

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



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REPORT ON THE TECHNICAL AND FINANCIAL REVIEW OF KABERAMAIDO 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 Kaberamaido 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 Kaberamaido District; and
- To determine effectiveness of oversight and support organs such as District Roads Committee (DRC), Internal Audit on work plans and programs of Kaberamaido 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 565,996,650/= which was planned to finance the activities summarised below in:

	Routine Manual	Routine Mechanised	Periodic Maintenance	Mechanical Imprest	Other Works	Totals
Kaberamaido District	182,749,000 (360.15KM)	112,000,000 (16KM)	0	92,667,000	15,092,040	402,508,040
Kaberamaido TC	18,426,410 (16.8KM)	54,177,340 (5KM)	0	16,000,000	3,821,260	92,425,010
Kaberamaido CARs	71,063,600 (159KM)					71,063,600
Sub Total	272,239,010	166,177,340	0	108,667,000	18,913,300	565,996,650

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	11
2	Procurement Processes	8	00
3	Project Management and Control	30	11
4	Actual Works Done	25	18
5	Oversight	10	07
6	Agency Capacity	7	03
	Total	100	50

1.6 Conclusion

Based on the evaluation of the function areas highlighted above, the performance of the district is rated at 50% which is **weak**. 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. Deviation from engineering design and implementation standards and practices: <ol style="list-style-type: none"> Inadequate quality control procedures Failure to install signage in the TC Inadequate compaction for culvert backfill Poor construction of splash aprons for culvert end structures Lack of independence during the preparation of financial accountability reports. 	<ul style="list-style-type: none"> To conduct quality control tests for construction materials used To install signage on all road projects Ensure compaction of earthworks Follow MoWT standards for road works To ensure independence during the preparation of accountability reports 	CAO	Effective Q2 of FY 2016/17
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 Non revision of the work plan 	The district should maintain the requisite records to enable tracking of funds and implementation of projects	CAO	Continuous
3. Lack of functional grader	Ensure that key road maintenance equipment are maintained in good condition	CAO	Immediate
4. Discrepancies in unit rates in Kaberamaido TC	Kaberamaido 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
5. Nugatory expenditure on capital projects on Obwangor Road in the Kaberamaido TC	Kaberamaido TC should ensure that road funds are applied to maintenance projects that are economically viable	TC	Continuous
6. 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
7. Poor financial management records <ol style="list-style-type: none"> Commingling of funds without traceability to source 	To ensure proper financial management procedures.	CAO	By end of December 2016

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 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 availed. ○ The work plan was not revised after the budget cut of UGX 159,172,068M/=. 	<p>Lack of a unit rates' schedule makes assessment of the reasonableness of road maintenance costs impossible</p>		<p>The districts should derive unit rates to guide its planning and project implementation process and attach it to the work plans submitted to URF.</p>																																																															
	<p>✓ Budget performance monitoring</p> <p>The agency did not revise its work plan based on the actual road maintenance funds received during the financial year under review. As a consequence the review team was unable to assess the budget performance. Although accountability reports were submitted to URF, they had scanty information which did not have a trail to the source records as indicated in the table below.</p> <table border="1"> <thead> <tr> <th>Kaberaido District</th> <th>Budget</th> <th>Actual</th> <th>Variance</th> </tr> </thead> <tbody> <tr> <td>RMM</td> <td>182,749,000</td> <td>88,103,000</td> <td>94,646,000</td> </tr> <tr> <td>RMeM</td> <td>112,000,000</td> <td>108,541,990</td> <td>3,458,010</td> </tr> <tr> <td>PM</td> <td>0</td> <td>0</td> <td>0</td> </tr> <tr> <td>MI</td> <td>92,667,000</td> <td>52,400,000</td> <td>40,267,000</td> </tr> <tr> <td>Other Qualify works</td> <td>15,092,040</td> <td>22,434,000</td> <td>(7,341,960)</td> </tr> <tr> <td>CAR</td> <td>71,063,600</td> <td>71,056,720</td> <td>6,880</td> </tr> <tr> <td>Sub total</td> <td>473,571,640</td> <td>342,535,710</td> <td>131,035,930</td> </tr> <tr> <td>Kaberaido Town Council</td> <td></td> <td></td> <td></td> </tr> <tr> <td>RMM</td> <td>18,426,410</td> <td>17,976,100</td> <td>450,310</td> </tr> <tr> <td>RMeM</td> <td>54,177,340</td> <td>32,027,900</td> <td>22,149,440</td> </tr> <tr> <td>PM</td> <td>0</td> <td>0</td> <td>0</td> </tr> <tr> <td>MI</td> <td>16,000,000</td> <td>9,047,510</td> <td>6,952,490</td> </tr> <tr> <td>Other Qualify works</td> <td>3,821,260</td> <td>3,498,000</td> <td>323,260</td> </tr> <tr> <td>Sub total</td> <td>92,425,010</td> <td>62,549,510</td> <td>29,875,500</td> </tr> <tr> <td>Overall Total</td> <td>565,996,650</td> <td>405,085,220</td> <td>160,911,430</td> </tr> </tbody> </table>	Kaberaido District	Budget	Actual	Variance	RMM	182,749,000	88,103,000	94,646,000	RMeM	112,000,000	108,541,990	3,458,010	PM	0	0	0	MI	92,667,000	52,400,000	40,267,000	Other Qualify works	15,092,040	22,434,000	(7,341,960)	CAR	71,063,600	71,056,720	6,880	Sub total	473,571,640	342,535,710	131,035,930	Kaberaido Town Council				RMM	18,426,410	17,976,100	450,310	RMeM	54,177,340	32,027,900	22,149,440	PM	0	0	0	MI	16,000,000	9,047,510	6,952,490	Other Qualify works	3,821,260	3,498,000	323,260	Sub total	92,425,010	62,549,510	29,875,500	Overall Total	565,996,650	405,085,220	160,911,430	<p>This makes the tracking of agency performance difficult leading to poor decision making.</p> <p>Failure to update records of budget and expenditure in the vote books and work plan based on the actual funds received prohibits tracking of performance.</p>	<p>Revision of work plan require timely communication from the URF about changes in the budget. Therefore, the District can only identify these gaps at the close of the FY.</p>
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AREA	STATEMENT OF CONDITION/FINDING	IMPLICATION	RESPONSE	RECOMMENDATIONS
PROCUREMENT OF SUPPLIES				
PROJECT MANAGEMENT AND CONTROL	<p>✓ Lack of quality and cost control records 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. Kaberamaido DLG 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 Kaberamaido DLG maintains some project monitoring reports. However, there are key documents that were not maintained by the agency such as 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 Kaberamaido TC 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 is expected to be UGX 2.28M/= per km maintained. Therefore the routine mechanised maintenance of Obwangor roads (2.2km) should have cost on average UGX 5M/= and not the 39M/= presented by the sub-agency.</p>	<ul style="list-style-type: none"> Value for money cannot be ascertained due to lack of records and 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>There is a risk that funds were utilised for activities outside the work plan.</p>	<p>The District tried to source for the service provider of material testing and filed to attract any. However, the agency shall carry this out directly in the going forward</p> <p>The equipment used for project implementation were hired and therefore could not work within the URF estimates of force account that assume owned equipment</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>Kaberamaido 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
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 (UGX405,085,220/=) against the actual release during the financial year (UGX406,824,582/=) revealed a variance of UGX1,739,362/=. <p>✓ Commingling of funds</p> <p>The district operates one bank account and cashbook and expenditure is incurred for different projects without traceability to the funding source. As a result, expenditure from the account lacks traceability to the funding source.</p>	<ul style="list-style-type: none"> • This undermines independence of functions in financial and technical management. • Submission of inaccurate reports misrepresents actual performance of the district. <p>There is a risk of diversion of funds to other projects without detection.</p>	<p>The independence for the financial accountability report should be well defined by the URF template provided to give provision for the CFO to sign.</p> <p>Government policy is such that all departments run a single account. Therefore works department uses one account.</p> <p>Revenue control accounts/ledgers are going to be introduced for each funding source.</p>	<p>Accounting officer should explain the anomalies.</p> <ul style="list-style-type: none"> • Accountability reports of the district should be reviewed and resubmitted to the URF. • Financial accountability reports should be prepared and signed off by the Head of Finance. <p>Kaberamaido District Local Government should always reconcile URF expenditure recorded in the cash book on a monthly basis.</p>
EVALUATION OF PROJECTS IMPLEMENTED	<p>✓ Physical inspection of projects</p> <p>Clause 9 (k) of the performance agreements required Kaberamaido 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. Kaberamaido TC 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</p>	<p>This implies lack of compliance with guidelines and performance agreements.</p> <p>Failure to follow standard</p>	<p>All projects for FY 2016/17 will have road information signage.</p>	<p>Kaberamaido TC should place signage on all major projects as a standard practice.</p> <p>The agency should follow</p>

AREA	STATEMENT OF CONDITION/FINDING	IMPLICATION	RESPONSE	RECOMMENDATIONS
	<p>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, ○ Culvert crossing installed along Abalang-Idamakan-Surambaya road were built with poor splash aprons, and ○ Culvert installations in swamps along Abalang-Idamakan-Surambaya road require more fill material. <p>✓ Nugatory expenditure</p> <p>Kaberamaido TC used UGX 39M/= from URF to open new network of Obwangor roads (2.2km) which was not maintenance of the existing network. In addition, field inspections showed that the new roads were not serving vehicular traffic and were covered by heavy vegetation making it an uneconomical investment and hence nugatory expenditure.</p>	<p>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>Non-compliance with the performance agreement</p> <p>There is a risk that no value for money was got during implementation of projects.</p>	<p>The District lacks adequate equipment fleet to undertake compaction of earthworks.</p> <p>Construction practices for culvert installation shall be improved going forward by identifying experienced masons.</p> <p>Obwangor street existed in the past. However during the war it was not maintained and this turned it bushy and affected service delivery within Ararak cell. Hence the TC had to reinstate the street.</p>	<p>the MoWT standards as a guide for project implementation</p> <p>Kaberamaido TC should ensure that road funds are applied to maintenance projects that are economically viable.</p>
OVERSIGHT HT	<p>✓ Oversight on URF projects</p> <p>Section 10(b) of the Performance agreements requires the DA to grant URF access to internal audit reports and DRC activities for the period under review. The team reviewed the internal audit reports and DRC minutes for the period under review and noted adequate oversight on URF projects.</p>	<p>Adequate monitoring for road maintenance programs</p>	<p>Noted with thanks</p>	<p>Keep it up</p>

AREA	STATEMENT OF CONDITION/FINDING	IMPLICATION	RESPONSE	RECOMMENDATIONS
CAPACITY	<p>✓ Capacity to implement projects</p> <p>Kaberamaido DLG had a broken down grader and service field truck for a duration of 6 months.</p>	<p>This reduces Kaberamaido DLG's ability to properly implement road maintenance programs.</p>	<p>The grader engine was taken to FAW for repair and the repair works have been completed awaiting payment. However, URF is yet to release Q2 mechanical imprest for the agency to clear the outstanding amounts</p>	<p>Kaberamaido DLG should ensure that it has all its key equipment for road maintenance in good shape at all times.</p>

3. SPECIFIC TECHNICAL REVIEW FINDINGS ON SELECTED ROADS INSPECTED

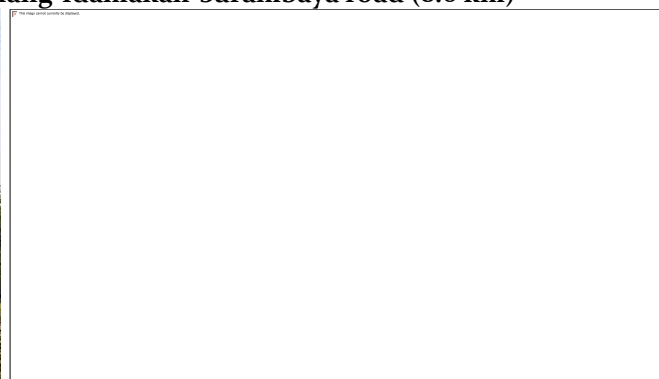
3.1 Routine mechanised maintenance of Abalang-Idamakan-Surambaya road (8.6 km)

Planned amount (UGX)	112,000,000/=
Actual sum (UGX)	Not on file
Variance	N/A
Start date	Not on file
Completion date	Not on file
Management type	Force Account
Supervisor	District Engineer
Activity done	Routine mechanised maintenance
Project Description and Condition	
<p>The project is an 8.6 km unpaved district road with a 7.5m wide and 5.4m roadway and carriageways respectively.</p> <p>The road received routine mechanised maintenance by reshaping, spot gravelling (15km) and major drainage improvements via culvert installations (15 lines of 7m-wide 600mm and 900mm diam.) estimated to cost UGX 112M/=.</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 to show actual expenditure and works undertaken, • Installed culverts lacked inspection certificates, • The length of the road was wrongly reported as 10.4km against the actual measurement of 8.6km, • Poorly constructed splash apron on cross culverts, and • Inadequate culvert backfill and compaction. 	

Photographs from field inspection of Abalang-Idamakan-Surambaya road (8.6 km)



Ch. 0+000: Project profile board



Ch. 1+100: Gravelled section



Ch. 4+500: Multiple culvert installations in swamp crossing. More fill material is required



Ch. 8+200: Multiple culvert installations in swamp crossing. Embankments require protection by installation of gabion walls

3.2 Routine mechanised maintenance of Obwangor roads (2.2 km) in Kaberamaido TC

Planned amount (UGX)	39,069,720/=
Actual sum (UGX)	Not on record
Variance (UGX)	N/A
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	
<p>The project is a collection of unpaved town council roads that collectively measure 2.2km in length and on average 5.5m width.</p> <p>The roads received periodic maintenance by reshaping, and widening estimated to cost UGX 39M/=.</p> <p>At the time of the review, the roads were at a fair service level. It had overly grown vegetation.</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, • Relatively high rate for routine mechanised maintenance, • Lack of routine manual maintenance, • The project had no vehicular traffic hence had to justify the UGX 39M/= investment, and • As new roads, they were not maintenance projects and hence not legible for URF funding. 	

Photographs from field inspection of Obwangor roads (2.2 km) in Kaberamaido TC



Opened section of the road



Narrow carriageway due to lack of vehicular traffic and RMM



Overly grown vegetation along Obwangor road

4. APPENDICES

4.1 Appendix I - Table of detailed performance assessment

No.	PERFORMANCE AREA	Priority (%)	Score (0-3)	%age Score	Aggregate score
1.0	PLANNING AND BUDGETING	20.0			
1.1	Road Inventory and condition surveys		3.0	0.2	3
1.2	Work plan		2.5	0.1	3
1.3	Performance agreements		3.0	0.2	3
1.4	Adequacy of the unit rates		1.0	0.1	1
1.5	Budget performance monitoring		-	-	-
1.6	Procurement plan		-	-	-
	18.0				11
2.0	PROCUREMENT PROCESSES	8.0			
2.1	Compliance with PPDA guidelines		-	-	-
	3.0				-
3.0	PROJECT MANAGEMENT AND CONTROL	30.0			
3.1	Checklist of expected documents (BOQs etc.)		2.0	0.2	5
3.2	Quality and cost control records		-	-	-
3.3	Supervision reports		1.0	0.1	3
3.4	Financial management records		1.5	0.1	4
	12.0				11
4.0	ACTUAL WORKS DONE	25.0			
4.1	Signage		2.0	0.2	4
4.2	Verification of actual works done		3.0	0.3	6
4.3	Adherence to construction standard practices		2.0	0.2	4
4.4	Justification of maintenance needs		1.5	0.1	3
	12.0				18
5.0	OVERSIGHT	10.0			
5.1	Internal audit reports		2.5	0.2	2
5.2	District Roads Committee		2.0	0.2	2
5.3	DEC		2.0	0.2	2
5.4	CAO		2.0	0.2	2
	12.0				7
6.0	AGENCY CAPACITY	7.0			
6.1	Staffing levels and competencies		1.5	0.1	1
6.2	Equipment		0.5	0.0	0
6.3	Funding needs		1.5	0.1	1
6.4	IT Infrastructure		2.0	0.2	1
	12.0				3
	TOTALS	100.0			50