to meet the cost of utilities for the initial period.

The Accounting Officer noted that in spite of this subsidy, the provider failed to complete the trial period and stopped providing this service. This crucial service had been re-advertised with a view of taking into consideration the advice of the Auditor General.

At the time of audit, the hospital had just received a consignment of equipment including those for the canteen. The process of engraving this equipment was initiated soon after and all the Hospital equipment had been engraved.

The Committee accepted the explanation.

16.9 DONOR FUNDED PROJECT: AUDIT REPORT PARA 16.5

One Project, Support to the Health Sector Strategic Plan included in the accounts was audited separately and a separate report issued. This Project had a budget to the tune of Shs.50, 200,058 from African Development Fund and Government of Uganda.

The Committee noted that this is not a query but an observation by the Auditor General.
17. MINISTRY OF DEFENCE

17.1 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 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. This was partly due to laxity by 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 submitted that the financial statements were submitted in time only that she was advised to make some adjustments and then made the late submission.

The Committee asked the Accounting Officer to confirm when the first version was submitted.

17.2 ALLOCATION OF GOVERNMENT LAND: AUDIT REPORT PARA 1.6

The Auditor General reported that Government land which was held in trust by Uganda Land Commission was being allocated to investors and individuals without carrying out consultation with the responsible institutions. The Auditor General was concerned that part of the problem for this was that Government land had not been surveyed to have titles processed, a problem attributed to lack of funding.

The Accounting Officer noted the concerns of the Auditor General but stated that the titling of the Ministry land was being limited by lack of funds.

The Committee asked the Accounting Officer to confirm that he had budgeted for the titling of the Ministry’s land.
17.3 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 the stores function in Government had been underrated and thus not receiving enough attention in terms of training and staffing. 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 will ensure safe guard of Government assets.

The Accounting Officer reported that the Ministry had reorganized its stores and that the stores management had since then improved. He further reported that training was being conducted to relevant staff as a matter of upgrading their skills.

The Committee asked the Auditor General to confirm this improvement.

17.4 VEHICLE FLEET SYSTEM: AUDIT REPORT PARA 1.10

The Auditor General noted that he had earlier reported the lack of a proper fleet management system in Government institutions which exposed Government vehicles to uncontrolled movements, surging fuel, repair and maintenance costs. During the year, the Ministry attempted to set up fleet management systems. It was however noted that, still these systems were not strictly being followed. In many cases, the movement log books were not up to date, vehicles were still being used on unofficial activities, vehicle 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 was 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. 6,425,941,638 were spent by Ministry of Defence on repair and maintenance.
The Accounting Officer said that the Shs 6,245,941,638 billion mentioned in the Auditor General report was not for vehicle maintenance alone but was also for the maintenance of the hard skin and weaponry system vehicles. He reported that Shs. 3,000,000,000 was spent on soft skin vehicle alone.

The Committee recommended that the Auditor General carries out a special value for money Audit on the fleet management system in the Ministry of Defence.

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 could purchase. The maximum capacity being 2800cc for Ministries down to Permanent Secretaries and 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. It was however noted that the Ministry had flouted such regulations and purchased 32 vehicles over and above the approved classes.

The Accounting Officer explained that because of the war situation, UPDF had been involved in, since coming to Power, heavy vehicles were bought because of the nature of the terrain of the areas the vehicles had to be used.

The Committee noted the explanation of the Accounting Officer.

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

It was reported that the Consolidated Domestic General arrears as at 30th June, 2006 for Ministry of Defence stood at Shs 33,134,719,227. The Auditor General had asked the Accounting Officer to comply with Government regulations and desist from continually incurring domestic arrears.

The Accounting Officer said that these were mainly composed of payments to auxiliary forces.
The Committee demanded for,
- Details of these arrears and the
- Status report on the payment of auxiliary forces.

b) Contingent Liabilities
It was reported that as at 30th June 2006, the outstanding liabilities on Ministry of Defence stood at Shs 18,000,000.

The Accounting Officer reported that this had since been cleared.

The Committee noted that the contingent liabilities had been waved off.

17.6 OUTSTANDING ADVANCES: AUDIT REPORT PARA 1.13
It was reported that there was laxity in control over advances in the Ministry. Contrary to regulations that require that all advances be accounted for by the end of the financial year to which they relate, the Ministry did not account for the general advances totaling Shs 671,454,764.

The Accounting Officer submitted that all the accountability documents were later retrieved and were available for verification.

The Committee asked the Auditor General to verify and report.

17.7 LOSSES: AUDIT REPORT 1.4

The Auditor General reported that during the year under review, losses were reported under the Ministry of Defence as follows;
- Cash Shs 19,644,800.
- Cash (17th battalion) Shs 19,192,762
- Cash (35th battalion) Shs 52,891,933
The Accounting Officer reported that in the case of Shs 19,644,800, the suspect was still on the run and on the issue of Shs 19,192,762 and Shs 52,891,933, the investigations were held and the culprits charged by court martial.

The Committee asked the Auditor General to verify the actions taken and report.

17.8 EXCESS EXPENDITURE: AUDIT REPORT PARA 17.2

The Auditor General reported that the total operating expenses (Shs 394,790,585,902) exceeded the budget provision (Shs 354,495,340,835) by Shs 10,101,700,511 (3%). This excess expenditure remained unauthorized by the year end and circumstances under which it arose were not explained to Audit. Auditor General had recommended that retrospective authority for the excess expenditure be obtained.

The Accounting Officer explained that the excess expenditure arose out of Domestic Arrears incurred during the year.

The Committee noted that the Auditor General had done the verification but also asked him to verify this against supplementary schedules.

17.9 AUDIT INSPECTIONS: AUDIT REPORT PARA 17.3

a) SENIOR COMMAND AND STAFF COLLEGE (SCSC) KIMAKA

Inspection of the College carried out on the 24th July 2006 led to the following observations:
- **Stores Stationery: Irregular Issue Vouchers**
  The inspection revealed inadequacies in stores record keeping, which needed to be addressed. Audit had advised the Accounting Officer to serially number issue vouchers and have them filled in triplicate and a copy retained on file all of which should be signed by both the Issuing Officer and the recipient. Timely posting of issues and receipts to the ledgers should be emphasized.
The Accounting Officer explained that in controlled accounting, serially numbered Vouchers and timely posting of issues and receipts to the ledgers were then being done.

The Committee asked the Accounting Officer to submit a stores management report.

- **Operation and Maintenance of Vehicles**
  The College operated a fleet of six vehicles, and the following observations were made during inspection:-
  - The designated military transport officer was not maintaining mileage records, routine service and log books for the vehicles.
  - An accident vehicle No. H4DF570 was repaired at a cost of Shs.2,240,000 without a police report and clearance. Neither pictures nor relevant assessment of damage were done prior to repairing the vehicle.
  - No disciplinary action was taken against the driver who seemed to have contributed to the occurrence of the accident.

Audit had advised management to introduce a system of maintaining mileage and routine service records, to ensure that the fleet was being properly managed and kept in running condition. Meanwhile, it should be explained why the matter was not reported to Police.

The Accounting Officer stated that the Ministry had written to the College management to implement the recommendation.

The Committee asked the Accounting Officer to submit the log book for the 20 vehicles as a sample. The Committee also decided to study the Technical report before it takes a decision.

**b) Third DIVISION MBALE**
Inspection done on the 26th July 2006 revealed the following:-

- **Finance Office Department**
  The inspection was carried out on 27th June, 2006 to establish the state of accounts record keeping and the internal controls system. At the time of the inspection, the division Finance Officer was not at
the station to assist the team, only the O/C Bills was in charge despite earlier communication by the Chief of staff’s office. The record keeping was inadequate as there was no cash book being maintained. It was also evident that no monthly reconciliations were being made.

The Committee asked the Auditor General to verify the cash book. The Accounting Officer was also asked to explain why the responsible staffs were not in the station at the time of audit. He was further asked to submit a twelve months Bank reconciliation statement of the Department

- **Salary for Arrow Military**

A cheque for Shs.538,560,000 had been cashed for payment of Arrow military salaries. It was however not possible to verify the nominal rolls (pay sheets) as there were no copies available.

Another payment made for Shs.4,150,000 for maintenance of motor vehicle for the Division, had no evidence of expenditure on repairs and maintenance or servicing.

Audit had recommended that the Division Administration streamlines its record Keeping in as far as funds (receipt and expenditure) were concerned as huge amounts were involved. Meanwhile, accountability for the above sums was not provided for audit.

The Accounting Officer highly regretted the absence of the DFO at the station despite prior communication, but stated that all relevant documents were ready for audit.

The Committee directed that Accountability must be verified by the Auditor General.

c) **SECOND DIVISION HEADQUARTERS**

Inspection carried out on 21st August 06 led to the following observations:-

- **Bihanga Training School**

This station was formerly a local government prison until it was taken over by the army as a designated training centre for Battalion Commanders and Commandoes. By the inspection date, the school had been turned into a health unit and trainees had been relocated to Kaweweta and Karama units due to inadequate facilities and logistics. It had been decided that soldiers with problems of persistent illnesses be posted to this station to offer light duty support services to the trainees. It would then be easy for medical officers to attend to their cases on a more regular basis.
It was noted however that the building that was designed for sickbay services was found to be in a state of disrepair with no windows, doors, locks and wall paint with leakages via the roof. Furthermore, equipment for a sickbay like beds, examination platform, microscopes, disposal bins, benches and chairs were also lacking. The whole floor was dusty and a papyrus mat was used in what would be an injection room. There was no hygienic water supply system and all other logistics appeared to be in short supply. The male nurses at the station didn’t have the basic clinical gadgets like thermometers and blood pressure machines. The station was about 40Kms away from Ibanda where the nearest health centre was located. The Medical Officer visited patients once a month, and yet no transport is available at the station for emergencies.

- There was no imprest allocation for the school, no research funds for the Intelligence officers and accommodation was in form of temporary grass thatched structures.
- Generally there was lack of adequate logistics like equipment and clinical gadgets
- Lack of regular availability of medical services i.e. the nearest health centre was 40 km and the medical officer visits only once a month.
- Inadequate funds for operation.
- Lack of staff motivation.

Management needed to address the issues so that the welfare of the personnel at this station were improved.

The Accounting Officer noted the recommendations and promised to take action to address them.

The Committee asked the Auditor General to verify and report.

- **Muhoti Barracks – Fort portal**

At the time of inspection (22nd August 2006), this station was being used as Tactical Headquarters for soldiers under 507th, 53rd and 509th brigades. The biggest numbers of residents were families of combatants in the area of Bundibugyo, Kasese, Fort Portal and the boarder areas with DRC. There was congestion of women and children who occupy the four housing units. The whole barracks water and sewage system was broken down and residents were using temporary pit latrines. Water could only be got from a quarter guard terminal following the breakdown of the water pump.

There were no medical services at the station. Similarly no transport was available for the residents. The last service vehicle at the station had got an accident. Its wheels had been removed and taken
away to an undisclosed destination. This left the personal vehicle of the brigade training officer as the last resort. There appeared to be no serious attention being paid to these problems which posed a potential health hazard despite the same observation made during the 2003/2004 audit inspection. This had demoralizing effect on the soldiers under these brigades who would not be so effective on the ground due to their families' poor living conditions.
Audit had recommended that management addresses the problems cited above to avert a possible health hazard.

The Accounting Officer promised to implement the recommendations.

The Committee noted that the rehabilitation was to be done by June 2008.

- **507 Brigade (Hima Barracks)**

This was a new barracks that was commissioned in December 2005 after completion at a cost of Shs.2,479,869,990 and occupied 637 hectares of land.

The workmanship however appeared to have been poor. On inspection, it was found that most structures had deep wall and floor cracks. In some instances, paint and wall plaster were peeling off. Retainer walls were deeply cracked, sewerage system was almost full, yet no lagoon was constructed for it. Electricity supply was also a problem as the fuses in the junior quarters were faulty.

According to the Division Engineer, the location of this barracks was unsuitable for permanent structures, being a former river flood plain. The soil was too weak to hold heavy weight like buildings. It was also too close to Hima Cement Works; whose underground mining works relayed continuous vibrations. All these factors were compounded by the poor workmanship of the contractors.

It was not clear whether engineering surveys and soil tests were done at the inception of such a big project. Audit had advised the Accounting Officer to assess the effect of the concerns raised by the Division Engineer and to design appropriate mitigating strategies to alleviate the loss of the Shs.2 billion spent on buildings that might would become unsuitable for habitation.

The Accounting Officer said that the faults had been corrected.
The Committee asked the Auditor General to inspect and confirm the submission of the Accounting Officer.

17.10 UNPAID ARREARS ON AUXILIARY FORCES ACTIVITIES: AUDIT REPORT PARA 17.4

At the end of the year (2005/2006) there were unpaid arrears totaling Shs.22,767,720,142 in respect of auxiliary forces' activities (Salaries, Food and Imprest/Operation funds). The arrears were for ASTU – Shs. 2,118,768,518 and 4th and 5th Division LDUs – 20,648,951,624. These were amounts due from Ministry of Internal Affairs and Police headquarters where they were budgeted for. The basis of budgeting for the auxiliary forces (by Ministry of Defence) together with causes for the wide disparity between amounts budgeted and released (hence arrears) were not properly explained. The likely causes of the arrears could be attributed to unrealistic budgeting which later turned out to be unsustainable. The figures (strength of auxiliary forces) used for budgeting purposes would also be unrealistic since they were also difficult to verify.

The Accounting Officer attributed the arrears to difficulties in foretelling the level of insurgency hence the required personnel. He further stated that verification of the auxiliary forces had become easier with introduction of service numbers.

Audit had advised the Accounting Officer to come up with proper procedures for budgeting for auxiliary forces to enable the capture of proper budget information by Ministry of Internal Affairs/Police Headquarters.

The Committee accepted the explanation and dropped the query.

17.11 RENOVATION OF NAKASONGOLA MILITARY HOSPITAL: AUDIT REPORT PARA 17.5

The Auditor General reported that a total of Shs. 202,201,151 was paid to a local company for renovation of Nakasongola Military Hospital. However, no contract was availed detailing terms and conditions between the contractor and the Ministry. There was also no LPO to support the payment. In
the absence of an inspection report and interim certificates, Audit was not able to confirm that the funds were utilized for the purpose. Audit had recommended that the valid contract together with LPO, inspection report and work certificates be availed for verification.

The Committee asked for the original documents on this query to be submitted and verified by Auditor General.

17.12 SUPPLY OF ARMY UNIFORM ACCESSORIES: AUDIT REPORT PARA 17.6

The Audit Report revealed that the Ministry through the Chief of Logistics (CLC) had a private arrangement with a foreign company to supply Army uniform accessories (pips, badges, gadgets and sticks) and have the procurement formalized later. Records indicated that the Ministry received two consignments valued at US $343,243 and US $259,000 under the arrangement. However, no proper documentation like Contract agreement, Local Purchase Orders, Tender Award Letters or Military Tender Board minutes were in place as a basis for the supply.

The consignment worth US$343,243 was supplied and cleared (as emergencies and perishables) from Entebbe Airport. Although the items were not tax exempt, no customs/import duties were paid for them. By April 2006, the other consignment worth US$259,000 was still at Entebbe and Nakawa URA stores awaiting clearance. During the financial year 2005/2006, the Ministry advanced the supplier US$259,000 (Shs.460,000,000) to enable him clear the latter consignment with Uganda Revenue Authority. The payment was effected before goods were delivered contrary to regulations.

However, the procurements of the transaction appeared not to have been regularized and verification of deliveries to the stores was not possible due to poor stores recording.

The Accounting Officer had explained to audit that owing to the urgency of the need, the firm brought in the Army Uniform accessories before the procurement process was completed. Although he had indicated that the Ministry had formalized the procurement documents in support of his explanation, the formalities were not availed for audit. This transaction indicated management disregard and override of the established procurement regulations and internal control procedures. Audit had recommended that an investigation be instituted by management to establish the genuineness of the expenditure.
The Accounting Officer told the Committee that all the deliveries had been received accordingly.

The Committee asked the Auditor General to confirm the delivery and report.

17.13 REVIEW OF THE FUEL PROCUREMENT SYSTEM: AUDIT REPORT PARA 17.7

a) Breakdown of Barracks Filling Stations

Scrutiny of delivery notes and invoices from a fuel company revealed that following the breakdown of the fuel filling pumps in the Barracks, many years ago, the fuel used to be delivered to the company dealer stations for all up Country stations. The fuel would thereafter be drawn in drums and used without proper records. A Commanding Officer of a user Department could not have adequate control over fuel as it was stored at a private dealer’s station. The use of drums to store fuel during routine operations could be easily abused owing to difficulty in monitoring its allocation and use.

The Accounting Officer explained that the Ministry had written to Oil Companies to install and service pumps in major units. He noted that the Audit had advised that the faulty dispenser machines and tanks needed to be repaired or overhauled and that Fuel should be delivered and controlled from the Barracks premises. Use of drums should be minimized and limited to emergencies. Proper records of fuel received and redistributed should be kept at every gazetted user station.

The Committee directed for the stoppage of use of drums for carrying fuel. It insisted that fuel be got from the filling stations as much as possible in order to ensure controls.

b) Control at Army Reserve - Mbuya

The filling station at Mbuya was hitherto the designated Army Reserve Depot. However, it had been converted into a routine filling station for 1st Division Kakiri, Presidential Guard Brigade, Jinja area and other smaller units. For the period July – December 31st 2005, out of Shs.3,213,157,980 worth of fuel procured for general operations, fuel worth Shs.1,223,591,875 (38%) was delivered to Mbuya depot alone. The conversion of the reserve into a routine filling station led the Army to operate without an exclusive reserve station for emergency cases. Having a combination of different users (1st Division,
PGB and others) at the same station under one team of records clerks could lead to uncontrolled use and diversions of fuel unless the system was well streamlined and supervised.

The Accounting Officer explained that the units served from Mbuya had no fuel pumps, and that each unit had a ledger clerk to manage its fuel separately.

The Committee decided that this would be confirmed during the discussions on Classified expenditure.

c) Handling Charges
It was noted that the fuel company charged the dealers a handling charge of Shs.35 per litre which the dealers then passed over to the Ministry. For a total quantity of 3,351,818 litres purchased during the year, a sum of Shs.117,313,630 was reflected as handling charges against the Ministry. This charge was not warranted since the Ministry had bought directly from the Parent Company. Audit had advised the Accounting Officer to negotiate with the Parent Company to have the charge stopped.

The Accounting Officer doubted the existence of this charge but promised to negotiate with the supplier in case it was found operating.

The Committee noted that the query was not clear and asked the Auditor General to make further clarifications on the query.

d) Fuel Ledger
The Ministry did not maintain a fuel supplier’s ledger to show amounts of fuel consumed, payments made to supplier, outstanding amount and other related issues. The fuel supplier company records showed that the Ministry owed them Shs.749,518,765 as at 30th June, 2006. This however, could not be verified due to absence of the relevant records of the Ministry. Audit had advised the Accounting Officer to maintain fuel ledgers which should be reconciled regularly with the supplier statement.
The Accounting Officer promised to create a central registry for the whole Army but noted that this would delay the payment process compared with independent ledger books in units, as these units manage their own votes. The Committee asked the Accounting Officer to submit total reconciliation of fuel for the period under review. The Committee also asked the Auditor General to verify on this and determine the position of the query.

17.14 PAYMENT FOR FOOD SUPPLIES: AUDIT REPORT PARA 17.8

a) Supply by a Local Company

A local firm was paid a sum of Shs.107,929,410 for various supplies made to Auxiliary forces. However, the award letter and all delivery documents were photocopies, casting doubt on the genuineness of the transaction. It was further noted that an amount of Shs.16,463,808 was also paid to the firm in respect of a VAT claim. However, all the supplies indicated apart from washing soap and cooking oil was VAT exempt. Besides, the invoice used was not a tax invoice implying that probably the tax was not remitted to Uganda Revenue Authority.

The Accounting Officer promised to revisit the payment with a view of recovering the VAT wrongly paid as the firm still had outstanding payments with the Ministry.

The Committee asked the Auditor General to review the purchase documents and report.

17.15 PAYMENT FOR HOUSE REPAIRS: AUDIT REPORT PARA 17.9

A total of Shs.31,701,391 was paid to a law firm in respect of refund on repairs carried out on two houses occupied by UPDF Officers during the period October 1997 – July 1998. The law firm was acting on behalf of the Landlords. According to the Directorate of Barracks and Stores (DBAS), such repair claimed should have been backed by pre and post repair inspection reports by the Directorate of Construction (DOC).

However, examination and inquiry revealed that no such pre and post repair inspection was carried out. Besides, the supporting documentation for the refund were indicated and did not even have the names of the purchasers disclosed. The payment was therefore doubtful.
Audit had advised the Accounting Officer that since the payment was doubtful there was need to investigate with a view of recovery of the Shs.31,701,397 involved. Officers involved also needed to be disciplined.

The Accounting Officer noted the observations and promised to avail the necessary documentation for verification. The Accounting Officer reported that her investigation confirmed the genuinity of the payment and she submitted copies of documents to confirm this. The Committee asked the Auditor General to verify and report.

17.16 DIRECTORATE OF LOANS AND WELFARE: AUDIT REPORT PARA 17.10

The Audit Report noted that the Directorate was formed to oversee and manage income generating projects set up to cater for the welfare of soldiers. The projects consisted of two stone crushers, a printery, a maize mill, a carpentry workshop and a guest house.

There appeared to be lack of proper policy to guide in the running of the activities of the Directorate enterprises. The following were noted:

• **Maize Mill**

  The maize mill in Mbale was not fully under the control of the directorate and appeared not to be productive because of the restriction of use being given to only the landlord. Audit was also not provided with its complete set of revenue records for audit.

• **Stone Crushers**

  At the time of audit, rentals from the 2 Stone crushers (Tank hill quarry and Nicontra) were in arrears of Shs.19, 500,000. Besides, the Stone crushers were also not being managed effectively. An inspection revealed that although the directorate hired a Stone crusher to a client, it failed to deliver all components of the Stone crusher to a client thereby losing revenue of Shs.3 million per month. The technical expertise required for the running of the two Stone crushers was also found wanting.

  Arrears of revenue affect business operations resulting into reduced revenue due to reduced working capital. There was also a risk of future bad debts.

  The Accounting Officer stated that an effective debt management policy was in place already and all the arrears were cleared. However, evidence of payment was not availed for audit.
Nakasero Printery

Audit inspection done on the 30th June 2006 revealed that this was formerly owned by Asians until 1972 when it was taken over by Ministry of Defence to print the Ministry’s work. It was located at Nakivubo (Opposite Kikubo) until 1994 when it was transferred to Mbuya barracks after repossession of the building by Asians. The management and operations of the entity were not properly streamlined to enable the entity to operate efficiently and effectively. The unit had no human resource policies/guidelines, no financial guidelines on budgeting, operations and reporting. Audit had recommended that necessary action be taken to clarify on the legal status of the entities of the directorate. Audit had further advised that relevant policies and procedures i.e. human resource management and financial policies be formulated to guide the Directorate in its operations if it was to be efficient and effective.

The Accounting Officer explained that the Maize mill and the Stone crusher mentioned in the query were assets of the initial directorate of Construction which had then been declared redundant and these assets had been boarded off since 1998. However the Commissariat of the UPDF made a case for the staying of the decision and it was at that point that the President and Commander in Chief of UPDF advised that the machinery be overhauled and allocated for the support of Mubende Causality Unit under the Commissariat then, purposely to revive the original welfare plan of the UPDF. He said that in view of improving welfare of the UPDF, the leadership found it prudent to put in place WASSACCO whose membership had then risen to over 34,000 with capital base close to Shs 5 billion. The strategic objective then was to relieve pressure on the budget.

The Committee noted the explanations given to the Accounting Officer on the issues raised above but asked the Accounting Officer to give a comprehensive report. The Committee however noted the improvements made and advised the Accounting Officer to ensure that machineries continue to operate at normal capacity. The Committee further advised that Nakasero printery be disposed off and replaced.
He also reported that money detectors had been acquired and distributed to the following stations; Entebbe, Malaba, Busia and Katuma. He said that the Ministry was in the process of making more acquisitions for other stations. Funds to purchase passport reading machines had also been provided for under CHOGM.

The Committee asked the Accounting Officer to separate the vehicles that were needed and the motor cycles that can be used at small entry points.

**Revenue Collection and Visa Stickers**

It was generally noted that visa stickers were not being used in the right order. Revenue collections were held in large sums and there was no cash limit set. In a written reply to Audit the Accounting Officer had stated that he had taken steps to address these anomalies. Audit waited results of his effort.

The Accounting Officer reported that immediately the Ministry received this observation from the external Auditors, management contacted Internal Audit to have this problem sorted out. The Internal Auditor designed a format that was exhaustive and addressed various issues including the order in which stickers should be used.

He said that Immigration Officers did not need to carry cash to Headquarters for onward banking because arrangements had been put in place for them to bank the NTR Revenue as follows.

a) Uganda Shs from TMPs to Stanbic Bank A/C (IPS) 01400020056.01.

b) Visa Dollar fees to Stanbic A/C (Crested Towers) 02463888.01.

He said that the Officers had been advised to regularly make the banking at their stations and submit returns to Headquarters for reconciliation purposes.

The Committee noted the explanation of the Accounting Officer and recommended that specific measures be put in place to deal with cash limits for instance banking twice in a week or after exceeding 500 dollars (cash limits). The Permanent Secretary however said that he had cash limits. He was then requested to provide evidence to this effect.
c) Poor Records Management and Absence of Officers at Stations

It was observed that records management was poor and in a number of stations officers were found absent. In a written reply to audit the Accounting Officer had stated that poor records management was being addressed by holding seminars while absent officers were warned.

The Accounting Officer said that the Officers controlling boarder posts were basic immigration officers, who had limited financial knowledge. This had contributed to poor financial record keeping. He reported that the Ministry was trying to address this through seminars. He also said that the Ministry had warned officers to keep to their stations and to receive audit teams, whenever they came.

The Committee asked for cash limits in areas that had no staff at station (Kyanika and Bunaganda). During the meeting the Auditors noted that these Officers needed punishment because they had been notified. The Permanent Secretary however said he had already acted. The Committee asked for a copy of the action taken.

d) Office Handover - Katuna

Found in place were a number of unused visa stickers, which had been handed over to new office bearers. There was however an irregular handover of office as the new officer in charge had to move in with an internal auditor as a witness since the previous officer in charge was believed to have absconded office with unknown sums of money. There was no police report on the alleged fraud. All records were not availed for audit as it was allegedly taken away by staff of the IGG. The Accounting Officer had explained that the officer had been interdicted pending a Public Service decision. Audit awaited conclusion of the case.

The Accounting Officer noted that the issue of Katuma Boarder Post and the Officer in charge were a subject of Public Accounts Committee report of 2005.

He submitted however that when it had become evident that this officer had absconded, he wrote to him to warn him of the likely action Government would take if he did not account for money. The Officer
did not make any attempt to respond so he was interdicted. He said that he gave instructions to Director CID to initiate criminal investigations against the Officers.

He reported that the Officer had subsequently been dismissed from the Public Service. He also remembered that the Committee had given directive for the C.I.D, PAC to take over this matter.

The Committee directed CID to report on the matter immediately.

18.4 CLASSIFIED EXPENDITURE: AUDIT REPORT PARA 18.4

A total of Shs.1, 536,000,000 was spent as Classified expenditure although the Ministry did not appear on the schedule of agencies authorized to incur this type of expenditure. Although Public Accounts Committee (PAC) in its last sitting advised the Accounting Officer either to get the Ministry on the schedule or stop incurring classified expenditure, it appeared the advice of PAC had not been followed.

The Accounting Officer noted that he would explain the circumstances of this matter under classified expenditure.

The Committee noted that the matter was not categorized under classified expenditure by Auditors. He was asked to provide authority he had used to spend the money as classified.
19. MULAGO HOSPITAL

19.1 ALLOCATION OF GOVERNMENT LAND: AUDIT REPORT PARA 1.6

The Auditor General reported that Government land which was being held in trust by Uganda Land Commission was then being allocated to investors and individuals without carrying out consultation with the responsible institutions. The Auditor General was concerned that part of the problem for this was that Government land had not been surveyed to have titles, a problem attributed to lack of funding.

The Accounting Officer reported that the land title of Mulago land was in the name of Uganda land Commission. He however said that the hospital had many smaller titles that needed to be converted into one big title.

The Committee observed that the Accounting Officer seems not sure of how much land belongs to the Hospital and directed him to immediately operate the boundaries of the Hospital and acquire one title for all the land.

19.2 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 the stores function in Government had been underrated and thus not receiving enough attention in terms of training and staffing. The Ministry of Public Service and other stakeholders were advised to come up with a clear policy to govern stores management in terms of staffing, qualification, job description and training. This would ensure safe guard of Government assets.
The Accounting Officer reported that the issue of Stores cadres were being rationalized by Ministry of Finance. He noted that, interviews had already been held, and that the right staff were to be posted to the hospital stores.

The Committee noted the explanation of the Accounting Officer but demanded for a progress on this.

19.3 DOMESTIC ARREARS AND CONTINGENT LIABILITIES: AUDIT REPORT PARA 1.12. ALSO UNDER 19.2

It was reported that the Consolidated Domestic arrears as at 30th June, 2006 for Mulago Hospital stood at Shs 1,687,789,880. No detailed schedule of payments was provided for audit together with the relevant documents. Audit had observed that the Accounting Officer needed to comply with Government regulations and desist from continually incurring domestic arrears.

The Accounting Officer noted that this query would be handled together with the query in Para 19.4 of this report.

The Committee noted the explanation of the Accounting Officer.

19.4 PAYABLES: AUDIT REPORT PARA 19.2

Audit observed that the accumulation of payables seemed to be the practice in the Hospital and yet it was contrary to the Commitment Control System. By the end of the financial year ended 2005/2006, the accumulated payables amounted to Shs.1,687,789,880 and financial year ended 30th June 2005, the cumulative amount was Shs.1, 817,151,390. No detailed schedules of payables were provided to me for audit together with the relevant supporting documents.

The Accounting Officer had explained that the approved budget was only 30% of the optimum budget. He noted that bills were mostly for a construction company. Audit had advised the Accounting Officer to submit detailed schedules and supporting documents for audit.

The Accounting Officer reported that the data bank for payables was inherited by the Office of Commissioner Internal Audit from the Office of the Auditor General. This data bank had therefore been undergoing reviews since then. In summary, he presented the picture for the payables of Shs1,687,789,880 as at 30th June 2006 as follows;
<table>
<thead>
<tr>
<th>PAYEE</th>
<th>F/Y</th>
<th>AMOUNT</th>
<th>REMARKS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Various Payees</td>
<td>1997/98</td>
<td>347,237,408</td>
<td>Verified by OAG (Office of the Auditor General)</td>
</tr>
<tr>
<td>Various Payees</td>
<td>1998/99</td>
<td>73,800,650</td>
<td>Verified by OAG</td>
</tr>
<tr>
<td>Various Payees</td>
<td>1999/00</td>
<td>29,868,965</td>
<td>Verified by OAG</td>
</tr>
<tr>
<td>M/s Achelis</td>
<td>2003/04</td>
<td>23,790,526</td>
<td>Verified by IA (Internal Audit)</td>
</tr>
<tr>
<td>Various</td>
<td>2003/04</td>
<td>8,023,489</td>
<td>Verified by IA</td>
</tr>
<tr>
<td>M/S Dragados</td>
<td>2004/05</td>
<td>1,022,761,978</td>
<td>Verified by IA</td>
</tr>
<tr>
<td>W.H.T</td>
<td>2004/05</td>
<td>15,157,374</td>
<td>Verified by IA</td>
</tr>
<tr>
<td>State cheques</td>
<td>2004/05</td>
<td>21,620,950</td>
<td>Verified by IA</td>
</tr>
<tr>
<td>W.H.T</td>
<td>2005/06</td>
<td>18,311,040</td>
<td>Verified by IA</td>
</tr>
<tr>
<td>Various</td>
<td>2005/06</td>
<td>127,217,500</td>
<td>Verified by IA</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>1,687,789,880</strong></td>
<td></td>
</tr>
</tbody>
</table>

He further reported that the documents for M/s Achelis were handed for verification. The rest of the documents were available for verification.

The Committee noted that the Hospital did not reconcile their bills with the utility companies leading to over billing. The Committee demanded for a clear summary of the cleared bills.

19.5 REPAIR OF LIFTS: AUDIT REPORT PARA 19.3

The Auditor General reported that a total of Shs.47, 433,750 was paid to a company for purchase of 3 traction ropes for the lift No. D. By the time the Audit report was completed (31st March 2007), the lift had not yet been repaired.

The Accounting Officer had explained to audit that funds for re-roping was not available at the time but Shs.194million had now been secured to re-rope all the lifts. Audit awaited completion of the exercise.

The Accounting Officer explained that management had invested in the repair of the lifts. These lifts were critical for the movement of patients in the Hospital. Most of the lifts had broken down due to lack of spares. He said that funds were secured under the preparations for CHOGM to repair the lifts. He presented the status of lifts as follows.
<table>
<thead>
<tr>
<th>Lift Location</th>
<th>Working Condition</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Block A lift</td>
<td>Not working</td>
<td>Requires repairs worth Shs. 8 million</td>
</tr>
<tr>
<td>Block B lifts</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Block A</td>
<td>working</td>
<td></td>
</tr>
<tr>
<td>Block B</td>
<td>Not working</td>
<td>Putting carpet. Should be working by Monday 12\textsuperscript{th} November 2007</td>
</tr>
<tr>
<td>Block C</td>
<td>working</td>
<td></td>
</tr>
<tr>
<td>Block D</td>
<td>working</td>
<td></td>
</tr>
<tr>
<td>Block C lifts</td>
<td></td>
<td></td>
</tr>
<tr>
<td>\hspace{2em}Food\hspace{2em}</td>
<td>working</td>
<td>Requires minor repairs and should be operational by 12\textsuperscript{th} November 2007</td>
</tr>
<tr>
<td>\hspace{2em}Mortuary\hspace{2em}</td>
<td>Not working</td>
<td></td>
</tr>
<tr>
<td>Interns lift</td>
<td>working</td>
<td></td>
</tr>
</tbody>
</table>

He noted that Management was considering the option of acquiring new lifts for the Hospital if funds permitted. The old system he said was becoming too expensive to maintain.

The Committee noted that the lifts were too old and needed replacements. It urged Government to handle this as a critical matter.

19.6 **STAFF WITHOUT TAX IDENTIFICATION NUMBERS (TINS): AUDIT REPORT PARA 19.4**

Examination of a sample of payrolls by the Auditor General revealed that a number of hospital staff lacked Tax Identification Numbers (TIN). As a result, Pay As You Earn deductions amounting to Shs.73, 585,802 were remitted to Uganda Revenue Authority without being attributed to specific tax identification numbers. The possibility of the funds being diverted to clear other taxpayers' liabilities could not be ruled out. In his response to Audit, Management had stated that it was the responsibility of Uganda Revenue Authority to allocate TINs.

Audit had advised the Accounting Officer to liaise with Uganda Revenue Authority to acquire tax identification numbers for staff members and have the remittances credited to them accordingly.
The Accounting Officer explained that initially when a civil servant was given a computer number by computer Services, such a person would be allocated a tin number automatically. However, this system changed. It was then the responsibility of the individual to fill a form for tax identification number. This indeed led to many staff not having TIN numbers.

He noted that steps had however been taken to ensure that staff were asked to fill the forms as required. As a result the number of staff without TIN numbers had greatly reduced. He said that this was a continuous exercise as new staff came onto the payroll.

The Committee noted that TIN numbers were important for tax payments and without them tax payments would be evaded. The Committee asked the Accounting Officer to urgently handle the matter with URA.
20. MINISTRY OF LOCAL GOVERNMENT

20.1 STORES CADRE: AUDIT REPORT PARA 1.8

The Auditor General reported inconsistencies in the management of stores in Government Ministries/Departments. There were no systems to enhance standard of qualification, job description, and documentation in stores management function. 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 the Ministry had a senior stores supervisor qualified in stores and was responsible for managing the Ministry stores.

The Committee asked the Accounting Officer to submit receipts for all the goods and issues for the month of May and June 2006.

The Committee also asked the Accounting Officer to request the Ministry of Public Service to handle the Public stores management in the district. The Accounting Officer was asked to carry out this as a supervisor of Local Government.

20.2 CASH AND CASH EQUIVALENTS: AUDIT REPORT PARA 20.2

The Bank reconciliation statement was not properly supported with schedules and therefore was not balancing. The unpresented cheques totaling Shs.2,380,959,663 was supported with a list totaling Shs.2,303,803,842 thereby indicating an unexplained difference of Shs.77,155,821. Besides, the details together with their relevant documents for uncredited receipts of Shs.51,921,015 and unreconciled journal of Shs.24,823,026 in the statement were not availed for audit verification. Audit could therefore not confirm the correctness of the cash position of Shs.273,015,129 presented in the accounts.

The Accounting Officer explained that the cash and cash equivalents for the year under review was comprised of the following:
Treasury General Account  
Shs 272,285,429

Revenue collection Account  
Shs 729,700

Shs 273,015,129

The two balances were supported by the bank reconciliations statements.

He said that the bank reconciliation statement for the Treasury General Account was IFMS System generated. The point of contention during discussion with the Auditor General was its non-conventional format. The Auditor General was to bring this to the attention of the Accountant General.

The Committee noted that 68,000,000 was at the account at the close of the financial year. No evidence inform of receipts was produced to confirm that the funds were banked to the Consolidated Fund.

The Committee also noted that withholding Tax was deducted by the Ministry but had not been remitted and this had been carried forward for over two years. The Committee was concerned and demanded for an explanation why these funds had not been remitted to Uganda Revenue Authority (URA).

The Committee also observed that, despite the existence of the stale cheques, no reversal was made on the liabilities and even then they had not been recognized on the balance sheet.

From the above observations, the Committee noted that the accounts were not right and could not balance by recognition. Accountant General was asked to streamline, this matter, on this matter.

20.4 PAYMENT OF VAT: AUDIT REPORT PARA 20.3

Test checks carried out by the Auditor General on a few VAT payments revealed that there were double or over payments of the tax of Shs.54,163,633.

The Accounting Officer had stated that double payment was not intentional because each payment was supported by a BPAF which could be re-used.

During discussions he had further stated that the Ministry in these cases obtained two BFAFs from Uganda Revenue Authority for the same assessment on behalf of Kampala City Council. He promised to recover the amount overpaid from URA during 2006/07.

Audit had advised him to strengthen the internal control system regarding the payment of taxes in the Ministry. Meanwhile, Audit awaited recovery of the overpaid taxes.
The Accounting Officer contended that the payment voucher which was queried amounted to Shs.54,163,633=. They were:

<table>
<thead>
<tr>
<th>BPAF No.</th>
<th>Amount (Shs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>3121874</td>
<td>10,540,532=</td>
</tr>
<tr>
<td>3122607</td>
<td>10,540,532=</td>
</tr>
<tr>
<td>3230628</td>
<td>13,108,046=</td>
</tr>
<tr>
<td>3103365</td>
<td>12,906,198=</td>
</tr>
<tr>
<td>3122977</td>
<td>866,683=</td>
</tr>
<tr>
<td>3121874</td>
<td>866,683=</td>
</tr>
<tr>
<td>3121868</td>
<td>706,350=</td>
</tr>
<tr>
<td>3121871</td>
<td>706,350=</td>
</tr>
<tr>
<td></td>
<td><strong>50,241,374=</strong></td>
</tr>
</tbody>
</table>

On double payment of taxes, the Accounting Officer explained as follows;
- Similar amounts were paid against the following bank payment Advice Forms (BPAFS):

<table>
<thead>
<tr>
<th>BPAF No</th>
<th>Taxpayer</th>
<th>Amount (Shs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>3122977</td>
<td>Nabitende Technical Services</td>
<td>866,683=</td>
</tr>
<tr>
<td>3121874</td>
<td>Nabitende Technical Services</td>
<td>866,683=</td>
</tr>
<tr>
<td>3112871</td>
<td>Magaru construction Ltd</td>
<td>706,350=</td>
</tr>
<tr>
<td>3121868</td>
<td>Magaru construction Ltd</td>
<td>706,350=</td>
</tr>
<tr>
<td>3121867</td>
<td>Matuye Dan and Sons</td>
<td>10,540,532=</td>
</tr>
<tr>
<td>3122607</td>
<td>Matuye Dan and Sons</td>
<td>10,540,532=</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>24,277,130=</strong></td>
</tr>
</tbody>
</table>

- He said that Kamwenge District Local Government which originated the documents for assessment, had submitted, that there was duplication in issuing of BPAFs by Uganda Revenue Authority. This error was not detected and all the BPAFs were submitted to the Ministry for payment. This therefore resulted in over payment by Shs. 12,113,565= with Uganda Revenue Authority. This error was not detected and all the BPAFs were submitted to the Ministry for Payment. This therefore resulted in over payment by Shs 12,113,565=.

- He noted that based on the acknowledgement by the District, the Ministry had lodged a claim for refund of Shs 12,113,565= with Uganda Revenue Authority.
On over payment of tax, the Accounting Officer said that the payment of Shs. 13,108,046/= was made against the revised assessment as confirmed by the Commissioner of Customs in his letter URA-CUST-8LG of May 2006. The initial assessment had been at Shs 12,914,303/=.

He said that on the same basis (letter of the Commissioner Customs) Shs. 12, 906,198/= was paid instead of Shs 19,410,908/= which was initially assessed.

He however noted that when goods were usually cleared under C21 facility, the Accounting Officer made a commitment to pay the assessed taxes plus additional taxes arising from the customs scrutiny. In both cases the goods were cleared under the facility and the taxes paid were the final assessment after customs scrutiny. He therefore noted that in both cases there was no over payment.

The Committee asked the Auditor General to reconcile the submission of the Accounting officer that it was only Shs 50m and not Shs 54m.

The Committee noted that there was double payment it further noted that this was wrong and both the Internal Audit and the Accounts Department should be held responsible to explain the motive behind it.

The Committee also noted that the Ministry seemed to have poor internal control system which put at risk public funds under the Ministry.

The Committee also directed that the CAO and CEO of Kamwenge 200/06 should explain why they sent two invoices.

The Auditor General was asked to audit the statement as regards the overpayment.

20.5 AUDIT INSPECTIONS OF DISTRICT TRANSPORT REVOLVING FUNDS ACCOUNT WITH THE DISTRICTS: AUDIT REPORT PARA 20.4

The Auditor General noted that in his last report to Parliament Para 20.2, he had raised concern that the Districts did not pay their loans on the vehicles they acquired through the District Transport Revolving Fund amounting to Shs.2,514,421,803. Audit inspections carried out during August, 2006 in the Districts of Mpigi, Mbarara, Ntungamo, Kabale, Kisoro, Rukungiri, Bushenyi, Kasese, Bundibugyo, Kabarole, Fort Portal Municipal Council, Kyenjojo, Kibaale, Kiboga, Hoima and Masindi revealed the following:-
All the Districts inspected did not capture the loan as payables in the respective Districts’ final accounts. Furthermore, most Districts lacked updated records of vehicle inventories against which the Ministry records could be verified for existence.

It was also noted that generally the vehicles were being poorly maintained and this resulted into frequent breakdowns, with vehicles spending more time in garages than performing the tasks they were acquired for. In Kibaale, Kiboga and Holma districts, the vehicles had been boarded off after accidents without prior approval of the Permanent Secretary, while in Kasese the Chief Administrative Officer could not account for the vehicle. Besides, the present value of the vehicles was too low to recover the outstanding loans even if they were to be disposed off.

It was further noted that the program operated a bank account in a Commercial Bank and during the year under review a total of Shs.27,823,975 was deposited by the Districts of Wakiso (Shs.5,000,000), Kira Town Council (Shs.9,823,975), Kalangala (Shs.4,000,000) Kumi (Shs.7,000,000) and Luwero (Shs.2,000,000) for the vehicles they received. It was noted that other than these Districts, no other District was paying for the vehicles they took. The account appeared redundant.

Audit had advised the Accounting Officer that the revolving fund does not appear to be meeting its intended objectives as findings in the inspected districts had shown, and recovery of money to ensure the continuation of the revolving fund would be difficult. During discussions, the Accounting Officer stated that the amounts were to be recovered from the unconditional grants of the districts involved. Audit urged him to have the policy revisited to ensure that the set objectives were met. Audit awaited his further action.

The Accounting Officer explained as follows:-

- **On Districts that did not capture loans as payables.**

He said failure to capture the loans as payables in their final accounts by districts was a case of inadequate disclosure on their part. During the discussion with the Auditor General it was agreed that this issue would be taken up by their Local Government Directorate since it was an issue for the Districts as accounting entities.
- On Boarding of vehicles without the approval of the Permanent Secretary (Kibaale, Kiboga and Holma),
He explained that given that the vehicles remained property of DTRF until completion of payment, it was irregular for the districts to dispose of them, by whatever means.

He noted that in his letter ADM/F81/167/10 dated 6th November 2006, he had brought this to the attention of the districts concerned. And also informed them that the full outstanding amounts on the loans would be recovered from their unconditional grants. This was also the case for Kasese District where the vehicle was missing. In all cases he said that recovery had been made.

- On Funds not meeting intended objectives
He explained that the arrangement had been made to recover the amount owing by the districts from their unconditional grants.

He reported that till then a sum of Shs 2,112,316,889/= had been recovered. He also noted that the Ministry had already started the process of revitalizing the activities of the fund with the money recovered so far.

The Accounting Officer submitted that recoveries were being made by the Accountant General at source from the unconditional grant.

The Committee asked him to reconcile with the Accountant General how much had then been recovered. The Auditor General was to verify this.

The Committee further asked the Accounting Officer to submit the list of all defaulting districts. He was further directed to submit evidence of reprimand of the Kibaale, Kiboga, CAOs who had boarded off the vehicles. He was to give the details of who bought the vehicles and at what price.

The Accounting Officer was also asked to ensure that the CAO of Kasese produces the vehicle in his possession immediately.
21. MINISTRY OF TOURISM, TRADE AND INDUSTRY

21.1 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 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 the stores function in Government had been underrated and thus not receiving enough attention in terms of training and staffing. The Ministry of Public Service and other stakeholders were advised to come up with a clear policy to govern stores management in terms of staffing, qualification, job description and training. This would ensure safe guard of Government assets.

The Accounting Officer admitted the anomalies raised by the Auditor General. He reported that his Ministry had no qualified stores Officer but that there was an Officer assigned to handle the stores. He said that he had already pointed out the problem to Ministry of Public Service.

The Committee noted that this was a big problem in the Ministry as it was only one person who receives and supplies all stores.
The Accounting Officer was urgently directed to follow up with Ministry of Public Service to address this problem.

21.2 FLEET MANAGEMENT SYSTEM: AUDIT REPORT PARA 1.11

The Auditor General noted that he had reported lack of a proper fleet management system in Government institutions which had exposed Government vehicles to uncontrolled movements, surging fuel, repair and maintenance costs. During the year, 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 was 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.

The Accounting Officer said that the Ministry had a fleet management system and provided the 
Committee the control methods used in the Ministry in management of the Ministry vehicles.

The Committee however noted that there was no systematic method to detect fraud on the part of the 
garages, as the garages were left to carry out their own assessment even before the vehicles were 
repaired.

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

It was reported that the Consolidated domestic arrears as at 30th June, 2006 for Ministry of Trade and 
Industry stood at Shs 8,396,924,111. The Auditor General noted need for the Accounting Officer to 
comply with Government regulations and desist from continually incurring domestic arrears.

The Accounting Officer submitted that the arrears attributed to the Ministry were composed of unpaid 
obligations to International Organizations such as World Trade Organization and COMESA. He said 
that his Ministry was also given a sealing of payments to these International Organization and yet even, 
what was given was not released at all.

The Committee was concerned about this and asked the Accounting officer to provide;

- A critical analysis arising from non payment of obligations to these International 
  Organizations.
- A status report of all the outstanding domestic arrears
21.4 PROCUREMENT OF CONSULTANCY SERVICES: AUDIT REPORT PARA 21.1

The Auditor General observed that Contrary to the PPDA Regulations which require that all procurements of services above US$25,000 be by open bidding, the Ministry contracted and paid a local Consultancy firm a sum of US$350,000 without open competitive bidding. This was payment for consultancy work carried out during the “branding of Uganda” campaign that was undertaken by an International Media House. The payments were made between August 2005 and January 2006. Although the Accounting Officer had requested PPDA for a waiver from the requirement of competitive bidding, there was no evidence that the PPDA granted the waiver. Procurement of services without opening them to competition exposed the Ministry to the risk of unfair prices and services.

The Accounting Officer explained that Government of Uganda had contracted CNN to brand Uganda. He said that Ms. Terp Consult was appointed by CNN as their agent in Uganda. The preliminary discussions between the Government of Uganda (GOU) and CNN catered for US$350,000 for an agent in Uganda. He said that the Ministry was only implementing Government decisions that had already been agreed on with CNN.

The Committee observed that the President, who gave the direction, should have been advised to follow procedures. It directed the Accounting Officer to produce;

- A letter directing him to implement the programme.
- A list of directors of TERP.
- A report of who procured TERP? Was it CNN or government
- An explanation as to why they were to pay TERP instead of C.N.N
- A copy of Agreement between government and TERP including a copy of the letter of PPDA rejecting the waiver.
- An explanation why specifically C.N.N was used instead of other media.
- An evidence of value for money in the transaction.
- An evidence showing that the Accounting Officer had advised the President on the matter.
21.5 DIVERSION OF FUNDS: AUDIT REPORT PARA 21.3

A sum of Shs.263,000,000 was paid to Jinja Municipal Council to settle a Presidential pledge for the reconstruction of Jinja market. The money was paid out of Jut Kali activities Vote and not from the State House votes which would normally cover Presidential pledges. Such diversions (unbudgeted for expenditures) were likely to cripple the implementation of the planned activities of the Jua Kali programmes for the financial year. In a written reply to Audit, the Accounting Officer had explained that the diversion was directed by the Ministry of Finance, Planning and Economic Development and that the Presidential Pledge was premised on the fact that funds were budgeted for under the Ministry of Tourism, Trade and Industry. Audit had advised management to follow up the matter and ensure proper Accountability. Audit further advised the Accounting Officer to liaise with the Accounting Officer, State House to ensure that the pledge was acknowledged as fulfilled in the State House books.

The Accounting Officer reported that a sum Shs 263,000,000 was paid to Jinja Municipality to settle a Presidential pledge. The payment was charged on Jua Kali activities vote. This came as a directive from the Ministry of Finance, Planning and Economic Development.

He said that when the Ministry requested for accountability from the Town Clerk of Jinja Municipality for funds received, his response was that since the funds were not sufficient for intended works, they were banked on a fixed deposit account.

The Committee observed that it was unrealistic for the Accounting Officer to release Shs 263,000,000 for a project of Shs 6,522,983,682. It further noted that the Accounting Officer was operating from directive of other Ministries and therefore had lost control of running its own Ministry. The Accounting Officer was directed to refund the money with interest and produce evidence of the Certificate of refund from the Accountant General.
21.6 SUPPORT TO ARTISANS - FUNDS NOT ACCOUNTED FOR: AUDIT REPORT PARA 21.4

It was further reported by the Auditor General that a sum of Shs.200,000,000 was paid to Mbarara Municipal Council out of support to artisan funds for the development of Mbarara Market. The source of the funds was not known as they were not explicitly indicated in the approved budget estimates of the Ministry. By the time of audit the whole amount had not been accounted for.

The Accounting Officer confirmed that at the time of audit, accountability had not been submitted but the Town Clerk later submitted the accountability.

The Committee asked the Accounting Officer to provide the authority why his Ministry was used for this purpose and not State House.
22. MINISTRY OF ENERGY AND MINERAL DEVELOPMENT

22.1 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 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 the stores function in Government had been underrated and thus not receiving enough attention in terms of training and staffing. The Ministry of Public Service and other stakeholders was advised to come up with a clear policy to govern stores management in terms of staffing, qualification, job description and training. This would ensure safe guard of Government assets.

The Accounting Officer reported that the Ministry's stores at the headquarters' had been decentralized and that the Accounting Officer monitored their management. He explained to the Committee, the procedures of stores management in the Ministry.

The Committee observed that the system in place had a weakness and asked the Accounting Officer to liaise with the Ministry of Public Service to ensure that qualified stores cadre was recruited to manage the Ministry's stores.

22.2 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 Energy and Minerals stood at Shs 5,400,354,306. The Accounting Officer needed to comply with Government regulations and desist from continually incurring domestic arrears.

The Accounting Officer reported that the outstanding arrears were largely rent dues and payments to International Organizations.

The Committee asked the Accounting Officer to;
- Show how much was to be paid on rent.
- Provide the schedule of Domestic arrears per year.

22.3 AUDIT INSPECTION REPORT ON JINJA STORAGE TANKS: AUDIT REPORT PARA 22.2

Background:
In the mid 70’s, the Government constructed four strategic fuel depots in Jinja, Nakasongola, Gulu and Kasese with a view of ensuring availability of adequate fuel stocks in the event of supply disruptions. However, of the four depots that were in plan, only one in Jinja was constructed and completed. The Jinja storage tanks had a total capacity of 30 million litres (10 million for each of the three products of petrol, diesel and kerosene). Operations of this facility did not start until June 1988 and a total of 18 people were recruited to manage the depot including a General Manager and an Administration Manager. Till then the depot was being manned by 8 permanent employees and 2 casual laborers.

As a policy, Government did not trade in petroleum products but it stocked fuel products which could be used to stabilize the market in case of a disruption in supply. The depot was also used to, assist new oil companies stabilize in the liberalized competitive fuel oil industry.

An inspection of the tanks revealed the following:-

a) Government Stock Loans
The Ministry loaned out, Government fuel to private oil companies whenever there was a disruption in the supply chain and the oil companies reimbursed the same in fuel stocks. By 31st August 2006, the Oil Companies owed to Government, oil products amounting to Shs.6, 835,290,050. Details were as follows:-

Products Loans as at 31st August, 2006.

<table>
<thead>
<tr>
<th>COMPANY</th>
<th>PMS Litres</th>
<th>BIK Litres</th>
<th>AGO Litres</th>
<th>DATE ISSUED</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>MOIL</td>
<td>195</td>
<td>-</td>
<td>407</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>GERMASU</td>
<td>281,658</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>Arbitration</td>
</tr>
<tr>
<td>RIO OIL</td>
<td>1,192,603</td>
<td>214,769</td>
<td>-</td>
<td>-</td>
<td>Repayment rescheduled</td>
</tr>
<tr>
<td>HARED</td>
<td>-</td>
<td>-</td>
<td>100,000</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>GAPCO</td>
<td>-</td>
<td>-</td>
<td>14,737</td>
<td>6/9/05</td>
<td></td>
</tr>
<tr>
<td>UPET</td>
<td>2,294</td>
<td>227,548</td>
<td>80,051</td>
<td>-</td>
<td>Repayment rescheduled</td>
</tr>
<tr>
<td>SHELL</td>
<td>300,026</td>
<td>-</td>
<td>697,118</td>
<td>24/8/05</td>
<td></td>
</tr>
</tbody>
</table>
It was noted that some loans had taken so long to be settled. The recoverability was increasingly becoming difficult. In a written reply to audit the Accounting Officer explained that what was due to M/S Germasu (Shs.628,097,340) was under Arbitration while Rio (Shs.3,022,464,300) and UPET (Shs.587,008,710) had their repayments rescheduled.

The Accounting Officer explained that as of 31/08/06, nine oil companies had not repaid fuel product-loans totaling 3,323,537 litres. A breakdown by company and product was given in the Table below.

**Un-repaid Product Loans at Time of Audit (31 August 2006)**

<table>
<thead>
<tr>
<th>Company</th>
<th>PMS (Litres)</th>
<th>BIK (Litres)</th>
<th>AGO (Litres)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Moil</td>
<td>195</td>
<td>-</td>
<td>407</td>
</tr>
<tr>
<td>Germasu</td>
<td>281,658</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Rio Oil</td>
<td>1,192,603</td>
<td>214,769</td>
<td>-</td>
</tr>
<tr>
<td>Hared</td>
<td>-</td>
<td>-</td>
<td>100,000</td>
</tr>
<tr>
<td>Gapco</td>
<td>-</td>
<td>-</td>
<td>14,737</td>
</tr>
<tr>
<td>UPET</td>
<td>2,294</td>
<td>227,548</td>
<td>80,051</td>
</tr>
<tr>
<td>Shell</td>
<td>300,026</td>
<td>-</td>
<td>697,118</td>
</tr>
<tr>
<td>Caltex</td>
<td>12,800</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Standard</td>
<td>99,331</td>
<td>-</td>
<td>100,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,888,907</strong></td>
<td><strong>442,317</strong></td>
<td><strong>992,313</strong></td>
</tr>
</tbody>
</table>

He noted that Product Loans were required to be repaid in kind, in order not to deplete stocks. For this reason, small volumes which could not make a truck load (from 1,000 litres and below) were normally held on the respective company’s account. M/S. MOIL balances of 195 litres of PMS and 407 litres of AGO, fell in this category and had been left on the account.

Similarly, if a delivery for loan repayment was made, which exceeded the volume of the debt; the excess was kept in the depot and recorded on the company’s account as a credit.

He observed that the audit report erroneously reported that the debt for M/S. Germasu was for arbitration and those for M/S. Rio Oil and M/S. UPET was rescheduled. He said that the reverse was the correct position; Germasu as a company collapsed and sold out its shares to M/S. KPI M/S. KPI
took over all liabilities and requested the Ministry to reschedule repayment while M/S Rio Oil and M/S UPET cases were in court for arbitration.

He further noted that, excluding the cases in Court, only 223,306 litres of PMS and 59,027 litres of AGO remained outstanding as below:-

- M/S Hared had fully repaid the 100,000 litres of AGO.
- M/S Shell had fully repaid all the 300,026 litres of PMS and 697,118 litres of AGO.
- M/s GermaSu had repaid 170,678 litres of PMS leaving a balance of 110,980 litres.
- M/s Standard had paid back 66,117 litres of AGO leaving it with a balance of 33,000 litres.
- M/S Gapco and M/s Caltex had promised to repay the loan.

Unrepaid Product loans as 31 December 2007

<table>
<thead>
<tr>
<th>Company</th>
<th>PMS (Litres)</th>
<th>Bitk (Litres)</th>
<th>AGO (Litres)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Moil</td>
<td>195</td>
<td>-</td>
<td>407</td>
</tr>
<tr>
<td>GermaSu</td>
<td>110,980</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Hared</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Gapco</td>
<td>-</td>
<td>-</td>
<td>14,737</td>
</tr>
<tr>
<td>Shell</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Caltex</td>
<td>12,800</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Standard</td>
<td>33,000</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Rio Oil</td>
<td>1,192,603</td>
<td>214769</td>
<td>-</td>
</tr>
<tr>
<td>UPET</td>
<td>2294</td>
<td>227,548</td>
<td>80051</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,351,872</strong></td>
<td><strong>442,317</strong></td>
<td><strong>95195</strong></td>
</tr>
</tbody>
</table>

In the case of UPET, the Accounting Officer explained that it was referred to Court for arbitration. He said that UPET submitted a defence that its debt was settled under a debt-buy-back agreement between its parent company, the Fourways Group of companies and the Government. The Ministry sought for clarification from the Ministry of Finance Planning and Economic Development on the Debt-buy-back arrangements with Fourways group of companies and established that only Government debts owed to the Fourways Group of companies were settled but not what was owed to the Ministry of Energy and Mineral Development. Based on this information the Ministry requested the Ministry of Justice and Constitutional Affairs to proceed with the arbitration case in the Commercial Court.
On the case of Rio Oil, he said that it also went before the Commercial Court for arbitration. M/S Rio did not contest the fuel debt but requested settlement out of court. In the subsequent negotiations, M/S Rio proposed to pay a lower value than the cost of the replacement cost of the fuel, because of the then prevailing circumstances that prohibited the company from fulfilling its obligations, the Ministry however rejected this proposal and the matter had been referred back to Court. The last hearing was to be held on the 24th October 2007, but the arbitrator was unavailable. A date for the next hearing had been fixed for 20th February 2008.

The Accounting Officer insisted that the Ministry had made efforts to recover the product loans owed by oil companies. Except for a few companies and those companies where whose cases were before court, Several companies had responded as indicated in table 1.

Out of 1,888,907 litres of petrol reported in the audit report as un-repaid, 648,015 litres had been repaid leaving a balance of 1,240,892 litres. The details were as indicated as in the table below;

<table>
<thead>
<tr>
<th>COMPANY</th>
<th>PMS LTRS</th>
<th>BIK LTRS</th>
<th>AGO LTRS</th>
<th>REMARKS</th>
</tr>
</thead>
<tbody>
<tr>
<td>MOIL</td>
<td>195</td>
<td>0</td>
<td>407</td>
<td>Quantity too small for a truck-load. Requested to pay in cash</td>
</tr>
<tr>
<td>GERMASU/KPI</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>Settled</td>
</tr>
<tr>
<td>HARED</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>Settled</td>
</tr>
<tr>
<td>GAPCO</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>Settled</td>
</tr>
<tr>
<td>SHELL</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>Settled</td>
</tr>
<tr>
<td>CALTEX</td>
<td>12,800</td>
<td>0</td>
<td>0</td>
<td>Contested figure and still under review</td>
</tr>
<tr>
<td>STANDARD</td>
<td>33,000</td>
<td>0</td>
<td>0</td>
<td>Delivery en route</td>
</tr>
<tr>
<td>Subtotal</td>
<td>45,995</td>
<td>0</td>
<td>407</td>
<td></td>
</tr>
<tr>
<td>RIO OIL</td>
<td>1,192,603</td>
<td>214,769</td>
<td>0</td>
<td>Matter in court</td>
</tr>
<tr>
<td>UPET</td>
<td>2,294</td>
<td>227,548</td>
<td>80,051</td>
<td>Matter in court</td>
</tr>
<tr>
<td>Subtotal</td>
<td>1,194,897</td>
<td>442,317</td>
<td>80,051</td>
<td></td>
</tr>
<tr>
<td>Grand Total</td>
<td>1,240,892</td>
<td>442,317</td>
<td>80,458</td>
<td></td>
</tr>
</tbody>
</table>

The Committee asked for the details of the criteria on how the fuel was distributed. Reconciliation of records with Caltex be made and report made accordingly. The Committee also directed that UPET penalty charges be computed to cover the time they were not yet paying the fuel.
b) Accumulated Penalty

The oil companies who owed Government stocks had not adhered to required penalty of 22% on any outstanding balances after the 30 days. These penalties had accumulated to Shs 5, 468,150,879. In a written reply to Audit, the Accounting Officer had promised to verify and reconcile the accumulated penalty with a view of invoicing the defaulting companies.

The Accounting Officer explained that the accumulated penalty was grossly overstated because it included products issued to oil companies when the tanks were emptied to allow installation of a new fire-fighting system in the depot. The penalty owing should have been computed from the period following completion of the installation when the depot re-opened for normal operations. Besides, the two cases of the non-performing companies (UPET and Rio Oil) should have been excluded from the other defaulters since the matter was being handled in court.

He observed that the correct penalty to be claimed was being computed on a case-by-case basis. For example, the penalty against Petro Link was not stated but during the reconciliation exercise, it was established that the company had some outstanding penalty to pay. The penalty against GAPCO was verified and adjusted to Shs 152,732,123 after the verification as opposed to Shs 1,588,948,877 stated in the Audit Report.

He reported that the remaining companies had been directed to verify and reconcile their position with the Ministry and the process was continuing. The reconciled position then showed penalty charges amounted to Shs 3,942,511,61/= as indicated in the table below;

**Table 4: Un-recovered Penalty as at 31st August 2006 the end and current status.**

<table>
<thead>
<tr>
<th>Company</th>
<th>Amount stated</th>
<th>Reconciliation</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gapco</td>
<td>1,588,948,877</td>
<td>152,732,123</td>
<td>Agreed to pay</td>
</tr>
<tr>
<td>Petro</td>
<td>-</td>
<td>44,636,479</td>
<td>Reconciled</td>
</tr>
<tr>
<td>Shell</td>
<td>431,701,259</td>
<td>721,073,364</td>
<td>Reconciled</td>
</tr>
<tr>
<td>Total (U)</td>
<td>77,475,288</td>
<td>406,494,474</td>
<td>Not Reconciled</td>
</tr>
<tr>
<td>Hareed</td>
<td>683,447,957</td>
<td>-</td>
<td>Reconciled &amp; waived</td>
</tr>
<tr>
<td>Germas (KPI)</td>
<td>996,932,713</td>
<td>876,220,454</td>
<td>Reconciled</td>
</tr>
<tr>
<td>Rio Oil</td>
<td>1,672,484,795</td>
<td>1,672,484,795</td>
<td>Not Reconciled</td>
</tr>
<tr>
<td>Caltex</td>
<td>68,869,972</td>
<td>68,869,972</td>
<td>Not Reconciled</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>5,450,990,889</td>
<td>3,942,511,661</td>
<td></td>
</tr>
</tbody>
</table>
The Accounting Officer noted that the penalty charges were computed based on the loan Agreements dates, rather than the stock movement document dates. He said that some companies signed Loan Agreement but did not pick the fuel from Jinja storage tanks. The penalty charges had since verified using the stock movement documents and adjusted accordingly:

<table>
<thead>
<tr>
<th>COMPANY</th>
<th>AMOUNT IN AUDIT REPORT</th>
<th>VERIFIED AMOUNT</th>
<th>REMARKS</th>
</tr>
</thead>
<tbody>
<tr>
<td>GAPCO</td>
<td>1,588,948,877</td>
<td>152,732,123</td>
<td>Paid</td>
</tr>
<tr>
<td>SHELL</td>
<td>431,701,259</td>
<td>721,073,364</td>
<td>Claimed Force Majeure.</td>
</tr>
<tr>
<td>TOTAL</td>
<td>77,475,288</td>
<td>0</td>
<td>Reconciled with actual documents</td>
</tr>
<tr>
<td>HARED</td>
<td>683,447,957</td>
<td>0</td>
<td>Reconciled with actual documents</td>
</tr>
<tr>
<td>GERMASU/KPI</td>
<td>996,932,713</td>
<td>876,220,454</td>
<td>Contested the amount and claimed Force Majeure</td>
</tr>
<tr>
<td>CALTEX</td>
<td>68,869,972</td>
<td>0</td>
<td>Reconciled with actual documents</td>
</tr>
<tr>
<td>RIO</td>
<td>1,672,484,795</td>
<td>1,672,484,795</td>
<td>Case in court</td>
</tr>
<tr>
<td>TOTAL</td>
<td>5,519,860,861</td>
<td>1,597,293,818</td>
<td></td>
</tr>
</tbody>
</table>

Table 2: Unrecovered Penalty Charges

He said further that Gapco Uganda Ltd. had made payment of Shs 152,732,123, Shell Uganda Ltd and KPI Petroleum Ltd had claimed force majeure, due to the intermittent supply from Kenya. The case for Rio was in court.

The Committee asked the Accounting officer to give the dates when Rio picked the fuel quantities involved. It also directed him to provide documents on the verified figures.

c) Hospitality Fees

The Auditor General observed that as he had mentioned, the Government storage tanks also stored for small and new Oil companies which did not own depots and in return were supposed to pay a storage fee of Shs.8 per litre of each product moved out of the storage tanks. At the time of audit, the
companies owed Government Shs.513, 548,688 in respect of hospitality fees and penalty fees of Shs. 92, 438,763 arising from noncompliance with the clauses of the agreement. Auditor General had urged the Accounting Officer to follow up the matter and have the amounts recovered.

The Accounting Officer explained that after verification and reconciliation exercise of the figures presented, as hospitality fees the companies owed the Ministry, it was established that the figures presented by the Auditor differed from the Ministry records. Some of the charges presented as unpaid were for the subsequent financial year i.e. July- September 2006 bills, which could have been collected by June 2006. However to avoid accumulation of bills, the Ministry started billing Oil companies on the time the products were delivered at the depot and not at the time of lifting the product. This gave the Company more time to arrange payment and had greatly reduced on the Hospitality fees to Shs. 309,393,288.

He also noted that outstanding Hospitality Fees not paid by Companies stood at Shs 94,324,272.

He noted further that although the Ministry billed Shs. 403,717,560/=, the companies paid Hospitality worth Shs. 309,393,288/=. Therefore the outstanding hospitality was Shs. 94,324,272/= and not Shs. 513,548,688 as presented in the Audit report.

The Accounting Officer observed that the unsettled bank Payment Advice Forms (BPAFs) were verified and found that a number of the BPAFs had actually been paid at the due time. The remaining cases had since been followed and where the companies had products stored at Jinja storage Tanks, the Ministry had offset the charges against the stocks. He said that a total of 9,555 litres of petrol, 2,230 litres of kerosene and 1,202 litres of diesel had been off set for the value of Shs 32,525,160 in penalty charges.

He provided the status of Hospitality fees as follows:-
<table>
<thead>
<tr>
<th>BPAF</th>
<th>COMPANY</th>
<th>AMOUNT IN AUDIT REPORT</th>
<th>VERIFIED OUTSTANDING AMOUNT</th>
<th>STATUS</th>
</tr>
</thead>
<tbody>
<tr>
<td>3024502</td>
<td>HARED</td>
<td>1,440,000</td>
<td>0</td>
<td>Off set against products stored in JST</td>
</tr>
<tr>
<td>3024504</td>
<td>HARED</td>
<td>3,233,600</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>3024506</td>
<td>HARED</td>
<td>3,100,000</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>3024508</td>
<td>HARED</td>
<td>4,176,000</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>3024510</td>
<td>HARED</td>
<td>3,583,840</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Sub total</strong></td>
<td><strong>15,534,240</strong></td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>3024518</td>
<td>HAJICO</td>
<td>2,278,000</td>
<td>2,278,000</td>
<td>Still to pay</td>
</tr>
<tr>
<td>3024520</td>
<td>HAJICO</td>
<td>1,156,000</td>
<td>1,156,000</td>
<td></td>
</tr>
<tr>
<td>3024522</td>
<td>HAJICO</td>
<td>2,552,000</td>
<td>2,552,000</td>
<td></td>
</tr>
<tr>
<td>3024525</td>
<td>HAJICO</td>
<td>684,000</td>
<td>684,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Sub total</strong></td>
<td><strong>6,670,000</strong></td>
<td><strong>6,670,000</strong></td>
<td></td>
</tr>
<tr>
<td>3024568</td>
<td>PETROFINA</td>
<td>7,616,000</td>
<td>798,000</td>
<td>Offset Shs 6,817,200 from products in JST leaving a balance of Shs 10,598,800 to pay.</td>
</tr>
<tr>
<td>03024569</td>
<td>PETROFINA</td>
<td>9,800,000</td>
<td>9,800,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Sub total</strong></td>
<td><strong>17,416,000</strong></td>
<td><strong>10,598,800</strong></td>
<td></td>
</tr>
<tr>
<td>3024984</td>
<td>PHOENIX</td>
<td>8,816,000</td>
<td>0</td>
<td>Offset Shs 9,237,800 from products stored at JST leaving a balance of Shs 9,971,000 to pay</td>
</tr>
<tr>
<td>3024552</td>
<td>PHOENIX</td>
<td>2,392,800</td>
<td>1,971,000</td>
<td></td>
</tr>
<tr>
<td>3024985</td>
<td>PHOENIX</td>
<td>8,000,000</td>
<td>8,000,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Sub total</strong></td>
<td><strong>19,208,800</strong></td>
<td><strong>9,971,000</strong></td>
<td></td>
</tr>
<tr>
<td>3024559</td>
<td>A.S ALI</td>
<td>2,512,000</td>
<td>2,512,000</td>
<td>Still to pay</td>
</tr>
<tr>
<td>3024563</td>
<td>A.S ALI</td>
<td>2,829,600</td>
<td>2,829,600</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Sub total</strong></td>
<td><strong>5,341,600</strong></td>
<td><strong>5,341,600</strong></td>
<td></td>
</tr>
<tr>
<td>3024593</td>
<td>PEARL OIL</td>
<td>9,009,600</td>
<td>0</td>
<td>Reconciled</td>
</tr>
<tr>
<td>3024594</td>
<td>PEARL OIL</td>
<td>11,660,000</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Sub total</strong></td>
<td><strong>20,669,600</strong></td>
<td><strong>0</strong></td>
<td></td>
</tr>
</tbody>
</table>
3024599 | KENLLOYD | 423,000 | 0 | Reconciled
3024600 | KENLLOYD | 1,440,200 | 0 |
| Sub Total | 1,863,200 | 0 |
3024986 | PETROCITY | 1,056,432 | 0 | Offset against products stored as JST
| 1,056,432 | 0 |
| 87,759,872 | 32,581,400 |

The Committee directed the Accounting Officer to submit all the documents on this.

d) Equipment Used at Jinja Storage Tanks (JST)

The Auditor General reported that the information collected from employees at Jinja Storage Tanks revealed that the pumps and meters used in the operations of this complex were installed in 1978 and had not been replaced since then. It was noted from the records that although the meters should be serviced regularly, the ones in Jinja took years to be serviced. Faulty meters could give misleading readings which could lead to fraud. He highly recommended that new and modern equipment be installed to avoid possible misleading readings. In his written reply to Audit, the Accounting Officer had stated that he had made several requests for replacement, but the Ministry did not receive an adequate budget for maintenance of operations at the storage tanks.

The Accounting Officer explained to the Committee that the equipment used at JST was indeed installed way back in 1970's and were very old and out dated. He noted that the Ministry doesn't get adequate maintenance budget for the facility in Jinja. He however said that the Ministry obtained a special release of Shs. 191 million from the Treasury, Shs 176 million of which was allocated for emergency spares including replacement of the off- loading meters and loading arms at the depot. Another Shs. 14 million had been used to award a contract to a company to handle some maintenance Works and Servicing of the equipment at the facility. The works were progressing on well.
The Committee directed that the Accounting Officer provides evidence that the meter had been replaced.

e) Receipt Meters

The Auditor General noted that when products were being returned or delivered into Jinja Storage Tanks, the Ministry used the dip sticks (measuring tools) of the trucks that deliver the products. It was possible to be given a faulty dip stick which could read more stocks than what had been actually delivered. It was recommended that inlet meters be introduced to help check the readings provided by drivers and dip sticks, as failure to have them in place could result into losses. In his written reply to audit, the Accounting Officer had stated that he had then started working on all the meters and all tanks were being fitted with inlet and outlet meters to address the above situation.

The Accounting Officer noted that at the time of audit, dip sticks (measuring tools) were being used. The bulk of the Shs. 191 had been set aside to replace the inlet and outlet meters with new and modern meters. In a bid to expedite the procurement processes, the Ministry sought for a waiver from PPDA to use the restricted bidding method. He however noted that the allocation was not sufficient to address all the maintenance requirements.

The Committee asked the Accounting Officer to give a confirmation that the dip sticks were not necessary. He was also asked to provide the costs and tenders that were used in the procurement process.

f) Inadequate Staff

The Auditor General noted that there was inadequate staffing at the Jinja Storage Tanks resulting into late billings, late reconciliations and postings into the ledgers. This was risky, as at any given time it was impossible to tell actual stocks held. The Ministry should improve staffing at Jinja Storage Tanks in order to have up to date records and efficient service. In his written reply to Audit, the Accounting Officer had stated that the staffing position was being addressed in order to operationalise the Petroleum Supply Act 2003 which streamlined the legal and administrative status of Jinja Storage
Tanks, and created the department of petroleum supplies with the mandate to develop and maintain the national strategic fuel reserves. Audit waited to confirm this position in the next inspection.

The Accounting Officer submitted that originally the facility was manned by 18 people but only twelve members of staff were then running the depot due to financial constraints. He observed that the Ministry did not have adequate budget to facilitate a big staff to run the operations at the depot. The Accounting Officer however noted that with the creation of the petroleum Supplies Department, the Ministry of Public Service had then approved the new structure for the department, therefore the staffing levels at the depot was then to be strengthened. He observed that with a fully fledged department, the management and supervision of the daily operations at the facility would tremendously improve and the maintenance of the facility would be streamlined.

The Committee noted that there had been theft of fuel from the facility. It recommended that the premises be guarded and secured and that all fuel balances must be reconciled on daily basis.

g) Flow of Information
The Auditor General noted that as a result of inadequate staff, the flow of information between the Jinja Storage Tank and the Ministry Headquarters was very poor. Administration at the Ministry was not sometimes up to date with what was going on at the Jinja Storage Tanks. Daily or weekly reports of activities at the Depot should be submitted to the Commission and the accounts for effective supervision.

The Accounting Officer noted that the staffing position of JST had been strengthened to ensure that the daily operations at the depot were up to date. He reported that the Principal Energy Officer had been stationed at the depot to over see its operations. He said that in order to improve on the system of information flow between JST and to ensure that the daily reports on the operations at the depot were sent to the Commissioner/Departments on a daily basis for effective supervision, the Commissioner receives daily, weekly and monthly reporting on the operations at JST.
The Committee noted that the flow of information had improved.
22.4 UN-TRANSFERRED PREVIOUS CASH BALANCES ON THE EXPENDITURE ACCOUNT: AUDIT REPRT PARA 22.3

Contrary to the Public Finance and Accountability Act that required un-spent balances on expenditure account to be transferred back to the Consolidated Fund, Shs.722,697,001 remained on account in the previous year. However, only Shs.3,928,575 was transferred to the Consolidated Fund leaving a balance of Shs.718,768,426 un-transferred.

The Accounting Officer explained that the un-spent balances which were transferred to the Consolidated Fund during the year 2004/05 were Shs 1,173,484,743. This figure included un-spent balances of Shs. 722,697,001 as at 30th June 2005 plus Shs. 450,787,742 which arose from un-presented cheques as at 30th December 2005.

He reported that Shs. 1,173,484,743 was declared in the Ministry's; Final Accounts and transferred to the Consolidated Fund.

The Committee asked the Auditor General to reconcile the stale cheques, arrears and report, accordingly.
23. MINISTRY OF GENDER, LABOUR AND SOCIAL DEVELOPMENT

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

The Auditor General reported that Domestic Arrears of the Ministry stood at Shs 5,556,200,759 as at 30th June 2006.

The Accounting Officer submitted that the arrears in the question comprised of the following:

<table>
<thead>
<tr>
<th></th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i)</td>
<td>Rent</td>
<td>1,906,264,262</td>
</tr>
<tr>
<td>(ii)</td>
<td>Contribution to International Organizations</td>
<td>1,555,195,584</td>
</tr>
<tr>
<td>(iii)</td>
<td>Food for Remand Homes</td>
<td>651,112,726</td>
</tr>
<tr>
<td>(iv)</td>
<td>Water and Electricity (Utilities)</td>
<td>550,337,686</td>
</tr>
<tr>
<td>(v)</td>
<td>Rehabilitation of Remand Homes</td>
<td>264,870,254</td>
</tr>
<tr>
<td>(vi)</td>
<td>Cleaning services</td>
<td>65,176,766</td>
</tr>
<tr>
<td>(vii)</td>
<td>Allowances to entitled officer</td>
<td>123,961,908</td>
</tr>
<tr>
<td>(viii)</td>
<td>Taxes</td>
<td>133,710,612</td>
</tr>
<tr>
<td>(ix)</td>
<td>Repair</td>
<td>205,745,424</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>5,556,200,759</strong></td>
</tr>
</tbody>
</table>

She observed that the situation of these arrears in the Ministry resulted from lack of funds leading to domestic arrears. The main cause of this situation included the following:

- Limited MTEF ceiling. The Ministry could not provide sufficient funds on all the items due to inadequate ceiling.
- Some expenditure was incurred due to external factors like court orders, cattle rustling, famine, lack of water in Karamoja, domestic violence. She noted that some of these factors push the children, youth, disabled and elderly persons to the street, and eventually end up in remand homes and other rehabilitation institutions where they must be fed.
• The number of these vulnerable groups cannot be predicted at any given moment, thus resulting in an over expenditure on food items.

• Contribution to International Organization like ARLAC, ILO approved by the Cabinet had continued to have zero budgets. The Ministry had not been able to make its annual contribution to the International organizations which it is affiliated.

• Rent arrears. The Ministry spent Shs 1,432,908,000= on rent annually. The whole amount could be accommodated in the limited MTEF Ceiling.

• Workers compensation. The Ministry is required by law to pay outstanding liabilities arising out of workers compensation. It is quite hard to estimate how much will be spent on this item in a given financial year.

• Fluctuating tariffs adjusted after the budget estimates resulted into unpaid utility bills at closure of the financial year.

• The Committee asked the Accounting Officer to submit a list of all domestic arrears.

23.2 OUTSTANDING ADVANCES: AUDIT REPORT PARA 1.14

The outstanding advances of Shs 388,915,833= remained unaccounted for at the time of audit.

The Accounting Officer reported that all the outstanding advances had been accounted for.

The Committee asked the Auditor General to verify and report.

23.3 AIR TRAVEL: AUDIT REPORT PARA 23.2

According to the statement of account on the Ministry’s air ticket account with a local company, there was a debit balance of US $12,933 against the Ministry as at 30/6/2005. However, this amount was not reflected in the 2004/05 final accounts as payables nor were the bills availed for audit to ascertain their authenticity. The Accounting Officer had stated that exclusion of the debt from the 2004/2005 arrears was due to the fact that some of the bills were then being verified. However, during verification the bills were still not presented for audit. Furthermore, cash totaling Shs 46,507,680 which was meant for the
purchase of air tickets was never paid out, instead the air tickets in question were invoiced. The cash involved appeared not to have been accounted for.

The Accounting Officer admitted that the debit balance of US$12,933 against the Ministry as at 30/06/2005 was not reflected in the 2004/2005 Final Accounts. She said that at that time, some of the bills were then being verified. After verification they were presented for audit and later reflected in the payables of 2005/2006.

She also submitted that cash totaling Shs 46,507,680/= was used to pay for other Ministry activities. The vouchers were available for audit.

The Committee requested the Auditor General to verify and report. The Committee also asked the Accounting Officer to provide authority for diverting funds to pay Ministry activities.

23.4 STATEMENT OF CHARGES IN EQUITY (NET WORTH): AUDIT REPORT PARA 23.3

The Auditor General reported that Shs.20,790,082 was indicated to have been transferred to the Consolidated Fund Account. However the general receipt acknowledging receipt by the Treasury was lacking.

The Accounting Officer said that Shs. 20,790,082/= was transferred to the Consolidated Fund Account. The copy of the General receipt from the Treasury acknowledging the transfer was presented to the Committee.

The Committee requested the Auditor General to verify what happened to the balances at the end of the F/Y 2006 of Shs 47,371,963 and FY 2005 of (Shs 904,740)

23.5 MANDATORY INSPECTIONS OF FACTORIES: AUDIT REPOT PARA23.4

The Auditor General noted that the Statutory Instrument No. 19 of 2004 sets out a statutory period limit upon which inspection of factories must be carried out. An interview with the Commissioner of Occupational Safety and Health, during the year however revealed that the Department estimates the
country, to have 150 Boilers; 2000 Pressure Vessels; 100 Lifts; 2500 Lifting Appliances and 2000 Lifting Machines.

However, it was noted that there was no updated register from which this data could be verified. The last time a factory was registered was on 31/10/1996. Regular inspections of factories have numerous benefits to the institutions among which are workers safety, reduced compensation for workers, increased productivity and improved quality. The mandatory inspections of these plants also have a potential to yield annual revenue of over Shs.600 million which does not compare well with the Ministry budgeted annual revenue of Shs.8,311,000 and actual collections of Shs.4,290,650 during the year under review. Therefore, there appeared to be laxity in the registration of factories as well as executing their mandatory inspections. It was noted that big factories like Tororo Cement Factory, Hima Cement Factory, Dairy Industry Corporation, Uganda Breweries among others, appeared not to have been inspected, which was contrary to statutory requirements.

The Accounting Officer had explained that routine inspections of factories was hampered by lack of transport as well as necessary tools and funds for allowances to enable staff carry out their work efficiently. However, he had also explained that there were plans to boost the Department with transport while the overall case of inadequate funding was being taken up with the Ministry of Finance. Audit had recommended that the Department of Occupational Safety and Health should carry out its mandatory duties of inspecting working in places in the country as required by law.

The Accounting Officer submitted that whereas it is true that the department was mandated to carry out factory inspection, it was always constrained by inadequate budget provisions. She said that this was not only unique to Occupational Safety and Health (OSH) Department but to all Ministry departments. She admitted that there was no up to date register of statutory equipment/plants and that the estimated numbers of 150 Boilers; 200 pressure Vessels, 100 lifts, 2500 lifting appliances, 2000 lifting machines, were based on the actual places inspected and registered and the estimates of the newly established work places.

She noted that the new law on Occupational and Safety Health Act No. 9 requires fresh registration of all work places in the country to be done. She said that when this is implemented, the actual numbers of the statutory equipment and plant together with the actual number of workplaces would be obtained.
She reported that there was a potential of raising annual revenue of 600 millions or more.

She admitted that there was no registration of workplace as well as mandatory and routine inspections she however noted that registration had then started and Provisional registration certificate were being issued without levying registration fees as confirmation from the Ministry of Finance Planning and Economic Development on the fees to be levied was being awaited.

The Committee noted laxity on the part of the Ministry on inspecting factories and coming up with regulations to do so, and therefore putting Ugandans working at these factories at risk. The Committee directed that regulations be put in place immediately. It also asked for lists of all factories in Kampala and also the records for all Certification of equipment plants /factories. The Committee further directed that the matter of revenue collection is the mandate of Ministry of Labour. The should not wait for Ministry of Finance.

23.6 TAXES PAYABLE: AUDIT REPORT PARA 23.5

It was noted that Withholding Tax worth Shs. 131,564,743 was not remitted to URA at year end. In addition Withholding Tax of Shs.24,976,939 was not deducted from the payments. Audit had recommended that necessary action be taken.

The Accounting Officer clarified that the unremitting withheld tax was Shs 90,876,684/= and not Shs 131,564,743=. She reported that a payment batch for withholding tax was submitted to the Accountant General’s Office. She submitted that although the cheque was not printed, this was during the period when the Ministry was logged on IFMs (April 2006).

She further reported that withholding tax of Shs 21,469,633= was not deducted from the payments for rent to M/S Simbamanyo Estates. She said that it was an over sight. She explained that the landlord was addressed to refund the money and that his response was that the tax that had not paid been on his behalf was taken into account by Uganda Revenue Authority in the tax computation for 2006.
On Withholding Tax (WHT) of Shs. 3,472,306= not deducted from payments made to M/s Swan Air Travel, She explained that this Company had been exempted from 6% Withholding tax by Uganda Revenue Authority. She availed a copy of the exemption to the Committee.

The Committee asked the Accounting Officer to verify whether the recovery was made by URA.

23.7 TRANSPORTATION OF READING MATERIALS: AUDIT REPORT PARA 23.6

The Auditor General reported that in February and November 2005, a local company invoiced the Ministry for the transportation of reading materials to various District Chief Administrative Officers (CAOs) at the cost of Shs.106,906,266. Transportation costs had been partially paid totaling Shs.91,772,344 and the balance of Shs.15,135,922 was yet to be settled. However it was noted that the transportation of the reading materials appeared not to have undergone the tendering process, thus it was not possible to confirm the fairness in price, competitiveness and transparency in the procurement process. Included in the amount paid was an old bill for February 2005 bill of Shs.60,331,694 which was not cleared as at 30/06/05 and was not reflected in the payables in the 2004/05 final accounts. This casted doubt on its authenticity.

It was further noted that the inventory of the reading materials upon which the transportation costs would have been based, the allocation lists of the reading materials, delivery details with acknowledgement receipts of the materials from the CAOs, and the Courier’s job sheets were all lacking. Instead only billing sheets were attached. With the above details lacking the payments to the company for its services appeared doubtful. It was recommended that the inventory of the reading materials together with their allocations lists to the Districts that benefited and their acknowledgment of the deliveries be availed for audit.

The Accounting Officer admitted that the transportation of the reading materials did not undergo the tendering process and regretted it.
- Authority to buy second hand vehicles.
- Procurement procedures used to purchase the vehicles.

24.6 PERSONNEL REVIEW: AUDIT REPORT PARA 22.4

The Auditor General reported that personnel records revealed that there were a number of Police officers on interdiction/suspension whose cases had been cleared by courts of law but had never been redeployed and had continued to be on half pay. Audit did not understand why they could not be redeployed since the force was under-staffed. Audit had advised that an analysis of the cases be made and decision taken on the way forward to reduce wastage of funds. In a written reply to Audit, the Accounting Officer had explained that interdiction cases were also administratively tried by the Police disciplinary courts and at this stage delays were experienced affecting expeditious deployment of cases cleared by the court, but she promised to institute more disciplinary courts to solve the problem. Audit awaited improvement in the system.

The Accounting Officer noted that the Police Act, Chapter 303 stipulated that where a Police Officer had been cleared by the courts of Law such an officer had to administratively be tried in a disciplinary Court. Police is a disciplined force therefore this was to ensure that it maintains the status quo. She submitted that an analysis of the cases had been made and a total of 166 cases established i.e. 72 cases on suspension and 94 on interdiction.

She said that in the bid to speed up hearing of these cases, more disciplinary courts had been set up at the District and Region levels. Professional staff in this field had been recruited into the force and were offering legal services in the clearing of backlog. In addition Management had set up a team from the headquarters to follow up progress of these cases in the districts and ensure that justice was done.

The Committee noted that this was an anomaly which contravenes Article 28 of the Constitution and that it was an injustice being done in the Police.
The Accounting Officer promised to review the law.

24.7 AUDIT INSPECTION: AUDIT REPORT PARA 24.5

276
350 Cadet Assistant Superintendents of Police, out of the total 428, were recruited to increase strength in the Management levels and ensure professionalism.

She also noted that the challenge faced was inadequate budgetary provision to maintain the strength. She noted that the Ministry of Finance Planning and Economic Development had not been able to open the MTEF ceiling to be in tandem with the increases in personnel.

The Committee observed that the Police was being regulated by the Public service law yet there were deployed as a combat force. It also observed that the labour turnover in Police was quite high, it was attributed to poor terms and condition of work and bad laws among others. The Committee therefore recommended that in-service training be provided to cater for people within the force instead of bringing new people from outside to take over jobs from the existing force. The Committee also noted that morale in the Uganda Police was too low and directed that a mechanism be put in place to handle Police welfare.

b) Special Police Constables (SPC)

Special Police Constables were recruited on 4 monthly renewable contracts, to assist the Police. However, these took long to be reviewed. It was also observed that the Special Police Constables were not trained in all police skills and therefore did not reinforce the Police adequately. Audit had recommended that the management of the Special Police Constables be streamlined in order to add value to the Police force.

The Accounting Officer noted that the recruitment policy in regard to Special Police Constables had been reviewed and the contractual period increased to 12 months renewable instead of the four (4) months previously. She said that the SPCs were minimally trained in most of the Police skills. Their training programme involved imparting skills in police laws and procedures, human rights and customer care, weapon handling/skills, at arms e.t.c. The training programme was two (2) months. She noted that the Inspector General of Police was empowered by the Police Act to recruit this auxiliary force as and when there’s a need.
She however reported that the force had received support from the Netherlands Government, UNHCR and DFID to increase police presence in Northern Uganda as the Internally Displaced People (IDPs) returned from the camps and that construction of police stations, and barracks was on going. The force had also received and installed communication equipment as well as vehicles, motorcycles and bicycles.
She also reported that twenty (20) pickups were received from hosting of CHOGM among others. All these then required additional funds to be able to sustain them.

The Committee stood over the query and asked the Auditor General to confirm the explanations given.

d) Staff salaries Irregularities
The Auditor General noted that a number of officers had their names missing from the payroll since April 2006. Salary pay slips were not sent from head offices. Some Special Police Constables had never received salary since February 2006 and some were paid salaries very late. All these irregularities de-motivated staff and were indications of a poorly managed salary system. Audit had recommended that management of staff salary be properly streamlined because it was key to staff morale and police service delivery.

The Accounting Officer explained as follows:

- She said the deletion of the staff from the April 2006 payroll was a result of the outcome of the August 2005 Government wide payroll cleaning exercise which was spearheaded by the Ministry of Public Service and Finance Planning and Economic Development. After data analysis and verification, all staff whose names did not appear on the payroll for one reason or another were automatically deleted. In respect of the Police Department, 380 officers whose names were deleted were eventually verified and cleared by the police machinery and their names re-activated on the payroll.

- On the issuance of payslips she explained that the issuance and management of salary pay slips had been very challenging, however effective July 2006 the process was streamlined. Pay
slips were then being printed according to Duty station making it easy to sort. Collection and distribution of the payslips was then the responsibility of the Regional Police Commanders (RPCs).

- She also reported that ever since the new system came in place she had not heard/received any complaints.

- On the Special police constables, she submitted that late or non payment of Special Police Constables (SPCs) salaries was basically a result of inadequate budget/releases. She reported that the Ministry of Finance was aware of this plight and discussions were on going in regard to providing adequate funds/releases for salaries.

The Committee asked the Auditor General to confirm and report accordingly.

**e) Police Barracks**

The Auditor General noted that the police barracks were in a sorry state. Most of the land on which they were situated were not surveyed and had no land titles. They required repair and maintenance. They were also inadequate, and sanitation was very poor.

The Accounting Officer explained as follows:-

- that the surveying of police land was an on-going exercise and nine (9) pieces of land were surveyed in the financial year under review. She said that the provision in the budget was not adequate to survey many pieces of land in a financial year.

- that the Management was well aware of the dilapidated state of most of the barracks but the level of repairs and maintenance was to be determined by available funds.

- She also reported that the Force would require an average of about Shs 2.5billion just for maintenance of barracks and offices all over the country. However, through the Estates Department each year, the forces continued to fire brigade its repairs and renovations starting with those graded as very dilapidated.
The Committee asked the Auditor General to confirm the explanation given by the Accounting Officer, and report on the progress of repairs.

f) Medical Facilities
The Auditor General noted that Medical facilities were poor. Medical staff and drugs were inadequate. Audit had recommended that action be taken to address the problem of inadequate medical facilities.

The Accounting Officer confirmed that medical facilities and drugs were inadequate. She however said that plans to construct a medical facility at every police barracks were available but as earlier noted, the problem was inadequate funding. She said that the Force was however struggling to equip the units with essential drugs to treat common ailments. The serious medical cases were referred to Government hospitals.

The Committee asked the Accounting Officer to provide a list of the medical facilities required and the cost involved.

g) Revenue Collection
Audit noted that Revenue collection from guard services, accident reports etc was very low and poorly accounted for. General receipts for acknowledgement of revenue were inadequate. Audit had recommended that the revenue collection be improved and adequate general receipts obtained from the Accountant General.

The Accounting Officer noted that overtime guard services provided to various institutions especially banks had been taken over by the growing numbers of private security firms thus greatly reducing revenue that used to be generated through this activity.

Revenue from accident reports was minimal as collection depends on applications made by the parties in dispute.

The Committee asked the Auditor General to verify this accounts and report.
h) Dog Section

The Audit report revealed that Dog Sections had been neglected country wide yet they were effective method of apprehending criminals. There were no or inadequate dogs which were also at the same time poorly funded and the few dogs were not properly cared for. Audit had recommended that the management of the Dog Sections be reviewed and given the necessary priority.

The Accounting Officer admitted that Dog Units upcountry had been neglected. Such services had been halted in some districts due to inadequate resource to maintain the 52 dogs and Units. The Force Dog Units were operated in 112 districts due to inadequate funds. She said that buying and training of police dogs are a very expensive venture that was why building the capacity in this sector was low. She also noted that the force also had limited number of dog handlers as it had not been easy to identify officers who loved animals to work in the unit.

The Accounting Officer however reported that a Dog breeding project had been put in place at Nsambya Dog section and till then twelve (12) dogs had been raised and trained and were to be distributed upcountry. She said that it was the Police plan to re-open Kabarole, Soroti, and Arua Dog Units soon.

The Committee noted the explanation of the Accounting Officer and asked for the strengthening of the dog section by providing more funds.

24.8 FRAUD: AUDIT REPORT PARA 24.8

Examination of records of the Department by the Auditor General revealed that Shs.8,581,500 that was meant for customer care Training of Trainers training was not accounted for by a number of staff. In the absence of accountability, Audit was not able to confirm that the funds were put to proper use. The Police force had confirmed that the cash was fraudulently withdrawn from the account and that the officer had been interdicted for failing to explain his actions and account for the money. Meanwhile the matter was reported to be in the courts of law. In a related development, Shs.170, 500,000 meant for August 2006 salaries of Special Police Constables and advance to Commissioner Anti Stock Theft
(ASTU) was allegedly stolen from Police custody at Katakwi Police Station. The Accounting Officer had explained that the matter was before court during audit.

The Accounting Officer explained as follows;

(i). That Shs. 8,581,500 meant for a customer care Training of Trainers (TOT) course was diverted by one Mr. Muhindo Asansio, ASP.

The Officer was apprehended and charged in court for this and other unaccounted funds vide case reference crb/608/2006 and E/110/2006.

(ii). That in addition Shs. 170,500,000 meant for August 2007 salaries for the Anti-stock theft Unit (ASTU) staff went missing from Katakwi Police Station. The loss was reported to Treasury.

She noted that the money was eventually traced and the accused apprehended. This was then subject of court case reference Katakwi/CRB/475/2006.

The Committee noted the action taken by the Accounting Officer but directed her to follow it up.
25. UGANDA PRISONS

25.1 ALLOCATION OF GOVERNMENT LAND: AUDIT REPORT PARA 1.6

The Auditor General reported that Government land which was held in trust by Uganda Land Commission was being allocated to investors and individuals without carrying out consultation with the responsible institutions. The Auditor General was concerned that part of the problem for this was that government land had not been surveyed to have titles processed, a problem attributed to lack of funding.

The Committee observed that the Accounting Officer had earlier assured it, in the earlier meeting that all the land of Uganda Prisons was safe. Records however proved that Uganda Land Commission had leased 63.2 acres to Uganda Revenue Authority and another extra 20 acres for road construction. The Accounting Officer explained that he based that assurance on the fact that they still had the land title for all the land and did not know that the land had been sold without his knowledge. He said as a policy matter, Uganda Prisons could not oppose actions of Government. He also said that a substantial piece of land previously belonging to Uganda Prisons had also been allotted for the Basongora in Kasese. He also reported that they had already received formal demands to relocate Kigo Prisons which was being claimed by the Buganda Kingdom.

The Committee decided to follow the matter with Uganda Land Commission, for failure to have consulted, Uganda prisons. The Accounting Officer was also asked to give the details of the 20 acres of land allocated for Ultra Modern Hospital.

25.2 FLEET MANAGEMENT SYSTEM: AUDIT REPORT PARA 1.11

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. Even in cases were systems were being set, still the systems were not strictly followed. In many cases the Movement log books were not up to date, vehicles were being used on unofficial activities,
and vehicle service was not done on time, repairs were done without proper documentation like pre-inspection reports, job cards and post inspection reports. Although Government policy was 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 Shs 922,422,502 was spent on repairs and maintenance of vehicles by Uganda Prisons department. The Auditor General noted that a proper fleet management system needed to be designed and implemented to enable control of cost.

The Accounting Officer reported that during the financial year 2005/06, the Department had a fleet size of 108 vehicles of which 56 were operational and 52 grounded. The fleet was mostly made of buses, lorries and pick-ups. He explained that over the years the Department had a Fleet Management and control policy as outlined below;

**Log Book/Log sheets**
This keeps record for vehicle movements for every journey showing the origin, destination and purpose. They were posted by the drivers and were regularly checked by the Transport Officer.

**Gate Book**
This is a prison Book 218 (PB218). Before vehicles move out of the gate, the drivers book in the destination of their movement.

In addition to the above, for vehicles traveling long journeys, the driver must get a Marching Order and the journey must be fully authorized. This Marching Order includes destination of the vehicle and purpose. The name of the driver is indicated and that means he is responsible.

**Repair Procedures**
He outlined the following procedures;

- Driver identifies faults
- Reports to chief mechanic and verifies the extent of the fault.
- Chief mechanic makes requisition to transport officer.
- Transport officer raises work order in consultation with Accounting Officer who in turn counter signs confirming availability of funds.
- Quotations are got from three different pre-qualified service providers from which one garage is selected.
- The repair begins thereafter.
- After completion, the chief mechanic inspects the vehicle to certify if the faults have been put right.
- If satisfied, the payment process starts.
- For routine maintenance and servicing the mileage card is followed.

On the replacement of vehicles of five to ten years, the Accounting Officer admitted that 40% of the fleet had served for over 10 years, but that the Department was trying to maintain them through the mechanical section. He said that the Department was holding on to them due to insufficient funding on the Capital Development Budget for the purchase of new vehicles. With the take over of local Government prisons, he said that prisons required over 1000 vehicles to cover the additional 174 stations.

He however, noted that a Board of survey had been constituted to board off the vehicles which were a liability to the Department.

On vehicle maintenance costs of Shs. 922,422,500, the Accounting Officer noted that Uganda prisons service had stations spread all over the country and therefore the transport activities were spread all over. He reported that the major activities involved included:-

- Inspection of prisons unit and health centre.
- Transportation of food stuffs from station to station.
- Transportation of prisoners to and from court.
- Transportation of sick prisoners to and from health centers.
- Transportation of prisoners from one station to another.
- Transportation of staff on transfer.
He submitted that the Shs. 922,422,500= expenditure on vehicle during the year was not only spent on vehicles maintenance and repairs but was also used to purchases fuel, oil and lubricants as follows:

<table>
<thead>
<tr>
<th>Maintenance and repair</th>
<th>Shs 526,818,500=</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fuel, oil and lubricants</td>
<td>Shs 395,604,000=</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>Shs 922,422,500=</td>
</tr>
</tbody>
</table>

The Accounting Officer further explained that out of Shs. 526,818,500= purchase of tyres alone costed the Department about Shs. 171,050,000= as shown below.

<table>
<thead>
<tr>
<th>31 Lorries/ Buses</th>
<th>No. of Tyres</th>
<th>Cost of Tyre</th>
<th>Total Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>6</td>
<td>650,000</td>
<td>141,050,000</td>
</tr>
<tr>
<td>25 pick-ups &amp; station wagons</td>
<td>4</td>
<td>300,000</td>
<td>30,000,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td><strong>171,050,000</strong></td>
</tr>
</tbody>
</table>

This left the balance of Shs. 355,768,500= for service and repair. He noted that the Provision for service and repair for vehicle was: Shs 355,768,500 ÷ 56 vehicles ÷ 12 months = Shs 529,417 per vehicle per month (of which service alone costed about Shs. 125,000= for small pick ups and about Shs. 350,000/= for Lorries and buses).

**Fuel, oil and lubricants**

On average each vehicle used 15 litres per day at a cost of Shs 1700 per litre for 56 vehicles total expenditure was 15 litres x Shs 1,700 x 56 vehicles x 22 days x 12 months = Shs 376,992,000=.

The Committee noted that the vehicles under prisons were in bad shape and the costs of repair continued to grow because of their poor mechanical situation. It recommended that Uganda prisons be facilitated to have better transport facilities. The Committee however appreciated the system of vehicle maintenance and control in place at the Uganda prisons.
Types and classes of vehicles.
The Auditor General noted that over the years Government issued regulations regarding the types and class of vehicles Accounting Officers can purchase. The maximum capacity being 2800cc for Ministers ranging down to up to Permanent Secretaries and 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. It was however noted that most Accounting Officers flouted such regulations and purchase vehicles over and above the approved classes (some reaching up to 4164cc). Prisons Department purchased 5 vehicles against these regulations.

The Accounting Officer noted the concern raised. He said that it was an omission on his part, but stated that he was committed to adhere to the Regulations in future.

The Committee asked the department to provide a list of vehicles which were procured over the prescribed capacity. The Committee also asked the department to provide the fleet requirement for the Uganda Prisons Service.

25.3 DOMESTIC ARREARS AND CONTINGENT LIABILITIES: AUDIT REPORT PARA 1.12

a) Domestic Arrears
The Auditor General reported that the Consolidated Domestic arrears as at 30th June, 2006 for the Prisons Department was Shs 4,132,892,981/. Audit noted that the Accounting Officer needed to comply with Government regulations and desist from continually incurring domestic arrears.

The Accounting Officer submitted that during the F/Y 2005/06 Shs. 4.13 billion was accumulated in domestic arrears as outline below;

- Pre-commitment control system (arrears) b/f Shs 1,229,729,406
- Prisoners food Shs 1,001,591,640
- Farm inputs Shs 44,275,000
- Firewood Shs 137,180,000
- Maintenance of vehicles Shs 31,741,212
- Residential buildings Shs 2,058,097
- Water bills Shs 450,256,001
- Electricity Shs 1,232,102,094
- Others Shs 3,903,531

**Total** Shs 4,132,635,625

The accumulation of arrears was as a result of the following:

- Failure to match the level of activity with the MTEF provided.
- Increase in tariff rates of utility bodies i.e. UMEmE Ltd and NW&SC without adjustment in MTEF.

He however said that in the subsequent financial year 2006/07 the department managed to clear most of the domestic arrears save for Shs 51,490,597/= for some of the suppliers.

He reported that during 2007/08 financial year, Ministry of Finance had put in the budget, sufficient funds to settle these bills.

The Committee noted that utility bills amounting to Shs 2,263,206,669 could not be verified due to lack of supporting documents and wondered how liabilities had been recorded without the bills. It therefore demanded that the details of all outstanding payables be submitted for Audit verification.

25.4 EXCESS EXPENDITURE- FARM PRODUCE: AUDIT REPORT PARA 25.3

The Auditor General noted that the Prisons Department produced food for consumption from its farms scattered all over the country. During the year, it was reported that the Department produced and consumed locally grown food stuff equivalent to Shs 1,386,791,684. This practice was healthy and was encouraged. It was noted however that the amount was omitted from the Statement of Appropriation Account.

The Accounting Officer explained that Shs 1,342,000,000/= not captured in the statement of appropriation was as a result of food grown in the 6 commercial farms namely; Ruimi, Bubuga, Kitalya, Isimba, Bufelbi and Namalu prisons farms.

He said that during the budgeting process the provision for prisoner’s food item was arrived at after taking into account the fact that Uganda Prisons produced food from farms. Consequently the
estimated NTR in kind was deducted from prisoners' food budget estimate and the net figure was appropriated. In addition, this NTR in kind was approved as estimated revenue in the budget. As a result, the realized expenditure on food produced and consumed at source caused over expenditure in the statement of financial performance.

He noted that in accordance with the guidelines from Treasury, it was only the actual expenditure arising from the amounts appropriated by Parliament that could be included in the appropriation account. The Department followed this guidelines in preparation of Final Accounts, and that was why this amount of Shs 1,386,791,684/= was excluded.

He observed that by the same guidelines, the above amount was included in the statement of final performance.

On the utilization of NTR at source, the Accounting Officer appreciated the observation of the Auditor General, but reported that he was taking it up with the Secretary to Treasury and the Accountant General to seek approval of Parliament for utilization of non tax revenue at source. The Committee directed the Accounting Officer to seek retrospective authority from the parliament for the food grown in the farms and consumed by prisoners of an amount Shs. 1,386,791,684=.

25.5 KIGO FARM: AUDIT REPORT PARA 25.3

The Auditor General reported that Uganda Prisons Department entered into a tenancy agreement with a local company to let the Prisons Poultry Farm at Kigo to the latter, effective from 1st June 2005 for a period of sixty months. At the time the company took over the Poultry Farm, there were 1,539 breeding birds each valued at Shs.8, 000 and 4,592 eggs each valued at Shs.100 with the whole stock valued at Shs.12,769,200.

The Accounting Officer informed the Committee that Uganda Prisons Service had started the process of formalizing with Ms Amigo International, the arrangement of restocking the departments poultry Farms starting with Murchison Bay. However on learning that the Buganda Kingdom was in negotiations with the Government to reposes Uganda prisons Kigo land, they decided to pull out.
However the parent stock was eventually sold and it fetched Shs 6million. This was paid and banked on their Account Number 014000205840.

The Committee directed the Accounting Officer to give an update on the tenancy Agreement on the Kigo Poultry Farm, between the department and M/S Amigos International.

25.6 PRISONS BAND: AUDIT REPORT PARA 25.4

The Auditor General observed that the Prisons Band Section which promoted the corporate image of Prisons attracted no funding from recurrent and development budgets during the year under review other than from the salaries paid to the Askaris working in this Section. The band generated Shs.7,100,000 from 20 jobs (hiring of Brass Band). The proceeds would have probably been much higher if the Section was properly facilitated and recapitalized. Commercialization of the Prisons Band would also be a step in the right direction. It was noted further that the Jazz Band had already collapsed apparently due to lack of funds.

The Accounting Officer reported that the Brass Band and Jazz Band were expected to be equipped from the CHOOGM Funding that financial year; unfortunately these two items could not fit in the government priorities. The re-equipping of the 2 bands was to be considered in the subsequent years.

The Committee directed the Accounting Officer to give the cost implication of rejuvenating the Prisons Band.

a) Prisons Land:

Land without Titles

The Auditor General reported that several stations whose land was surveyed still lacked land titles as shown below. During discussions with Public Accounts Committee in October, 2006, the Accounting Officer was directed to expedite the process of acquiring land titles.
<table>
<thead>
<tr>
<th>Prison</th>
<th>Location</th>
<th>Acreage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Apac</td>
<td>Apac</td>
<td>388</td>
</tr>
<tr>
<td>2. Bufumbbi</td>
<td>Mayuge</td>
<td>977</td>
</tr>
<tr>
<td>3. Bulama</td>
<td>Mukono</td>
<td>1945</td>
</tr>
<tr>
<td>4. Kigo</td>
<td>Wakiso</td>
<td>324</td>
</tr>
<tr>
<td>5. Loro</td>
<td>Apac</td>
<td>-</td>
</tr>
<tr>
<td>6. Muinalna</td>
<td>Mubende</td>
<td>275</td>
</tr>
<tr>
<td>7. Ragem</td>
<td>Nebbi</td>
<td>4600</td>
</tr>
<tr>
<td>8. Nakasongola</td>
<td>Nakasongola</td>
<td>103</td>
</tr>
<tr>
<td>9. Pallisa/Kamuge</td>
<td>Pallisa</td>
<td>-</td>
</tr>
<tr>
<td>10. Nakivuba Stores</td>
<td>Kampala</td>
<td>-</td>
</tr>
</tbody>
</table>

The Accounting Officer noted that Uganda Prisons Service attached a lot of importance to land and thus the acquisition of the land title. In the FY 2004/05 the office of the Estates Officer was created to handle, among other things the issue of ensuring that all Government land was titled and secure. The challenge had however been the insufficient funding.

He said that in the financial year 2007/08 Shs 30,000,000 (Shillings thirty million only) had been budgeted and approved for this purpose. He reported that in the F/Y 2006/07 the following titles were secured;

a) Kakiika prison on plot 730, Kashari Block 3, Mbarara district (FRV 461/21).

b) Prisons Main store on plot 127 and 129 seventh street, industrial area Kampala district (LRV 298/25)

c) Nakasongola Prison was surveyed and the process of securing the land title was almost incomplete.

The Committee directed the Accounting Officer to update it on the status of the land, titling.
b) Industrial Land for Development at Luzira

The Auditor General observed that during 1997, a directive was made that a piece of land of approximately 200 acres from 480 acres that belonged to Prisons be allocated to Uganda Investment Authority (UIA) at a reduced cost to support the industrialization programme in Kampala from out of 480 acres that belonged to Prisons. After consultations with the Prisons authorities, 63.2 acres were allocated to Uganda Investment Authority at an undisclosed value. Furthermore, after the boundaries were surveyed, UIA constructed the road network outside its boundaries thereby claiming extra acreage of approximately 20 acres. Audit did not understand under what terms the extra 20 acres were disposed off and the value attached to the original 63.2 hectares.

The Accounting Officer submitted that 62.3 acres of land at Luzira which was originally under Uganda Prisons Service, was allocated to Uganda Investment Authority by the Uganda Land Commission. He said that it was not true investment authority constructed a road network around the industrial land which claimed another 20 acres of land from the provisions side. He explained that the 63.2 acres ceded to Uganda Investment Authority was done by the Uganda Land Commission noting that the Luzira land allocation issue was being handled at Ministerial level between Ministry of Lands Housing and Urban Development and Ministry of Internal Affairs.

The Accounting Officer explained that the 20 acres taken over for the Development of the road network was as a result of a design from the department of Physical Planning- Ministry of Lands, Housing and Urban Development.

The Committee noted that the issues under this query had already been handled under Para 25.1 of this report.

25.7 INSTALLATION OF GRINDING MILLS AND FLOUR MILL: AUDIT REPORT PARA 25.6

The Auditor General reported Shs.19,195,000 was advanced to the Officer in Charge of Flour Mill to enable him install two grinding mills and one huller which had been lying in the store for some years.
Although the Mills were then functional, accountability had not yet been submitted by the time of writing audit report.

The Accounting Officer explained that the two grinding mills and Huller for which Shs 19,195,000 was advanced were installed and the machines were functioning and that the accountability for the above amount was made and were available for verification.

The Committee asked the Auditor General to examine the submission of the Accounting Officer and report, on the accountability.
26. NATIONAL AGRICULTURAL RESEARCH ORGANISATION

26.1 FLEET MANAGEMENT SYSTEM: AUDIT REPORT PARA 1.11

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.

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 being used on unofficial activities, and service was not done on time, repairs were done without proper documentation like pre-inspection reports, job cards and post inspection reports.

The Auditor General noted that 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 Shs 335,077,997 was spent by NARO on repairs and maintenance.

The Accounting Officer noted that NARO as an organization comprised of several National research institutes (Labs –Kawanda, Crops – Namulonge, Fisheries, Jinja, and Livestock – Tororo, Forestry-Tororo and Semi –Arid –Serere and nine Zonal Institutes spread throughout the country.

He said that the 16 semi autonomous centres including the secretariat at Entebbe, which owned or operated a total of about 210 motor vehicles and cycles which worked up to an average of about 13 vehicles per centre. She explained that the cumulative costs of these 210 vehicles amounted to the 778m/= for the year. This worked out to an expenditure of about Shs. 307,983/= per vehicle per month.

He reported that NARO had started the process of auctioning the old and uneconomical vehicles. This was to reduce repair and maintenance costs further.
The Committee requested the Auditors to review the documentation provided. In addition the models and years of manufacture were to also be provided.

26.2 DOMESTIC ARREARS AND CONTINGENT LIABILITIES: AUDIT REPORT PARA 1.12

(a) Domestic arrears
Consolidated domestic arrears as at 30th June, 2006 for NARO stood at Shs. 3,947,276,882.
The Accounting Officer said that the bulk of these domestic arrears (Shs 3,914,768,000) were actually accumulated dues payables to the (CGIAR) for membership which was then in arrears for several years. He however reported that Government had started a scheduled commitment in which funds had already been released by then (1,288,999,000) and a budgeted contribution of about 3.9 billion would be released in the remaining two quarters of the FY 2007/08. By December 2007 the arrears balance had reduced to Shs 2,620,778,882/= He further noted that the projected arrears balance was expected to be reduced to only Shs17,576,882/= as at the end of the financial year, ending 30th June 2008.

The Committee asked him to submit the original documents regarding the query. The Committee also requested for details regarding benefits accruing from being a member of Consultative Group on International Agricultural Research (CGIAR).
The Committee also noted that NARO was not working with the Presidential Banana Initiative because the latter was not interested in team work.

26.3 LOSSES: AUDIT REPORT PARA 1.14

During the year losses of cash and stores valued at Shs 9,557,600 were discovered.
Motor cycle Shs 5,712,000
Laptop computer Shs 3,845,600

The Accounting Officer said that these losses were dully reported to all relevant authorities and subsequently reflected in the NARO's final accounts.
The Committee asked him to submit a copy of specific documents relating to the losses.

26.4 UTILITY PAYMENTS: AUDIT REPORT PARA 26.2

It was reported that utility bills totaling Shs.190,972,290 were paid to utility service providers in the financial year under review. However, no bills/statements or receipts were availed for audit. It was therefore not possible to ascertain whether such payments were credited to the utility accounts. In addition it was noted that there were some inactive utility accounts, which had credit balances. For example, account No. 101491728 (Ngetta street lights) had a credit balance of Shs.4,103,427 yet the account was inactive.

The Accounting Officer was advised during Audit to rationalize the allocation of utility funds to ensure that funds were allocated to only active accounts. It was also found important to assess the need for the continued existence of the inactive accounts.

In his written reply to audit, the Accounting Officer had stated that all documents were available for audit but none was however provided for verification by the time of audit. He further stated that mandatory utility ledgers had been introduced in all Institutes to ensure rationality in allocation of funds and, effort was being made to reallocate inactive funds. Evidence was produced of the reallocation of Shs.3 million; Audit however awaited further action to address the issues raised.

The Accounting Officer explained that on this particular account of Ngetta Street lights, a reallocation was effected and there was no single account with a credit balance. Subsequently, all utility accounts were then being monitored closely and rationally allocated, depending on the rate of activity of official usage. Individual ledgers were opened and updated accordingly.

The Committee asked for provision of the documents showing evidence as per the query.

26.4 UNACKNOWLEDGED PAYMENTS: AUDIT REPORT PARA 26.3

It was reported that amounts totaling Shs.54,908,444 were paid to Uganda Revenue Authority as 6% Withholding Tax deducted from various suppliers but acknowledgement receipts for Shs.25,536,724 were not presented in support of the payments. In the absence of the receipts, Audit could not confirm whether the funds were received by the beneficiaries.
The Accounting Officer submitted that, it had been a problem to obtain all the official URA Receipts. This was caused by the time taken by URA to confirm the payments on bank accounts. The time lag between, the time payment was made (cheque received) and amount credited on their account (Issue receipt) of about 4 or more days, had created the above problem. Receipts at URA sometimes got mixed up and taking much longer to be retrieved.

He however reported that meetings between URA and NARO were conducted and the problem had been administratively solved.

The Committee asked for the receipts in question which were to be provided to the Auditors for verification.

26.6 NARO INSTITUTES: AUDIT REPORT PARA 26.4

a) Land Encroachment

The Auditor General reported that NARO Institute at Kawanda occupied 672 hectares of land. Audit inspections revealed that approximately 1.5 hectares of this land had been encroached on by private groups who were undertaking various developments. Ikulwe ARDC was also having land ownership wrangles. The encroachment could lead to loss of Government land or high costs of eviction of the encroachers if allowed to continue with the developments. Although the land was surveyed and the land titles held by the Uganda Land Commission, it was not clear why private developers had been allowed to encroach on this land.

In his written reply to audit, the Accounting Officer had stated that a process had been started to expedite the opening up of the boundaries and acquisition of land titles to all NARO land including petitioning court over Ikulwe land. At the time of writing the audit report, audit was yet to be informed of the outcomes of the steps undertaken to secure the land.
The Accounting Officer informed the Committee that more than half of the work of opening the boundaries of all NARO land had been accomplished.

He hoped that by March 2008, NARO would complete the process of acquiring land titles. It was after that, that NARO hoped to embark on the process of evicting all those persons that were illegally occupying the NARO land.

The Committee asked for the list of all land secured and unsecured. Their location and statis was also to be provided. The Committee also asked for the names of the legal occupants to be submitted.

(e) Maintenance of Institutional Houses

Audit inspection revealed that the maintenance of institutional houses was generally poor with most of them in an appalling state. Most of the houses were in a bushy environment and had leaking roofs and cracked walls. Some of the houses had collapsed notably in Kawanda, Tororo, Ngetta and Namulonge.

In his reply to audit, the Accounting Officer had stated that the Organization was constrained by inadequate funding and that management was in the process of preparing bills of quantities to be used in the funding proposal for solicitation of funds. Audit had advised him to expedite the process of securing the necessary funding so that the houses are restored to a habitable state.

The Accounting Officer submitted that the process of preparing bills of quantities had been completed. A detailed assessment of the rehabilitation requirements of the institutional houses was duly carried out. He reported that NARO had a record of the existing conditions, photographs, drawings, site measurements and more importantly the cost estimates for the rehabilitation of all the NARO houses; which was estimated at Shs. 41.5 billion.

He also noted that all effort would be geared at soliciting for funding from all possible sources including the Government of Uganda and other donors to carry out this activity.

The Committee noted that the houses were in dire need of renovation despite the urgent need for use in the country. The Committee also recommended for adequate budgeting during the budget process. The advised that a follow up be made by the sessional Committee on Agriculture.
c) Motor Vehicles

Audit inspections carried out at the various NARO Institutes and the Secretariat revealed a large number of grounded vehicles. These comprised of mainly the old and un-repairable vehicles which had been parked for a very long time at the Institute. Grounding of these vehicles for a long time without disposing them off exposed them to abuse and subsequent loss in the realizable value over the period.

Meanwhile, two vehicles belonging to Coffee Research Institute had been abandoned in the garages since 2003 without any repairs. Although one of the vehicles had an accident and had been earmarked for boarding off, this was not done. The general safety of the vehicles could not be guaranteed at the private garage. It was also noted that the ownership of the second vehicle still lay with the previous owner.

The Accounting Officer reported that the two vehicles were towed to the station and subsequently prepared for board off. The Board of Survey Team did complete it's work and the process of auctioning these old vehicles which included those two vehicles of COREC had started. Specifically, those two vehicles of COREC were auctioned as scheduled on the 4th December 2007.

The Committee asked the Accounting Officer to provide lists of what had been bonded off and other corresponding details.

d) Idle DNA Equipment at Coffee Research Institute

The Auditor General reported that the institute procured DNA equipment in 2003 through the International Research Development (IRD) Project. The equipment was meant for carrying out plant DNA laboratory studies at the Institute.

It was however noted that the above equipment had not been put to use till then. Management had explained that the equipment could not be used because it was incomplete and lacked chemicals and laboratory space. The Accounting Officer had further submitted that discussions had started at various
levels to source for funds from Development Partners to purchase the vital component valued at Shs.40 million that had been lacking. The outcome of these discussions was being awaited.

The Accounting Officer reported that the DNA equipment was fully operational and that NARO was able to solicit for the funds during the year to purchase the required chemical and lacking spares.

The Committee asked the Auditor General to verify if the equipment was fully operational and report accordingly.

26.7 UN-RECONCILED DIRECT DEBITS: AUDIT REPORT PARA 26.5

A review of bank reconciliation statements by the Auditor General revealed long standing direct debits posted to staff salaries account held at Stanbic Bank, Entebbe Main Branch. A debit of Shs.18,284,537 was posted on 31st August, 2005 and another of Shs.2,403,382 on 19th September, 2005. Although efforts had been made by management to resolve the matter with the bank, no positive response had been made by the bank management.

Audit had advised management to expedite the follow up of the issue to avoid loss of funds. The Accounting Officer had explained that he had written to the Bank, a last reminder and that if no positive response was received he would sue the bank. Audit awaited further action.

The Accounting Officer noted that on further scrutiny, and having obtained more information from Stanbic bank, it was later discovered that these two debts (Shs 18,284,537 and Shs 2,403,382) were genuine charges rightly debited, therefore not subject to recovery. The bank had under debited NARO's account on two transaction and they had rectified the two direct debits.

Evidence corresponding on this matter was submitted to the Committee.

The Committee noted that the Auditor's had verified that the adjustments and reconciliations had been made and then dropped the query. The Committee dropped the query.