

**OFFICE OF THE AUDITOR GENERAL**



**THE REPUBLIC OF UGANDA**

**ENERGY FOR RURAL TRANSFORMATION PROJECT II (ERT II)**

**MINISTRY OF ENERGY AND MINERAL DEVELOPMENT (MEMD)/PROJECT  
COORDINATION UNIT (PCU) COMPONENT**

**(IDA CREDIT NO.4554-UG AND GEF GRANT NO.TF 094484)**

**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2014 TOGETHER WITH  
THE REPORT AND OPINION THEREON BY THE AUDITOR GENERAL**

**OFFICE OF THE AUDITOR GENERAL**

**UGANDA**

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## **LIST OF ACRONYMS**

ERT II	Energy for Rural Transformation Project II
IDA	International Development Association
UG	Uganda
UGX	Uganda Shillings
ICT	Information and Communication Technology
GAAPs	Generally Accepted Accounting Principles
MEMD	Ministry of Energy and Mineral Development
MoFPED	Ministry of Finance Planning and Economic Development
PCU	Project Coordination Unit
GEF	Global Environment Facility
UECCC	Uganda Energy Credit Capitalization Company
PPEIs	Post-primary Education Institutions
MoH	Ministry of Health
MoLG	Ministry of Local Government
MAAIF	Ministry of Agriculture, Animal Industry and Fisheries
MoES	Ministry of Education and Sports
MoWE	Ministry of Water and Environment

**ENERGY FOR RURAL TRANSFORMATION PROJECT II (ERT II)**

**MINISTRY OF ENERGY AND MINERAL DEVELOPMENT – PROJECT COORDINATION**

**UNIT (PCU) COMPONENT**

**(IDA CREDIT NO.4554-UG AND GEF GRANT NO TF 094484)**

**REPORT AND OPINION OF THE AUDITOR GENERAL ON THE DESIGNATED ACCOUNT**

**STATEMENT FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2014**

**THE RT. HON. SPEAKER OF PARLIAMENT**

I have audited the financial statements of the Energy for Rural Transformation Project II – Ministry of Energy and Mineral Development (MEMD) – Project Coordination Unit (PCU) Component for the year ended 30<sup>th</sup> June 2014. These financial statements comprise of Statement of Sources and Uses of Funds, Statement of Fund Balance, Special/Designated Accounts Statements and Notes to the Financial Statements including a summary of significant Accounting Policies adopted.

**Management’s responsibility for the financial statements**

Management is responsible for the preparation and fair presentation of the Financial Statements in accordance with the Government of Uganda and donor regulations and guidelines. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of Financial Statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

**Auditor’s responsibility**

My responsibility is to express an opinion on the Financial Statements, based on my audit. I conducted my audit in accordance with International Standards on Auditing. Those Standards require that I comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the Financial Statements. The procedures selected depend on the Auditor’s judgment, including the assessment of risks of material misstatement of the financial statements whether due to fraud or error. In making those risk assessments, the Auditor

considers internal control relevant to the entity's preparation and fair presentation of financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management as well as evaluating the overall presentation of the financial statements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Part "A" of this report sets out my qualified opinion on the financial statements and opinion on the Special/Designated Accounts Statements. Part "B" which forms an integral part of this report presents in detail all the significant audit findings made during the audit which have been brought to the attention of management.

## **PART "A"**

### **Basis for Qualified Opinion**

- **Unresolved Prior Year Matter**

The opening fund balance is understated by UGX.9,824,732,622 in respect of GoU Counter Part Funds that remained unaccounted for as reported in my report to Parliament for the year ended 30<sup>th</sup> June 2013. This matter remained unresolved at the time of audit.

### **Qualified Opinion**

In my opinion, except for the effects of the matter disclosed in the Basis for Qualified Opinion paragraph, the financial statements give a true and fair view of the financial position of the Energy for Rural Transformation Project II – Ministry of Energy and Mineral Development – Project Coordination Unit (PCU) Component as at 30<sup>th</sup> June 2014 and of its financial performance for the year then ended, in accordance with the basis of accounting set out under note 1(b) to the financial statements.

### **Report on Other Legal and Regulatory Requirements**

The World Bank Guidelines require that in carrying out my audit, I consider and report to you on the following matters. I confirm that;

- I have obtained all the information and explanations which to the best of my knowledge and belief were necessary for the purposes of my audit;

- In my opinion proper books of account have been kept by the project, so far as appears from my examination of those books and;
- The Receipts and Payments Statements are in agreement with the books of account.

A handwritten signature in black ink, appearing to read 'J. Muwanga', with a large, sweeping flourish extending to the right.

John F.S. Muwanga

**AUDITOR GENERAL**

31<sup>th</sup> December, 2014

**ENERGY FOR RURAL TRANSFORMATION PROJECT II (ERT II)**

**MINISTRY OF ENERGY AND MINERAL DEVELOPMENT – PROJECT COORDINATION**

**UNIT (PCU) COMPONENT**

**(IDA CREDIT NO.4554-UG AND GEF GRANT NO TF 094484)**

**OPINION OF THE AUDITOR GENERAL ON THE SPECIAL ACCOUNTS OPERATIONS**

**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2014**

During the course of audit of Energy for Rural Transformation Project II (ERTP II) – Ministry of Energy and Mineral Development – Project Coordination Unit (PCU) Component, together with the notes thereon for the year ended 30<sup>th</sup> June 2014, I examined the Special Accounts Statements of the Project as set out on pages 13 and 14 in appendix 1 under the IDA Credit Agreement No.4554-UG and GEF Trust Fund Grant Agreement No.TF 094484.

**Management Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of the special accounts statements on the basis of cash deposits and withdrawals for the purpose of complying with the Financing Agreement and for such internal controls as Management determines is necessary to enable the preparation of the statement that is free from material misstatement whether due to fraud or error.

**Auditor's Responsibility**

My responsibility is to express an opinion on the Special Accounts Statements, based on my audit. I carried out the audit in accordance with International Standards on Auditing. Those standards require that I comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the statement is free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the Financial Statements. The procedures selected depend on the Auditor's judgment, including the assessment of risks of material misstatement of the financial statements whether due to fraud or error. In making those risk assessments, the Auditor considers internal controls relevant to the entity's preparation and fair presentation of financial statements 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 entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management as well as evaluating the overall presentation of the financial statements.

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

**Opinion**

In my opinion, the receipts were properly accounted for and withdrawals were made for the purposes of the project in accordance with the Financing Agreements. The Special/Designated Accounts Statements contained and notes thereon fairly present in all material respects the accounts operations for the year ended 30<sup>th</sup> June, 2014 in accordance with the basis of accounting described under note 1(b) to the financial statements and in conformity with the World Bank reporting guidelines and terms and conditions.

John F. S. Muwanga

**AUDITOR GENERAL**

31<sup>st</sup> December, 2014



## **PART "B"**

### **DETAILED REPORT OF THE AUDITOR GENERAL FOR YEAR ENDED 30<sup>th</sup> JUNE 2014**

This Section outlines the detailed audit findings, management responses and my recommendations in respect thereof.

#### **1.0 INTRODUCTION**

Article 163 (3) of the Constitution of the Republic of Uganda, 1995 (as amended) requires me to audit and report on the public accounts of Uganda and all public offices including the courts, the central and local government administrations, universities, and public institutions of the like nature and any public corporation or other bodies or organizations established by an Act of Parliament. Accordingly, I carried out the audit of the project to enable me report to Parliament.

#### **2.0 PROJECT BACKGROUND**

The Energy for rural Transformation (ERT) Phase Two (ERT II) is a follow-on of ERT Phase I (ERT I) as part of a 15 year initiative by the Government of Uganda (GOU) to improve the productivity of enterprises and the quality of life of rural households. The World Bank approved the Energy for Rural Transformation (ERT) program as a three phase Adaptable Program Loan (APL) in November 2001 and the implementation of Phase I commenced in 2002. The objective of Phase I was to put in place a conducive environment and capacity for commercially-oriented, sustainable service delivery of rural/renewable energy and of information and communication technologies (ICTs). It was concluded in February 2009.

ERT II is intended to accelerate investments and increase regional coverage. The second phase became effective in November 2009 and operations commenced in 2010. The implementation of Phase II is expected to end in June 2013.

The financing plan provides for approximately USD.102 million comprised USD.84 million of IDA credit, USD.9 million of the Global Environment Facility (GEF) grants and counterpart funding from the GOU of USD.9 million.

ERT Phase 1 came to a close on 28<sup>th</sup> February 2009 and had a grace period ending 30<sup>th</sup> June 2009. ERT Phase II agreement was signed on 27<sup>th</sup> August 2009. For the purpose of the transition between ERT Phase 1 closure and ERT Phase II effectiveness, World Bank

agreed to a retrospective financing to bridge the gap until ERT Phase II effectiveness. The Government availed funds amounting to UGX.774,807,665 for cross-sectoral linkage activities for goods, works, consultant's services, training and operating costs. The above amount was refunded from the IDA funding after the ERT Phase II became effective.

## **2.1 Project Components**

The Project comprises three components namely; (i) Rural Energy Infrastructure, (ii) Information and Communication Technologies and (iii) Energy Development, cross sectoral links and impact monitoring. The subcomponents of each are outlined here below:-

### **a) Rural Energy Infrastructure**

- Publicly-funded grid related power supply.
- Off-grid Renewable Energy Investments.
- Technical Assistance and Training.
- Credit Support Facility (also known as the Uganda Energy Credit Capitalization Company (UECCC).
- Private Sector Foundation Uganda.

### **b) Information Communication Technologies (ICT)**

- Investments.
- Technical Assistance, Training, Operating costs.

### **c) Energy Development, Cross Sectoral Links, Impact Monitoring**

- Energy Packages for Health, Water and Education.
- Technical Assistance, Training, Operating costs.

## **3.0 PROJECT IMPLEMENTATION**

The implementation framework described in this section covers the participating agencies whose funds flow through the designated accounts of the Ministry of Energy and Mineral Development (MEMD) namely: the Project Co-ordination Unit and seven ministries including; (i) Ministry of Energy and Mineral Development (MEMD), (ii) Ministry of Health (MOH), (iii) Ministry of Water and Environment (MOWE), (iv) Ministry of Education and Sports (MOES), (v) Ministry of Agriculture, Animal Industry and Fisheries (MAAIF), (vi) Ministry of Finance, Planning and Economic Development (MOFPED) and (vii) Ministry of Local Government (MOLG). The seven ministries are

responsible for the implementation of Component 3 of ERT II. The other implementing agencies are served through other designated accounts and are not included in this section and final accounts.

**a) Project Coordination Unit (PCU)**

The PCU is housed under the Ministry of Energy and Mineral Development and is responsible for the following:-

- Ensuring consistency of the project with policy, regulations and procedures of Government, the World Bank and other key stakeholders.
- Coordinating project implementation at all components including MEMD to include; progress monitoring of each component, identification of opportunities for collaboration/synergy among project stakeholders, identifying problems and bottlenecks and seeking to address them, maintaining focus on project objectives and assisting stakeholders to re-align as needed.
- Arranging regular coordination meetings with implementing agencies with purpose for monitoring and evaluation of project progress.
- Preparing and regularly update budgets with implementing agencies.
- Preparing quarterly and annual progress reports for submission to World Bank, Office of the Prime Minister and MOFPED.
- Arranging for financial Audits of the components.
- Preparing of bi-annual newsletter, about the progress.
- Preparing, consolidating and regularly updating the procurement plan for submission to the World Bank and other stake holders.
- Monitoring the progress of all the procurements to ensure compliance and timeliness.
- Preparing regular financial projections and financial monitoring of the investments.
- Approving of applications from all implementing line ministries for onward transmission to World Bank through the Ministry of Finance.
- Approving Financial Monitoring Reports (FMRs) from all Implementing Line Ministries for onward transmission to World Bank through the Ministry of Finance.

**b) Ministry of Energy and Mineral Development (MEMD)**

MEMD applies funds to:-

- Upgrade and populate a renewable energy database.
- Implement pre- and full feasibility studies on prime mini-hydro sites.
- Develop an institutional framework for energy efficiency activities.
- Establish the percentage of the rural population with access to electricity in project areas.
- Support capacity building and,
- Conduct HIV/AIDS awareness activities.

**c) Ministry of Health**

MOH applies funds to increase access to modern energy services and ICTs in order to improve the delivery of health services in rural health centres.

**d) Ministry of Water and Environment (MOWE)**

MOWE applies funds to supply least-cost energy solutions to communities where water schemes have been or are to be installed. The Ministry has already determined suitable water supply points and will supply energy packages to improve water supply services in the identified small towns and rural growth centres.

**e) Ministry of Education and Sports (MOES)**

MOES applies funds to provide access to modern energy services and ICT to post-primary education institutions (PPEIs).

MOES has conducted needs assessments, established the appropriate designs and the required quantities to cover PPEIs in 40 districts. The Ministry will follow with the procurement, installation, commissioning and maintenance of the energy packages aimed at improving the quality of education in the districts.

**f) Ministry of Agriculture, Animal Industry and Fisheries (MAAIF)**

MAAIF applies funds to provide access to energy and ICT services with the objective of transforming agriculture from largely subsistence to commercial and to:-

- Increase incomes by raising farm productivity.
- Raise the share of agriculture that can be marketed through increased agro-processing and post-harvest management.

- Create on-farm and off-farm employment from opportunities that arises with access to energy and ICT.
- Improve communication and information flow, especially in the marketing of agricultural products, through the use of energy and ICT.

**g) Ministry of Finance, Planning and Economic Development (MOFPED)**

MOFPED applies funds to assess the impact of electrification investments on poverty.

**h) Ministry of Local Government (MOLG)**

MOLG applies funds to enhance the role of local governments in the planning and implementation of energy and ICT investments.

**4.0 STATUS OF PROJECT IMPLEMENTATION**

The status of project implementation is as outlined on pages 6 and 7 of the progress report in the final accounts.

**5.0 AUDIT OBJECTIVES**

The audit was carried out in accordance with International Standards on Auditing Standards and accordingly included a review of the accounting records and agreed procedures as was considered necessary. The audit was carried out with regard to the following objectives:

- To express an opinion whether the financial statements present fairly, in all material respects, programme receipts and expenditure incurred for the period and are in conformity with generally accepted accounting principles;
- To evaluate and obtain a sufficient understanding of the internal control structure of the Project, assess control risk and identify reportable conditions, including material internal control weakness;
- To perform tests to determine whether the Project complied, in all material respects, with agreement terms and applicable laws and regulations;
- To establish whether all external funds have been used in accordance with conditions of the relevant legal agreements, with due attention to economy and efficiency and only for the purposes for which the financing was provided;

- e. To establish whether counterpart funds have been provided and used only for the purposes for which they were provided and in accordance with the relevant financing agreements, with due attention to economy and efficiency;
- f. Establish whether Goods, works and services financed have been procured in accordance with the relevant financing agreements including specific provisions of the World Bank Procurement Policies and Procedures;
- g. To establish whether proper books of account were duly kept in accordance with the generally accepted accounting principles.

## **6.0 PROCEDURES PERFORMED**

### **a. Revenue**

Obtained all schedules of funds provided by the donor and Government of Uganda and reconciled the amounts to the Project's cashbooks and bank statements.

### **b. Expenditure**

Vouched transactions including Statements of Expenditure and Financial Monitoring Reports used for submission of withdrawal applications during the period to establish whether documentation in support of expenditure agreed with the amount and description on the vouchers and/or applications and bank statements, and was properly controlled and accounted for.

### **c. Internal Control System**

Reviewed the internal control system and its operations to establish whether sound controls were applied throughout the period

### **d. Procurement**

Reviewed the procurement of goods and services under the Project during the period under review and reconciled with the approved procurement plan.

### **e. Fixed Assets Management**

Reviewed the use and management of the project assets during the period under review

### **f. Periodic Reports about the project Activities**

Reviewed the Agreement provisions, operational manual and reports and reconciled it with the Programme activities during the period under review.

**g. Project Financial Statements**

Examined, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessed the accounting principles used and significant estimates made by management; as well as evaluating the overall financial statement presentation.

**7.0 DETAILED FINDINGS**

**7.1 GoU Counterpart funding**

In my report to parliament for the year ended 30<sup>th</sup> June 2013, I pointed out that UGX. 9,824,732,622 released to the Ministry of Energy as ERT II counterpart funding was not deposited on the Project (local currency) account nor reported in the project financial statements. There were no records at the project office evidencing expenditure. The fund balance as at 30<sup>th</sup> June 2013 was understated to this extent.

The project management undertook to consult with the responsible officers at the Ministry on how to comply with the project requirements. I had advised them to provide me with a statement on how the counterpart funds were utilized. However, no action had been taken by the time of audit for the year ended 30<sup>th</sup> June 2014 and the fund balance remained understated.

**7.2 Lack of Internal Audit Reviews**

Section 6 VI (C) of the ERT Accountability Instructions requires the Ministry's Internal Audit Department to appraise the internal controls of the project. It was however noted that no such reviews have ever been undertaken in the implementing Entities of MoFPED, MoLG and MEMD. I explained to management that failure to undertake the reviews exposes the project to a risk of delayed detection and correction of control weaknesses in the project implementation.

Management in response explained that internal audit carries out regular reviews of project operations and advises management on measures to improve the internal controls. The omission might have been in providing formal reports and recommendations to Management. However, management undertook to ensure that the department always documents all findings and recommendations for appropriate action.

I have advised Management to always ensure that internal audit reviews are regularly undertaken to mitigate the impacts of the potential risks on the effective project implementation

### **7.3 MINISTRY OF LOCAL GOVERNMENT (MOLG) SUB-COMPONENT**

#### **7.3.1 Ineligible Expenditure**

Section 3.2.2 of the ERT II Accountability Instructions states that each of the implementing units of the ERT II projects shall ensure that all expenditures incurred from the project proceeds are only for goods and services intended for the project. That is, only eligible expenditures shall be incurred from the proceeds.

On the contrary, it was noted that UGX.30,952,000 was borrowed to cater for various operating expenses for the Ministry of Local Government without approval from the World Bank. These expenses included fuel expenses, per diem and purchase of air tickets. This practice is irregular and could result into under performance on the part of the Project as funds are diverted to other activities not related to the project.

Management acknowledged the anomaly and undertook to restore the monies to the project account in the third quarter of the financial year 2014/15. I have advised management to ensure that expenditures are incurred for only approved project activities. Meanwhile, I await management's commitment with regard to the refund.

### **7.4 PROJECT COORDINATION UNIT**

#### **7.4.1 Absence of a Computerized Accounting System**

Section 4.3 (i) of the ERT II Financial Management manual requires project books of accounts to be maintained on a computerized system. However, a review of the project financial statements revealed that the project did not have an accounting system for the three years in existence. Accounts were maintained using excel spreadsheets which are prone to manipulation.

Management explained that the project had procured an accounting software which uses the Ministry server and does not have a stand-alone server. Once the Ministry server is off, the software cannot be accessed. This prompted the maintenance of the same accounting records both manually and electronically so that at any point when the Ministry server is off, the manual records can be used to capture or retrieve information.



I have advised management to computerize the project accounting system to enhance the production of accurate financial statements.

## **7.5 MINISTRY OF EDUCATION AND SPORTS SUB-COMPONENT**

### **7.5.1 Absence of Annual Work Plans**

The ERT II operational manual requires all implementing institutions to requisition for funds from the World Bank through the Project Coordination Unit (PCU). Participating Ministries are subsequently expected to requisition for ERT funds from the PCU with proper justification by backing up requisitions with proper work plans for activities to be carried out.

However, in the Ministry of Education and Sports, the annual work plan for the year under review was not provided for audit. In the absence of a work plan, I was unable to ascertain whether the activities implemented during the year had been approved.

Whereas management indicated that the project work plan had been prepared and approved by the World Bank, this was not provided to me for review. I have advised management to ensure that project funds are only spent on planned and approved activities.

### **7.5.2 Management of the Dollar Account**

Section 2.2.2 of the ERT Finance Management Manual requires that Cashbooks are kept to record all banking and withdrawals of cash and cheques as they occur. In addition, Cash and Bank Reconciliation should be done on a monthly basis for Bank transactions and on a daily basis for cash transactions. However, the cash book, bank statements and reconciliations of the Dollar account were not availed for audit. In the circumstances, the reported fund balance may be misrepresented.

Whereas management explained that the project management maintained a cash book for all project bank accounts and bank reconciliations were performed on a monthly basis, the said records were still not availed for audit verification. I have advised management to ensure that proper books of accounts are kept and maintained as required by the Manual.

### **7.5.3 INSPECTION REPORT**

In her letter to this Office dated 21<sup>st</sup> October 2014, the Permanent Secretary Ministry of Education made a request for an independent audit of the Energy for Rural

Transformation project phase II- the Education Component. The PS stated that field visits conducted during the previous World Bank Mission in May/June 2014 identified a high prevalence of dysfunctional solar PV systems installed at the post primary schools due to vandalism and inadequate care by the school authorities. Consequently, concerns were raised over the sustainability of the investment provided thereby necessitating an independent assessment of the status of installed Solar PV systems before new funds could be committed.

Accordingly, field visits were conducted to assess the condition of the Solar PV Systems installed under the ERT II-Education Sub-component.

#### **7.5.4 Objectives of the field Inspection**

The objectives of the Inspection were as follows:

- i. To establish existence of the solar installations.
- ii. To ascertain whether the supplies conformed to the contract specifications.
- iii. To verify and establish the status of the solar installations including functionality and maintenance.
- iv. To ascertain whether the solar installations are achieving the intended purpose.

#### **7.5.5 Scope**

The audit focused on verifying the status of the solar PV systems installed under the ERT II project during the period July 2011 to June 2014. 45 beneficiary schools in 17 districts were inspected.

#### **7.5.6 Findings**

The inspections revealed that in most of the schools visited, solar panels were mounted on the roof tops. The solar packages were being utilized to provide lighting and also operate some ICT equipment in the schools. The Contractors trained at least one person in each of the schools to operate the equipment and left behind operational manuals for user reference. However the following exceptions were noted:

##### **7.5.6.1 Routine maintenance of Solar Equipment by the contractor**

According to the ERT II Project Operational Manual, Private companies were to supply the energy systems, maintain them and provide after sales services. In a Ministry's communication to the head teachers of the beneficiary schools dated 1<sup>st</sup> July 2013 and referenced PED/137/284/63, the contractor was required to undertake routine

maintenance, and also attend to call outs caused by system faults as and when notified by user and or the project manager within a period of five years after equipment handover.

It was noted that out of the 45 schools visited, routine maintenance had not been undertaken by the contractor in 29 schools. Also noted was that out of the remaining 16 schools, 13 had received maintenance visits only once since the systems were installed. Interviews with head teachers revealed that some contractors did not respond when called upon by the schools, while others were unaware that the contractor was supposed to undertake routine maintenance, as they had not received any communication from the Ministry of Education and sports in this regard.

Consequently, Solar systems at 10 schools had completely broken down and were not functioning at the time of inspection. See table below for details:

<b>S/NO</b>	<b>SCHOOL</b>	<b>DISTRICT</b>	<b>OBSERVATION</b>
<b>01</b>	St Thomas Moore	Gulu	2 Solar panels were not working
<b>02</b>	Kangai S.S	Dokolo	Inverter was not functioning.
<b>03</b>	Musese SS	Mbale	One panel and one inverter not working
<b>04</b>	Buhehe SS	Busia	One set of panels had not been operational for a month Four sensor bulbs were not operating.
<b>05</b>	Masaba college	Busia	One set of panels was not working
<b>06</b>	Ibale S.S	Kabarole	The sockets are faulty, they cannot be used.
<b>07</b>	Buheesi.S.S	Kabarole	Batteries are faulty
<b>08</b>	Ruboona S.S	Kabarole	Only 2 systems out of 4 are working
<b>09</b>	Kithoma Peas H.S	Kasese	The system is on and off and one block is totally off.
<b>10</b>	Kuruhe High school	Kasese	One system is not working

Management explained that routine maintenance was on-going and that it had been envisaged that with the pace of maintenance, coverage of the sampled schools in this report shall be done soon. Management further stated that the issues raised had been brought to the attention of the contractors and fault rectification would commence in January 2015. Beneficiary institutions had also been advised to use emergency call-outs which would enable access to the maintenance contractor in emergency cases and minimize delays of maintenance services before routine maintenance is due. The Accounting Officer also stated that more staff would be assigned to the project to

enhance monitoring and supervision of the beneficiary schools and that a workshop would be held to sensitise beneficiaries about the care and maintenance of Solar Packages installed.

I have advised management to sensitise all the beneficiary schools about the role of the contractors in the maintenance of solar installations, and engage the contractors to compel them to undertake timely routine maintenance.

**7.5.6.2 Delivery of defective Solar System and failure to deliver some of the Equipment**

According to the Contract documents, the Contractors were supposed to supply and install complete and functioning Solar Photovoltaic Energy Packages that included solar panels, lighting fixtures and accessories.

On the contrary, it was observed that defective parts were delivered by the contractors to some schools and no effort was made to replace them, and in some instances some parts were not delivered at all as shown in the table below:

<b>S/NO</b>	<b>SCHOOL</b>	<b>DISTRICT</b>	<b>OBSERVATION</b>
<b>01</b>	Bishop Tarantino College	Lira	Contractor delivered a cracked solar panel which could not be installed
<b>02</b>	Dr Oryang S.S,	Oyam	The supplier did not deliver an inverter, so the school is unable to store charge. Sockets were not provided
<b>03</b>	Pingire S.S	Serere	One fuse given to the school was of a smaller capacity than that required by the system, as a result the system provided light for only two hours
<b>04</b>	Ibale S.S	Kabarole	The sockets are faulty; can only be turned on and cannot be turned off
<b>05</b>	Kithoma Peas H.S	Kasese	Sockets are faulty; can only be turned on and cannot be turned off. The design of the sockets does not permit common appliance plugs to be used.



***On the left, a visibly cracked Solar panel dumped at Bishop Tarantino College in Lira. On the right, Defective socket at Kithoma Peas S.S.S in Kasese, that cannot accommodate common appliance plugs.***

The affected solar systems were therefore non-functional, and the schools involved have not fully benefited from the intervention.

Management in response indicated that routine maintenance was ongoing to replace all defective solar systems and deliver all equipment not installed. Management undertook to continuously monitor the installations to ensure that the equipment delivered conforms to the required standards. The Accounting Officer further indicated that the responsible contractors would be engaged to show cause why their company should not be blacklisted.

I advised management to ensure that contractors supply the right equipment to the affected schools while MoES should supervise the contractors closely to ensure that they adhere to the contract terms and conditions.

### **7.5.6.3 Security of the Solar Equipment**

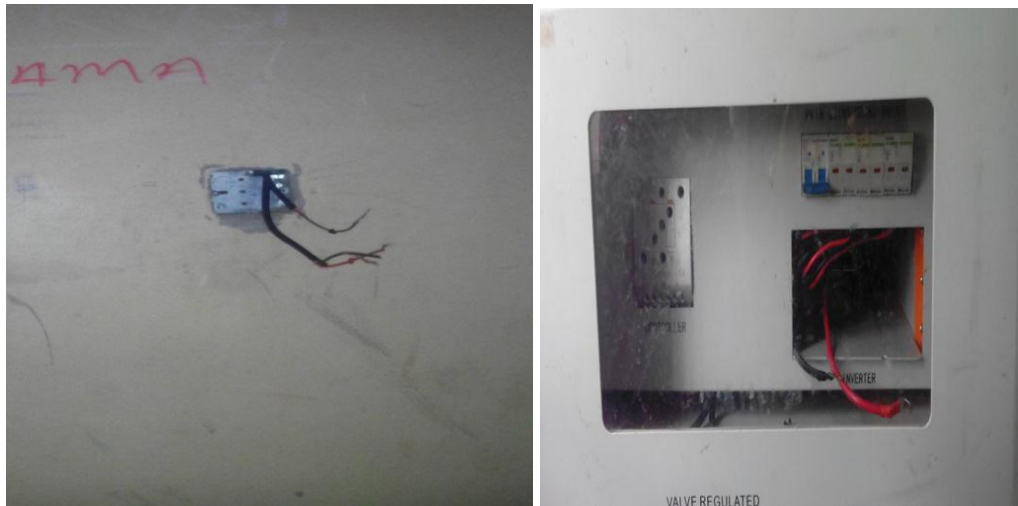
According to the communication to the head teachers of the beneficiary schools dated 1<sup>st</sup> July 2013, and referenced PED/137/284/63 by the MOES, the head teachers of the recipient schools are responsible for ensuring the security of the equipment and apparatus including respective spare parts.

However, it was noted that the installed solar systems were not secure in a number of schools, and as a result the equipment was vandalized and stolen. No efforts were made to replace the vandalized equipment, or to secure the remaining equipment. Most of the head teachers could not offer a clear explanation, or explain the measures they had put in place to ensure that the vandalism/theft does not re-occur. The installed systems were therefore not working at their optimum capacity. Details of the vandalized equipment are provided below:

S/NO	SCHOOL	DISTRICT	OBSERVATION
01	Kangai S.S,	Dokolo	Lamp holders were vandalized
02	St Thomas Moore	Lira	a battery was stolen
03	Agwata S.S	Dokolo	Lamp holders were vandalized
04	Kiyeyi	Tororo	Cables/wires and bulbs stolen
05	Busiime S.S	Busia	One of the batteries had been stolen
06	Nakalama S.S	Iganga	One of the inverters had been stolen as it had been installed in an incomplete building
07	Katooke Secondary School	Kyenjojo	One of the inverters was stolen; Any key can open the battery boxes, so the contents can easily be stolen.
08	Kakiika Technical School	Mbarara	Students vandalise the bulbs and tamper with the switches
09	Ruboona S.S.	Kabarole	Students stole most of the sockets in the classrooms
10	Kilembe S.S	Kasese	Students stealing some of the equipment such as bulbs
11	Kithoma Peas H.S	Kasese	Switches and sockets were vandalised



***Vandalized Lamp Holders at Kangai S.S.S in Dokolo. Battery was stolen from the battery box at Nakalama S.S. In Iganga***



***Vandalized socket at Rubona S.S in Kabarole. Inverter was stolen from the battery box at Katooke S.S. in Kyenjojo.***

The vandalism/ theft were partially attributed to neglect by the beneficiaries, and also due to the weak locks on the battery boxes. At Katooke Secondary School in Kyenjojo, Rwentanga Farm School and Kakiika Technical School in Mbarara, the school administration informed the audit team that any key could open the battery boxes that were supplied by the contractors.

In other cases, the contractors did not provide battery boxes/cages for the system, as shown in the photograph below;



***Battery not in protective cover at Dr Oryang SS in Oyam district***

Management in response indicated that the Ministry of Education and Sports had issued a new circular dated 8<sup>th</sup> December 2014 to guide in curbing the cases of vandalism in the Education Institutions. This is in addition to the earlier circular issued by the Ministry

dated 1<sup>st</sup> July 2013 on the operation and maintenance of the solar packages. The new circular spells out clearly the roles of the school authorities in safe guarding the installations. Management further explained that the ownership, operation and maintenance of the solar systems after they have been installed and certified is the responsibility of the beneficiary institutions. The Accounting Officer also indicated that responsible Head teachers would be reprimanded and that the cost of vandalized/stolen equipment would be borne by the affected schools.

I have advised the project management to sensitize the beneficiaries on how to take better care of the solar equipment. Meanwhile, management should also ensure that the contractors provide battery cages with strong locks as was stipulated in the contracts.

#### **7.5.6.4 Utilization of the Solar Systems**

It was observed that some of the systems were not utilized to their optimum capacity due to non-functioning lamps, uninstalled solar panels, and systems that provide light for a few hours.

##### **a) Non-functioning lamps**

It was observed that 17 out of the 45 schools had faulty lamps. The school authorities informed the team that the lamps had stopped functioning as early as three months after the systems were installed. They also mentioned that the contractors did not leave behind any spare lamps, and the cost of replacing them was too high for the schools, thus the affected rooms were left with no lights.



***Lamp holders without bulbs at Amwa Comprehensive S.S in Oyam district and St. Thomas More S.S in Gulu district***



Management in response stated that the contract provides for the contractors to supply some spare bulbs in the schools upon installation of the solar energy. These are limited and as such when fully utilized, the schools are advised to purchase the replacements.

**b) Systems that provide light for a few hours**

Through interviews with school authorities, it was revealed that contrary to the expected discharge rate of 20 hours, some packages provided light for as little as two to three hours, and in one extreme case at Kithoma Peas H.S in Kasese, the system only worked after the lights had been switched off for about three days. Table below refers for details:

<b>S/NO</b>	<b>SCHOOL</b>	<b>DISTRICT</b>	<b>NO OF PACKAGES AFFECTED</b>	<b>NO OF HOURS OF AVAILABLE LIGHT</b>
<b>01</b>	Gweri S.S	Soroti	1	2
<b>02</b>	Kakiika Technical School	Mbarara	4	3
<b>03</b>	Rwentanga Farm School	Mbarara	9	3

Management in response promised to inspect the said anomalies and inform the contractors accordingly. Further the School management will be directed where to acquire genuine consumable equipment. In addition, the Ministry provided User guides to all schools and training of teachers and students representatives on solar system operation. A re-assessment of the status will be conducted by the Ministry (date) to ensure corrective measures are undertaken by contractors so that the lighting system in the three schools is improved.

I advised the Ministry to engage the contractors so as to ensure that:

- High quality lamps together with spares are provided to the schools.
- All the uninstalled packages are mounted and connected.
- Defects are corrected.
- Advise the schools on the alternative sources of equipment where they can purchase directly.

**7.5.6.5 Negligence of solar installations by end users**

In some schools the users on site were not carrying out basic cleaning, and maintenance of the solar systems. In some instances the battery boxes/cages were loaded with heavy items, and some of the wires were left exposed, as shown in the photographs below;



***A metallic case on top of a battery box at Amach Modern S.S in Lira district, Bicycle and other equipment on battery boxes at Nakalama SS in Iganga district***



***Battery box with rubbish at Katine SS in Battery and surrounding area coated with dust at Soroti District. Agwate SS in Dokolo District***

Failure by the end users to take care of the solar equipment could compromise the efficiency of the systems.

Management in response indicated that School Heads are continuously trained by the contractors about basic maintenance of the installations. This includes the cleaning of the installations and that the responsible Head teachers would be reprimanded.

I have advised management to put in place a maintenance policy of the solar systems and sensitize the end users about their responsibility towards the installed systems.

## **1.0 STATUS OF PRIOR YEAR AUDIT ISSUES**

A number of issues pointed out in the prior year audit report were still outstanding by the time of audit as highlighted in the table below:

<b>NO.</b>	<b>Issue</b>	<b>Status</b>
<b>1</b>	Late submission of Financial Statements	Addressed
<b>2</b>	Counterpart funds not accounted for (UGX 9,824,732,622)	Not addressed
<b>3</b>	<b>Project Performance</b>	Addressed
	a) Over Expenditure	
	b) Under absorption of funds	Not addressed
<b>4</b>	Funds not properly accounted for	Recurring
<b>5</b>	Procurement anomalies	Not addressed
	a) Payment Before Requisition	
<b>6</b>	b) Payment for Uncertified Works	Addressed
<b>7</b>	<b><u>MINISTRY OF EDUCATION AND SPORTS</u></b> Use of non-technical staff for inspections	Addressed
<b>8</b>	<b><u>MINISTRY OF LOCAL GOVERNMENT</u></b> Unauthorized borrowing of Project Funds	Not addressed

I have advised management to implement audit recommendations so as to ensure better project stewardship and enhanced accountability.

**Appendix I**

**FINANCIAL STATEMENTS**