

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



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REPORT ON THE TECHNICAL AND FINANCIAL REVIEW OF MUBENDE 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 Mubende 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 Mubende District; and
- To determine effectiveness of oversight and support organs such as District Roads Committee (DRC), Internal Audit on work plans and programs of Mubende 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 993,491,000/= which was planned to finance the activities summarised below in:

	Routine Manual	Routine Mechanised	Periodic Maintenance	Mechanical Imprest	Other Works	Totals
Mubende District	161,950,000	304,823,000	260,082,000	111,564,000	69,336,000	907,755,000
Mubende Town council	19,238,000	21,150,000	35,200,000	6,398,000	3,750,000	85,736,000
Mubende CARs	0	0	0	0	0	0
Sub Total	181,188,000	325,973,000	295,282,000	117,962,000	73,086,000	993,491,000

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 2.

No.	Performance Area	Weight (%)	Aggregate Score (%)
1	Planning and Budgeting	20	18
2	Procurement Processes	8	08
3	Project Management and Control	30	20
4	Actual Works Done	25	17
5	Oversight	10	07
6	Agency Capacity	7	05
	Total	100	75

1.6. Conclusion

Based on the evaluation of the function areas highlighted above, the performance of the district is rated at 75% which is **good**. 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. Non availability of information on the performance details of the District Roads Committee.	The Accounting officer should ensure the DRC sit at least quarterly to plan for road works as stipulated in the URF Act and details of their activities submitted to URF.	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 compact earthworks d. Failure to construct mitre drains on implemented projects e. Lack of RMM	<ul style="list-style-type: none"> • To start conducting quality control tests for construction materials • To install signage on all road projects • Conduct ADRICS annually to guide planning processes and submit to URF • Follow standard road construction methods in project implementation • Recruit and manage road gangs for effective RMM 	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 a unit rates schedule for planning and budget control	To derive unit rates for road maintenance activities and draw up a schedule	CAO	Effective FY 2017/18
5. Lack of independence during the preparation of financial accountability reports.	Ensure independence during the preparation of accountability reports	CAO	Immediate
6. 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
7. 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
PLANNING AND BUDGETING	<p>✓ Annual work plan for the FY2015/16</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>The agency relies on the URF guidelines for purposes of cost management. However, 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 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>This prohibits tracking of the work plan and performance by URF difficult.</p>	<p>The issue of updating the workplan based on cash limits is appreciated and is being implemented. However, in FY2016/17, budget performance stood at 77.7%. Some of the activities that were planned were not implemented because of budget shortfalls.</p>	<p>The agency should regularly update its work plan based on the actual cash limits received to tracking of its budget performance.</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>Procurement records for the supply of fuel, culverts, hire of equipment used in road maintenance activities were not provided for review.</p>	<p>The review team was unable to determine whether the district followed the PPDA guidelines and laws in relation to procurement of road maintenance materials.</p>	<p>Procurement plans were in place for FY 2015/16 and FY 2016/17 and are available for verification.</p> <p>All service providers were obtained through a competitive process.</p> <p>Attached is the procurement plans and list of successful bidders.</p>	<p>The agency should keep it up.</p>

AREA	STATEMENT OF CONDITION/FINDING	IMPLICATION	RESPONSE	RECOMMENDATIONS
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> <p>Mubende 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>Mubende 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"> Value for money cannot be ascertained due to uncertainty on the quality of materials used. There is poor project implementation control. There is a possibility of misuse of funds and poor accountability. 	<p>Going forward, the agency shall strengthen quality management during project implementation to ensure value for money.</p> <p>Project final accounts are in place for each of verification. Reports are attached herein.</p>	<p>All works should be executed in accordance with acceptable standards in relation to design, documentation and testing suitability of materials used.</p> <p>Mubende DLG should improve project management documentation and include final accounts that are specific to road projects implemented.</p>
FINANCIAL MANAGEMENT RECORDS	<p>✓ Inadequately supported expenditure</p> <p>Contrary to S181 of the Treasury Accounting Instructions, payments amounting to UGX 108,107,200/= lacked vital supporting documents. Summary is in <i>appendix I attached</i>.</p>	<p>There is a risk of funds being used for activities that they were not intended for.</p>	<p>All the vital supporting documents were in place and attached to their corresponding vouchers attached herein.</p>	<p>Mubende DLG should always ensure to account for all expenditure in a timely manner and maintain readily available accountability records</p>

AREA	STATEMENT OF CONDITION/FINDING	IMPLICATION	RESPONSE	RECOMMENDATIONS
	<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>✓ Cashbooks and bank reconciliation statements</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</p>	<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>Unable to assess the adequacy of controls over the management of road maintenance funds released to the district.</p>	<p>All cash books, bank reconciliations and bank statements were signed by the responsible officers.</p> <p>The agency is running a single treasury account which combines all sector accounts for the departments including works and technical services. The cashbook, bank reconciliation and bank statements are for the TSA account for the period under review. See the attached copies.</p>	<p>Financial accountability reports should be prepared and signed off by the Head of Finance.</p> <p>Bank reconciliations should be prepared and reviewed and certified by a senior finance official at the district.</p>

AREA	STATEMENT OF CONDITION/FINDING	IMPLICATION	RESPONSE	RECOMMENDATIONS
	funding for review.			
EVALUATION OF PROJECTS IMPLEMENTED	<p>✓ Physical inspection of projects</p> <p>Clause 9 (k) of the performance agreements required Mubende 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. Mubende DLG did not install any signage 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>	<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>The practice of Installation of sign posts is highly appreciated and will be budgeted and implemented in the subsequent projects.</p> <p>Where culverts were inadequate, it was due to budgetary constraints. The funds could not allow installation of culvert crossings at all the required points.</p>	<p>Mubende DLG should place signage on all major projects as a standard practice.</p> <p>Mubende DLG should follow standard construction methods for road works.</p> <p>Recruit and manage road gangs for effective RMM</p>
OVERSIGHT	<p>✓ Oversight over road maintenance projects</p> <p>Section 10(b) of the Performance agreements requires the DA to granting URF access to the DRC activities for the period under review. Although the agency incurred expenditure on DRC, details of work done were not availed for review.</p>	<p>It is not possible to ascertain whether the District Roads Committee provided adequate oversight and planning during the implementation of road maintenance activities within the DA.</p>	<p>The District roads committee sat once in the first quarter of FY2015/16. This is when the committee approved the workplan for the FY. Afterwards, the committee did not sit regularly due to the intensive political activities. However, the situation has currently improved as the committee has regular sittings.</p> <p>Minutes of DRC meeting for Q1 and the proceeding committee sittings after the general election are attached herein.</p>	<p>The Accounting officer should ensure the DRC sit at least quarterly to plan for road works as stipulated in the URF Act and details of their activities submitted to URF.</p>

AREA	STATEMENT OF CONDITION/FINDING	IMPLICATION	RESPONSE	RECOMMENDATIONS
	Although the team reviewed the internal audit reports on road maintenance activities for the FY under review, it was noted that adequate oversight on road maintenance funds is still lacking.	Lack of assurance during project implementation		Oversight over road maintenance funds should be increased to ensure value for money.
CAPACITY	<p>✓ Staffing</p> <p>Mubende DLG has a fully constituted team with a District Engineer, senior Engineers and inspectors. Therefore, the staffing levels are adequate for the implementation of the road maintenance programs.</p> <p>✓ Equipment</p> <p>Mubende DLG currently has two (2No.) graders of which one has been broken down for over 3 months. The agency also has a bull dozer but lacks a water tank and roller. Therefore most of the earthworks are conducted without compaction.</p> <p>✓ Funding</p> <p>Preliminary estimates indicate that Mubende DLG requires UGX 2.3BN as funding to achieve satisfactory performance of its road maintenance programs. However, currently the agency has an indicative planning figure of UGX 1BN/= which is 43% of the needs.</p>	<p>Proper planning and ability to properly implement road maintenance programs by Mubende 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>All equipment are in poor working conditions. They require a total overhaul.</p> <p>The funding has continuously reduced. In FY2016/17, budgetary shortfall was over UGX 300M. This negatively impacts project implementation. The agency is continuously lobbying for additional d=funding from line ministries.</p>	<p>Mubende 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 road maintenance needs.</p>

3. SPECIFIC TECHNICAL REVIEW FINDINGS ON SELECTED ROADS INSPECTED

3.1. Routine mechanised maintenance of Ngabano-Kikoma road (12.5 km)

Planned amount (UGX)	40,685,000/=
Actual sum (UGX)	Report Incomplete
Variance	N/A
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 12.5 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 medium grading in Q2 FY2016/17 estimated to cost UGX 40.7M/=.</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, • Grading was undertaken without watering and compaction, • Inadequate provision of mitre drains, • Critical low sections in swampy areas require immediate interventions via drainage improvement and filling and • Lack of project final account of physical works undertaken. 	

Photographs from field inspection of Ngabano-Kikoma road (12.5 km)



Ch. 0+900: A low-lying swampy area requiring drainage improvement via multiple culvert installation and fill earthworks



Ch. 2+200: A shaped section without mitre drain provisions

3.2. Routine mechanised maintenance of Kempanzi-Kazigwe road (16 km)

Planned amount (UGX)	136,000,000/=
Actual sum (UGX)	144,307,000/=
Variance	8,307,000/=
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 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 medium grading and spot gravelling in Q3 FY2015/16 estimated to cost UGX 144M/=.</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 9M/= 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 Kempanzi-Kazigwe road (16 km)



Ch. 8+100: A shaped section without mitre drain provisions



Ch. 14+400: Spot gravelled section with overly grown vegetation as a result of inadequate routine manual maintenance

3.3. Routine mechanised maintenance of Kasanda-Kamuli road (10.4 km)

Planned amount (UGX)	11,014,000/=
Actual sum (UGX)	Works ongoing
Variance	N/A
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 17 km unpaved district road with 7.5 m wide and 6.0 m roadway and carriageways respectively.</p> <p>The road was actively under routine mechanised maintenance by heavy grading which started in Q2 FY2016/17 at a projected cost of UGX 11M/=.</p> <p>At the time of the review, the road was at a fair service level and motorable throughout.</p>	
Review Findings	
<ul style="list-style-type: none"> • Lack of project information profile board, and • Grading was being undertaken without watering and compaction. 	

Photographs from field inspection of Kasanda-Kamuli road (10.4 km)



Ch. 0+000: A newly shaped section of the road



Ch. 1+400: Active heavy grading ongoing

4. APPENDICES

4.1 Appendix I - Schedule of inadequately supported expenditure

Beneficiary	PV No	Amount	Purpose	Comment
Shell Mubende	PVWKS-0575	5,911,200	Fuel for routine mechanised maintenance	Not yet accounted for
Shell Mubende	PVWKS-0558	17,500,000	Fuel for routine mechanised maintenance	Not yet accounted for
Strategic Investments Limited	PVWKS-0580	34,144,000	Hire of road equipment and swamp filling	Not yet accounted for
CGH Establishments Limited	PVWKS-0583	30,000,000	Hire of road equipment	Not yet accounted for
Shell Mubende	PVWKS-0615	3,980,000	Assorted fuel for plants and equipment	Not yet accounted for
Shell Mubende	PVWKS-0654	2,160,000	Fuel for roads inspection	Not yet accounted for
Mbabali Patrick	PVSTF-9230	1,261,000	Fuel for supervision for road maintenance	Not yet accounted for
Shell Mubende	PVWKS-1007	4,275,000	Fuel and lubricants for works	Not yet accounted for
Shell Mubende	PVWKS-0908	2,987,000	Fuel for grader-Kasanda-Kamuli road	Not yet accounted for
Kobil-Uganda Limited	PVWKS-0907	5,889,000	Fuel and lubricants-Ngabano-Butta road	Not yet accounted for
TOTAL		108,107,200		

4.2 Appendix II – 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		3.00	0.17	3
1.2	Work plan		3.00	0.17	3
1.3	Performance agreements		3.00	0.17	3
1.4	Adequacy of the unit rates		2.20	0.12	2
1.5	Budget performance monitoring		2.00	0.11	2
1.6	Procurement plan		3.00	0.17	3
	18				16
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.)		2.50	0.21	6
3.2	Quality and cost control records		1.00	0.08	3
3.3	Supervision reports		2.60	0.22	7
3.4	Financial management records		2.00	0.17	5
	12				21
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		2.00	0.17	4
4.4	Justification of maintenance needs		3.00	0.25	6

No.	PERFORMANCE AREA	Priority	Score	%age	Aggregate
	12				16
5	OVERSIGHT	10			
5.1	Internal audit reports		1.80	0.15	2
5.2	District Roads Committee		1.80	0.15	2
5.3	DEC		2.20	0.18	2
5.4	CAO		2.50	0.21	2
	12				8
6	AGENCY CAPACITY	7			
6.1	Staffing levels and competencies		3.00	0.25	2
6.2	Equipment		2.00	0.17	1
6.3	Funding needs		1.50	0.13	1
6.4	IT Infrastructure		2.50	0.21	1
	12				5
	TOTALS	100			74