

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



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

### **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 Masindi 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, the review 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 Masindi District; and
- To determine effectiveness of oversight and support organs such as District Roads Committee (DRC), Internal Audit on work plans and programs of Masindi 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 672,090,000/= which was planned to finance the activities summarised below in:

	Routine Manual	Routine Mechanised	Periodic Maintenance	Mechanical Imprest	Other Works	Totals
Masindi District	249,296,000 (1,527 KM)	13,653,000 (16 KM)	305,614,000 (30 KM)	71,320,000	32,207,000	672,090,000

#### 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	17
2	Procurement Processes	8	08
3	Project Management and Control	30	16
4	Actual Works Done	25	18
5	Oversight	10	07
6	Agency Capacity	7	04
	<b>Total</b>	<b>100</b>	<b>69</b>

#### 1.6. Conclusion

Based on the evaluation of the function areas highlighted above, the performance of the district is rated at 69% 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	Deadline
1. Partial performance of the District Roads Committee.	Ensure that at least a District Roads Committee meeting is convened once a quarter and plan for the road maintenance activities in the DA	CAO	Immediate
2. Deviation from engineering design and implementation standards and practices: a. Inadequate quality control procedures b. Failure to install project information signage, c. Failure to construct end structures on installed culvert crossings, d. Failure to compact earthworks e. Underperformance of RMM	<ul style="list-style-type: none"> <li>• To start conducting quality control tests for construction materials</li> <li>• To install signage on all major projects</li> <li>• Follow standard road construction methods in project implementation</li> <li>• Recruit and manage road gangs for effective RMM</li> </ul>	CAO	Effective FY 2017/18
3. Failure to maintain records and information for the following key functions and activities: a. Records to track budget performance for projects b. Bank reconciliations c. Analysis of expenditure to funding source d. Failure to maintain project specific documents	To maintain the requisite records to enable tracking of funds and implementation of projects and include final accounts that are specific to road projects implemented.	CAO	Immediate
4. Lack of independence during the preparation of financial accountability reports.	Ensure independence during the preparation of accountability reports	CAO	Immediate
5. 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"> <li>• To ensure that all equipment are available and maintained all the time to enable continuity.</li> <li>• Lobby for more funding from MoFPED to bridge the road maintenance needs.</li> </ul>	CAO  URF	Continuous
6. Inadequacy of oversight by internal audit during the period under review	Internal audit to regularly provide oversight on road maintenance projects	CAO	Immediate

## 2. DETAILS OF THE TECHNICAL AND FINANCIAL REVIEW FINDINGS

AREA	STATEMENT OF CONDITION/FINDING	IMPLICATION	RESPONSE	RECOMMENDATIONS
<b>PLANNING AND BUDGETING</b>	<p>✓ <b>Annual work plan for the FY2015/16</b></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"> <li>○ A schedule of unit rates for formulation of the annual work plan were not availed.</li> </ul> <p>✓ <b>Budget performance monitoring</b></p> <p>The data on budget performance for the period was not availed during the review. Extraction of this information from the records was difficult because the activities in the work plan were not revised in relation to the actual cash limits received.</p>	<p>Lack of a unit rates schedule makes assessment of the reasonableness of road maintenance costs impossible.</p> <p>This prohibits tracking of the work plan and performance by URF difficult.</p>	<p>The agency uses URF guidelines and compares with MoWT rates to derive unit rates. Going forward a specific schedule for unit rates shall be derived and documented and submitted with the workplan of FY2017/18 to URF.</p> <p>The agency always writes to URF for every change on the workplan for systematic information flow and budgeting control measures.</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>The agency should regularly update its work plan based on the actual cash limits received to tracking of its budget performance.</p>
<b>PROJECT MANAGEMENT AND CONTROL</b>	<p>✓ <b>Inadequate quality and cost control procedures</b></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> <p>Masindi DLG failed to implement adequate quality control procedures. For example, there were no records of quality tests conducted on</p>	<ul style="list-style-type: none"> <li>• Value for money cannot be ascertained due to uncertainty on the quality of materials used.</li> </ul>	<p>The agency has started to conduct material testing from recognised laboratories such as the central materials laboratory in Kireka and UNRA station laboratories.</p> <p>The agency also has already tested materials</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>materials such as gravel utilised for the construction works and neither was there any record of quality tests conducted during project implementation.</p> <p>✓ <b>Project management documentation</b></p> <p>Masindi 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>	<ul style="list-style-type: none"> <li>• There is poor project implementation control.</li> <li>• There is a possibility of misuse of funds and poor accountability.</li> </ul>	<p>supplied by MoWT.</p> <p>Project management documentation shall be improved going forward</p>	<p>Masindi DLG should improve project management documentation and include final accounts that are specific to road projects implemented.</p>
<b>FINANCIAL MANAGEMENT RECORDS</b>	<p>✓ <b>Discrepancies in accountability records and reports</b></p> <p><b>Section 5 (b) (i)</b> 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"> <li>○ The financial accountability reports for 2<sup>nd</sup> half of FY 15-16 and 1<sup>st</sup> 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.</li> <li>○ The review team was not availed with the details of expenditure recorded in the source records like the cash book.</li> </ul>	<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>All financial related accountabilities have been generated by the department and the CFO was not involved in verifying the documents. This is because the templates provided by URF do not have that provision. However, starting with the Q4 FY16/17 reports, the CFO will certify the financial accountability and forward the financial reconciliation data as well.</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>

AREA	STATEMENT OF CONDITION/FINDING	IMPLICATION	RESPONSE	RECOMMENDATIONS
	<p>Thus unable to assess the accuracy of expenditure recorded in the accountability.</p> <ul style="list-style-type: none"> <li>There were misrepresentation of works done in the reports submitted to road fund. For example works on the RMeM of Kijunjubwa-Kyamaiso road were reported twice both as a periodic maintenance activity of the road surface at UGX 75M/= and spot improvement of a swamp bottle neck also at UGX 75M/= and yet field inspections showed that only routine mechanised maintenance of the road surface was undertaken for an estimated UGX36M/=. In other cases, Q1 reports for FY2016/17 had figures for works in Q3 which is practically impossible.</li> </ul> <p>✓ <b>Cashbooks and bank reconciliation statements</b></p> <p>Section 6.4.2.6 of the LGFAM, 2007 requires that bank reconciliation to be prepared not later than fifteen days after the end of each month. The statement should also be certified by the Head of Finance. Although the agency is under IFMS, the district finance team did not provide system generated cashbooks/expenditure account analysis details and bank reconciliation statements in relation to road maintenance funding for review.</p>	<p>Unable to assess the adequacy of controls over the management of road maintenance funds released to the district.</p>	<p>Going forward, reports shall be more accurate and consistent to report only implemented works.</p>	<p>The district should provide cashbook/expenditure account analysis and bank reconciliation statements in relation to road maintenance funds for review.</p>



AREA	STATEMENT OF CONDITION/FINDING	IMPLICATION	RESPONSE	RECOMMENDATIONS
<b>EVALUATION OF PROJECTS IMPLEMENTED</b>	<p>✓ <b>Physical inspection of projects</b></p> <p>Clause 9 (k) of the performance agreements required Masindi 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. Masindi DLG did not install URF signage on some the projects that were inspected such as the swamp along Kisinji-Kihonda road.</p> <p>Field inspections further revealed several deviations from standard engineering practices such as:</p> <ul style="list-style-type: none"> <li>• Failure to construct end structures on the culvert installations,</li> <li>• Lack of compaction of earthworks during project implementation, and</li> <li>• Routine manual maintenance was generally underperforming.</li> </ul> <p>✓ <b>Wastage of construction materials</b></p> <p>Several idle concrete culverts were found along Nyambindo-Kitweetwe road despite the fact that works were already completed.</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 maintenance costs</p> <p>There is a risk of loss of funds due to waste as a result of unused or vandalised construction materials</p>	<p>The agency recruits road gangs at sub-county level with the help of the area chairpersons and works are implemented in accordance with the guidelines. The works departments closely supervises the gangs.</p> <p>Warning letters are issued to underperformers and perennial underperformers are replaced.</p> <p>The existing idle materials along Nyambindo-Kitweetwe road were supplied by the agriculturalists that ply the same link moving agricultural produce. Installation of the culverts is planned to commence in Q1 FY2017/18</p>	<p>Masindi DLG should place signage on all major projects as a standard practice.</p> <p>Masindi DLG should follow standard construction methods for road works.</p> <p>Recruit and manage road gangs for effective RMM</p> <p>Masindi DLG should make accurate estimates of requirements per project to curb waste</p>
<b>OVERSIGHT</b>	<p>✓ <b>Oversight over road maintenance projects</b></p> <p>Section 10(b) of the Performance agreements</p>	<p>There is minimal oversight and planning</p>	<p>The agency has an active DRC that we hope shall be meeting at least</p>	<p>The Accounting officer should ensure that at</p>

AREA	STATEMENT OF CONDITION/FINDING	IMPLICATION	RESPONSE	RECOMMENDATIONS
	<p>requires the DA to granting URF access to the DRC activities for the period under review. The Agency convened only one District Roads Committee meeting on 22<sup>nd</sup> April 2016 which discussed the URF work plan. Despite the meeting held, the agency is supposed to convene at least four DRC meetings during the period under review. This did not happen.</p> <p>Although the team reviewed the internal audit reports on road maintenance activities for the FY under review, it was noted that oversight on road maintenance funds is still lacking.</p>	<p>during the implementation of road maintenance activities by the DA's DRC.</p> <p>Lack of assurance during project implementation</p>	<p>quarterly as stipulated with effect from FY2017/18.</p> <p>The agency is planning to include the physical aspects in the internal audit reports of road maintenance to capture the whole project life cycle as assurance for the works executed.</p>	<p>least a District Roads Committee meeting is convened once a quarter and plan for the road maintenance activities in the DA.</p> <p>Oversight over road maintenance funds should be increased to ensure value for money.</p>
<b>CAPACITY</b>	<p>✓ <b>Staffing</b></p> <p>Masindi DLG has a well constituted team with a District Engineer, senior Engineers and road inspectors. Therefore, the staffing levels are fairly adequate for the implementation of the road maintenance programs.</p> <p>✓ <b>Equipment</b></p> <p>Buliisa DLG currently has a functional grader and dumper trucks but lacks a water tank and roller. Therefore most of the earthworks are conducted without compaction.</p> <p>✓ <b>Funding</b></p> <p>Preliminary estimates indicate that Buliisa DLG requires UGX 1.5BN as funding to achieve satisfactory performance of its road maintenance programs. However, currently</p>	<p>Proper planning and ability to properly implement road maintenance programs by Masindi DLG</p> <p>Inability to implement her road maintenance programs</p> <p>Inability of the agency to adequately fund its road maintenance needs</p>	<p>The agency has an old aging incomplete road unit that it relies on for road maintenance works. However, the deployment of the new Japanese equipment, the agency is hopeful for improved implementation of road maintenance programs.</p>	<p>Masindi DLG should keep up with the adequate staffing levels</p> <p>The Agency should ensure that all equipment are available and maintained all the time to enable continuity.</p> <p>URF should lobby for more funding from MoFPED to bridge the</p>

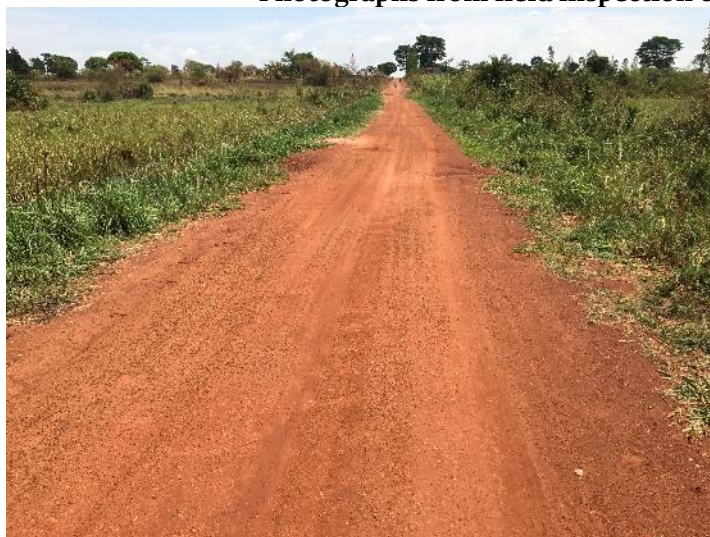
AREA	STATEMENT OF CONDITION/FINDING	IMPLICATION	RESPONSE	RECOMMENDATIONS
	the agency has an indicative planning figure of UGX 637M/= which is 42% of the needs.	hence extended damage to the existing infrastructure.		road maintenance needs.

### 3. SPECIFIC TECHNICAL REVIEW FINDINGS ON SELECTED ROADS INSPECTED

#### 3.1. Routine mechanised maintenance of Pakanyi-Nyakalongo road (24 km)

<b>Planned amount (UGX)</b>	162,000,000/=
<b>Actual sum (UGX)</b>	Report Incomplete
<b>Variance</b>	N/A
<b>Start date</b>	Not on file
<b>Completion date</b>	Not on file
<b>Management type</b>	Force Account
<b>Supervisor</b>	District Engineer
<b>Activity done</b>	Routine mechanised maintenance
<b>Project Description and Condition</b>	
<p>The project is a 24 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 culvert installation in Q3 FY2015/16 estimated to cost UGX 162M/=.</p> <p>At the time of the review, the road was at a good service level and motorable throughout.</p>	
<b>Review Findings</b>	
<ul style="list-style-type: none"> <li>• Earthworks were undertaken without watering and compaction,</li> <li>• Lack of routine manual maintenance,</li> <li>• Lack of quality control on gravel and culverts used in project implementation, and</li> <li>• Lack of project final account of physical works undertaken.</li> </ul>	

#### Photographs from field inspection of Pakanyi-Nyakalongo road (24 km)



Ch. 4+300: Gravelling earthworks in swamp section



Ch. 9+400: Lack of routine manual maintenance



### 3.2. Routine mechanised maintenance of Nyambindo-Kitweetwe road (7.7 km)

Planned amount (UGX)	52,098,000/=
Actual sum (UGX)	52,098,000/=
Variance	NIL
Start date	Not on file
Completion date	Not on file
Management type	Force Account
Supervisor	District Engineer
Activity done	Routine mechanised maintenance
<b>Project Description and Condition</b>	
<p>The project is a 7.7km unpaved district road with a 7.5 m wide and 5.5 m roadway and carriageways respectively.</p> <p>The road received routine mechanised maintenance by grading, spot gravelling and culvert installation in Q3 FY2015/16 estimated to cost UGX 52M/=.</p> <p>At the time of the review, the road was at a good service level and motorable throughout.</p>	
<b>Review Findings</b>	
<ul style="list-style-type: none"> <li>• Lack of project final account of physical works undertaken,</li> <li>• Lack of end structures on installed cross culverts,</li> <li>• Idle culverts abandoned on site,</li> <li>• Lack of quality control on gravel and culverts used in project implementation, and</li> <li>• Lack of project final account of physical works undertaken.</li> </ul>	

#### Photographs from field inspection of Nyambindo-Kitweetwe road (7.7 km)



Ch. 0+000: Project information profile board



Ch. 1+800: Culvert installation without end structures



Ch. 2+400: Gravel fill at a swamp



Ch. 6+200: Culvert installation without end structures, inadequate backfill and idle culvert pieces



### 3.3. Rehabilitation of Kisinji-Kihonda Swamp

<b>Planned amount (UGX)</b>	58,300,000/=
<b>Actual sum (UGX)</b>	Report Incomplete
<b>Variance</b>	N/A
<b>Start date</b>	Not on file
<b>Completion date</b>	Not on file
<b>Management type</b>	Force Account
<b>Supervisor</b>	District Engineer
<b>Activity done</b>	Swamp filling and culvert installation
<b>Project Description and Condition</b>	
<p>The project is a 100m long swamp along Kisinji-Kihonda road. It measures 11m in width. The swamp was rehabilitated by filling using selected gravel material and multiple culvert installations (2 11m wide lines of 900mm concrete pipes) in Q2 FY2016/17 estimated to cost UGX 58.3M/=.</p> <p>At the time of the review, the swamp was at 95% completion state and the works were fairly satisfactory.</p>	
<b>Review Findings</b>	
<ul style="list-style-type: none"> <li>• Earthworks were undertaken without compaction,</li> <li>• Lack of project information profile board,</li> <li>• Lack of quality control on gravel and culverts used in project implementation,</li> <li>• The splash aprons on the culvert outlets were poorly constructed, and</li> <li>• Lack of project final account of physical works undertaken.</li> </ul>	

#### Photographs from field inspection of Kisinji-Kihonda Swamp



Loose gravel embankment as a result of lack of compaction



Poorly constructed splash aprons

## 4. APPENDICES

### 4.1. Appendix II – Table of detailed performance assessment

No.	PERFORMANCE AREA	Priority	Score	%age	Aggregate
		(%)	(0-3)	Score	score
<b>1</b>	<b>PLANNING AND BUDGETING</b>	<b>20</b>			
1	Road Inventory and condition surveys		3.0	0.2	3
1	Work plan		2.5	0.1	3
1	Performance agreements		3.0	0.2	3
1	Adequacy of the unit rates		1.5	0.1	2
2	Budget performance monitoring		3.0	0.2	3
2	Procurement plan		3.0	0.2	3
	<b>18</b>				<b>18</b>
2	Compliance with PPDA guidelines		3.0	1.0	8
	<b>3</b>				<b>8</b>
<b>3</b>	<b>PROJECT MANAGEMENT AND CONTROL</b>	<b>30</b>			
3	Checklist of expected documents (BOQs etc.)		2.0	0.2	5
3	Quality and cost control records		-	-	-
3	Supervision reports		2.0	0.2	5
3	Financial management records		2.5	0.2	6
	<b>12</b>				<b>16</b>
<b>4</b>	<b>ACTUAL WORKS DONE</b>	<b>25</b>			
4	Signage		2.5	0.2	5
4	Verification of actual works done		2.5	0.2	5
4	Adherence to construction standard practices		2.0	0.2	4
4	Justification of maintenance needs		2.0	0.2	4
	<b>12</b>				<b>19</b>
<b>5</b>	<b>OVERSIGHT</b>	<b>10</b>			
5	Internal audit reports		2.0	0.2	2
5	District Roads Committee		1.5	0.1	1
5	DEC		2.0	0.2	2
5	CAO		2.0	0.2	2
	<b>12</b>				<b>6</b>
<b>6</b>	<b>AGENCY CAPACITY</b>	<b>7</b>			
6	Staffing levels and competencies		2.2	0.2	1
6	Equipment		2.0	0.2	1
6	Funding needs		1.0	0.1	1
6	IT Infrastructure		2.0	0.2	1
	<b>12</b>				<b>4</b>
	<b>TOTALS</b>	<b>100</b>			<b>71</b>