

**REPORT ON THE TECHNICAL AND FINANCIAL REVIEW OF MUKONO
MUNICIPAL COUNCIL FOR THE FINANCIAL YEAR 2015-16**



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REPORT ON THE TECHNICAL AND FINANCIAL REVIEW OF MUKONO MUNICIPAL COUNCIL 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 Mukono Municipal Council 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 Mukono Municipal Council; and
- To determine effectiveness of oversight and support organs such as Internal Audit on work plans and programs of Mukono Municipal Council.

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 Municipal Council for the FY2015/16 was UGX966,932,000/= which was planned to finance the activities summarised below in:

Routine Manual (UGX)	Routine Mechanised (UGX)	Periodic Maintenance (UGX)	Mechanical Imprest (UGX)	Other Works (UGX)	Total (UGX)
71,756,000 (82KM)	349,200,000 (110KM)	400,000,000	67,976,000	78,000,000	966,932,000

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
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 Municipal Council 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	08
3	Project Management and Control	30	11
4	Actual Works Done	25	16
5	Oversight	10	06
6	Agency Capacity	7	05
	Total	100	58

1.6 Conclusion

Based on the evaluation of the function areas highlighted above, the performance of the Municipal Council is rated at **58%** 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 Municipal Council in future.

1.7 Summary of issues and action matrix

Issue	Action Required	Action by	Deadline
1. Deviation from engineering design and implementation standards and practices: <ol style="list-style-type: none"> Inadequate quality control procedures, Lack of unit rates schedule for planning, Narrow carriageway on <i>Pappati-Bukerere</i> and <i>Koob-Musisi</i> roads. Inadequacy of drainage provisions Lack of an ADRICS Failure to install project information signage 	<ul style="list-style-type: none"> Conduct quality control tests for all construction materials and during project implementation Develop a schedule for unit rates to guide planning Follow MoWT standards for road works at all times Conduct ADRICS annually and submit reports to URF Place signage on all major projects as a standard practice 	TC	With effect from Q2 of FY2016/17
2. Failure to maintain records and information for the following key functions and activities: <ol style="list-style-type: none"> Records to track budget performance for projects 	The Municipal Council should maintain the requisite records to enable tracking of funds and implementation of projects.	TC	With effect from Q2 of FY2016/17
3. Inadequately supported expenditure amounting to UGX44,064,000/=	To account for the funds and provide supporting documents to internal audit for verification.	TC	By October 2016
4. Discrepancies in unit rates for maintenance of roads	Mukono MC 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
5. Lack of project specific management records and documentation including final accounts on completion of works.	Ensure the timely preparation of project management document specific to projects during implementation	TC	With effect from Q2 of FY2016/17
6. Over reliance on routine mechanised maintenance risking extended damage to the road assets	Plan for a mixture of road maintenance interventions including periodic maintenance	TC	With effect from Q2 of FY2016/17
7. Poor financial management records <ol style="list-style-type: none"> Failure to certify cashbooks and bank reconciliation statements Inability to verify expenditure recorded in the accountability reports 	Provide explanations to the anomalies and ensure proper financial management procedures	TC	Continuous
8. Inadequate oversight of road maintenance funds by Internal audit reports	Ensure adequate oversight on road maintenance funds by the Internal Audit department.	TC	Continuous

2. DETAILS OF THE TECHNICAL AND FINANCIAL REVIEW FINDINGS

AREA	STATEMENT OF CONDITION/FINDING	IMPLICATION	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 14th August 2015. However, the following observations were noted:</p> <ul style="list-style-type: none"> ○ An annual inventory and road condition survey was not conducted to inform the planning process for the FY2015/16 in the selection of roads for maintenance. The criteria for selection of roads and determining maintenance needs was uncertain. ○ A schedule of unit rates for formulation of the annual work plan was not availed. <p>✓ Budget performance monitoring</p> <p>The data on budget performance was not availed during the review. Accountability reports that were submitted to URF had scanty information which did not have a trail to the source records. As a consequence the actual expenditure reported by the Municipal below could not be ascertained as broken down below:</p> <table border="1" data-bbox="537 1060 1272 1276"> <thead> <tr> <th>Mukono Municipal Council</th> <th>Budget</th> <th>Actual</th> <th>Variance</th> </tr> </thead> <tbody> <tr> <td>RMM</td> <td>71,756,000</td> <td>65,973,000</td> <td>5,783,000</td> </tr> <tr> <td>RMeM</td> <td>349,200,000</td> <td>178,065,000</td> <td>171,135,000</td> </tr> <tr> <td>PM</td> <td>400,000,000</td> <td>347,707,000</td> <td>52,293,000</td> </tr> <tr> <td>MI</td> <td>67,976,000</td> <td>64,887,000</td> <td>3,089,000</td> </tr> <tr> <td>Other Qualify works</td> <td>78,000,000</td> <td>44,996,000</td> <td>33,004,000</td> </tr> <tr> <td>total</td> <td>966,932,000</td> <td>701,628,000</td> <td>265,304,000</td> </tr> </tbody> </table>	Mukono Municipal Council	Budget	Actual	Variance	RMM	71,756,000	65,973,000	5,783,000	RMeM	349,200,000	178,065,000	171,135,000	PM	400,000,000	347,707,000	52,293,000	MI	67,976,000	64,887,000	3,089,000	Other Qualify works	78,000,000	44,996,000	33,004,000	total	966,932,000	701,628,000	265,304,000	<p>Lack of an inventory and road condition survey can lead to loss of effectiveness in the road maintenance activities undertaken by the district because interventions may be undertaken on less priority roads</p> <p>Lack of a unit rates' schedule makes assessment of the reasonableness of road maintenance costs impossible</p> <p>Failure to update records of budget and expenditure in the vote books prohibits tracking of the work plan and performance.</p>	<p>Mukono MC should undertake annual road inventory and condition surveys to inform the annual planning processes.</p> <p>The Municipal Council should also 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 vote book to track its performance against budget and guide the decision making processes.</p>
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AREA	STATEMENT OF CONDITION/FINDING	IMPLICATION	RECOMMENDATIONS
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.</p>	<p>Procurements were undertaken in a transparent and competitive manner.</p>	<p>Keep it up</p>
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>Mukono MC failed to implement adequate quality and cost control procedures. For example, there were no records of quality tests conducted on gravel material utilised for the construction works.</p> <p>In addition, there were no records of approval of work program, project specific progress reports, testing of completed works, measurement of actual works done at completion and project implementation management files for the following key projects implementation:</p> <ul style="list-style-type: none"> ○ <i>Nsube-Nabuti Road (4.5Km) - UGX350M/=</i> ○ <i>Ntaawo-Nakabogo Road (5.3 Km) - UGX25M/=</i> ○ <i>Lumuli-Kiwanga Road (2.7km)-UGX 15M/=</i> ○ <i>Pappati-Bukerere Road (3 Km) - UGX10M/=</i> ○ <i>Nakagere-Agape Road (2km)-UGX 10M/=</i> <p>✓ Discrepancies in unit rates used</p> <p>Section 26 of the URF Budgeting Guidelines gives tabulated estimates of unit rates various road maintenance activities. From this, the lower and upper limits for routine maintenance in central Uganda are expected to be UGX 1M/= and UGX 2.282M/= per km respectively. Therefore, Mukono MC was expected to undertake routine mechanised maintenance within those ranges.</p>	<ul style="list-style-type: none"> • Value for money cannot be guaranteed 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>This also reduces URF's ability to assess the reasonableness of the actual costs of road maintenance.</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>Mukono MC should ensure that unit rates are controlled for every road activity to be executed for proper implementation of each project and that the budgeting guidelines are</p>

AREA	STATEMENT OF CONDITION/FINDING	IMPLICATION	RECOMMENDATIONS
	<p>Specifically, the following observations was noted:</p> <ul style="list-style-type: none"> ✓ Inspected periodic maintenance projects were found to cost an average of UGX 4M/= per km maintained which is way above the 2.282M/= ceiling. 		used to determine unit rates.
<p>FINANCIAL MANAGEMENT RECORDS</p>	<ul style="list-style-type: none"> • Inadequately supported expenditure Contrary to S 181 of the Treasury Accounting Instructions, payments amounting to UGX44,064,000/= lacked vital supporting documents. Summary is in appendix I attached. • 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: <ul style="list-style-type: none"> • The financial accountability reports were prepared and signed off by the Municipal Council Engineer and not the Head of Finance. This undermines independence of functions in financial and technical management. • Expenditures reported to URF could not be verified to the IFMS cash book balances since the Accountant in charge of Works was not able extract expenditure that relates to URF from IFMS. • A comparison of the total expenditure recorded in the accountability reports (UGX701,628,000/=) against the actual release during the financial year (UGX680,628,736/=) revealed an over expenditure of UGX20,999,264/= which is not explained in the accountability reports. • Failure to certify cashbooks and bank reconciliation statements 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 	<p>There is a risk of diversion of funds to other projects without detection.</p> <p>Reasonableness and accuracy of actual expenditure recorded in the accountability reports could not be ascertained.</p> <p>Lapses in reconciliation may result in loss of cash without detection.</p>	<p>Mukono MC should account for the funds and submit the accountabilities to the Municipal internal audit for verification.</p> <p>Financial accountability reports of the Municipal Council should be prepared and signed off by the Head of Finance.</p> <p>Bank reconciliations should be printed off IFMS and be certified by CFO.</p>

AREA	STATEMENT OF CONDITION/FINDING	IMPLICATION	RECOMMENDATIONS
	bank reconciliation statements were prepared, they are not printed off IFMS for certification by the CFO.		
to EVALUATION OF PROJECTS IMPLEMENTED	<p>✓ Lack of project information signage</p> <p>Clause 9 (k) of the performance agreements required Mukono MC 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. Mukono MC did not install any signage on all the roads that were inspected in the FY2015/16.</p> <p>✓ Deviation from engineering design standards and practices</p> <p>Section 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 and shall pay particular attention to design standards. Mukono MC was found to deviate from this stipulation on some of the inspected projects by having urban roads with 3m carriageway widths such as <i>Pappati-Bukerere</i> and <i>Koob-Musisi</i> roads.</p> <p>✓ Inadequate and unsustainable interventions for road maintenance</p> <p>Project inspections revealed that there was need for urgent maintenance interventions. For example;</p> <ul style="list-style-type: none"> ○ The drainage systems of all the inspected roads require improvement via fresh culvert installations and incorporation of mitre drains. ○ The over reliance on routine mechanised maintenance (grading and shaping) is lowering the levels of the existing road corridors, this is resulting into impossible drainage design and in the long run differing and increasing the future cost of restoration 	<p>This implies lack of compliance with guidelines and performance agreements.</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 output.</p> <p>There is a risk of extended damage and higher losses on the road asset value hence increased overall maintenance costs.</p>	<p>The agency 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> <p>Mukono MC should to prioritise projects so as to undertake the most critical projects.</p> <p>The agency should plan for a mixture of road maintenance interventions including periodic maintenance</p>
OVERSIGHT	<p>✓ Oversight on URF projects</p> <p>Although the review team was availed with Q1, Q2 and Q3 FY 15/16</p>	Inadequacy of oversight on road maintenance	The Accounting Officer should ensure adequate

AREA	STATEMENT OF CONDITION/FINDING	IMPLICATION	RECOMMENDATIONS
	internal audit reports for review, it was noted that they lacked adequate oversight on road maintenance funds.	funds.	oversight on road maintenance funds by the Internal Audit department.
CAPACITY	<p>✓ Capacity to implement projects</p> <p>At the time of the review, Mukono MC had several a broken-down key equipment including the grader and departmental service truck.</p> <p>The Municipal has a total road length of 360 Km and an area of 210 sq.m with 10KM of bituminous roads</p>	This reduces Mukono MC's ability to properly implement road maintenance programs.	Mukono MC should ensure that it has all its key equipment for road maintenance in good shape at all times.

3. SPECIFIC TECHNICAL REVIEW FINDINGS ON SELECTED ROADS INSPECTED

3.1 Periodic maintenance of Nsube-Nabuti road (4.5 km)

Planned amount (UGX)	350,000,000/=
Actual sum (UGX)	Not on file
Variance	N/A
Start date	Not on file
Completion date	Not on file
Management type	Force Account
Supervisor	Municipal Engineer
Activity done	Resealing and Drainage works
Project Description and Condition	
<p>The project is a 4.5 km urban road with an 8 m wide roadway and 6m carriageway. The road traverses a rolling terrain.</p> <p>The road received periodic maintenance by resealing 1.2km (14/20mm bituminous seal), drainage improvements by construction of stone-pitched side drains and reshaping of the rest of the unpaved sections. All activities were estimated to cost UGX350M/=.</p> <p>At the time of the review, the road was at a good service level and motorable through the entire length.</p>	
Review Findings	
<ul style="list-style-type: none"> Lack of detailed specific project implementation records such as progress reports, resource allocation schedules, final accounts, site meeting records, time sheets etc., 	

Photographs from field inspection of Nsube-Nabuti road (4.5 km)



Ch. 0+000: Project information signage



Ch. 0+040: Drainage works



0+600: Active routine manual maintenance and drainage works



1+700: Gravel section of the road

3.2 Routine mechanised maintenance of Bukerere-Pappati road (3 km)

Planned amount (UGX)	10,000,000/=
Actual sum (UGX)	Not on file
Variance	N/A
Start date	Not on file
Completion date	Not on file
Management type	Force Account
Supervisor	Municipal Engineer
Activity done	Routine mechanised maintenance
Project Description and Condition	
<p>The project is a 3 km unpaved urban road with a 5.0 m wide roadway and 3m carriageway. The road traverses a rolling terrain.</p> <p>The road received routine mechanised maintenance by reshaping and spot regravelling with drainage improvements at an estimated cost of UGX 10M/=.</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 detailed specific project implementation records such as progress reports, resource allocation schedules, final accounts, site meeting records, time sheets etc., • Lack of project information signage, • Lack of quality assurance tests for gravel material utilised, • Narrow carriageway at 3m on average, and • High unit rate for routine mechanised maintenance. 	

Photographs from field inspection of Bukerere-Pappati road (3 km)



Ch. 0+000: Start of the link requiring drainage improvement Ch. 2+100: Narrow carriageway

3.3 Routine mechanised maintenance of Lumuli-Kiwanga road (2.7 km)

Planned amount (UGX)	15,000,000/=
Actual sum (UGX)	Not on file
Variance	N/A
Start date	Not on file
Completion date	Not on file
Management type	Force Account
Supervisor	Municipal Engineer
Activity done	Routine mechanised maintenance
Project Description and Condition	
<p>The project is a 3 km unpaved urban road with a 5.0 m wide roadway and 3m carriageway. The road traverses a rolling terrain.</p> <p>The road received routine mechanised maintenance by reshaping and spot regravelling with drainage improvements at an estimated cost of UGX 10M/=.</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 detailed specific project implementation records such as progress reports, resource allocation schedules, final accounts, site meeting records, time sheets etc., • Misrepresentation of the actual road length as 3.5km instead of the measured 2.7km, • Lack of project information signage, • Lack of quality assurance tests for gravel material utilised, • Poor drainage, and • High unit rate for routine mechanised maintenance at UGX 5.6M/= per km as opposed to 2.282M/= per km from the URF guidelines. 	

Photographs from field inspection of Lumuli-Kiwanga road (2.7 km)



Ch. 0+000: Project information signage at start of road link



Ch. 1+000: Poor drainage

4. APPENDICES

4.1 Appendix I - Schedule of inadequately supported expenditure

Beneficiary	PV No	Amount	Purpose	Comment
Total (U) Limited	PV-WK00524	1,643,000	Fuel for grader and wheel loader	No accountability of how fuel was utilised
Reste Limited	PV-WK00417	5,330,000	Hire of excavator and low bed	No receipt, No invoice, No report of work done
Trinity Three Limited	PV-WK00419	24,791,800	Supply of block slates for Nsube road	No evidence of receipt of funds by the supply
Total (U) Limited	PV-WK00410	4,635,600	Fuel for Nabuti road	No accountability of how fuel was utilised
Ssebaduka Haruna	PV-S039016	2,310,000	Labour for Nakalere swamp	Details of requisition not attached
Sundry Account	PV-WK00387	2,677,000	Salaries for raod gangs January 2016	Details of the beneficiaries not attached
Sundry Account	PV-WK00466	2,677,000	Salaries for raod gangs January 2016-MCD	Details of the beneficiaries not attached
TOTAL		44,064,000		

4.2 Appendix II – 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		0.00	0.00	0.00
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		1.80	0.10	2.00
1.5	Budget performance monitoring		1.00	0.06	1.11
1.6	Procurement plan		3.00	0.17	3.33
	18				12.56
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.)		1.00	0.08	2.50
3.2	Quality and cost control records		1.50	0.13	3.75
3.3	Supervision reports		0.00	0.00	0.00
3.4	Financial management records		1.50	0.13	3.75
	12				10.00
4	ACTUAL WORKS DONE	25			
4.1	Signage		0.50	0.04	1.04
4.2	Verification of actual works done		3.00	0.25	6.25
4.3	Adherence to construction standard practices		1.20	0.10	2.50
4.4	Justification of maintenance needs		3.00	0.25	6.25
	12				16.04
5	OVERSIGHT	10			
5.1	Internal audit reports		2.50	0.21	2.08
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				5.42
6	AGENCY CAPACITY	7			
6.1	Staffing levels and competencies		2.80	0.23	1.63
6.2	Equipment		2.00	0.17	1.17
6.3	Funding needs		1.00	0.08	0.58
6.4	IT Infrastructure		2.50	0.21	1.46
	12				4.84
	TOTALS		100		56.86