

**REPORT ON THE TECHNICAL AND FINANCIAL REVIEW OF ROAD
MAINTENANCE PROJECTS IN BUKOMANSIMBI DISTRICT LOCAL
GOVERNMENT FOR THE FINANCIAL YEAR 2015-16**



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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 URF performed a technical and financial review of road maintenance projects in Bukomansimbi 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, 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 Bukomansimbi District; and
- To determine effectiveness of oversight and support organs such as District Roads Committee (DRC), Internal Audit on work plans and programs of Bukomansimbi 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 budget of the District for the FY2015/16 was UGX 513,740,000/= which was planned to finance the activities summarised below in:

	Routine Manual	Routine Mechanised	Periodic Maintenance	Mechanical Imprest	Other Works	Totals
Bukomansimbi DLG	0	286,396,000 (88.8KM)	0	70,206,000	13,495,000	370,097,000
Bukomansimbi TC	6,000,000 (8.8KM)	78,726,000 (10.3KM)	0	12,796,000	3,950,000	101,472,000
Bukomansimbi CARs	0	42,171,000 (18.5KM)	0	0	0	42,171,000
Sub Total	6,000,000	407,293,0000	0	83,002,000	17,445,000	513,740,000

1.4 Performance assessment

This report presents performance of the Bukomansimbi DLG 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 above mentioned performance areas against a standard scale as defined below.

Overall performance rating (%)

0-25	Unsatisfactory
25-50	Weak
50-75	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 (%)	Aggregated Score (%)
1	Planning and Budgeting	20	14
2	Procurement Processes	8	08
3	Project Management and Control	30	17
4	Actual Works Done	25	20
5	Oversight	10	05
6	Agency Capacity	7	04
	Total	100	68

1.6 Conclusion

Based on the evaluation of the function areas above, the performance of the district is rated at 68% which is **adequate**. Management needs to put in place an appropriate action plan to address exceptional issues noted and ensure effective utilisation of URF's funds 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 to provide information on performance of the DRC during the FY 2015-16 for review	CAO	Immediate
2. Deviation from engineering design, practices and implementation standards: a. Lack of unit rates schedule for planning, b. Inadequate quality control procedures, c. Inadequate compaction for earthworks, d. Lack of routine manual maintenance, and e. Failure to construct end structures on installed culverts. f. Lack of final accounts / reports for completed projects.	<ul style="list-style-type: none"> • To prepare a schedule for unit rates to guide planning on annual basis • To conduct quality control tests for construction materials • To follow MoWT standards for road works at all times • To recruit road gangs to undertake RMM • To prepare final accounts / reports specific to road projects implemented. 	CAO	Effective Q ₂ of FY2016/17
3. Failure to maintain records and information to track budget performance for projects	The district should maintain the requisite records to enable tracking of budget performance for key projects.	CAO	Continuous
4. Incomplete road unit leading to inability to perform road works envisaged especially the compaction of earthworks	Ensure that key equipment required to undertake works is hired.	CAO	Immediate
5. Inadequacy of oversight by internal audit during the FY2015/16	Internal audit to regularly perform oversight on road maintenance projects	CAO	Effective Q ₂ of FY2016/17

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 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 where not availed nor used in the budgeting process. ○ The work plan was not revised after a budget cut of UGX 138,247,626M/= by the Ministry of Finance. It was therefore not possible to identify activities that were not funded nor assess budget performance on specific projects following the budget reduction. 	<p>Lack of a unit rates' schedule makes assessment of the reasonableness of road maintenance costs difficult</p> <p>This makes the tracking of agency performance difficult leading to poor decision making.</p>	<p>The agency did not derive unit rates. The district has been using PPDA common user prices for materials and MoWT approved rates for equipment hire as circular ref No. MSD175/249/01 of 7th February 2013.</p> <p>The issues have been noted and by 3rd Quarter of 2016/17 we will have unit rates in place</p> <p>The URF did not formally communicate the budget cuts in FY2015/16. Therefore the funding remained unpredictable.</p> <p>The agency has been maintaining a vote book for budget performance monitoring. Going forward, the workplans shall be updated</p>	<p>The districts should annually derive unit rates to guide its planning and project implementation process and submit copies to URF.</p> <p>The annual work plan and budget should regularly be updated based on cash limits communicated by URF.</p> <p>The agency should keep records to track performance against budget is possible.</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. It included the planned procurements for road maintenance.</p> <p>Procurement records for the supply of material used in road maintenance activities were in place. In addition the district executed framework contracts during the year which made the supplies for works available in a fairly timely manner.</p>	<p>Procurements were undertaken in a transparent and competitive manner.</p>	<p>Duly noted with thanks</p>	<p>Keep it up</p>
PROJECT	<p>✓ Lack of quality and cost control</p>	<ul style="list-style-type: none"> • Value for money 		<p>All works should be</p>

AREA	STATEMENT OF CONDITION/FINDING	IMPLICATION	RESPONSE	RECOMMENDATIONS
MANAGEMENT AND CONTROL	<p>records</p> <p>Clause 9 (e) of the performance agreement required the District to ensure that all maintenance works are conducted in accordance with quality standards.</p> <p>However the District and Bukomansimbi Town Council failed to implement adequate quality control procedures. For example, there were no records of quality tests conducted on materials utilised for the construction works and culverts installed lacked inspection certifications.</p> <p>✓ Project management documentation Bukomansimbi DLG maintained project monitoring reports. However, there are key documents that were not maintained by the agency. There were no records of approval of work program, project specific reports and measurement of actual works done at completion (final accounts) for the implemented projects.</p>	<p>cannot be ascertained due to lack of records and uncertainty on the quality of materials used.</p> <ul style="list-style-type: none"> • There is a risk of poor project control. • There is a possibility of misuse of funds and improper accountability 	<p>The agency has been depending on judgements after observation of quality of materials used. The finding has been noted and starting Q3 FY2016/17, the agency shall budget for quality control measures.</p> <p>The agency has noted the auditors' finding of lack of final accounts for all implemented projects starting with Q2 FY2016/17.</p>	<p>executed in accordance with acceptable standards in relation to design, documentation and testing suitability of materials used.</p> <p>Bukomansimbi DLG should improve its documentation and include final accounts that are specific to particular road projects implemented.</p>
FINANCIAL MANAGEMENT RECORDS	<p>✓ Discrepancies in accountability records and reports</p> <p>Section 5 (b) (i) of the performance agreement required the DA to provide comprehensive and satisfactory accountability reports to URF. A review of the accountability records revealed that the financial accountability reports were prepared and signed off by the District Engineer and not the Head of Finance.</p> <p>✓ Failure to certify bank reconciliation statements</p>	<p>This undermines independence of functions in financial and technical management.</p> <p>Lapses in reconciliation</p>	<p>The URF accountability form does not provide for Head of Finance sign. However, the omission has been noted and all future accountabilities will be signed by the Head of Finance.</p> <p>The omissions in the preparation of bank reconciliation statements have been noted.</p> <p>Funding sources and expenditure are controlled through; approved budget estimates, approved work</p>	<p>Financial accountability reports should be prepared and signed off by the Head of Finance.</p> <p>Bank reconciliations prepared and certified by the Head of Finance.</p> <p>Bukomansimbi District Local Government</p>

AREA	STATEMENT OF CONDITION/FINDING	IMPLICATION	RESPONSE	RECOMMENDATIONS
	<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 and be certified by the Head of Finance. Although bank reconciliation statements were prepared, they do not show the preparer, date prepared and were not certified by the CFO.</p> <p>✓ Commingling of funds</p> <p>The district operates one bank account and cashbook and expenditure is incurred for different projects without analysis to the funding source. As a result, expenditure from the account lacks traceability to the funding source.</p>	<p>may result in loss of cash without detection.</p> <p>There is a risk of diversion of funds to other projects without detection.</p>	<p>plans, well maintained vote books, revenue and expenditure analysis and quarterly budget performance reports. With all the above controls, risk of diversion of funds to other projects without detection is minimised.</p>	<p>should always reconcile expenditure on the works account to the funding sources.</p>
<p>EVALUATION OF PROJECTS IMPLEMENTED</p>	<p>✓ Physical inspection of projects</p> <p>Bukomansimbi DLG installed project information signage on all the roads that were inspected in accordance to Clause 9 (k) of the performance agreements.</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 that;</p> <ul style="list-style-type: none"> ○ Backfill for culvert installations was undertaken with inadequate or no compaction leading to loss of material, ○ The backfill material was also found to be in inadequate quantities and of inferior quality. 	<p>This implies compliance with guidelines and performance agreements.</p> <p>Failure to follow standard practices means value for money cannot be guaranteed due to substandard output.</p> <p>Risk of extended damage on the road asset value hence increased maintenance costs.</p>	<p>The agency has no roller and due to the budget cuts, the agency was unable to hire.</p> <p>The agency failed to attract road</p>	<p>Bukomansimbi DLG should keep with the good practice</p> <p>The agency should follow the MoWT standards as a guide for project implementation</p> <p>The agency should ensure deployment and supervision of road</p>

AREA	STATEMENT OF CONDITION/FINDING	IMPLICATION	RESPONSE	RECOMMENDATIONS
	Routine manual maintenance was generally found to be lacking on all the roads inspected.		gangs due to low rates of UGX 100,000/= per month against productivity of 2km per month. However, there are continuous attempt to recruit and sustain road gangs.	gangs to undertake RMM.
OVERSIGHT	<p>✓ Oversight on URF projects</p> <p>The team reviewed the internal audit reports on road maintenance activities for the FY under review and it was noted that oversight on road maintenance funds is still lacking.</p> <p>The review team was not availed with information on the performance of the District Roads Committee.</p>	<p>Lack of assurance during project implementation</p> <p>It is not possible to ascertain whether the District Roads Committee performed its roles during the implementation of road maintenance activities within the DA.</p>	<p>Due to the low operations cost of 4.5%, the agency could not facilitate the internal audit to carry out road inspections.</p> <p>However, the Internal Audit department has been undertaking verification of all inputs used in road works.</p> <p>The DRC had one meeting to discuss and approve the District's annual roads workplan and budget for FY2015/16. However, due to political activities in the FY2015/16 (elections), the members could not hold more meetings.</p>	<p>Oversight over road maintenance funds should be increased to ensure value for money.</p> <p>The Accounting officer should always ensure information required during the reviews is availed to the audit teams.</p>
CAPACITY	<p>✓ Capacity to implement projects</p> <p>Bukomansimbi DLG lacked adequate road works equipment to ably undertake all envisaged works especially the compaction of earthworks</p>	Inability to properly implement road maintenance programs by Bukomansimbi DLG	This has been noted. The agency requires a new set of equipment	The agency should ensure that it has all required key equipment and in good shape at all times. Units that are not available within the districts should be hired from the open market.

3. SPECIFIC TECHNICAL REVIEW FINDINGS ON SELECTED ROADS INSPECTED

3.1 Routine mechanised maintenance of Kikuuta-Gayaza-Mbulire road (10 km)

Planned amount (UGX)	25,000,000/=
Actual sum (UGX)	25,000,000/=
Variance	-
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 10 km unpaved district road with a 7 m wide roadway. The road traverses a flat terrain. The road received routine mechanised maintenance by reshaping and drainage improvements estimated to cost UGX 25M/=.</p> <p>At the time of the review, the road was at a good service level and motorable through the entire stretch.</p>	
Review Findings	
<ul style="list-style-type: none"> • Lack of routine manual maintenance, • Lack of final account documentation, • Inferior quality of culvert backfill, • Installed culverts lacked inspection certification and • Inadequate compaction and volume of culvert backfill material. 	

Photographs from field inspection of Kikuuta-Gayaza-Mbulire road (10 km)



Ch. 0+000: Project information signage



Ch. 1+400: Poor routine manual maintenance



Ch. 5+100: Inadequate compaction of culvert backfill

3.2 Routine mechanised maintenance of Nsololo-Keleziya-Kagologolo-Bitetero road (9.6 km)

Planned amount (UGX)	42,000,000/=
Actual sum (UGX)	42,000,000/=
Variance	-
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 10 km unpaved district road with a 7 m wide roadway. The road traverses a rolling terrain.</p> <p>The road received routine mechanised maintenance by reshaping and drainage improvements estimated to cost UGX 42M/=.</p> <p>At the time of the review, the road was at a good service level and motorable through the entire stretch.</p>	
Review Findings	
<ul style="list-style-type: none"> • Lack of routine manual maintenance, • Lack of final account documentation, • Inferior quality of culvert backfill, • Installed culverts lacked inspection certification, • Lack of headwalls on installed culverts and • Inadequate compaction for earthworks. 	

Photographs from field inspection of Nsololo-Keleziya-Kagologolo-Bitetero road (9.6 km)



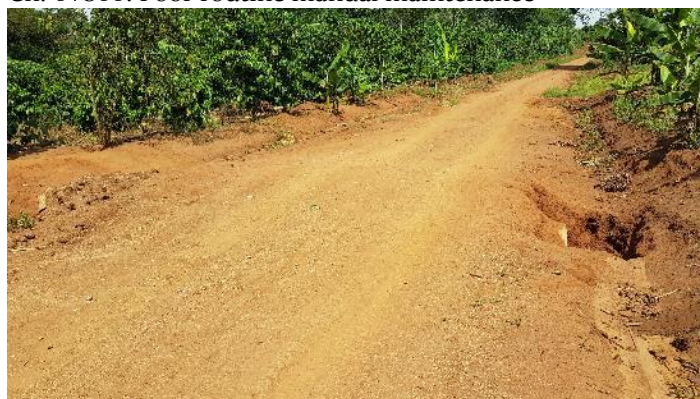
Ch. 0+000: Project information signage



Ch. 0+800: Poor routine manual maintenance



Ch. 7+700: Lack of compaction for borrowed material



Ch. 7+900: Lack of end structures on installed culverts

4. APPENDICES

4.1 Appendix I – Table of detailed performance assessment

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	3.33
1.2	Work plan		2.50	0.14	2.78
1.3	Performance agreements		3.00	0.17	3.33
1.4	Adequacy of the unit rates		1.50	0.08	1.67
1.5	Budget performance monitoring		0.00	0.00	0.00
1.6	Procurement plan		3.00	0.17	3.33
	18				14.44
2	PROCUREMENT PROCESSES	8			
2.1	Compliance with PPDA guidelines		3.00	1.00	8.00
	3				8.00
3	PROJECT MANAGEMENT AND CONTROL	30			
3.1	Checklist of expected documents (BOQs etc.)		1.50	0.13	3.75
3.2	Quality and cost control records		0.50	0.04	1.25
3.3	Supervision reports		2.80	0.23	7.00
3.4	Financial management records		2.00	0.17	5.00
	12				17.00
4	ACTUAL WORKS DONE	25			
4.1	Signage		3.00	0.25	6.25
4.2	Verification of actual works done		2.00	0.17	4.17
4.3	Adherence to construction standard practices		1.50	0.13	3.13
4.4	Justification of maintenance needs		3.00	0.25	6.25
	12				19.79
5	OVERSIGHT	10			
5.1	Internal audit reports		1.50	0.13	1.25
5.2	District Roads Committee		0.00	0.00	0.00
5.3	DEC		2.00	0.17	1.67
5.4	CAO		2.00	0.17	1.67
	12				4.58
6	AGENCY CAPACITY	7			
6.1	Staffing levels and competencies		1.80	0.15	1.05
6.2	Equipment		2.00	0.17	1.17
6.3	Funding needs		1.50	0.13	0.88
6.4	IT Infrastructure		1.50	0.13	0.88
	12				3.97
	TOTALS		100		67.79

