

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



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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 Jinja 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 Jinja Municipal Council; and
- To determine effectiveness of oversight and support organs such as Internal Audit on work plans and programs of Jinja 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 **UGX 1,617,826,000/=** 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)
100,000,000(60KM)	252,000,000(2,100M2)	845,826,000(1.2KM)	85,000,000	125,000,000	1,407,826,000

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	13
2	Procurement Processes	8	08
3	Project Management and Control	30	24
4	Actual Works Done	25	17
5	Oversight	10	06
6	Agency Capacity	7	06
	Total	100	74

1.6 Conclusion

Based on the evaluation of the function areas highlighted above, the performance of the Municipal Council is rated at **74%** 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
<p>1. Deviation from engineering design and implementation standards and practices:</p> <ol style="list-style-type: none"> a. Lack of unit rates schedule for planning, b. Lack of final accounts for completed projects, c. Lack of headwalls for culverts on Kyalya Kanobe road, d. Lack of road condition surveys to guide planning, and e. Failure to install project information signage 	<ul style="list-style-type: none"> • Develop a schedule for unit rates to guide planning • Follow MoWT standards for road works at all times • Conduct road condition surveys annually and submit to URF • Place signage on all major projects as a standard practice 	TC	Effective Q2 of Fy2016/17
<p>2. Failure to maintain records and information for the following key functions and activities:</p> <ol style="list-style-type: none"> a. Records to track budget performance for projects b. Expenditures reported to URF could not be verified with the IFMS cash book balances. 	The Municipal Council should maintain the requisite records to enable tracking of funds and implementation of projects.	TC	Effective Q2 of Fy2016/17

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 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>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>The issue of road inventories has been noted and road condition surveys shall be carried out in Q3 of FY 2016/17.</p> <p>Unit rates have since been prepared and approved by PDU.</p>	<p>JMC 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>✓ 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 of the Municipal Council could not be ascertained as broken down below:</p>	<p>Failure to update records of budget and expenditure in the vote books prohibits tracking of the work plan and performance.</p>	<p>All records of tracking of funds and implementation of projects are now in place</p>	<p>The agency should regularly update its vote book to track its performance against budget and guide the decision making processes.</p>																											
	<table border="1"> <thead> <tr> <th>Jinja Municipal Council</th> <th>Budget</th> <th>Actual</th> <th>Variance</th> </tr> </thead> <tbody> <tr> <td>RMM</td> <td>100,000,000</td> <td>65,750,000</td> <td>34,250,000</td> </tr> <tr> <td>RMeM</td> <td>252,000,000</td> <td>200,406,000</td> <td>51,594,000</td> </tr> <tr> <td>PM</td> <td>845,826,000</td> <td>629,440,000</td> <td>216,386,000</td> </tr> <tr> <td>MI</td> <td>85,000,000</td> <td>44,156,260</td> <td>40,843,740</td> </tr> <tr> <td>Other Qualify works</td> <td>125,000,000</td> <td>52,464,000</td> <td>72,536,000</td> </tr> <tr> <td>Total</td> <td>1,407,826,000</td> <td>992,216,260</td> <td>415,609,740</td> </tr> </tbody> </table>	Jinja Municipal Council	Budget	Actual	Variance	RMM	100,000,000	65,750,000	34,250,000	RMeM	252,000,000	200,406,000	51,594,000	PM	845,826,000	629,440,000	216,386,000	MI	85,000,000	44,156,260	40,843,740	Other Qualify works	125,000,000	52,464,000	72,536,000	Total	1,407,826,000	992,216,260	415,609,740		
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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>	Procurements were undertaken in a transparent and competitive manner.	Noted with thanks	Keep it up
PROJECT MANAGEMENT AND CONTROL	<p>✓ Quality 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>Jinja MC undertook quality assurance and control tests for all materials utilised in the road maintenance works of both <i>Kyalya Kanobe</i> and <i>Parekh roads</i>. And the materials utilised were of the right quality.</p> <p>✓ Project management documentation</p> <p>Jinja MC took an effort to maintain project monitoring reports. However, there are key documents that were not maintained by the agency. There were no records of approval of work program, 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"> Value for money can be guaranteed due to certainty on the quality of materials used. There is poor project implementation control. There is a possibility of misuse of funds and poor accountability 	<p>Noted with thanks</p> <p>Final accounts for each project implemented are now in place</p>	<p>Jinja MC to keep it up with the practice</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>Jinja MC should improve her project management documentation and include final accounts that are specific to particular road projects implemented.</p>

AREA	STATEMENT OF CONDITION/FINDING	IMPLICATION	RESPONSE	RECOMMENDATIONS
FINANCIAL MANAGEMENT RECORDS	<ul style="list-style-type: none"> Inadequately supported expenditure Contrary to S 181 of the Treasury Accounting Instructions, payments amounting to UGX 19,650,000/= lacked vital supporting documents. Summary is in <i>appendix I attached</i>. 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 for FY 15/16 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. 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. Reconciliation statements for the period July 2015-January 2016 were prepared and certified as required. 	<p>There is a risk of diversion of funds to other projects without detection.</p> <p>This leads to inaccuracies and inconsistencies in the accountability reports submitted to URF.</p> <p>Lapses in reconciliation may result in loss of cash without detection.</p>	<p>All supporting documents are now available for review.</p> <p>The IFMS cash book for all URF activities 2015/16 is available for review and it captures all expenditures</p>	<p>Jinja MC should account/provide supporting documents for the funds</p> <p>Financial accountability reports of the Municipal Council should be prepared and signed by the Head of Finance.</p> <p>Bank reconciliations should be prepared and certified by CFO.</p>

AREA	STATEMENT OF CONDITION/FINDING	IMPLICATION	RESPONSE	RECOMMENDATIONS
	However, bank reconciliation statements for the period February-June 2016 were supposed to be prepared under IFMS. This was not done.			
EVALUATION OF PROJECTS IMPLEMENTED	<p>✓ Lack of project information signage</p> <p>Clause 9 (k) of the performance agreements required Jinja 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. Jinja 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. Jinja MC was found to deviate from this stipulation on some of the inspected projects by constructing access culverts along Kyalya Kanobe road without end structures.</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>Road signage on all implemented projects has been installed</p> <p>Headwalls for all culvert installations have been constructed and pictures are attached for reference</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>
OVERSIGHT	<p>✓ Oversight on URF projects</p> <p>The review team was not availed with internal audit reports on road maintenance.</p>	Inability to ascertain adequacy of oversight on road maintenance funds.	All the 4 quarterly internal audit reports are available for review	The Accounting Officer should avail the review team with Internal audit reports for review.

3. SPECIFIC TECHNICAL REVIEW FINDINGS ON SELECTED ROADS INSPECTED

3.1 Resealing of Parekh road (800m)

Planned amount (UGX)	494,909,000/=
Actual sum (UGX)	344,848,000/=
Variance	150,061,000/=
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 an 800m newly paved urban road. It measures 12m wide for the first 400m and it narrows to 7m in the last 400m. The road traverses a flat terrain.</p> <p>The road was supposed to receive an upgrade from gravel to bituminous standards via double bituminous surface treatment (DBST) using 14/20 mm and 10/12 mm aggregates for first and second seals respectively bound by 80/100 penetration grade bitumen over an MC30 prime coat.</p> <p>At the time of the review, the road had only received a single seal of 14/20mm aggregates. In addition, 8 road signs were installed. The works at the time were estimated to have cost UGX 345M/=.</p> <p>The road was at a good service level and motorable throughout.</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 	

Photographs from field inspection of Parekh road (800m)



Ch. 0+000: Surface dressing for wearing course



Ch. 0+100: Surface dressing for wearing course



0+350: Installation road furniture (signs) on the LHS

3.2 Resealing of Kyalya Kanobe road (400m)

Planned amount (UGX)	367,124,000/=
Actual sum (UGX)	284,592,000/=
Variance	82,532,000/=
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 400m newly paved urban road. It measures 8m wide. The road traverses a flat terrain. The road was supposed to receive an upgrade from gravel to bituminous standards via double bituminous surface treatment (DBST) using 14/20 mm and 10/12 mm aggregates for first and second seals respectively bound by 80/100 penetration grade bitumen over an MC30 prime coat. At the time of the review, the road had only received a single seal of 14/20mm aggregates. In addition, road signs were installed. The works at the time were estimated to have cost UGX 284M/=.</p> <p>The road was at a fair service level and motorable throughout.</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, • Incomplete drainage works and • Lack of end structures on constructed access culverts. 	

Photographs from field inspection of Kyalya Kanobe road (800m)



Ch. 0+000: Surface dressing for wearing course



Ch. 0+100: Surface dressing for wearing course

4. APPENDICES

4.1 Appendix I - Schedule of inadequately supported expenditure

Beneficiary	PV No	Amount	Purpose	Comment
Viral Oil Limited	PV-WK00545	6,000,000	Fuel for road patching	Details of how fuel was utilised not attached
Viral Oil Limited	PV-WK00546	2,100,000	Fuel for dislting drains and road gangs	Details of how fuel was utilised not attached
Viral Oil Limited	PV-FN00207	3,050,000	Fuel for road works	Details of how fuel was utilised not attached
Nnume Yasin Abubaker	PV-S03412	1,500,000	Funds to cater for finalisation of audit reports	No accountability
Nyende Ramathan	PV-S03409	7,000,000	Allowances for staff who carry out monitoring activities on road fund projects	No accountability
TOTAL		19,650,000		

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		2.00	0.11	2.22
1.5	Budget performance monitoring		1.50	0.08	1.67
1.6	Procurement plan		3.00	0.17	3.33
	18				13.33
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.)		2.00	0.17	5.00
3.2	Quality and cost control records		2.70	0.23	6.75
3.3	Supervision reports		2.20	0.18	5.50
3.4	Financial management records		2.50	0.21	6.25
	12				23.50
4	ACTUAL WORKS DONE	25			
4.1	Signage		0.00	0.00	0.00
4.2	Verification of actual works done		3.00	0.25	6.25
4.3	Adherence to construction standard practices		2.00	0.17	4.17
4.4	Justification of maintenance needs		3.00	0.25	6.25
	12				16.67
5	OVERSIGHT	10			
5.1	Internal audit reports		0.00	0.00	0.00
5.2	District Roads Committee		2.50	0.21	2.08
5.3	DEC		2.00	0.17	1.67
5.4	CAO		2.50	0.21	2.08
	12				5.83
6	AGENCY CAPACITY	7			
6.1	Staffing levels and competencies		2.80	0.23	1.63
6.2	Equipment		2.50	0.21	1.46
6.3	Funding needs		2.00	0.17	1.17
6.4	IT Infrastructure		2.50	0.21	1.46
	12				5.72
	TOTALS		100		73.05