

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



TABLE OF CONTENTS

1.	EXECUTIVE SUMMARY	3
3.1	Introduction	3
3.2	Objective of the technical and financial reviews	3
3.3	Scope of Review.....	3
3.4	Performance assessment.....	4
3.5	Summary of performance	4
3.6	Conclusion.....	4
3.7	Summary of issues and action matrix	5
2.	DETAILS OF THE TECHNICAL AND FINANCIAL REVIEW FINDINGS.....	6
3.	SPECIFIC TECHNICAL REVIEW FINDINGS ON SELECTED ROADS INSPECTED.....	11
3.1	Periodic maintenance of Kodokoto-Acaapa-Akadot (6.4 km).....	11
3.2	Periodic maintenance of Atutur-Ariet-Kanapa (5.2 km).....	12
4.	APPENDICES.....	13
4.1	Appendix I - Schedule of inadequately supported expenditure	13
4.3	Appendix III – Table of detailed performance assessment	13

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

1. EXECUTIVE SUMMARY

3.1 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.

3.2 Objective of the technical and financial reviews

The Uganda Road Fund performed a technical and financial review of road maintenance projects in Kumi 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 Kumi District; and
- To determine effectiveness of oversight and support organs such as District Roads Committee (DRC), Internal Audit on work plans and programs of Kumi District.

3.3 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 684,759,406/= which was planned to finance the activities summarised below in:

	Routine Manual	Routine Mechanised	Periodic Maintenance	Mechanical Imprest	Other Works	Totals
Kumi District	168,116,000 (235.3KM)	54,853,620 (27.5KM)	202,198,996 (11KM)	71,320,900	22,967,000	519,456,516
Kumi Town Council	36,871,800 (31KM)	10,000,000 (10.2KM)	41,933,300 (05KM)	12,795,570	6,684,320	108,284,990
Kumi CARs	57,017,900	-	-	-	-	57,017,900
Sub Total	262,005,700	64,853,620	244,132,296	84,116,470	29,651,320	684,759,406

3.4 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.

3.5 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	16
2	Procurement Processes	8	08
3	Project Management and Control	30	13
4	Actual Works Done	25	22
5	Oversight	10	06
6	Agency Capacity	7	04
	Total	100	70

3.6 Conclusion

Based on the evaluation of the function areas highlighted above, the performance of the district is rated at 70% 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.

3.7 Summary of issues and action matrix

Issue	Action Required	Action by	Deadline
1. Partial performance of the District Roads Committee (DRC). The DRC held only two meetings as opposed to our meetings during the FY2015/16.	DRCs should hold meetings at least once every quarter as required in the URF Act	CAO	Continuous
2. Deviation from engineering design and implementation standards and practices: a. Inadequate quality control procedures b. Failure to install project information signage c. Lack of final accounts for completed projects, d. Failure to construct culvert end structures e. Lack of independence during the preparation of financial accountability reports	<ul style="list-style-type: none"> • To conduct quality control tests for construction materials; • To install signage with all key project information on all road projects; • To improve project management documentation and include final accounts / report for each completed project; and • Follow MoWT standards for road works at all times • To ensure independence during the preparation of accountability reports 	CAO	Effective Q2 of FY 2016/17
3. Failure to maintain records and information to track budget performance for projects	The district should maintain the requisite records to enable tracking of funds and implementation of projects.	CAO	Continuous
4. Lack of a unit rates schedule to guide budget preparation and tracking budget performance	Derive unit rates for road maintenance activities and draw up a schedule	CAO	With effect from Q3 of FY2016/17
5. Poor financial management records including failure to provide cash book/IFMS expenditure.	Provide details expenditure recorded in the IFMS cash book for review.	CAO	Immediate
6. The team was not provided with the internal audit reports for review.	To provide internal audit reports for review.	CAO	Immediate

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, a schedule of unit rates for formulation of the annual work plan was not availed.</p> <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 activities in the work plan were not revised in relation to the actual cash limits received.</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 and performance by URF difficult.</p>	<p>It is true the District did not derive unit rates but what has been used to guide planning and project implementation are the cost guidelines provided by URF. However, the work plan for FY2016/17 shall have a schedule of agency specific unit rates.</p> <p>In FY2015/16, the road maintenance budget had a shortfall of 18,573,845/= representing about 4% cut and insignificant to warrant an update of the plan</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 update its work plan based on the actual cash limits received to tracking of its budget performance.</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.</p>	<p>Procurements were undertaken in a transparent and competitive manner.</p>	<p>Noted with thanks</p>	<p>Keep it up</p>
PROJECT MANAGEMENT AND CONTROL	<p>✓ Lack of quality and cost control records</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>Kumi DLG failed to implement adequate quality</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. 	<p>Quality control tests for gravel were not conducted due to inadequate funding. The agency requests for an increase in the 4.5% operational costs to cater for</p>	<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	RESPONSE	RECOMMENDATIONS
	<p>and cost control procedures. For example, there were no records of quality tests conducted on materials such as gravel and culverts 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>Kumi DLG took an effort to maintain project budgeting tools such as the engineers' estimates. However, it lacked key project implementation documents such as project specific progress reports and measurement of actual works done at completion (final accounts) for the implemented projects.</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>such expenditures.</p> <p>Key project information documents are prepared at project completion. These are available for review.</p>	
<p>FINANCIAL MANAGEMENT RECORDS</p>	<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 for FY 15-16 were prepared and signed off by the District Engineer and not the Head of Finance. ○ The review team was not availed with the cash book/IFMS expenditure. Thus unable to assess the accuracy of expenditure recorded in the accountability reports. 	<p>This undermines independence of functions in financial and technical management.</p> <p>Accuracy of expenditure recorded in the accountability reports could 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>Kumi DLG prepared accountability reports for the funds disbursed in a form prescribed by URF which do not provide for HoF to sign off. However, we also appreciate that there's a need and we shall be asking the HoF to sign off.</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 review.</p> <p>The district should provide cashbook/expenditure account analysis and bank reconciliation statements in relation to road maintenance funds for review.</p>

AREA	STATEMENT OF CONDITION/FINDING	IMPLICATION	RESPONSE	RECOMMENDATIONS
	<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 for the period under review.</p>		<p>The introduction of the treasury single account (TSA) as a reform by government means that the agency operates only one account with bank of Uganda.</p> <p>Therefore, Kumi DLG now has one cashbook on the TSA. There is no separate cashbook for works department or for URF.</p> <p>This cashbook is auto generated via IFMIS however, it is usually bulky.</p> <p>Bank reconciliation statements are normally prepared off the system as well.</p>	

AREA	STATEMENT OF CONDITION/FINDING	IMPLICATION	RESPONSE	RECOMMENDATIONS
EVALUATION OF PROJECTS IMPLEMENTED	<p>✓ Physical inspection of projects</p> <p>Clause 9 (k) of the performance agreements required Kumi 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. Kumi DLG installed project information signage on all the district roads that were inspected. However, the financial year when the works were implemented were not indicated.</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. Kumi DLG was found to deviate from this stipulation on some of the inspected projects. For example;</p> <ul style="list-style-type: none"> ○ Culvert installations along Atutur-Ariet-Kanapa road were built without end structures and yet there were expenditures in line with construction of the same, and ○ Culvert installations for both Atutur-Ariet-Kanapa and Kodokoto-Acaapa-Akadot roads were undertaken without compaction of the backfill earthworks in addition to the questionable quality of backfill material utilised. 	<p>There is a risk that the inspected projects could have been worked on in a different period from the FY under review</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>It is true that the financial year when the works were executed was not indicated on the signage. This was an omission on the part of the agency. Going forward, we commit to include this on our project signage.</p> <p>The swamp was raised adequately ready for culvert installation. However, at the peak of the dry season, there was sudden heavy rains that led to flooding and washed away part of the embankment.</p> <p>In an attempt to remedy the damages, there was political interference from the LC III council and by the time issues were resolved, the hired equipment had been demobilised hence some of the envisaged works were not done such as the compaction of backfill material. And materials for construction of end structures were stolen by the communities.</p>	<p>Kumi DLG should place signage on all major projects and clearly indicate the period of implementation as a standard practice</p> <p>The agency should follow the MoWT standards as a guide for project implementation.</p>
OVERSIGHT	<p>✓ Oversight over road maintenance</p>	<p>It is not possible to ascertain</p>	<p>Internal audit provided</p>	<p>The Accounting officer</p>

AREA	STATEMENT OF CONDITION/FINDING	IMPLICATION	RESPONSE	RECOMMENDATIONS
HT	<p>projects</p> <p>The review team was not availed with the internal audit reports for the period under review.</p> <p>Section 25(2) of the URF Act 2008 provides District Roads Committees (DRCs) that have the mandate of providing oversight on planning and implementation of road maintenance activities within the district. There were only two meetings held throughout the financial year under review as opposed to the minimum recommended number four meetings annually.</p>	<p>whether the internal audit department provided adequate oversight during the implementation of road maintenance activities within the DA.</p> <p>Inadequate oversight during the implementation of URF projects.</p>	<p>oversight during project implementation of road maintenance projects and the reports are available for review.</p> <p>It is true that the DRC met twice during the period under review as a result of the engagement of the members in political campaigns.</p>	<p>should ensure that the internal audit department provides adequate oversight during project implementation.</p> <p>DRCs should at least sit once on a quarterly basis as required in the URF act. Road maintenance plans should be discussed by DRC.</p>

3. SPECIFIC TECHNICAL REVIEW FINDINGS ON SELECTED ROADS INSPECTED

3.1 Periodic maintenance of Kodokoto-Acaapa-Akadot (6.4 km)

Planned amount (UGX)	88,616,680/=
Actual sum (UGX)	86,772,000/=
Variance	1,844,680/=
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 6.4 km unpaved district road with a 6.5 m wide and 4.5 m roadway and carriageways respectively.</p> <p>The road received periodic maintenance by reshaping, spot gravelling and drainage improvements via culvert installations estimated to cost UGX 91.9M/=.</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, • Inadequate compaction for culvert backfill material, • The use of inferior materials as backfill for culverts, • Installed project profile boards did not indicate the financial year, and • Installed culverts lacked inspection certificates. 	

Photographs from field inspection of Kodokoto-Acaapa-Akadot (6.4 km)



Ch. 0+000: Project profile board lacking the financial year



Ch. 0+200: Exposed concrete culvert pipe due to inadequate backfill material



Ch. 6+200: Inferior backfill material for culverts



Ch. 6+200: Exposed concrete culvert pipes due to inadequate backfill material

3.2 Periodic maintenance of Atutur-Ariet-Kanapa (5.2 km)

Planned amount (UGX)	73,847,100/=
Actual sum (UGX)	72,244,000/=
Variance	1,844,680/=
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 6.4 km unpaved district road with a 6.5 m wide and 4.5 m roadway and carriageways respectively.</p> <p>The road received periodic maintenance by reshaping, spot gravelling and drainage improvements via culvert installations estimated to cost UGX 72.2M/=.</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, • Inadequate compaction for culvert backfill material, • The use of inferior materials as backfill for culverts, • Culverts were installed without end structures despite expenditures for the same, • Installed project profile boards did not indicate the financial year, and • Installed culverts lacked inspection certificates. 	

Photographs from field inspection of Kodokoto-Acaapa-Akadot (6.4 km)



Ch. 0+000: Project profile board lacking the financial year Ch. 0+200: Gravelled sections



Ch. 0+600: Culvert installations lacking end structures Ch. 2+600: Culvert installations lacking end structures

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
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		2.00	0.11	2
1.5	Budget performance monitoring		0.00	0.00	-
1.6	Procurement plan		3.00	0.17	3
	18				16
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.)		1.80	0.15	5
3.2	Quality and cost control records		0.50	0.04	1
3.3	Supervision reports		1.00	0.08	3
3.4	Financial management records		2.00	0.17	5
	12				13
4	ACTUAL WORKS DONE	25			
4.1	Signage		2.50	0.21	5
4.2	Verification of actual works done		3.00	0.25	6
4.3	Adherence to construction standard practices		2.20	0.18	5
4.4	Justification of maintenance needs		3.00	0.25	6
	12				22
5	OVERSIGHT	10			
5.1	Internal audit reports		0.00	0.00	-
5.2	District Roads Committee		2.50	0.21	2
5.3	DEC		2.50	0.21	2
5.4	CAO		2.50	0.21	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			70