

**REPORT ON THE TECHNICAL AND FINANCIAL REVIEW OF AMURIA
DISTRICT LOCAL GOVERNMENT FOR THE FINANCIAL YEAR 2015-16**



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REPORT ON THE TECHNICAL AND FINANCIAL REVIEW OF AMURIA DISTRICT LOCAL GOVERNMENT FOR THE FINANCIAL YEAR 2015-16

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 Amuria District for the period July 2015 to June 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 Amuria District; and
- To determine effectiveness of oversight and support organs such as District Roads Committee (DRC), Internal Audit on work plans and programs of Amuria 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;
- g) Performance agreements for FY2015/16; and
- h) Other standards of sound professional practice.

The original budget of the District for the FY2015/16 was UGX 687,514,000/= which was planned to finance the activities summarised below in:

	Routine Manual	Routine Mechanised	Periodic Maintenance	Mechanical Imprest	Other Works	Totals
Amuria District	148,767,000 (169KM)	100,000,000 (50KM)	176,000,000 (22KM)	67,976,000	41,831,000	534,574,000
Amuria Town Council	16,000,000 (17KM)	0	58,807,000 (2.7KM)	12,795,000	3,525,000	91,127,000
Amuria CARs	61,813,000 (311KM)					61,813,000
Sub Total	226,580,000	100,000,000	234,807,000	80,771,000	45,356,000	687,514,000

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 (%)

0-25	Unsatisfactory
26-50	Weak
51-75	Adequate
76-100	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	14
2	Procurement Processes	8	08
3	Project Management and Control	30	11
4	Actual Works Done	25	17
5	Oversight	10	06
6	Agency Capacity	7	04
	Total	100	61

1.6 Conclusion

Based on the evaluation of the function areas highlighted above, the performance of the district is rated at **61%** 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
Deviation from engineering design and implementation standards and practices: <ol style="list-style-type: none"> a. Inadequate quality control procedures b. Failure to install project information signage c. Inferior materials used as culvert backfill d. Failure to compact gravel earthworks in the TC e. Lack of independence during the preparation of financial accountability reports. 	<ul style="list-style-type: none"> • To start conducting quality control tests for construction materials • To install signage on all road projects • Ensure compaction of earthworks • Follow MoWT standards for road works 	CAO	Effective Q2 of FY 2016/17
Failure to maintain records and information for the following key functions and activities: <ol style="list-style-type: none"> a. Records to track budget performance for projects b. Inaccurate accountability reports to URF 	To maintain the requisite records to enable tracking of funds, provide explanations for the discrepancies.	CAO	By end of December 2016
1. Discrepancies in unit rates in Amuria TC	Amuria TC should align the unit rates for implementation of road works to the URF budgeting and planning guidelines	TC	With effect from Q2 of FY2016/17
2. Lack of a unit rates schedule	Derive unit rates for road maintenance activities and draw up a schedule	CAO	With effect from Q2 of FY2016/17
3. Poor financial management records including irregular borrowing of road maintenance funds.	Desist from borrowing URF funds to finance ineligible operations.	CAO	Continuous
4. Inadequate oversight on road maintenance activities by internal audit during the FY2015/16	Internal audit to regularly provide oversight on road maintenance projects	CAO	Continuous

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 plan for the FY2015/16 was in place and submitted to the URF on the 17th August 2015. 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 where not well documented. ○ The work plan was not revised after the budget cut of UGX 147,386,851M/=. As a consequence the review team was unable to assess the budget performance of the various projects. 	<p>Lack of a unit rates' schedule makes assessment of the reasonableness of road maintenance costs impossible</p> <p>This makes the tracking of agency performance difficult leading to poor decision making.</p>	<p>It is true that in the period under review, the agency had not derived a unit rates schedule. However, a schedule was prepared for FY2016/17 and going forward this shall be submitted alongside the workplans to URF.</p> <p>The budget cut was realised in the last quarter of the financial year. Hence the activities that had been planned for the period were rolled over to the next FY. Management has however noted the need to promptly update workplans whenever there are budget cuts.</p>	<p>The districts should derive unit rates to guide its planning and project implementation process and attached to the workplans submitted to URF.</p> <p>The annual work plan and budget should regularly be updated based on cash limits communicated by URF.</p>
PROCUREMENT OF SUPPLIES	<p>✓ Procurement plan and records</p> <p>The audit team was availed with the procurement plan of the period under review which included all works that were procured during the period reviewed.</p> <p>Procurement records for the supply of materials used in road maintenance activities were in place.</p>	<p>Procurements were undertaken in a transparent and competitive manner.</p>	<p>Noted with thanks. This shall be maintained going forward</p>	<p>Keep it up</p>
PROJECT MANAGEMENT AND	<p>✓ Lack of quality and cost control records</p> <p>Clause 9 (e) of the performance agreements</p>	<ul style="list-style-type: none"> • Value for money cannot be ascertained due to 	<p>Amuria DLG undertakes quality control tests on construction materials</p>	<p>All works should be executed in accordance with acceptable standards in</p>

AREA	STATEMENT OF CONDITION/FINDING	IMPLICATION	RESPONSE	RECOMMENDATIONS
CONTROL	<p>stipulates that the designated agencies must ensure that all maintenance works are conducted in accordance with quality standards.</p> <p>Amuria DLG and the Town Council failed to implement adequate quality and cost control procedures. For example, there were no records of quality tests conducted on materials 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>Amuria DLG took an effort to maintain project monitoring reports and final accounts. However, Amuria TC lacked key project implementation documents. There were no project specific progress reports and measurement of actual works done at completion (final accounts) for the implemented projects.</p> <p>✓ Discrepancies in unit rates used in Amuria TC</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 is expected to be UGX 2.28M/= per km maintained.</p> <p>Therefore the routine mechanised maintenance of School road (800m) should have cost on average UGX 2M/= and not the</p>	<p>lack of records and uncertainty on the quality of materials used.</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>through approved laboratories. However, there is a challenge of scarcity of gravel material sources leading to the use of some unapproved sources within the vicinity of the implemented projects.</p> <p>Management also pledges to ensure that material testing shall be keenly enforced in Amuria TC.</p> <p>School road in Amuria TC was earlier planned for PM at a cost of UGX 20M/=. However, the scope was later changed to RMeM to include only reshaping as a result of budget cuts and it cost UGX1.4M/=.</p> <p>However, management acknowledges that there was erroneous reporting on the actual expenditures incurred on Amuria TC roads leading to inaccurate reports submitted to URF. Going forward, management pledges to ensure that accurate reporting to the District is done.</p>	<p>relation to design, documentation and testing suitability of materials used.</p> <p>Amuria TC should align the unit rates used to those in the URF planning and budgeting guide.</p>

AREA	STATEMENT OF CONDITION/FINDING	IMPLICATION	RESPONSE	RECOMMENDATIONS																				
	17M/= presented by the sub-agency.																							
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 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. ○ A comparison of the total expenditure recorded in the accountability reports (UGX487,217,000/=) against the actual release during the financial year (UGX540,118,149/=) revealed a variance of UGX52,901,149/=. ○ Expenditure of the district reported to URF was not in agreement with the accounting records. Discrepancies are summarised below: <table border="1"> <thead> <tr> <th>FY</th> <th>Cashbook (UGX)</th> <th>Report (UGX)</th> <th>Variance (UGX)</th> </tr> </thead> <tbody> <tr> <td>Q1</td> <td>26,660,500</td> <td>26,660,000</td> <td>0</td> </tr> <tr> <td>Q2</td> <td>131,586,828</td> <td>119,385,000</td> <td>12,201,828</td> </tr> <tr> <td>Q3</td> <td>42,023,300</td> <td>42,023,000</td> <td>0</td> </tr> <tr> <td>Q4</td> <td>201,608,900</td> <td>201,613,000</td> <td>(4,100)</td> </tr> </tbody> </table>	FY	Cashbook (UGX)	Report (UGX)	Variance (UGX)	Q1	26,660,500	26,660,000	0	Q2	131,586,828	119,385,000	12,201,828	Q3	42,023,300	42,023,000	0	Q4	201,608,900	201,613,000	(4,100)	<p>Submission of inaccurate reports makes it difficult to monitor physical and financial performance of the district.</p> <p>There is non-compliance of with the performance agreement.</p>	<p>Accountability reports have both physical and financial progress. In all accountabilities submitted to URF, all physical progress of works were signed off by the District Engineer while the financial reports were signed by the Head of Finance.</p> <p>The accountability report submitted to URF and received on 4th August 2016, the total expenditure recorded at the end of the FY (including transfers to LGs and TC) amounted to UGX 547,626,000 against UGX 540,118,149 actual release during the FY.</p> <p>The variance of UGX 12,201,828 in Q2 was due to erroneous posting in the cashbook. This has been rectified and the payment vouchers and cash book are available for verification.</p>	<p>Accounting officer should explain the anomalies.</p> <p>Financial accountability reports should be prepared and signed off by the Head of Finance.</p> <p>The agency should desist from borrowing URF funds to finance ineligible operations.</p>
FY	Cashbook (UGX)	Report (UGX)	Variance (UGX)																					
Q1	26,660,500	26,660,000	0																					
Q2	131,586,828	119,385,000	12,201,828																					
Q3	42,023,300	42,023,000	0																					
Q4	201,608,900	201,613,000	(4,100)																					

AREA	STATEMENT OF CONDITION/FINDING	IMPLICATION	RESPONSE	RECOMMENDATIONS
	<p>✓ Irregular borrowing of road maintenance funds</p> <p>The team noted irregular borrowing of road maintenance funds amounting to UGX 5,577,000/= to finance ineligible administration activities.</p> <p>✓ Certification of 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. In line with the above, bank reconciliation statements were prepared and certified by senior accountant on behalf of the CFO.</p>		<p>Management pledges to maintain the status</p>	<p>Keep it up.</p>
<p>EVALUATION OF PROJECTS IMPLEMENTED</p>	<p>✓ Physical inspection of projects</p> <p>Clause 9 (k) of the performance agreements required Amuria 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. Amuria DLG did not install any signage on all the district roads that were inspected.</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 the relevant quality standards. Field inspections revealed</p>	<p>This implies lack of compliance with guidelines and performance agreements.</p> <p>Failure to follow standard practices means value for money cannot be guaranteed due to substandard</p>	<p>Management acknowledges the anomaly of not planting of bill boards on implemented projects and pledges to have this done with effect from FY2016/17.</p>	<p>Amuria DLG should place signage on all major projects as a standard practice.</p> <p>The agency should follow the MoWT standards as a guide for project implementation</p>

AREA	STATEMENT OF CONDITION/FINDING	IMPLICATION	RESPONSE	RECOMMENDATIONS
	<p>that;</p> <ul style="list-style-type: none"> ○ Gravelling works for Ousi road were undertaken without any compaction, and ○ Inferior materials were used as culvert backfill material on Ousi road. 	<p>output.</p> <p>Risk of extended damage on the road asset value hence increased maintenance costs.</p>		
OVERSIGHT	<p>✓ Oversight on URF Projects</p> <p>Although the team reviewed the quarterly 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. The team also reviewed reports on road maintenance activities which were never submitted to the district PAC for action.</p>	<p>Limited assurance on value for money on road maintenance activities being implemented during the period under review</p>	<p>The 4.5% operational cost is inadequate and therefore may not fully cater for oversight role by the internal auditor and other stakeholders. However, management shall make efforts to provide funding from other sources for this purpose.</p>	<p>Oversight over road maintenance funds should be increased to ensure value for money.</p>

3. SPECIFIC TECHNICAL REVIEW FINDINGS ON SELECTED ROADS INSPECTED

3.1 Periodic maintenance of Amosing-Okoboi road (22 km)

Planned amount (UGX)	176,800,000/=
Actual sum (UGX)	172,334,000/=
Variance	4,466,000/=
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 22 km unpaved district road with a 7.0 m wide and 5.0 m roadway and carriageways respectively.</p> <p>The road received periodic maintenance by reshaping, spot gravelling and major drainage improvements via culvert installations estimated to cost UGX 172.3M/=.</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"> • The gravel utilised on the project was not tested for quality assurance, • Lack of project final account, • Lack of project information profile board, and • Installed culverts lacked inspection certificates. 	

Photographs from field inspection of Amosing-Okoboi road (22 km)



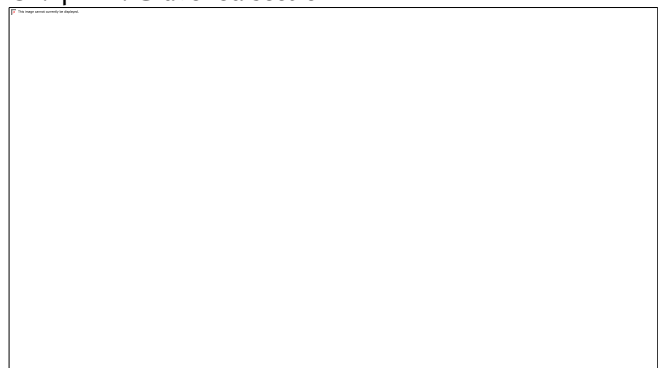
Ch. 0+000: Shaped road surface



Ch. 4+100: Gravelled section



Ch. 10+100: Multiple culvert installations at a stream crossing.



Ch. 10+100: Multiple culvert installations in swamp crossing.

3.2 Periodic maintenance of Ousi road (750m) in Amuria TC

Planned amount (UGX)	20,000,000/=
Actual sum (UGX)	9,115,750/=
Variance (UGX)	10,884,250/=
Start date	Not on file
Completion date	Not on file
Management type	Force Account
Supervisor	Town Engineer
Activity done	Periodic maintenance
Project Description and Condition	
<p>The project is an unpaved urban road measuring 750m in length and on average 8m width. The road received periodic maintenance by reshaping, gravelling and drainage improvement via culvert installation estimated to cost UGX 9M/=.</p> <p>At the time of the review, the road was at a good service level.</p>	
Review Findings	
<ul style="list-style-type: none"> • Lack of project final account to show actual expenditure and works undertaken, • Lack of project information boards, • The gravelling works were undertaken without compaction, • Inferior materials were used as culvert backfill material, • The gravel utilised on the project was not tested for quality assurance, and • Installed culverts lacked inspection certificates. 	

Photographs from field inspection of Ousi road (750m km) in Amuria TC



0+000: Gravelled road surface

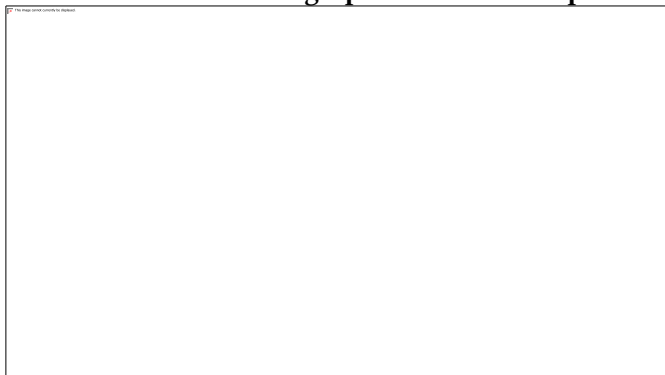


0+400: Access culvert installation with Silty backfill

3.3 Routine mechanised maintenance of School road (800m) in Amuria TC

Planned amount (UGX)	20,000,000/=
Actual sum (UGX)	17,124,000/=
Variance (UGX)	2,876,000/=
Start date	Not on file
Completion date	Not on file
Management type	Force Account
Supervisor	Town Engineer
Activity done	Routine mechanised maintenance
Project Description and Condition	
The project is an unpaved urban road measuring 800m in length and on average 6m width. The road received routine mechanised maintenance by reshaping estimated to cost UGX 17M/=. At the time of the review, the road was at a good service level.	
Review Findings	
<ul style="list-style-type: none"> • Lack of project final account to show actual expenditure and works undertaken, • Lack of project information boards, • Inadequate routine manual maintenance and • Very high unit for grading works at UGX 20M/= per km as opposed to an estimated UGX 2.5M/= per km. 	

Photographs from field inspection of School road (800m) in Amuria TC



0+000: Shaped road surface



0+200: Shaped road surface

4. APPENDICES

4.1 Appendix I - Schedule of inadequately supported expenditure

No.	PERFORMANCE AREA	Priority (%)	Score (0-3)	%age Score	Aggregate 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		1.00	0.06	1
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.)		2.00	0.17	5
3.2	Quality and cost control records		0.00	0.00	-
3.3	Supervision reports		1.00	0.08	3
3.4	Financial management records		1.50	0.13	4
	12				11
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
	12				17
5	OVERSIGHT	10			
5.1	Internal audit reports		1.50	0.13	1
5.2	District Roads Committee		2.00	0.17	2
5.3	DEC		2.00	0.17	2
5.4	CAO		2.00	0.17	2
	12				6
6	AGENCY CAPACITY	7			
6.1	Staffing levels and competencies		2.00	0.17	1
6.2	Equipment		2.00	0.17	1
6.3	Funding needs		1.50	0.13	1
6.4	IT Infrastructure		2.00	0.17	1
	12				4
	TOTALS		100		61

