

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



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REPORT ON THE TECHNICAL AND FINANCIAL REVIEW OF BULIISA 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 Buliisa 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 Buliisa District; and
- To determine effectiveness of oversight and support organs such as District Roads Committee (DRC), Internal Audit on work plans and programs of Buliisa 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 425,510,000/= which was planned to finance the activities summarised below in:

	Routine Manual	Routine Mechanised	Periodic Maintenance	Mechanical Imprest	Other Works	Totals
Buliisa District	134,880,000 (904KM)	64,274,000 (26KM)	0	69,648,000	21,426,000	290,228,000
Buliisa Town council	22,158,000 (80KM)	60,130,000 (80KM)	0	12,796,000	6,278,000	101,362,000
Buliisa CARs	33,920,000	0	0	0	0	33,920,000
Sub Total	190,958,000	124,404,000	0	82,444,000	27,704,000	425,510,000

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	18
2	Procurement Processes	8	05
3	Project Management and Control	30	14
4	Actual Works Done	25	19
5	Oversight	10	9
6	Agency Capacity	7	05
	Total	100	70

1.6. Conclusion

Based on the evaluation of the function areas highlighted above, the performance of the Municipal Council 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 district in future.

1.7. Summary of issues and action matrix

Issue	Action Required	Action by	Timeline
1. Deviation from engineering design and implementation standards and practices: a. Inadequate quality control procedures b. Failure to compact earthworks c. Failure to construct end structures on installed culvert crossings, d. Narrow carriageways	<ul style="list-style-type: none"> To start conducting quality control tests for construction materials Follow standard road construction methods in project implementation 	CAO	Immediate
2. Failure to maintain records and information for the following key functions and activities: a. Records to track budget performance for projects b. Failure to prepare bank reconciliations c. Failure to maintain project specific documents and reports d. Failure to review and certify bank reconciliations by a senior finance official in the department.	To maintain the requisite records to enable tracking of funds and implementation of projects, include final accounts that are specific to road projects implemented and ensure bank reconciliations are reviewed and certified by a senior finance official in the department.	CAO	Continuous
3. Lack of a unit rates schedule for planning and budget control during project implementation	To derive unit rates for road maintenance activities	CAO	Effective Q1 of FY 2017/18
4. Overdependence on routine manual maintenance	Plan for a rational balance between RMeM and RMM for efficient road maintenance programs	CAO	Effective Q1 of FY 2017/18
5. Non-adherence to the procurement processes by Works department usurping Procurement and Disposal Unit's roles and responsibilities.	The District should follow the provisions of the PPDA Act while undertaking its procurement of supplies for maintenance works.	CAO	Continuous
6. Lack of independence during the preparation of financial accountability reports.	Ensure independence during the preparation of accountability reports	CAO	Immediate
7. Lack of capacity to implement road maintenance programs a. Inadequate equipment fleet b. Inadequate funds to effectively address all road maintenance needs	<ul style="list-style-type: none"> To ensure that all equipment are available and maintained all the time to enable continuity. Lobby for more funding from MoFPED to bridge the road maintenance needs. 	CAO URF	Continuous
8. Inadequately supported expenditure	To account for the funds	CAO	Effective Q1 of FY 2017/18

Issue	Action Required	Action by	Timeline
amounting to UGX 4,307,000/=			

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 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>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>																				
<p>PROCUREMENT OF SUPPLIES</p>	<p>✓ Procurement plan and records</p> <p>The audit team was availed with the procurement plans of the period under review. It included the planned procurements for road maintenance.</p> <p>However the review noted instances below where the user department usurped the procurement function by directly advancing funds to staff for purchase of road maintenance materials.</p> <table border="1" data-bbox="478 1110 1312 1352"> <thead> <tr> <th>Beneficiary</th> <th>PV No</th> <th>Amount</th> <th>Purpose</th> </tr> </thead> <tbody> <tr> <td>Olaya Stephen</td> <td>11/1/16</td> <td>1,150,000</td> <td>Repairs & maintenance of MV LG0007-020</td> </tr> <tr> <td>Olaya Stephen</td> <td>10/01/16</td> <td>626,000</td> <td>Repairs & maintenance of MV LG0007-020</td> </tr> <tr> <td>Kyabalire Phares</td> <td>10/5/16</td> <td>6,147,500</td> <td>Fuel for mechanised maintenance of Biiso-waaki road</td> </tr> <tr> <td>Assimwe Siraj</td> <td>9/5/16</td> <td>2,000,000</td> <td>Mechanical imprest</td> </tr> </tbody> </table>	Beneficiary	PV No	Amount	Purpose	Olaya Stephen	11/1/16	1,150,000	Repairs & maintenance of MV LG0007-020	Olaya Stephen	10/01/16	626,000	Repairs & maintenance of MV LG0007-020	Kyabalire Phares	10/5/16	6,147,500	Fuel for mechanised maintenance of Biiso-waaki road	Assimwe Siraj	9/5/16	2,000,000	Mechanical imprest	<p>Procurement of road maintenance materials was under taken in a transparent and competitive manner.</p> <p>This violates the provisions of the PPDA Act which stipulate the procedures to be followed for procurement processes.</p>	<p>Keep it up</p> <p>The District should follow the provisions of the PPDA Act while undertaking its procurement of supplies for maintenance works.</p>
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AREA	STATEMENT OF CONDITION/FINDING	IMPLICATION	RECOMMENDATIONS
<p>PROJECT MANAGEMENT AND CONTROL</p>	<p>✓ Inadequate quality control procedures 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>Buliisa DLG failed to implement adequate quality 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 Buliisa 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>	<ul style="list-style-type: none"> Value for money cannot be ascertained due to uncertainty on the quality of materials used. <p>There is poor project implementation control.</p> <ul style="list-style-type: none"> There is a possibility of misuse of funds and poor accountability. 	<p>All works should be executed in accordance with acceptable standards in relation to design, documentation and testing suitability of materials used.</p> <p>Buliisa DLG should improve project management documentation and include final accounts that are specific to road projects implemented.</p>
<p>FINANCIAL MANAGEMENT RECORDS</p>	<p>✓ Inadequately supported expenditure Contrary to S181 of the Treasury Accounting Instructions, payments amounting to UGX 4,307,000/= lacked vital supporting documents. Summary is in <i>appendix I attached</i>.</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 that the financial accountability reports for 2nd half of FY 15-16 and 1st half of Q1-Q2 FY 16/17 were prepared and</p>	<p>There is a risk of funds being used for activities that they were not intended for.</p> <p>This undermines independence of functions in financial and technical management.</p>	<p>Buliisa DLG should account for the funds</p> <p>Financial accountability reports should be prepared and signed off by the Head of Finance.</p>

AREA	STATEMENT OF CONDITION/FINDING	IMPLICATION	RECOMMENDATIONS
	<p>signed off by the District Engineer and not the Head of Finance. This undermines independence of functions in financial and technical management.</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 prepares the bank reconciliation statements there is no evidence that they are reviewed and authorised by the senior finance officer. Also the preparer and date prepared are not indicated.</p> <p>✓ Commingling of funds</p> <p>The district operates one bank account and cashbook and expenditure is incurred for different projects without analysis to the funding source. As a result, expenditure from the account lacks traceability to the funding source.</p>	<p>Unable to assess the adequacy of controls over the management of road maintenance funds released to the district.</p> <p>There is a risk of diversion of funds to other projects without detection.</p>	<p>The Accounting Officer should ensure that bank reconciliation statements are reviewed and authorised by a senior finance officer in the department, the date prepared and the name of the preparer should also be indicated.</p> <p>Buliisa District Local Government should always reconcile expenditure recorded to the funding sources.</p>
<p>EVALUATION OF PROJECTS IMPLEMENTED</p>	<p>✓ Physical inspection of projects</p> <p>Clause 9 (k) of the performance agreements required Buliisa 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. Buliisa DLG had installed appropriate signage on all 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"> • Failure to construct end structures on the culvert installations, • Lack of compaction of earthworks during project implementation, and • Narrow carriageways averaging 3.5m against the standard minimum of 5.4m for District feeder roads. 	<p>This implies compliance with guidelines and performance agreements.</p> <p>Risk of extended damage on the road asset value hence increased maintenance costs</p> <p>Loss of value for money</p>	<p>Buliisa DLG should keep up with the practice.</p> <p>Buliisa DLG should follow standard construction methods for road works.</p>

AREA	STATEMENT OF CONDITION/FINDING	IMPLICATION	RECOMMENDATIONS
	<p>✓ Overdependence on routine manual maintenance</p> <p>Buliisa DLG used 67% of her road maintenance budget on routine manual maintenance via road gangs and the balance was then applied on routine mechanised maintenance in the period under review.</p>	<p>Reduced visible and durable impact of maintenance on the road network,</p>	<p>Buliisa DLG should plan for a healthy balance between RMeM and RMM for efficient road maintenance programs</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. The district convened DRC meeting on 4th February 2016, 18th April 2016, and 10th October 2016. It was noted that all these meetings discussed issues that related to road maintenance activities during the period under review.</p> <p>The team reviewed the internal audit reports on road maintenance activities for the period under review, it was noted that the reports capture the financial and the physical aspects of road maintenance.</p>	<p>The District Roads Committee provided adequate oversight and planning during the implementation of road maintenance activities within the DA.</p> <p>There is adequate oversight over road maintenance funds.</p>	<p>Keep it Up.</p> <p>Keep it up.</p>

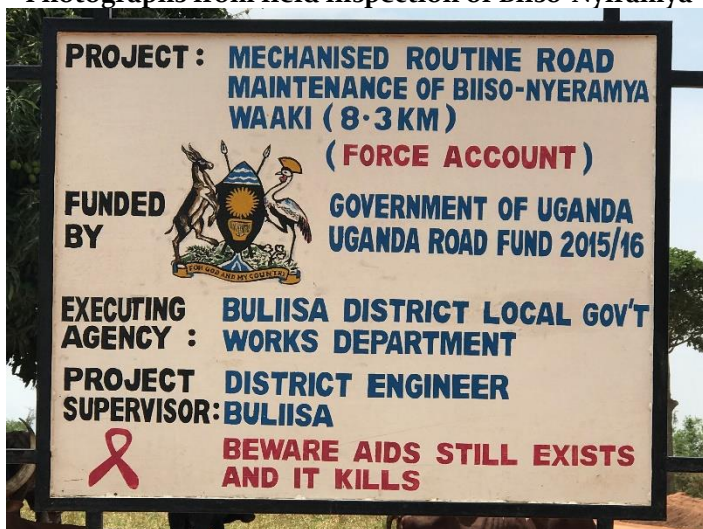
AREA	STATEMENT OF CONDITION/FINDING	IMPLICATION	RECOMMENDATIONS
CAPACITY	<p>✓ Staffing Buliisa DLG has a fully constituted team with a District Engineer, Engineers and inspectors. Therefore, the staffing levels are fairly adequate for the implementation of the road maintenance programs.</p> <p>✓ Equipment Buliisa DLG currently has a functional grader, bulldozer and dumper trucks but lacks a water tank and roller. Therefore most of the earthworks are conducted without compaction.</p> <p>✓ Funding Preliminary estimates indicate that Buliisa DLG requires UGX 900M as funding to achieve satisfactory performance of its road maintenance programs. However, currently the agency has an indicative planning figure of UGX 426M/= which is 47% of the needs.</p>	<p>Proper planning and ability to properly implement road maintenance programs by Buliisa DLG</p> <p>Inability of Buliisa DLG to efficiently implement her road maintenance programs</p> <p>Inability of the agency to adequately fund its road maintenance needs hence extended damage to the existing infrastructure.</p>	<p>Buliisa DLG should keep up with the adequate staffing levels</p> <p>The Agency should ensure that all equipment are available and maintained all the time to enable continuity.</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 Biiso-Nyiramyia-Waaki road (8.2 km)

Planned amount (UGX)	25,328,722/=
Actual sum (UGX)	25,328,722/=
Variance	NIL
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 8.2 km unpaved district road with 3.5 m wide and 5m roadway and carriageways respectively. The road received routine mechanised maintenance by grading, spot gravelling and drainage improvement via culvert installation in Q4 FY2015/16 estimated to cost UGX 25.3M/=.</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"> • Earthworks were undertaken without watering and compaction, • Culvert installations were undertaken without constructing end structures, • All materials utilised on the project such as gravel and culverts were not subjected to quality assurance tests, • Narrow carriageway of 3.5m against the standard minimum of 5.4m for District roads, and • Lack of project final account of physical works undertaken. 	

Photographs from field inspection of Biiso-Nyiramyia-Waaki road (8.2 km)



Ch. 0+000: Project information profile board



Ch. 1+100: Culvert installation with loosely compacted backfill



Ch. 2+200: Culvert installation without end structures



Ch. 6+100: Narrow carriageway

4. APPENDICES

4.1. Appendix I - Schedule of inadequately supported expenditure

Date	Beneficiary	PV No	Amount	Purpose
17.10.16	Mpagi William	19/10/16	360,000	Facilitation to enable verification of road gang activities
13.10.16	Buliisa Service Station	10/10/16	1,500,000	Fuel deposit for 2 nd quarter FY 16/17
05.10.16	Asiimwe Siraj	03/10/16	700,000	Facilitation to submit Q1 FY 16/17 accountability report
18.05.16	Asiimwe Siraj	11/5/16	720,000	Facilitation to deliver URF work plan
07.12.16	Asiimwe Siraj	8/12/16	1,027,000	Follow up on repair of district vehicle LG-0007-020
TOTAL			4,307,000	

4.2. Appendix II - Table of detailed performance assessment

No.	PERFORMANCE AREA	Priority	Score	%age	Aggregate
		(%)	(0-3)	Score	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		2.50	0.14	3
1.6	Procurement plan		3.00	0.17	3
	18				18
2	PROCUREMENT PROCESSES	8			
2.1	Compliance with PPDA guidelines		2.00	0.67	5
	3				5
3	PROJECT MANAGEMENT AND CONTROL	30			
3.1	Checklist of expected documents (BOQs etc.)		2.00	0.17	5
3.2	Quality and cost control records		0.00	0.00	-
3.3	Supervision reports		1.00	0.08	3
3.4	Financial management records		2.50	0.21	6
	12				14
4	ACTUAL WORKS DONE	25			
4.1	Signage		3.00	0.25	6
4.2	Verification of actual works done		3.00	0.25	6
4.3	Adherence to construction standard practices		2.00	0.17	4
4.4	Justification of maintenance needs		1.00	0.08	2
	12				19
5	OVERSIGHT	10			
5.1	Internal audit reports		3.00	0.25	3
5.2	District Roads Committee		3.00	0.25	3
5.3	DEC		2.50	0.21	2
5.4	CAO		2.50	0.21	2
	12				9
6	AGENCY CAPACITY	7			
6.1	Staffing levels and competencies		2.50	0.21	1
6.2	Equipment		1.80	0.15	1
6.3	Funding needs		1.50	0.13	1
6.4	IT Infrastructure		2.00	0.17	1
	12				5
	TOTALS	100			70