

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



TABLE OF CONTENTS

1. EXECUTIVE SUMMARY	3
1.1. Introduction	3
1.2. Objective of the technical and financial reviews	3
1.3. Scope of Review	3
1.4. Performance assessment	4
1.5. Summary of performance	4
1.6. Conclusion.....	5
1.7. Summary of issues and action matrix	5
2. DETAILS OF THE TECHNICAL AND FINANCIAL REVIEW FINDINGS.....	7
3. SPECIFIC TECHNICAL REVIEW FINDINGS ON SELECTED ROADS INSPECTED.....	11
3.1. Routine mechanised maintenance of Munsu-Nkondo road (7 km)	11
3.2. Rehabilitation of Nyabarogo swamp	12
3.3. Routine mechanised maintenance of Kihumuro-Mazooba road (16km)	13
4. APPENDICES	14
4.1 Appendix II – Table of detailed performance assessment	14

REPORT ON THE TECHNICAL AND FINANCIAL REVIEW OF KIBAALE 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 Kibaale 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 Kibaale District; and
- To determine effectiveness of oversight and support organs such as District Roads Committee (DRC), Internal Audit on work plans and programs of Kibaale 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 842,438,000/= which was planned to finance the activities summarised below in:

	Routine Manual	Routine Mechanised	Periodic Maintenance	Mechanical Imprest	Other Works	Totals
Kibaale District	312,030,000 (1,344KM)	62,500,000 (25KM)		51,790,000	30,400,000	456,720,000
Kibaale Town council	38,620,000 (144KM)	55,892,000 (23.1KM)	6,398,000	7,709,000	2,290,000	110,909,000
Muhorro Town Council	9,590,000 (76KM)	46,263,000 (19.9KM)		6,398,000	1,582,000	63,833,000
Kakumiro Town Council	11,614,000 (44KM)	30,448,000 (4KM)		6,398,000	2,473,000	50,933,000
Kagadi Town Council	9,950,000 (40KM)	37,746,000 (8.5KM)		6,398,000	1,552,000	55,646,000
Kibaale CARs	104,397,000	0	0	0	0	104,397,000
Sub Total	486,201,000	232,849,000	6,398,000	78,693,000	38,297,000	842,438,000

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	12
2	Procurement Processes	8	05
3	Project Management and Control	30	19
4	Actual Works Done	25	17
5	Oversight	10	06
6	Agency Capacity	7	04

No.	Performance Area	Weight (%)	Aggregate Score (%)
	Total	100	63

1.6. Conclusion

Based on the evaluation of the function areas highlighted above, the performance of the district is rated at 64% 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 compact earthworks d. Failure to construct mitre drains on implemented projects e. Underperformance of RMM	<ul style="list-style-type: none"> • To start conducting quality control tests for construction materials • To install signage on all road projects • Follow standard road construction methods in project implementation • Recruit and manage road gangs for effective RMM 	CAO	Effective Q4 of FY 2016/17
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	To maintain the requisite records to enable tracking of funds and implementation of projects.	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 a unit rates schedule	To derive unit rates for road maintenance activities and draw up a schedule	CAO	With effect from Q4 of FY2016/17
6. Discrepancies in unit rates	Align the unit rates used to those in the URF planning and budgeting guidelines. Submit final account for the RMeM of RMeM of Munsu-Nkondo road	CAO	Immediate

Issue	Action Required	Action by	Deadline
7. Inadequacies in the procurement functions including <ol style="list-style-type: none"> a. Lack of procurement records for the supply of road maintenance materials and hire of equipment 	The district should follow the provisions of the PPDA Act while undertaking its procurement of supplies for maintenance works.	CAO	Immediate
8. Lack of capacity to implement road maintenance programs <ol style="list-style-type: none"> a. Absence of a District Engineer b. Inadequate funds to effectively address all road maintenance needs 	<ul style="list-style-type: none"> • To ensure that a District Engineer is in place at all times • Lobby for more funding from MoFPED to bridge the road maintenance needs. 	CAO URF	Continuous
9. Failure to provide internal audit reports for review	Provide internal audit reports for review.	CAO	Immediate

2. DETAILS OF THE TECHNICAL AND FINANCIAL REVIEW FINDINGS

AREA	STATEMENT OF CONDITION/FINDING	IMPLICATION	RECOMMENDATIONS
<p>PLANNING AND BUDGETING</p>	<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>✓ 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 Accounts team at the Agency could not print details of road maintenance expenditure recorded under IFMS for analysis.</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/budget and actual performance by URF difficult.</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 analyse details of expenditure recorded under IFMS to enable tracking of the work plan and actual performance of road maintenance funds.</p>
<p>PROCUREMENT OF SUPPLIES</p>	<p>✓ Procurement plan and records</p> <p>The audit team was availed with the procurement plan and a pre-qualified list of suppliers for the period under review.</p> <p>Procurement plan did not have procurements of supplies like fuel, gravel or culverts used in road maintenance activities.</p>	<p>Procurement of fuel, gravel or culverts for road maintenance activities may have not been carried in a transparent manner.</p>	<p>The Accounting officer should follow the provisions of the PPDA Act while undertaking its procurement of supplies for maintenance works.</p>
<p>PROJECT MANAGEMENT AND CONTROL</p>	<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>Kibaale 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</p>	<ul style="list-style-type: none"> • Value for money cannot be ascertained due to uncertainty on the quality of materials used. 	<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	RECOMMENDATIONS
	<p>during project implementation.</p> <p>✓ Project management documentation Kibaale DLG took an effort to maintain project budgeting tools such as the engineers' estimates. However, it lacked key project implementation documents such as records of measurement of actual works done at completion (final accounts) for the implemented projects.</p> <p>✓ Discrepancies in unit rates Section 26 of the URF Budgeting Guidelines gives tabulated estimates of unit rates various road maintenance activities. From this, the upper limit for routine mechanised maintenance under force account is expected to be UGX 2.3M/= per km maintained. Hence, Kibaale DLG was expected to undertake routine mechanised maintenance within those limits. Therefore the RMeM of Munsu-Nkondo road (including 5 culvert lines) should have cost on average UGX 25M/= and not the UGX 84.5M/= presented by the agency in its quarterly accountability reports submitted to URF.</p>	<ul style="list-style-type: none"> • There is poor project implementation control. • There is a possibility of misuse of funds and poor accountability. <p>There is a risk that funds were utilised for activities outside the work plan</p>	<p>Kibaale DLG should improve project management documentation and include final accounts that are specific to road projects implemented.</p> <p>Kibaale DLG should align the unit rates used to those in the URF planning and budgeting guidelines.</p> <p>In addition, final account of the RMeM of Munsu-Nkondo road should be provided.</p>
<p>FINANCIAL MANAGEMENT RECORDS</p>	<p>✓ Discrepancies in accountability records and reports 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 the period under review were prepared and signed off by the District Engineer and not the Head of Finance. ○ 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 	<p>This undermines independence of functions in financial and technical management.</p> <p>Accuracy of expenditure recorded in the accountability reports could</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</p>

AREA	STATEMENT OF CONDITION/FINDING	IMPLICATION	RECOMMENDATIONS
	<p>recorded in the accountability.</p> <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 funding for review.</p>	<p>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>review.</p> <p>The district should provide cashbook/expenditure account analysis and bank reconciliation statements in relation to road maintenance funds for review.</p>
<p>EVALUATION OF PROJECTS IMPLEMENTED</p>	<p>✓ Physical inspection of projects</p> <p>Clause 9 (k) of the performance agreements required Kibaale 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. Kibaale DLG did not install information signage on some of the projects that were inspected.</p> <p>Field inspections further revealed several deviations from standard engineering practices such as:</p> <ul style="list-style-type: none"> • Lack of compaction of earthworks during project implementation, • Lack of offshoots, and • Inadequate routine manual maintenance. 	<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>Kibaale DLG should place signage on all major projects as a standard practice.</p> <p>Kibaale DLG should follow standard construction methods for road works.</p> <p>Recruit and manage road gangs for effective RMM</p>
<p>OVERSIGHT</p>	<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.</p>	<p>There is minimal oversight and planning during the</p>	<p>The Accounting officer should ensure that at least a District</p>

AREA	STATEMENT OF CONDITION/FINDING	IMPLICATION	RECOMMENDATIONS
	<p>The team reviewed only one District Roads Committee meeting held on 16th December 2016 during which the work plan was approved. The review noted that the meeting recommended for the transfer of the Senior Accounts assistant in charge of works to other departments which is outside the mandate of this committee. It was also noted that only one meeting was convened despite the four meetings required during the period under review.</p> <p>The team was not availed with the internal audit reports on road maintenance activities for the period under review.</p>	<p>implementation of road maintenance activities by the DA's DRC.</p> <p>Unable to ascertain whether there is adequate oversight during the implementation of road maintenance activities in the district.</p>	<p>Roads Committee meeting is convened once a quarter and plan for the road maintenance activities in the DA. The committee members should also desist from performing working outside their mandate.</p> <p>The Accounting officer should ensure adequate oversight over road maintenance activities and always provide internal audit reports for review.</p>
CAPACITY	<p>✓ Staffing</p> <p>At the time of the review, Kibaale DLG did not have District Engineer in place.</p> <p>✓ Funding</p> <p>Preliminary estimates indicate that Kibaale DLG requires UGX 1.0BN as funding to achieve satisfactory performance of its road maintenance programs. However, currently the agency has an indicative planning figure of UGX 340M/= which is 34% of the needs.</p>	<p>Inability to properly plan and implement road maintenance programs by Kibaale DLG</p> <p>Inability of the agency to adequately fund its road maintenance needs hence extended damage to the existing infrastructure.</p>	<p>Kibaale DLG should ensure that a District Engineer is in place at all times</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 Munsa-Nkondo road (7 km)

Planned amount (UGX)	104,019,000/=
Actual sum (UGX)	84,543,000/=
Variance	19,476,000/=
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 7 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 reshaping and drainage improvement via culvert installation (5No. 6m lines of diam. 600mm) in FY2015/16 estimated to cost UGX 84.5M/=.</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"> • Heavily vegetated carriageway and chocked culverts as a result of inadequate routine manual maintenance, • High unit rate for routine mechanised maintenance at UGX 12M/km compared to the expected estimate of UGX 2.3M/km, • Inadequate provision of mitre drains, • Culvert earthworks were undertaken without compaction, • Lack of quality control on materials such as culverts used in project implementation, and • Failure to prepare project final account of physical works undertaken. 	

Photographs from field inspection of Munsa-Nkondo road (7 km)



Ch. 1+400: Gullies as a result of inadequate drainage provisions



Ch. 3+200: Poor compaction of culvert backfill and lack of routine manual maintenance

3.2. Rehabilitation of Nyabarogo swamp

Planned amount (UGX)	Not in the work plan
Actual sum (UGX)	15,337,000/=
Variance	N/A
Start date	Not on file
Completion date	Not on file
Management type	Force Account
Supervisor	District Engineer
Activity done	Swamp filling and culvert installation
Project Description and Condition	
<p>The project is a 200m long swamp along Kihumuro-Mazooba road. It measures 8m in width. The swamp was rehabilitated by filling using selected gravel material and multiple culvert installations in Q4 FY2015/16 estimated to cost UGX 15.34M/=.</p> <p>At the time of the review, the swamp was in a good state and motorable.</p>	
Review Findings	
<ul style="list-style-type: none"> • Lack of project information profile board, • Lack of quality control on gravel and culverts used in project implementation, and • Failure to prepare project final account of physical works undertaken. 	

Photographs from field inspection of Nyabarogo swamp



Fill material along the approach road



Broken culvert piece

3.3. Routine mechanised maintenance of Kihumuro-Mazooba road (16km)

Planned amount (UGX)	20,000,000/=
Actual sum (UGX)	19,998,000/=
Variance	2,000/=
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 6 m wide and 4.0 m roadway and carriageways respectively.</p> <p>The road received routine mechanised maintenance by grading in FY2015/16 estimated to cost UGX 20M/=.</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, • Inadequate provision of mitre drains, and • Lack of project final account of physical works undertaken. 	

Photographs from field inspection of Kihumuro-Mazooba road (16km)



Ch. 0+000: Graded sections



Ch. 6+300: Lack of drainage offshoots

4. APPENDICES

4.1 Appendix II – Table of detailed performance assessment

No	PERFORMANCE AREA	Priori ty	Score	%age	Aggregate
		(%)	(0-3)	Score	score
1	PLANNING AND BUDGETING	20			
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		1.2	0.1	1
1	Budget performance monitoring		-	-	-
1	Procurement plan		2.0	0.1	2
	18				12
2	PROCUREMENT PROCESSES	8			
2	Compliance with PPDA guidelines		2.0	0.7	5
	3				5
3	PROJECT MANAGEMENT AND CONTROL	30			
3	Checklist of expected documents (BOQs etc.)		2.7	0.2	7
3	Quality and cost control records		-	-	-
3	Supervision reports		2.5	0.2	6
3	Financial management records		2.5	0.2	6
	12				19
4	ACTUAL WORKS DONE	25			
4	Signage		2.0	0.2	4
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
	12				17
5	OVERSIGHT	10			
5	Internal audit reports		-	-	-
5	District Roads Committee		2.0	0.2	2
5	DEC		2.0	0.2	2
5	CAO		2.0	0.2	2
	12				6
6	AGENCY CAPACITY	7			

6	Staffing levels and competencies		1.8	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
		12			4
	TOTALS	100			63