

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



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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 Soroti 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 Soroti District; and
- To determine effectiveness of oversight and support organs such as District Roads Committee (DRC), Internal Audit on work plans and programs of Soroti 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 687,476,795/= which was planned to finance the activities summarised below in:

	Routine Manual	Routine Mechanised	Periodic Maintenance	Mechanical Imprest	Other Works	Totals
Soroti District	100,000,000 (162.2KM)	167,841,387 (47.2KM)	110,000,000 (18KM)	71,878,290	71,526,490	521,246,165
Soroti CARs	166,230,630 (417.40KM)					166,230,630
Sub Total	266,230,630	167,841,387	110,000,000	71,878,290	71,526,490	687,476,795

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	06
2	Procurement Processes	8	07
3	Project Management and Control	30	04
4	Actual Works Done	25	17
5	Oversight	10	03
6	Agency Capacity	7	04
	Total	100	40

3.6 Conclusion

Based on the evaluation of the function areas highlighted above, the performance of the district is rated at 40% 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.

3.7 Summary of issues and action matrix

Issue	Action Required	Action by	Deadline
1. Non availability of information on the performance details of the District Roads Committee.	The Accounting officer should provide details of work done by the DA's DRC during the FY 2015-16 for review	CAO	By end of 31 st Dec 2016
2. Deviation from engineering design and implementation standards and practices: a. Inadequate quality control procedures b. Failure to install project information signage c. Failure to conduct ADRICS	<ul style="list-style-type: none"> • To start conducting quality control tests for construction materials • To install signage on all road projects • Conduct ADRICS annually to guide planning processes and submit to URF 	CAO	Effective Q2 of FY 2016/17
3. Failure to maintain records and information for the following key functions and activities: a. Records to track budget performance for projects b. Lack of independence during the preparation of financial accountability reports.	To maintain the requisite records to enable tracking of funds and implementation of projects and ensure independence during the preparation of accountability reports	CAO	Continuous
4. Lack of a unit rates schedule	To derive unit rates for road maintenance activities and draw up a schedule	CAO	With effect from Q2 of FY2016/17
5. Procurement of gravel not undertaken in a transparent and competitive manner	To ensure procurement of gravel is undertaken in a transparent and competitive manner.	CAO	With effect from Q3 of FY2016/17
6. Absence of a District Engineer	To recruit competent and adequate staff to manage road maintenance works.	CAO	Immediate
7. Failure to maintain project specific documents (BOQs) to physical accountability	To provide final accounts for; PM of Arapai-Katine-Tubur road (18 km), RMeM of Kamuda-Olobai road (9.3km) and RMeM of Soroti-Opiro road (6.4km)	CAO	Immediate
8. Poor financial management records a. Failure to provide bank reconciliations for review b. Failure to submit Q4 FY 15-16 accountability report	To provide bank reconciliation statements and Q4 FY 15-16 accountability reports for review.	CAO	By end of 31 st Dec 2016
9. Adequate oversight by internal audit during the FY2015/16	Internal audit to maintain regularly oversight on road maintenance projects	CAO	Immediate

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 plan for the FY2015/16 was in place and submitted to the URF. 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 is for the year is therefore uncertain. ○ A schedule of unit rates for formulation of the annual work plan were not availed. ○ The review team was not provided with the revised work plan the FY 2015-16 for review. <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 an ADRICS can lead to loss of effectiveness in the road maintenance activities of 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 team was unable to track performance of the agency</p> <p>This prohibits tracking of the work plan and performance by URF difficult.</p>	<p>The District should undertake annual road inventory and condition surveys to inform the annual planning processes.</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 CAO should avail the revised work plan for review.</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 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. However, it was noted that procurement of gravel was not done using the prequalified provider under framework contract.</p>	<p>Procurement of gravel not undertaken in a transparent and competitive manner.</p>	<p>The Accounting officer should ensure procurement of gravel is undertaken in a transparent and competitive manner.</p>
<p>PROJECT MANAGEMENT</p>	<p>✓ Lack of quality and cost control records</p>	<ul style="list-style-type: none"> • Value for money cannot be ascertained due to lack of 	<p>All works should be executed in accordance with</p>

AREA	STATEMENT OF CONDITION/FINDING	IMPLICATION	RECOMMENDATIONS
AND CONTROL	<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>Soroti 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</p> <p>Soroti 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>	<p>records and uncertainty on the quality of materials used.</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>acceptable standards in relation to design, documentation and testing suitability of materials used.</p> <p>Soroti DLG should provide final accounts for; PM of Arapai-Katine-Tubur road (18 km), RMeM of Kamuda-Olobai road (9.3km) and RMeM of Soroti-Opiro road (6.4km).</p>
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 for Q1-Q3 FY 15-16 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. ○ The review team was not availed with the details of expenditure recorded in the source records like the cash book. Thus unable to assess the accuracy of expenditure recorded in the accountability. <p>✓ Cashbooks and bank reconciliation statements</p> <p>Section 6.4.2.6 of the LGFAM, 2007 requires that bank reconciliation</p>	<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</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</p>

AREA	STATEMENT OF CONDITION/FINDING	IMPLICATION	RECOMMENDATIONS
	<p>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 in relation to road maintenance funding for review.</p> <p>✓ Non submission of accountability reports to URF</p> <p>Section 5 (b)(i) of the performance agreement between Uganda Road Fund and Soroti District Local Government requires the DA to have provided a comprehensive and satisfactory accountability reports for the funds disbursed in a form a form prescribed by URF. A review of the accountability report submission status as at 31st July 2016 revealed that Soroti DLG has not submitted Q4 FY 15/16 accountability report as required.</p>	<p>maintenance funds released to the district.</p> <p>There is non-compliance of with the performance agreement. This also causes delays in decision making process for the next cycle of funding.</p>	<p>reconciliation statements in relation to road maintenance funds for review.</p> <p>The agency should submit Q4 FY 15-16 accountability report as soon as possible.</p>
EVALUATION OF PROJECTS IMPLEMENTED	<p>✓ Physical inspection of projects</p> <p>Clause 9 (k) of the performance agreements required Soroti 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. Soroti DLG did not install any signage on all the district roads that were inspected.</p>	<p>This implies lack of compliance with guidelines and performance agreements.</p>	<p>Soroti DLG should place signage on all major projects as a standard practice.</p>
OVERSIGHT	<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. Although the agency incurred expenditure on DRC, details of work done were not availed for review.</p>	<p>It is not possible to ascertain whether the District Roads Committee provided adequate oversight and planning during the implementation of road maintenance activities within the DA.</p>	<p>The Accounting officer should provide details of work done by the DA's DRC during the FY 2015-16 for review.</p>

AREA	STATEMENT OF CONDITION/FINDING	IMPLICATION	RECOMMENDATIONS
	<p>The team reviewed the internal audit reports on road maintenance activities for the FY under review.</p> <ul style="list-style-type: none"> From the reports it was noted that UGX33M/- were reallocated from PRDP/LGSMD to fund URF activities for Tubur Town Board Roads. Another expenditure of UGX30/= was incurred under URF for the same works. There was delay in utilisation of funds disbursed to the sub counties of Asuret, Kamuda and Gweri and yet fuel for the works had been procured. Arapai and Soroti sub counties had not initiated their works. 	<p>Duplication of expenditure for similar works</p> <p>Risk of mismanagement of fuel and funds disbursed to the sub counties.</p>	<p>The expenditure of UGX30M/= under URF should be refunded.</p> <p>Internal audit department should follow up and ascertain propriety in the utilisation of the funds</p>
CAPACITY	<p>✓ Capacity to implement projects</p> <p>Soroti DLG did not have a District Engineer but rather used the services of the District Water Officer assisted by road inspectors.</p>	<p>Poor planning and inability to properly implement road maintenance programs by Soroti DLG</p>	<p>The agency should recruit competent and adequate staff to manage road maintenance works</p>

3. SPECIFIC TECHNICAL REVIEW FINDINGS ON SELECTED ROADS INSPECTED

3.1 Periodic maintenance of Arapai-Katine-Tubur road (18 km)

Planned amount (UGX)	110,000,000/=
Actual sum (UGX)	Not on record
Variance	N/A
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 an 18 km unpaved district road with a 7.5 m wide and 6.0 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 110M/=.</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, • Lack of routine manual maintenance, • Lack of project information profile board, and • Installed culverts lacked inspection certificates. 	

Photographs from field inspection of Arapai-Katine-Tubur road (18 km)



Ch. 0+000: Gravelled road surface



Ch. 1+200: Lack of routine manual maintenance



Ch. 5+900: Chocked culvert crossing due to lack of RMM

3.2 Routine mechanised maintenance of Kamuda-Olobai road (9.3km)

Planned amount (UGX)	28,000,000/=
Actual sum (UGX)	Not on record
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 a 9.3km unpaved district road with a 7.5 m wide and 5.5 m roadway and carriageways respectively.</p> <p>The road received routine mechanised maintenance by reshaping, spot gravelling and drainage improvements via culvert installations estimated to cost UGX 28M/=.</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"> • Lack of project final account to show actual expenditure and works undertaken, • Lack of project information boards, • The gravel utilised on the project was not tested for quality assurance, and • Installed culverts lacked inspection certificates. 	

Photographs from field inspection of Kamuda-Olobai road (9.3km)



0+000: Shaped section of the road



6+800: Spot graveled section



7+300: Culvert installation with inadequate backfill

3.3 Routine mechanised maintenance of Soroti-Opiro road (6.4km)

Planned amount (UGX)	20,000,000/=
Actual sum (UGX)	Not on record
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	
The project is a 6.4km unpaved district road with a 7.5 m wide and 5.5 m roadway and carriageways respectively. The road received routine mechanised maintenance by reshaping only estimated to cost UGX 20M/=. At the time of the review, the road was at a good service level and motorable throughout.	
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 unit rate for shaping at UGX3M/km instead of an estimated 2.0M/km. 	

Photographs from field inspection of Soroti-Opiro road (6.4km)



Shaped sections of the road



Shaped sections of the road

4. APPENDICES

4.1 Appendix I - Schedule of inadequately supported expenditure

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	-
1.2	Work plan		0.00	0.00	-
1.3	Performance agreements		0.00	0.00	-
1.4	Adequacy of the unit rates		2.70	0.15	3
1.5	Budget performance monitoring		0.00	0.00	-
1.6	Procurement plan		2.50	0.14	3
	18				6
2	PROCUREMENT PROCESSES	8			
2.1	Compliance with PPDA guidelines		2.50	0.83	7
	3				7
3	PROJECT MANAGEMENT AND CONTROL	30			
3.1	Checklist of expected documents (BOQs etc.)		1.00	0.08	3
3.2	Quality and cost control records		0.00	0.00	-
3.3	Supervision reports		0.50	0.04	1
3.4	Financial management records		0.00	0.00	-
	12				4
4	ACTUAL WORKS DONE	25			
4.1	Signage		0.00	0.00	-
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		3.00	0.25	6
	12				17
5	OVERSIGHT	10			
5.1	Internal audit reports		1.50	0.13	3
5.2	District Roads Committee		0.00	0.00	-
5.3	DEC		0.00	0.00	-
5.4	CAO		0.00	0.00	-
	12				3
6	AGENCY CAPACITY	7			
6.1	Staffing levels and competencies		0.50	0.04	0
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			40

