

REPORT ON THE TECHNICAL AND FINANCIAL REVIEW OF MPIGI DISTRICT LOCAL GOVERNMENT FOR THE PERIOD JAN-DEC 2016



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1. EXECUTIVE SUMMARY

1.1. Introduction

The Uganda Road Fund Act 2008 established the Uganda Road Fund (URF) for the purpose of financing routine and periodic maintenance of public roads; to facilitate the delivery of road maintenance services; to provide for the management of the Fund; and for other related matters.

The objectives are:

- To finance the routine and periodic maintenance of public roads in Uganda;
- To ensure that public roads are maintained at all times; and
- To advise the Minister, in consultation with the Minister responsible for roads and the Minister responsible for local governments on; the preparation, efficient and effective implementation of the Annual Road Maintenance Programme; and the control of overloading of vehicles on public roads.

1.2. Objective of the technical and financial reviews

The Uganda Road Fund performed a technical and financial review of road maintenance projects in Mpigi District for the period January to December 2016. The purpose of the review was to provide assurance to the URF Board that funds disbursed in the period under review were utilised in accordance with the provisions in the work plans, performance agreements and the URF Act. Furthermore, reviews aimed to verify that the use of such resources was efficient, effective and with due regard to economy and transparency.

The specific objectives of the review were:

- To establish financial propriety in management of URF funds;
- To establish the extent of compliance with laws, regulations, guidelines, performance agreements and work plans in fund management, procurement and program implementation;
- To determine the extent to which funded works and services were executed by Mpigi District; and
- To determine effectiveness of oversight and support organs such as District Roads Committee (DRC), Internal Audit on work plans and programs of Mpigi District.

1.3. Scope of Review

The review was carried out based on the relevant laws and regulations including but not limited to:

- a) The Uganda Road Fund Act 2008;
- b) The Public Finance Management Act 2015;
- c) The Public Procurement and Disposal of Public Assets Act 2003;
- d) The Internal Audit Manual of the Uganda Road Fund;
- e) The Finance and Accounting Manual of the Uganda Road Fund;

- f) One Year Road Maintenance Plans for FY2015/16 and FY2016/17;
- g) Performance agreements for FY2015/16 and FY2016/17; and
- h) Other standards of sound professional practice.

The budget of the District for the periodic under review was UGX 722,970,000/= which was planned to finance the activities summarised below in:

	Routine Manual	Routine Mechanised	Periodic Maintenance	Mechanical Imprest	Other Works	Totals
Mpigi District	67,668,000(380KMo)	271,458,000(64KM)	o	88,252,000	48,341,000	475,719,000
Mpigi Town council	34,016,000(52KM)	135,578,000(16KM)	o	9,136,000	11,124,000	189,854,000
Mpigi CARs	57,397,000(84KM)	o	o	o	o	57,397,000
Sub Total	159,081,000	407,036,000	o	97,388,000	59,465,000	722,970,000

1.4. Performance assessment

This report presents performance of the agency during the period, identifying the critical exceptions in governance, financial management, procurement, project implementation and reporting that need to be addressed. The agency was rated and scored in the various performance areas against a standard scale as defined below:

Overall performance rating (%)	
0-24	Unsatisfactory
25-49	Weak
50-74	Adequate
75-100	Good

The report also includes suggested recommendations and proposed way forward.

1.5. Summary of performance

The table below summarises the district performance in the various areas reviewed by the audit team. Details of the assessment are attached in Appendix II.

No.	Performance Area	Weight (%)	Aggregate Score (%)
1	Planning and Budgeting	20	14
2	Procurement Processes	8	08
3	Project Management and Control	30	14
4	Actual Works Done	25	15
5	Oversight	10	08
6	Agency Capacity	7	04
	Total	100	63

1.6. Conclusion

Based on the evaluation of the function areas highlighted above, the performance of the district is rated at **63%** which is **adequate**. Management needs to put in place an appropriate action plan to

address the issues noted and ensure effective utilisation of URF's funds and safeguard the assets of the district in future.

1.7. Summary of issues and action matrix

Issue	Action Required	Action by	Timeline
1. Deviation from engineering design and implementation standards and practices: a. Inadequate quality control procedures b. Failure to install project information signage c. Inadequate RMM	<ul style="list-style-type: none"> To start conducting quality control tests for construction materials To install signage on all road projects Follow standard road construction methods in project implementation Recruit and manage road gangs for effective RMM 	CAO	Effective FY 2017/18
2. Failure to maintain records and information for the following key functions and activities: a. Records to track budget performance for projects b. Analysis of expenditure to funding source	To maintain the requisite records to enable tracking of funds and implementation of projects	CAO	Immediate
3. Lack of independence during the preparation of financial accountability reports.	Ensure independence during the preparation of accountability reports	CAO	Immediate
4. Lack of a unit rates schedule	To derive unit rates for road maintenance activities and draw up a schedule	CAO	Effective FY 2017/18
5. Discrepancies in unit rates	Align the unit rates used to those in the URF planning and budgeting guidelines.	CAO	Immediate
6. Failure to maintain project specific documents	Include final accounts that are specific to road projects implemented.	CAO	Immediate
7. Lack of capacity to implement road maintenance programs a. Inadequate equipment fleet b. Inadequate funds to effectively address all road maintenance needs	<ul style="list-style-type: none"> To ensure that all equipment are available and maintained all the time to enable continuity. Lobby for more funding from MoFPED to bridge the road maintenance needs. 	CAO URF	Continuous

2. DETAILS OF THE TECHNICAL AND FINANCIAL REVIEW FINDINGS

AREA	STATEMENT OF CONDITION/FINDING	IMPLICATION	RESPONSE	RECOMMENDATIONS
PLANNING AND BUDGETING	<p>✓ Annual work plans</p> <p>The annual work plans for the FY2015/16 and FY2016/17 were in place and submitted to the URF. However, the following observations were noted:</p> <ul style="list-style-type: none"> ○ A schedule of unit rates for formulation of the annual work plan were not availed. 	<p>Lack of a unit rates schedule makes assessment of the reasonableness of road maintenance costs impossible</p>	<p>Going forward a specific schedule for unit rates shall be derived and documented.</p>	<p>The districts should derive unit rates to guide its planning and project implementation process and attached to the work plans submitted to URF.</p>
	<p>✓ Budget performance monitoring</p> <p>The data on budget performance was not availed during the review. Extraction of information was difficult because the financial records do not analyse costs based on the activities in the work plan.</p>	<p>This prohibits tracking of the work plan and performance</p>	<p>The records are there only that since we are operating on IFMS, we no longer keep books of accounts but all the information is available.</p>	<p>The agency should regularly track its performance and budget in order to guide the decision making processes.</p>
PROCUREMENT OF SUPPLIES	<p>✓ Procurement plan and records</p> <p>The audit team was not availed with the procurement plan of the period under review.</p> <p>Framework contracts for the procurement of fuel, culverts, hire of equipment used in road maintenance activities are place.</p>	<p>The district followed the PPDA guidelines and laws in relation to procurement of road maintenance materials.</p>	<p>Noted</p>	<p>Keep it up</p>
PROJECT MANAGEMENT AND CONTROL	<p>✓ Inadequate quality and cost control procedures</p> <p>Clause 9 (e) of the performance agreements stipulates that the designated agencies must ensure that all maintenance works are conducted in accordance with quality standards.</p>	<ul style="list-style-type: none"> • Value for money cannot be ascertained due to uncertainty on the quality of materials used. 	<p>Going forward, the agency shall strengthen quality management during project implementation to ensure value for money especially for gravel material.</p>	<p>All works should be executed in accordance with acceptable standards in relation to design, documentation and testing suitability of materials used.</p>

AREA	STATEMENT OF CONDITION/FINDING	IMPLICATION	RESPONSE	RECOMMENDATIONS
	<p>Mpigi DLG failed to implement adequate quality control procedures. For example, there were no records of quality tests conducted on materials such as gravel utilised for the construction works and neither was there any record of quality tests conducted during project implementation.</p> <p>✓ Project management documentation</p> <p>Mpigi DLG took an effort to maintain project budgeting tools such as the engineers' estimates. However, it lacked key project implementation documents such as records of measurement of actual works done at completion (final accounts) for the implemented projects.</p> <p>✓ Discrepancies in unit rates</p> <p>Section 26 of the URF Budgeting Guidelines gives tabulated estimates of unit rates various road maintenance activities.</p> <p>From this, the upper limit for routine mechanised maintenance under force account in central Uganda is expected to be UGX 2.3M/= per km maintained. Hence, Mpigi DLG was expected to undertake routine mechanised maintenance within those limits.</p> <p>Therefore the RMeM of Kayabwe-Kinyika-Bukasa-Muyanga (16.5km) and Muyobozi-Ggavu (4.8km) roads should have cost on average UGX 40M/= and 15M/= respectively the 109M/= and 31.2M/= respectively presented by the agency in its quarterly accountability reports submitted to URF.</p>	<ul style="list-style-type: none"> • There is poor project implementation control. • There is a possibility of misuse of funds and poor accountability. <p>There is a risk that funds were utilised for activities outside the work plan</p>	<p>Project management documentation shall be improved going forward to include a final account of the actual works executed per project.</p> <p>This is not true that there are discrepancies in unit rates, the issue which has to be noted is that all the stated roads had spot graveling that was done on them as you also saw during the field visits you made. But during your analysis you seem to consider only grading which wasn't the case.</p>	<p>Mpigi DLG should improve project management documentation and include final accounts that are specific to road projects implemented.</p>

AREA	STATEMENT OF CONDITION/FINDING	IMPLICATION	RESPONSE	RECOMMENDATIONS
FINANCIAL MANAGEMENT RECORDS	<p>✓ Discrepancies in accountability records and reports</p> <p>Section 5 (b) (i) of the performance agreement requires the DA to provide comprehensive and satisfactory accountability reports for the funds disbursed in a form prescribed by URF. A review of the accountability records revealed the following:</p> <ul style="list-style-type: none"> ○ The financial accountability reports for 2nd half of FY 15-16 and 1st half of Q1-Q2 FY were prepared and signed off by the District Engineer and not the Head of Finance. This undermines independence of functions in financial and technical management. ○ The review team was not availed with the details of expenditure recorded in the source records like the cash book. Thus unable to assess the accuracy of expenditure recorded in the accountability. 	<p>This undermines independence of functions in financial and technical management.</p> <p>Accuracy of expenditure recorded in the accountability reports could not be assessed.</p>	<p>These shall be rectified going forward.</p>	<p>Financial accountability reports should be prepared and signed off by the Head of Finance.</p> <p>The agency should provide details expenditure recorded in the IFMS cash book for review.</p>
EVALUATION OF PROJECTS IMPLEMENTED	<p>✓ Physical inspection of projects</p> <p>Clause 9 (k) of the performance agreements required Mpigi DLG to install appropriate signage at the beginning and end of every road on all road works under URF funding. The signage should show road name, funder, financial year, length of the road, activity being undertaken and the road management type. Mpigi DLG did not install any signage</p>	<p>This implies lack of compliance with guidelines and performance agreements.</p> <p>Risk of extended damage on the road asset value hence increased</p>	<p>Road signage are going to be installed on roads constructed going forward.</p> <p>Road gangs were recruited and are working only that we shall double our effort in</p>	<p>Mpigi DLG should place signage on all major projects as a standard practice.</p> <p>Mpigi DLG should follow standard construction methods for road works.</p>

AREA	STATEMENT OF CONDITION/FINDING	IMPLICATION	RESPONSE	RECOMMENDATIONS
	<p>on all the district roads that were inspected.</p> <p>Field inspections further revealed that all roads were constructed with inadequate drainage provisions such as mitre drains and culverts and routine manual maintenance was generally underperforming.</p>	maintenance costs	supervising them.	Recruit and manage road gangs for effective RMM
OVERSIGHT	<p>✓ Oversight over road maintenance projects</p> <p>The team reviewed DRC minutes for the three meetings held. Election of the chairperson and progress of road maintenance activities in the district were some of the items handled by these meetings. However, the agency convened only three DRC meetings during the period under review instead of the four recommended DRC meetings because committee members were in political campaigns for their next term of office.</p> <p>Although the team reviewed the internal audit reports on road maintenance activities for the FY under review, it was noted that adequate oversight on physical road maintenance activities is still lacking.</p>	<p>There is average oversight on road maintenance activities by the DRC</p> <p>Lack of assurance during project implementation</p>	The Principal Internal Auditor is always involved in road maintenance projects and his reports are on file.	<p>The Accounting officer should convene four meetings as required by the URF Act to discuss and provide oversight on the road maintenance activities in the district.</p> <p>Oversight over road maintenance funds should be increased to ensure value for money.</p>
CAPACITY	<p>✓ Staffing</p> <p>Mpigi DLG has a fully constituted team with an Ag. District Engineer, senior Engineers and inspectors. Therefore, the staffing levels</p>	Proper planning and ability to properly implement road	URF should consider giving more mechanical Imprest funding to Districts with	Mpigi DLG should keep up with the adequate staffing

AREA	STATEMENT OF CONDITION/FINDING	IMPLICATION	RESPONSE	RECOMMENDATIONS
	<p>are fairly adequate for the implementation of the road maintenance programs.</p> <p>✓ Equipment</p> <p>Mpigi DLG currently has two (2No.) graders both of which have been broken down for over 3 months. Therefore project implementation has been slow.</p> <p>✓ Funding</p> <p>Preliminary estimates indicate that Mpigi DLG requires UGX 1.0BN as funding to achieve satisfactory performance of its road maintenance programs. However, currently the agency has an indicative planning figure of UGX 620M/= which is 62% of the needs.</p>	<p>maintenance programs by Mpigi DLG</p> <p>Inability to implement her road maintenance programs</p> <p>Inability of the agency to adequately fund its road maintenance needs hence extended damage to the existing infrastructure.</p>	<p>more road equipment.</p>	<p>levels</p> <p>The Agency should ensure that all key equipment are available and maintained all the time to enable continuity.</p> <p>URF should lobby for more funding from MoFPED to bridge the road maintenance needs.</p>

3. SPECIFIC TECHNICAL REVIEW FINDINGS ON SELECTED ROADS INSPECTED

3.1. Routine mechanised maintenance of Kayabwe-Kinyika-Bukasa-Muyanga road (16.5 km)

Planned amount (UGX)	110,929,000/=
Actual sum (UGX)	109,020,000/=
Variance	1,909,000/=
Start date	Not on file
Completion date	Not on file
Management type	Force Account
Supervisor	District Engineer
Activity done	Routine mechanised maintenance
Project Description and Condition	
<p>The project is a 16.5 km unpaved district road with 7.5 m wide and 6.0 m roadway and carriageways respectively.</p> <p>The road received routine mechanised maintenance by grading, spot gravelling and drainage improvement in Q4 FY2015/16 estimated to cost UGX 109M/=.</p> <p>At the time of the review, the first 10km of the road was at a poor service level as a result of failed axle load control from sand miners. And the remaining 6.5km were in a relatively good condition.</p>	
Review Findings	
<ul style="list-style-type: none"> • Lack of project information profile board, • Earthworks were undertaken with inadequate compaction, • Critical low sections in swampy areas require immediate interventions via drainage improvement and filling, • Considerably high rate for routine mechanised maintenance at 6.6M/km vs. the estimated 2.3M/km, • The road requires full rehabilitation and upgrade to the national roads grid based on its traffic flow characteristics, • Lack of quality control tests for all materials utilised on the project, and • Lack of project final account of physical works undertaken. 	

Photographs from field inspection of Kayabwe-Kinyika-Bukasa-Muyanga road (16.5 km)



Ch. 4+700: Swamp treatment by gravel filling



Ch. 8+400: A heavily degraded section due to poor drainage and failed axle load control

3.2. Periodic maintenance of Kyansonzi-Kampringisa road (3.2 km)

Planned amount (UGX)	Not in the original workplan
Actual sum (UGX)	27,121,000/=
Variance	N/A
Start date	Not on file
Completion date	Not on file
Management type	Force Account
Supervisor	District Engineer
Activity done	Periodic maintenance
Project Description and Condition	
<p>The project is a 3.2km unpaved feeder road with a 7.5 m wide and 5.5 m roadway and carriageways respectively. It serves as the main access for Kampiringisa rehabilitation facility and the KOICA agricultural training facility.</p> <p>The road received periodic maintenance by reshaping, full gravelling and drainage improvements in Q4 FY 2015/16 estimated to cost UGX 27M/=.</p> <p>At the time of the review, the road was in at good service state.</p>	
Review Findings	
<ul style="list-style-type: none"> • Lack of project information profile board, • Lack of quality control tests for all materials utilised on the project, and • Lack of project final account of physical works undertaken. 	

Photographs from field inspection of Kyansonzi-Kampringisa road (3.2 km)



Ch. 0+000: Worked sections of the road



Ch. 2+200: Worked sections of the road

3.3. Routine mechanised maintenance of Muyobozi-Ggavu road (4.8km)

Planned amount (UGX)	31,203,000/=
Actual sum (UGX)	31,202,000/=
Variance	1,000/=
Start date	Not on file
Completion date	Not on file
Management type	Force Account
Supervisor	District Engineer
Activity done	Routine mechanised maintenance
Project Description and Condition	
<p>The project is a 4.8km unpaved district road with 7.5 m wide and 6.0 m roadway and carriageways respectively.</p> <p>The road received routine mechanised maintenance by medium grading and spot gravelling in Q4 FY2015/16 estimated to cost UGX 31.2M/=.</p> <p>At the time of the review, the road was at a good service level and motorable throughout.</p>	
Review Findings	
<ul style="list-style-type: none"> • Lack of project information profile board, • Lack of routine manual maintenance, • The gravel utilised on the project was not subjected to quality tests, • Inadequate provision of mitre drains, • High unit rate for routine mechanised maintenance under force account at 6.5M/= per km against the standard estimate of 2.3M/= per km, and • Lack of project final account of physical works undertaken. 	

Photographs from field inspection of Muyobozi-Ggavu road (4.8km)



Ch. 1+700: A gravelled section without mitre drain provisions



Ch. 1+700: Spot gravelled section with overly grown vegetation as a result of inadequate routine manual maintenance

4. APPENDICES

4.1 Appendix I – Table of detailed performance assessment

No.	PERFORMANCE AREA	Priority	Score	%age	Aggregate
		(%)	(0-3)	Score	score
1	PLANNING AND BUDGETING	20			
1.1	Road Inventory and condition surveys		2.50	0.14	3
1.2	Work plan		2.50	0.14	3
1.3	Performance agreements		3.00	0.17	3
1.4	Adequacy of the unit rates		2.00	0.11	2
1.5	Budget performance monitoring		0.00	0.00	-
1.6	Procurement plan		3.00	0.17	3
	18				14
2	PROCUREMENT PROCESSES	8			
2.1	Compliance with PPDA guidelines		3.00	1.00	8
	3				8
3	PROJECT MANAGEMENT AND CONTROL	30			
3.1	Checklist of expected documents (BOQs etc.)		1.20	0.10	3
3.2	Quality and cost control records		0.00	0.00	-
3.3	Supervision reports		2.00	0.17	5
3.4	Financial management records		2.50	0.21	6
	12				14
4	ACTUAL WORKS DONE	25			
4.1	Signage		0.00	0.00	-
4.2	Verification of actual works done		3.00	0.25	6
4.3	Adherence to construction standard practices		1.00	0.08	2
4.4	Justification of maintenance needs		3.00	0.25	6
	12				15
5	OVERSIGHT	10			
5.1	Internal audit reports		2.50	0.21	2
5.2	District Roads Committee		2.50	0.21	2
5.3	DEC		2.50	0.21	2
5.4	CAO		2.50	0.21	2
	12				8
6	AGENCY CAPACITY	7			
6.1	Staffing levels and competencies		2.00	0.17	1
6.2	Equipment		1.50	0.13	1
6.3	Funding needs		1.50	0.13	1
6.4	IT Infrastructure		2.00	0.17	1
	12				4
	TOTALS	100			64