



THE REPUBLIC OF UGANDA

**REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF
THE MINISTRY OF WORKS AND TRANSPORT (MoWT) FOR THE FINANCIAL YEAR
ENDED 30TH JUNE 2021**

**OFFICE OF THE AUDITOR GENERAL
UGANDA**

TABLE OF CONTENTS

LIST OF ACRONYMS.....	3
Opinion	4
Basis for Opinion.....	4
Key Audit Matters	4
1.0 Implementation of the Approved Budget.....	4
Emphasis of Matter.....	13
2.0 Long outstanding advances	13
Other Matter	13
3.0 Failure to maintain district road equipment.....	13
4.0 Grounded aircrafts used for training.....	14
Other Reporting Responsibilities	16
Report on the Audit of Compliance with Legislation	16
5.0 Delayed compensation of PAPs for the development of Kampala Port in Bukasa.....	16
6.0 Implementation of unplanned procurements.....	17
7.0 Delayed completion of road construction project.....	17
8.0 Planned procurements not implemented – UGX 7,465,000,000	18
9.0 Delayed acquisition of land for the Right of Way (RoW) for the SGR project.....	18

LIST OF ACRONYMS

Acronym	Meaning
BEC	Budget Execution Circular
Bn	Billion
CGV	Chief Government Valuer
EACAA	East African Civil Aviation Academy
GCALA	Guidelines for Compensation Assessment under Land Acquisition
GoU	Government of Uganda
HR	Human Resource
ICT	Information & Communication Technology
INTOSAI	International Organization of Supreme Audit Institutions
ISSAIs	International Standards of Supreme Audit Institutions
KCCA	Kampala Capital City Authority
MDAs	Ministries, Departments and Agencies
MoFPED	Ministry of Finance, Planning and Economic Development
MoWT	Ministry of Works and Transport
NAA	National Audit Act
NTR	Non-Tax Revenue
OAG	Office of the Auditor General
PAPs	Project Affected persons
PBS	Program Budgeting System
PDU	Procurement & Disposal Unit
PFMA	Public Finance Management Act
PPDA	Public Procurement & Disposal of Public Assets
PS/ST	Permanent Secretary / Secretary to the Treasury
ROW	Right of way
SGR	Standard Gauge Railway
TI	Treasury Instructions
UCF	Uganda Consolidated Fund
UGX	Uganda Shilling

REPORT OF THE AUDITOR GENERAL ON THE AUDIT OF THE FINANCIAL STATEMENTS OF THE MINISTRY OF WORKS AND TRANSPORT FOR THE FINANCIAL YEAR ENDED 30TH JUNE, 2021

THE RT. HON. SPEAKER OF PARLIAMENT

Opinion

I have audited the accompanying financial statements of the Ministry of Works and Transport (MoWT) which comprise the Statement of Financial Position as at 30th June 2021, the Statement of Financial Performance, Statement of Changes in Equity and Statement of Cash Flows together with other accompanying statements for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the financial statements of the Ministry of Works and Transport (MoWT) for the financial year ended 30th June 2021 are prepared, in all material respects, in accordance with Section 51 of the Public Finance Management Act, 2015 and the Financial Reporting Guide, 2018.

Basis for Opinion

I conducted my audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements Section of my report. I am independent of Ministry of Works and Transport in accordance with the Constitution of the Republic of Uganda 1995 (as amended), the National Audit Act, 2008, the International Organization of Supreme Audit Institutions (INTOSAI) Code of Ethics, the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B) (IESBA Code), and other independence requirements applicable to performing audits of Financial Statements in Uganda. I have fulfilled my other ethical responsibilities in accordance with the IESBA Code, and in accordance with other ethical requirements applicable to performing audits in Uganda.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

Key Audit matters are those matters that, in my professional judgment, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters. I have determined the matters described below to be key audit matters communicated in my report.

1.0 Implementation of the Approved Budget

On the 24th of April 2020, Parliament approved the annual budget for MDAs and LGs that contained the specific resource envelope allocated to each vote to implement agreed on outputs. Subsequently, the PS/ST issued a Budget Execution Circular that communicated the budget strategy, policy, and administrative issues to guide the budget implementation for the financial year 2020/2021.

During my overall risk assessment exercise, I noted that MDAs and LGs are still experiencing challenges in implementing the budgets approved by parliament and policy guidance's issued by PS/ST, which has continued to affect the performance and credibility of the budget negatively. These challenges include; lack of strategic plans that are aligned to the National Development Plans, underperformance of revenue, implementation of off-budget activities, under absorption of funds, insufficient quantification of outputs, partial and non-implementation of outputs, diversion of funds and challenges in budget monitoring and reporting of performance.

I am aware that the Covid-19 Pandemic continues to significantly affect the implementation of several activities. Consequently, a number of activities were not implemented due to budget cuts and lockdown measures instituted to control the spread of the pandemic. It is against this background that the implementation of the budget was again considered a key audit area during the office-wide planning for the current audit year.

The Ministry of Works and Transport (MoWT) was established in May 2006 when Government re-organized Ministries, and is mandated to:

- Plan, develop and maintain an economic efficient and effective transport infrastructure;
- Plan, develop and maintain economic, efficient and effective transport services by road, rail, water and air;
- Manage public works including government structures, and;
- Promote good standards in the construction industry.

To achieve this mandate, MoWT planned to implement both recurrent and capital development activities. A review of the entity's ministerial policy statement and budget revealed that the entity had a revised approved budget of UGX 1,818.717 bn, out of which UGX 1,280.322 bn was warranted. Table 1 below shows a summary of the key outputs of the MoWT for the financial year 2020/21.

No	Details	Budget (UGX) "000"	Cumulative percentage share of the total approved budget
1	040107 Safety of Navigation Programs Coordinated and Monitored	25,633,264	1.4
2	040176 Purchase of Office and ICT Equipment Including Software	19,450,000	2.5
3	040252 Rehabilitation of Upcountry Aerodromes by UCAA and Wages for UNACL Staff	175,383,950	12.1
4	040254 Development of Standard Gauge Railway (SGR) Infrastructure	19,000,000	13.2
5	040273 Roads, Streets and Highways	200,450,000	24.2
6	040275 Purchase of Motor Vehicles and Other Transport Equipment	539,719,100	53.9
7	040280 Construction / Rehabilitation of Inland Water Transport Infrastructure	92,036,439	58.9
8	040281 Construction / Rehabilitation of Railway Infrastructure	89,811,712	63.9

9	040283 Border Post Rehabilitation / Construction	298,883,115	80.3
10	040304 Monitoring and Capacity Building Support	10,598,160	80.9
11	040402 Monitoring and Capacity Building	13,288,450	81.6
12	040473 Roads, Streets and Highways	116,432,487	88
13	040474 Major Bridges	23,461,350	89.3
14	040481 Urban Roads Construction and Rehabilitation (Bitumen Standard)	11,967,419	90
15	040505 Operation and Maintenance of MV Kalangala Ship	35,488,000	91.9
16	040551 Transfers to Regional Mechanical Workshops	16,588,600	92.8
17	044919 Human Resource Management Services	24,080,823	94.1
	Total	1,712,272,869	94.1

MoWT planned to accomplish its budgetary objectives by implementing sixty three (63) outputs with a total approved budget of UGX.1,818.717bn. I sampled three (3) Programmes; 0404 District, Urban and Community Access Roads; 0403 Construction Standards and Quality Assurance and Programme: 0402 Transport Services and Infrastructure with thirty seven (37) outputs with a total of one hundred sixty eight (168) activities and a budget of UGX 1,315.281bn representing 72.3% of the total approved budget for review.

From the procedures undertaken, I noted the following:

No	Observation	Recommendations
4.1.1	<p><u>Existence of a Strategic plan that is aligned to NDP-III</u></p> <p>Paragraph 5 of the budget execution circular for the financial year 2020/2021 cites poor alignment of Government Budgets with the National Development Plans. The PS/ST urges Accounting Officers to ensure that all activities for Financial Year 2020/2021 are aligned with NDP III and implemented accordingly. Regulation 26 (1) of the National Planning Authority (development of Plans) regulations require entities to submit to NPA their five-year development plans for certification before approval.</p> <p>This being the first year of implementation of the NDP-III, the entity was expected to prepare a strategic plan aligned to NDP III and ensure that the plan is approved. The strategic plan would then form the basis of the preparation of the entity's annual plans.</p> <p>Through document review and interviews, I noted that the entity had prepared a strategic plan. However, this had not been approved by NPA by the end of the year under review.</p> <p>There is a risk that activities implemented during the FY 2020/21 were not aligned to NDP III, which negatively affects the achievement of NDP III objectives.</p> <p>The Accounting Officer pledged to work closely with NPA in-order for</p>	<p>I advised the Accounting Officer to follow up with NPA for the approval of the Strategic plan to ensure achievement of the NDP III objectives</p>

	the strategic plan to be approved.	
4.1.2	<p><u>Revenue Performance</u></p> <p><u>Performance of NTR</u></p> <p>I reviewed the NTR estimates, revenue sources and rates charged at vote level for the financial year 2020/2021 and noted that MoWT did not budget to collect NTR during the year under review.</p> <p>However, the review of financial statements indicated that NTR amounting to UGX. 6,995,230,920 was collected during the year under review.</p> <p>Non-budgeting for NTR collections at the vote level results in an aggregate revenue under budgeting at the Treasury level, which negatively affects planning at a Government-wide level.</p> <p>The Accounting Officer explained that the NTR figures were not captured because PBS was not formatted to capture NTR estimates.</p> <p><u>Performance of GoU receipts</u></p> <p>The Ministry budgeted to receive UGX.1,818.717Bn (including donor funding) out of which UGX.1,4905.60Bn (UGX1,280.322bn GOU warrants and UGX 210.77bn donor funding) was warranted/availed resulting in a shortfall of UGX.327.625bn, which is 18% of the revised budget. Revenue shortfalls affect the implementation of planned activities.</p>	I advised the Accounting Officer to always ensure that NTR collection is budgeted for.
4.1.3	<p><u>Absorption of funds</u></p> <p>Out of the total warrants of UGX.1,280.322Bn received during the financial year, UGX.1,067.967Bn was spent by the entity resulting in an unspent balance of UGX. 212.355Bn representing absorption level of 83.4%. The unspent funds were swept back to the consolidated fund as required by the PFMA. The funds were meant for activities that were not fully implemented by the end of the financial year.</p> <p>I further noted that the entity did not seek a revision of its budget and work plan as provided for by section 17 (3) of the PFMA2015.</p>	I advised the Accounting Officer to ensure that all funds availed are absorbed. Where reallocations are found necessary, I advised the Accounting Officer to seek for revision of the entity's budget and work plan.
4.1.4	<p><u>Quantification of outputs/activities</u></p> <p>Section 13 (15, b) of the PFMA 2015 states that a policy statement submitted by a vote shall contain the annual and three months' work plans, outputs, targets and performance indicators of the work plans. Regulation 11 (3) of PFMR 2016 requires that a vote prepares a work plan that indicates the outputs of the vote for the financial year; the indicators to be used to gauge the performance of the outputs and funds allocated to each activity.</p> <p>To assess the performance of an output, all activities supporting the output must be quantified.</p> <p>I reviewed the extent of quantification of outputs and activities for a sample of thirty seven (37) outputs with a total of one hundred sixty</p>	<p>I commended the Accounting Officer for ensuring that all activities and outputs are fully quantified at planning level to facilitate performance measurement.</p> <p>However, I advised the Accounting</p>

eight (168) activities and expenditure of UGX. 779.62Bn and noted they were fully quantified. That is, all the one hundred sixty eight (168) activities (100%) within these outputs were clearly quantified to enable the assessment of performance. The **Table** refers.

Officer to ensure that there are unit cost estimates at activity level to provide a link between inputs, processes and outputs.

Summary of Performance by Outputs					Activity details-Analysis			
Category of outputs	No. of outputs sampled	% of total outputs sampled	Expenditure UGX Bn	% proportion to total expenditure	Total no of activities in the outputs	No. of Fully Quantified activities	No of activities not fully quantified	% of quantification of activities per category of output
Fully quantified outputs	37	33.6	779.62	73	168	168	0	100

I noted that MOWT did not have unit cost estimates at activity level to provide a link between inputs, processes, outputs and intermediate outcomes realized during the year.

4.1.5

Implementation of quantified outputs

I assessed the implementation of thirty seven (37) outputs that were fully quantified with a total of one hundred and sixty eight (168) activities worth UGX.779.621Bn and noted that;

- Four (4) outputs with seven (7) activities and expenditure worth UGX 543.224Bn were fully implemented. That is all the seven (7) activities within these outputs were fully implemented.
- Thirty (30) outputs with one hundred and fifty seven (157) activities worth UGX.236.397Bn were partially implemented. Out of the one hundred and fifty seven (157) activities, the entity fully implemented forty seven (47) activities, and seventy two (72) activities were partially implemented while thirty eight (38) activities remained unimplemented.
- Three (3) outputs with four (4) activities worth UGX.0.0Bn were not implemented. That is none of the four (4) activities was implemented at all because budgeted funding was not availed.

The Table below refers:

Summary of Performance by Output					Activity details-Analysis				
Category of output	No of output	% of implementation	Expenditure UG	% proportion to total expenditure	Total no of activities	No of Fully implemented	No. Of partially implemented	No of activities that were not implemented	Extent of implementation of activities

I advised the Accounting Officer to ensure that outputs are implemented as planned and where funds are not availed, to seek for revision of the entity work plan.

	s	n	X Bn	re	es	ent ed acti viti es	nted activi ties	d	ties per cate gory of outp ut
Fully implemented outputs¹	4	10.8	543.22	42.17	7	7	0	0	100
Partially Implemented outputs²	30	81.1	236.39	18.35	157	47	72	38	45.86
Outputs Not Implemented³	3	8.1	0.0	0.0	4	0	0	4	100
Total	37	100	779.61	60.52	168	54	72	42	

Non-implementation of planned activities implies that the expected services to the beneficiary communities were not attained. For example, the MoWT did not implement the following planned activities despite having received the required funds;

1. Bridge inventory Data for BMS not collected.
2. Bridge management System (BMS) Software not procured
3. Upgrading to Bitumen Standard Sebbowa road (1.0km) in Makindye Ssabagabo Municipal Council was not implemented.
4. Study for the determination of design load factors and traffic capacity assessment on selected DUCAR roads in Adjumani and Moyo under DINU not undertaken.

The Accounting Officer explained that implementation of majority of the above activities was affected by the covid-19 pandemic and the nationwide lockdown during quarter two and three of the financial year. In addition, budget cuts by MOFPED affected the planned implementation of activities.

¹Fully implemented output -**All** the activities within the outputs are fully implemented

²Partially implemented Output-Activities within the output are either; Fully implemented, partially implemented or not implemented

³Outputs not implemented-**All** the activities within the output not implemented at all

4.1.6	<p><u>Achievement of intended services from implemented outputs-</u></p> <p>I undertook an assessment to establish whether there has been service delivery from a sample of outputs that were implemented and noted the following:</p> <table border="1" data-bbox="354 352 1192 1192"> <thead> <tr> <th data-bbox="354 352 526 411">Output details</th> <th data-bbox="531 352 792 411">Activities/Details</th> <th data-bbox="797 352 1192 411">Audit comments</th> </tr> </thead> <tbody> <tr> <td data-bbox="354 417 526 873" rowspan="2">40252 Rehabilitation of Upcountry Aerodromes (CAA)</td> <td data-bbox="531 417 792 583">100% civil works for Expansion of Apron 1 for Entebbe airport completed at a cost of UGX 149,683,950,000</td> <td data-bbox="797 417 1192 583">98% civil works for Expansion of Apron 1 for Entebbe airport were completed contrary to reported 100%</td> </tr> <tr> <td data-bbox="531 590 792 873">10% of civil works at New Passenger Terminal Complex for Entebbe airport completed;</td> <td data-bbox="797 590 1192 873">0% of civil works at New Passenger Terminal Complex for Entebbe airport Done. This was attributed to delayed movement of cargo from where the passenger terminal was supposed to be constructed to another area. This has limited service delivery provision to the public.</td> </tr> <tr> <td data-bbox="354 879 526 1045">Output: 40304 Monitoring and Capacity Building Support</td> <td data-bbox="531 879 792 1045">Technical support services rendered to MDAs and 40 reports prepared.</td> <td data-bbox="797 879 1192 1045">6 out of the 40 planned MDAs were provided technical support services and reports prepared.</td> </tr> <tr> <td data-bbox="354 1052 526 1192"></td> <td data-bbox="531 1052 792 1192">8 buildings assessed for structural integrity</td> <td data-bbox="797 1052 1192 1192">1 out of the 8 planned investigations on building construction and fire-related accidents conducted and report prepared.</td> </tr> </tbody> </table> <p>The failure to achieve the intended services from the implemented outputs negates the purpose of budgeting and implementing these activities.</p> <p>The Accounting Officer explained that the Covid-19 lockdown restrictions affected progress of works coupled with budget cuts which led to partial or non-implementation of planned outputs.</p>	Output details	Activities/Details	Audit comments	40252 Rehabilitation of Upcountry Aerodromes (CAA)	100% civil works for Expansion of Apron 1 for Entebbe airport completed at a cost of UGX 149,683,950,000	98% civil works for Expansion of Apron 1 for Entebbe airport were completed contrary to reported 100%	10% of civil works at New Passenger Terminal Complex for Entebbe airport completed;	0% of civil works at New Passenger Terminal Complex for Entebbe airport Done. This was attributed to delayed movement of cargo from where the passenger terminal was supposed to be constructed to another area. This has limited service delivery provision to the public.	Output: 40304 Monitoring and Capacity Building Support	Technical support services rendered to MDAs and 40 reports prepared.	6 out of the 40 planned MDAs were provided technical support services and reports prepared.		8 buildings assessed for structural integrity	1 out of the 8 planned investigations on building construction and fire-related accidents conducted and report prepared.	<p>I advised the Accounting Officer to address the gaps noted in the implementation of these outputs to enable the communities fully benefit from the projects/programms implemented by Government.</p>
Output details	Activities/Details	Audit comments														
40252 Rehabilitation of Upcountry Aerodromes (CAA)	100% civil works for Expansion of Apron 1 for Entebbe airport completed at a cost of UGX 149,683,950,000	98% civil works for Expansion of Apron 1 for Entebbe airport were completed contrary to reported 100%														
	10% of civil works at New Passenger Terminal Complex for Entebbe airport completed;	0% of civil works at New Passenger Terminal Complex for Entebbe airport Done. This was attributed to delayed movement of cargo from where the passenger terminal was supposed to be constructed to another area. This has limited service delivery provision to the public.														
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4.1.7	<p><u>Submission of Quarterly Performance Reports</u></p> <p>Paragraph 8.12 (4,5,6) of the Treasury Instruction 2017, require the Accounting Officer to prepare reports for each quarter of the Financial Year in respect of the vote for which he/she is responsible. These reports shall contain financial and non-financial information on the performance of the vote and shall be submitted to Treasury not later than 15 days after the end of each quarter.</p> <p>I noted that the entity submitted performance reports for Q1, Q2, Q3 and Q4 after the deadline given for submission of the reports. The Table below shows the delays per quarter on submission of budget performance reports;</p>	<p>I advised the Accounting Officer to ensure that performance reports are prepared and submitted in time.</p>														

No	Details	Deadline for submission	Actual date of submission	Comment (submitted in time/ delayed)															
1	Quarter One	15/10/2020	16/01/2021	Delayed															
2	Quarter Two	15/01/2021	17/02/2021	Delayed															
3	Quarter Three	15/04/2021	25/05/2021	Delayed															
4	Quarter Four	15/07/2021	03/08/2021	Delayed															
<p>Failure to submit performance reports in time and failure to prepare monitoring reports contravenes the Treasury Instructions and affect timely tracking and evaluation of performance.</p> <p>The Accounting Officer explained that the delays were as a result of the nationwide lockdown due to the COVID-19 outbreak that affected timely validation of data and reporting.</p>																			
4.1.8	<p>Accuracy of Performance reports submitted</p> <p>From my review of the annual performance reports and physical inspections/verification of outputs reported coupled with interviews, I noted inconsistencies in the reported performance, as shown in the Table below:</p> <table border="1"> <thead> <tr> <th>Output</th> <th>Reported Target in the Q4 report</th> <th>Verified Achieved Target by the Audit team</th> </tr> </thead> <tbody> <tr> <td rowspan="4">Output: 40402 Monitoring and capacity building support for district road works</td> <td>271No. road camps surveyed</td> <td>Only 147. road camps surveyed contrary to the reported 271 road camps that were reported by management</td> </tr> <tr> <td>30No. road reserves surveyed</td> <td>Only 24 road reserves out of the planned 40 surveyed. This is contrary to what was reported in the performance report by management.</td> </tr> <tr> <td>Roads Database of 90No. Districts updated</td> <td>Only Roads Database of 5 Districts were updated</td> </tr> <tr> <td>4No. MoWT trained in HDM4</td> <td>None of the 20 planned MoWT staff were trained in HDM4 And Civil Cad 3D</td> </tr> <tr> <td>Output: 40304 Monitoring and Capacity Building Support</td> <td>145km of District Roads gravelled in Kapelebyong, Kaberemaido, Serere,Butaleja, Tororo, Katakwi, Nebbi, Apac,Oyam, Arua, Napak, Moroto, Masaka,Mubende, Kiboga, Butambala, Nakaseke,Nakasong ola using Force Account;</td> <td>Only 20km of District Roads were gravelled in Kapelebyong, Kaberemaido, Serere, Butaleja, Tororo, Katakwi, Nebbi, Apac, Oyam, Arua, Napak, Moroto, Masaka, Mubende, Kiboga, Butambala, Nakaseke, Nakasongola using Force Account;</td> </tr> </tbody> </table>				Output	Reported Target in the Q4 report	Verified Achieved Target by the Audit team	Output: 40402 Monitoring and capacity building support for district road works	271No. road camps surveyed	Only 147. road camps surveyed contrary to the reported 271 road camps that were reported by management	30No. road reserves surveyed	Only 24 road reserves out of the planned 40 surveyed. This is contrary to what was reported in the performance report by management.	Roads Database of 90No. Districts updated	Only Roads Database of 5 Districts were updated	4No. MoWT trained in HDM4	None of the 20 planned MoWT staff were trained in HDM4 And Civil Cad 3D	Output: 40304 Monitoring and Capacity Building Support	145km of District Roads gravelled in Kapelebyong, Kaberemaido, Serere,Butaleja, Tororo, Katakwi, Nebbi, Apac,Oyam, Arua, Napak, Moroto, Masaka,Mubende, Kiboga, Butambala, Nakaseke,Nakasong ola using Force Account;	Only 20km of District Roads were gravelled in Kapelebyong, Kaberemaido, Serere, Butaleja, Tororo, Katakwi, Nebbi, Apac, Oyam, Arua, Napak, Moroto, Masaka, Mubende, Kiboga, Butambala, Nakaseke, Nakasongola using Force Account;
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				I advised the Accounting Officer to report accurate performance.															

	100 Km of community access roads in Arua, Kyegegwa, Kakumiro, Kasese, Ntoroko, Rubanda, Kayunga, Mukono, Buikwe, Luwero, Wakiso, Soroti, Mayuge, Kamuli, Kaliro, Buyende, Namutumba, Amuria, Aleptong, Kwen, Budaka, Tororo rehabilitated	50 Km of community access roads in Arua, Kyegegwa, Kakumiro, Kasese, Ntoroko, Rubanda, Kayunga, Mukono, Buikwe, Luwero, Wakiso, Soroti, Mayuge, Kamuli, Kaliro, Buyende, Namutumba, Amuria, Aleptong, Kwen, Budaka, Tororo were rehabilitated;
Output: 40301 Policies, laws, guidelines, plans and strategies	Construction Standard issues disseminated to 135 districts	Construction Standard issues were disseminated to 35 districts contrary to the reported 135
Output: 40303 Monitoring Compliance of Construction Standards and undertaking Research	1,100 No. Construction Materials testing reports produced 06 No. projects Assessed for Gender and Equity Compliance	280 construction materials tests reports produced; Only 4 Projects were Assessed for Gender and Equity Compliance
Output: 40304 Monitoring and Capacity Building Support	40No. MDAs Technically Supported and where necessary report prepared 6No. buildings assessed for structural integrity	Only 10 technical support services were rendered to MDAs and Reports prepared. Only 1 building was assessed for structural integrity
Output: 40306 Construction related accidents investigated	5No. investigations on building construction and fire-related accidents conducted and reports prepared	Only 1 investigation on Makerere University fire was conducted and report prepared.
<p>Inaccurate reporting of performance misleads the users of this financial information and casts doubt on the reliability and authenticity of the information (both Financial and Non-financial) presented by the entity.</p> <p>The Accounting Officer explained that the inconsistencies in reporting were as a result of the delay by MOFPED to undertake timely adjustments on the Integrated Financial Management System (IFMS) in the quarter summary analysis report (BIG Report) to enable the entity use adjusted expenditure figures as at 30th July before production of the vote budget performance report. In addition, the Accounting Officer explained that adjustments are delayed by two months after end of the financial year (August-September) yet the 4th quarter cumulative annual report is produced not later than 30th July of every financial year.</p>		

Emphasis of Matter

Without modifying my opinion, I would like to draw the readers' attention to the following matter(s) which have been disclosed in the financial statements of the Ministry:

2.0 Long outstanding advances

Review of Receivables in the Statement of Financial Position and Note 19 revealed that the Ministry had receivables worth UGX.1,570,776,843 out of which those worth UGX.623,855,947 were outstanding at the end of the previous year.

The likelihood of eventual clearance of the receivables that have been outstanding for over a year therefore seemed remote.

The Accounting Officer explained that the figure included the loss which was incurred in 2008, where the MoFPED staff that were attached as IT support, created a fictitious company on IFMS.

I advised the Accounting Officer to follow up on the clearance of the advances as soon as possible.

Other Matter

In addition to the matters raised above, I consider it necessary to communicate the following matters other than those presented or disclosed in the financial statements:

3.0 Failure to maintain district road equipment

The inspection of the Ministry's Regional Mechanical Workshops during August and September 2021 revealed that twenty one (21) units of district road equipment had been lying in the workshops' yards for more than a year without repair. The equipment included: thirteen (13) motor graders of different models; four (4) bulldozers; One (1) pickup; two (2) dump trucks, and one (1) wheel loader.

In addition, requests for 136 tyres for running district road equipment were not honoured during the year.

This means that the districts that own the concerned equipment could not maintain their roads and deliver such critical service to the country as planned. In addition, the cost of repair is escalating because other parts also become faulty when the equipment is grounded for a long time.

The Accounting Officer explained that the amount budgeted and received to maintain road equipment represents 30% of the total funds (UGX44.6bn) required for equipment maintenance. Hence, during the FY 2020/21, the Ministry prioritized mainly the servicing of the newly acquired equipment from Japan leaving out the older equipment (from China) that requires major repairs but have no budget. Maintenance of district equipment is one of the critically underfunded activities in the Ministry.

The Accounting Officer also said that it is true that a number of road equipment in the districts lack tyres. This is mainly due to an inadequate maintenance budget for the equipment.

I advised the Accounting Officer to liaise with the responsible authorities to obtain the necessary funding for the full maintenance of the equipment so that the equipment operates and serves the Districts.

4.0 Grounded aircrafts used for training

Audit inspection and review of the East African Civil Aviation Academy (EACAA) in Soroti; and review of the Academy's assets register and aircraft annual serviceability status report of 06/09/2021 revealed that 3 out of the 9 aircrafts were grounded due to non-repair and maintenance. The aircrafts were (registration numbers): 5X-RWE grounded due to a defective fuel injector pump; 5X-UAN grounded for mandatory structural modification and 5X -YKM grounded for a propeller overhaul.

It was further noted that their certificates of airworthiness (C and A) for had expired. This made it difficult for the Academy to offer practical training.

Management explained that this was due to reasons beyond their control such as delay by the foreign contractor to commence repairs of 5X-UAN 310 due to the closure of the boarders immediately after the signing of the contract. Management further stressed that the academy had challenges in the procurement of spares for the aircraft due to global delays due to the effects of COVID-19.

I advised the Accounting Officer to follow up with the contractor to ensure that the aircrafts are repaired as soon as the situation normalizes.

Other Information

The Accounting Officer of MoWT is responsible for the other information. The other information comprises the statement of responsibilities of the Accounting Officer and the commentaries by the Head of Accounts and the Accounting Officer, and other supplementary information. The other information does not include the financial statements and my auditors' report thereon. My opinion on the financial statements does not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially consistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information; I am required to report that fact.

I have nothing to report in this regard.

Management Responsibilities for the Financial Statements

Under Article 164 of the Constitution of the Republic of Uganda, 1995 (as amended) and Section 45 of the Public Finance Management Act, 2015, the Accounting Officer is accountable to Parliament for the funds and resources of the Ministry.

The Accounting Officer is also responsible for the preparation of financial statements in accordance with the requirements of the Public Finance Management Act, 2015 and for such internal control as management determines necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

In preparing the financial statements, the Accounting Officer is responsible for assessing the Ministry's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Accounting Officer has a realistic alternative to the contrary.

The Accounting Officer is responsible for overseeing the Ministry's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement, when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users, taken on the basis of these financial statements.

As part of an audit in accordance with ISSAIs, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:-

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Ministry's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Ministry's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Ministry to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Accounting Officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide the Accounting Officer with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with the Accounting Officer, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Responsibilities

In accordance with Section 19 (1) of the National Audit Act, 2008, I report to you, based on my work described on the audit of Financial Statements, that; except for the matters raised in compliance with legislation section below, and whose effect has been considered in forming my opinion on financial statements, the activities, financial transactions and information reflected in the financial statements that have come to my notice during the audit, are in all material respects, in compliance with the authorities which govern them.

Report on the Audit of Compliance with Legislation

In accordance with Section 13 of the NAA 2008, I have a responsibility to report material findings on the compliance of the Authority with specific matters in key legislations. I performed procedures primarily to identify findings but not to gather evidence to express assurance.

The material findings in respect of the compliance criteria for the applicable subject matters are as follows;

5.0 Delayed compensation of PAPs for the development of the New Kampala Port in Bukasa

Paragraph 11 of the land acquisition procedure of Appendix 1 in the Guidelines for Compensation Assessment under Land Acquisition (GCALA) of June 2017 states that the period from final report approval to payment of compensation awards shall not exceed 6 months.

The valuation report for 2,378 PAPs with a total compensation sum of UGX 29.2 billion was approved by the Chief Government Valuer in October 2018. The review of documents indicated that a total of 1,253 PAPs with a total compensation value of UGX.19.5 billion had been paid by 30th June 2021. As a result a total of 1,125 PAPs with a total compensation value of UGX.9.7 billion have remained unpaid for about three years.

Delayed compensation of PAPs delays implementation of the project leading to escalation of the project cost.

The Accounting Officer explained that the Ministry budgeted for the remaining funds UGX 9.7Bn in the FY 2021/22 that was approved by the Ministry of Finance, Planning and Economic Development. The Ministry has compensated 1,704 PAPs out of 2,378 PAPS as at 30th October 2021. The remaining 674 PAPS will be compensated this FY 2021/22.

I advised the Accounting Officer to ensure that the budgeted funds are realised so that compensation is completed and works start in the FY 2021/2022.

6.0 Implementation of unplanned procurements

Section 15(1) of the PFMA, 2015 provides that "after approval of the annual budget by Parliament, the Secretary to Treasury shall issue the annual cash-flow plan of Government, based on the procurement plans, work plans and recruitment plans approved by Parliament".

In addition, section 21(1) provides that "an Accounting Officer shall, based on the annual cash-flow plan issued by the Secretary to the Treasury under section 15, plan and manage the activities as indicated in the policy statement of the vote".

A review of procurement records revealed that procurements worth UGX 1,772,908,757 which were not planned were implemented by the Ministry.

Implementation of unplanned procurements is not only contrary to the PPDA Act, but it negatively affects the implementation of planned procurements and defeats the purpose for procurement planning.

Although the Accounting Officer explained that the the procurements were planned, I was not availed evidence to support the assertion.

I advised the Accounting Officer to always implement the budget basing on the procurement plans and work plan as approved by Parliament.

7.0 Delayed completion of road construction project

The review of procurement reference number MoWT/WRKS/2018/19/00191 indicated that the Ministry entered into a contract with M/s Probase Manufacturing SDN BHD and Abubaker Technical Services and General Supplies Limited JV on 16th May, 2019 for piloting the use of probase technology for construction of roads in Uganda. The contract was for designing and building Kayunga - Nabuganyi and Nansana – Kireka - Bbira roads at a total cost of UGX.45,349,361,632. The contract provided that the works were to be completed by 01/07/2020.

However, the examination of records indicated that contract spilled over into the year under review and t payments amounting to UGX.10,907,877,818 were made during the year.

The intended objective of piloting the technology in Uganda was not achieved.

The Accounting Officer explained that the contract implementation spilled over to the year under review due to the following reasons;

1. The contractor encountered unforeseen adverse physical conditions along the swamp section on the Kayunga – Nabuganyi road (20.2km) such as soft ground high water table measuring up to a length of 4.65km which necessitated special treatment such as the use of rockfill, geosynthetics, and embankment construction to avert possible premature defects and failure of the road. The extra works required extra time for both construction and also allow for consolidation of the new fill sections to warrant stability.
2. The employer required additional works.
3. The outbreak of the COVID-19 pandemic across the world led to difficulty in site operations, worker movements and general mobility of supplies. For instance, the factories manufacturing inputs for the technology (Probase TX-85 soil stabilizers and Probase PB-65 sealants) in Malaysia were closed to curb the spread of the virus for some time and on reopening the factories, shipping schedules became a challenge.

A lot of time lost is attributed to that.

I advised the Accounting Officer to closely supervise the contract to ensure that the project is completed by the extended timeline.

8.0 Planned procurements not implemented – UGX 7,465,000,000

Section 15(1) of the PFMA, 2015 provides that “after approval of the annual budget by Parliament, the Secretary to Treasury shall issue the annual cash-flow plan of Government, based on the procurement plans, work plans and recruitment plans approved by Parliament”.

In addition, section 21(1) provides that “an Accounting Officer shall, based on the annual cash-flow plan issued by the Secretary to the Treasury under section 15, plan and manage the activities as indicated in the policy statement of the vote”.

A review of the procurement plan and the procurement reports to PPDA indicated that procurements worth UGX.7,465,000,000 which were planned were not implemented.

The Ministry did not manage the procurement activities as indicated in the policy statement and hence not all planned services were delivered.

The Accounting Officer explained that some procurements were not implemented due to budget cuts and thus lack of funds.

I advised the Accounting Officer to always liaise with the responsible authorities to ensure that the Ministry’s approved budget is fully availed.

9.0 Delayed acquisition of land for the Right of Way (RoW) for the SGR project

Objective 1 of the project strategic plan for 2016-2020 was to acquire 5200 acres of land free of encumbrances at an estimated cost of UGX 534,600,000,000 for the Right of Way (ROW) for the construction of Kampala – Malaba SGR route by October 2016.

However, the review of documents indicated that only 1,295.98 (24.9%) acres of land had been acquired at a cost of UGX.95,361,767,388 (18%) as of September 2021.

It was further noted that the project had not acquired titles for the pieces of land already paid for.

Delayed acquisition of the Right of Way is likely to delay project implementation. As a result, the intended objectives of the project may not be achieved.

The Accounting Officer explained that currently, land acquisition is one of the core activities of the project. Valuation reports for the section between Tororo-Mayuge and Kakubansiri village in Buikwe district and Fish Ponds worth UGX 139.35bn were approved by the CGV starting from 2016. The amount paid to Project Affected Persons (PAPs) as compensation for land and property is directly dependent on the approved budgets and subsequent releases to the project. The releases however have been going down in comparison to the annual budgets. For example: in 2016/2017, UGX46.8bn was released out a budget of UGX113.5bn; in 2017/2018, UGX25.5bn was released out of a budget of UGX72.5bn; in 2018/2019, UGX25bn was released out of a budget of UGX39.2bn and in 2019/2020, UGX16.8bn was released out of a budget of UGX20bn. It is only in 2020/2021 where the budget was UGX19bn and all of it was released.

The Accounting Officer further explained that due to the passing of time from 2016 when assessment and valuation of PAPs in the section between Jinja-Kampala was done, reassessment and revaluation is on-going as advised by the CGV on this section where the compensation estimate was UGX 432.47bn in 2016.

I advised the Accounting Officer to obtain and transfer land titles to Government for the land paid for and expedite the acquisition of all the land needed for the project.



John F.S. Muwanga
AUDITOR GENERAL

24th December, 2021