

# SPECIAL INVESTIGATION REPORT ON THE ALLEGATIONS OF FINANCIAL IMPROPRIETY IN THE OFFICE OF THE PRIME MINISTER

## EXECUTIVE SUMMARY

### Background

The Office of the Auditor General initiated a VFM audit on special programmes in Office of the Prime Minister in April 2011. However, due to absence of records the VFM audit could not be finalized on time for inclusion in my annual report to Parliament for the year ended June 2011. In the subsequent audit period, I expressed to OPM my rights of access to information, and eventually in June 2012, negative publicity regarding the mismanagement of funds in the Office of the Prime Minister (OPM), came to light in the media. Subsequently, I received requests from the Permanent Secretary, Office of the Prime Minister, Permanent Secretary/Secretary to the Treasury, the Director CID and the Development Partners to carry out special investigations in the entity.

The allegations included among others embezzlement of funds, use of personal accounts for implementation of activities, diversion of funds and unaccounted for funds. Accordingly, and in accordance with S.22 of the NAA 2008, I expanded the scope of the statutory audit by way of a special investigation and the findings are contained in this report. This special investigation is in addition to the Statutory Audit that is ongoing.

### Summary of key findings

- Shs.20,171,576,247 meant for the Peace Recovery and Development Programme activities was fraudulently transferred from the respective budget support accounts to off budget project accounts and subsequently utilised without approved workplans and authority.
- Additional Shs.18,119,697,630 meant for Peace Recovery and Development Programme activities was diverted to National Policy on Disaster Management and PRDP North accounts. There was no authority availed for the diversion.
- Shs.16,222,877,129 was paid out by the Principal Accountant using responsibility that was fraudulently obtained from an officer of the Treasury. The funds were subsequently fraudulently paid out to OPM staff, other accounts in OPM, private companies, Centenary Bank and district accounts. There was no adequate supervision by the Accounting

Officer contrary to the requirements for EFT payments issued by the Accountant General.

- Whereas the guidelines require that payments done in BOU be confirmed before effecting payments, it was observed that transfers amounting to Shs.10,928,904,304 were undertaken without the requisite confirmations.
- Payments for a total of Shs.13,454,035,346 from OPM accounts appeared to have signatures of the Permanent Secretary and Under Secretary differing from the specimen signatures held by Bank of Uganda. It was further noted that all the instruments which had differing signatures of the Permanent Secretary and Under Secretary were confirmed by the Principal Accountant whose signature was genuine. 80% of these instruments were approved by the substantive Deputy Director Banking.
- The bank procedures require that if any accounts are dormant for more than 24 months, BOU is required to initiate closure of these accounts. It was observed that six accounts were noted to be dormant under OPM. It is also noted that the dormant accounts were used to perpetuate fraud.
- There is a major weakness in running EFT files on the BBS before receiving confirmatory e-mails from Treasury. Indeed the fraudulent transfers were undertaken through EFT files.
- Shs.20,171,576,247 was fraudulently deposited on the Crisis Management Account and subsequently utilised without any approved work plans. The Accounting Officer did not seek information from MoFPED regarding the transfers but went ahead and utilised funds that had been fraudulently transferred. The practice was contrary to the functions of the Accounting Officer provided under S.14 of the PFAAR.
- The Treasury Accounting Instructions prescribe procedures and circumstances for granting advances to staff under Sections 227, 228 and 229. However, the Accounting Officer authorised payment of funds to personal accounts without following prescribed procedures. During the period, Shs.34,604,861,101 was advanced to staff contrary to the regulations.

- S.420 of the Treasury Accounting Instructions requires the Accounting Officer to be responsible for the maintenance of records. However, it was observed that a number of accounting records were missing.
- Shs.8,590,127,612 deposited in various fuel stations remained unaccounted for. The fuel deposits were purportedly for transporting food and yet most of the related requisitions had a fuel component. Included in the payments is Shs.576,000,000 that was refunded to a fuel station by OPM without proper justification.
- OPM procured food supplies for aiding disaster stricken communities. A review of 23 companies that supplied food revealed that the companies were overpaid by Shs.8,647,602,417. In addition, a number of irregularities were noted in regard to the companies registration.
- There were no appropriate records to support Shs.13,716,991,976 paid out to Farm Engineering for ploughing in Karamoja.
- OPM runs 18 projects funded by both Government of Uganda and Development Partners. A review of the project implementation revealed that the projects had overlapping activities which could lead to duplication of effort and payments.

John F.S. Muwanga

**AUDITOR GENERAL**

**19<sup>th</sup> October, 2012**

## **1.0 INTRODUCTION**

The Office of the Auditor General initiated investigations on special programmes in Office of the Prime Minister in April 2011. However, due to absence of records the VFM audit could not be finalized on time for inclusion in my annual report to Parliament for the year ended June 2011. In the subsequent audit period, I expressed to OPM my rights of access to information<sup>1</sup>, and eventually in June 2012, negative publicity regarding the mismanagement of funds in the Office of the Prime Minister (OPM), came to light in the media. Subsequently, I received requests from the Permanent Secretary, Office of the Prime Minister, Permanent Secretary/Secretary to the Treasury, the Director CID and the Development Partners<sup>2</sup> to carry out special investigations in the entity. The allegations included among others embezzlement of funds, use of personal accounts for implementation of activities, diversion of funds and unaccounted for funds. Accordingly, and in accordance with S.22 of the NAA 2008, I expanded the scope of the statutory audit by way of a special investigation and the findings are contained in this report. This special investigation is in addition to the Statutory Audit that is ongoing.

## **2.0 PURPOSE AND LIMITATION OF THE SPECIAL REPORT**

This report details the findings and observations of the investigation I conducted on the fraud that occurred in the Office of the Prime Minister.

The purpose of this special report is to make known to Parliament the findings emanating from an independent investigation conducted. The investigation was performed following specific Terms of Reference (TORs) outlined in 3.0. Although the work performed incorporated my understanding of the law as it stands, I do not express an opinion on the legal effect of the facts, but merely state the facts as they have come to my attention. This special report is based on the facts established from documentation provided and/or information obtained during the course of the investigation. Should any further information be obtained, it may influence the conclusion.

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<sup>1</sup> 2 Letters from OAG to OPM,

<sup>2</sup> Letters from PS/ST, OPM, CID and Development Partners

### **3.0**     **SCOPE OF THE INVESTIGATION**

The investigation covered a period of two financial years i.e. 1<sup>st</sup> July 2010 to 30<sup>th</sup> June 2012 and covered the following terms of reference;

**3.1** To ascertain all transfers to OPM by the Ministry of Finance, Planning and Economic Development (MOFPED) during the financial period under review, for both GOU and Donor funds through the basket fund, and confirm whether the funds have been fully disclosed and recognized as revenue for the year under review.

Reconciliation should be undertaken between releases made by the budget directorate, what is released by the Accountant General and funds utilized by OPM during the period under review in order to ensure that all funds utilized by OPM were dully authorized according to set procedures

**3.2** To obtain and review the list of all bank accounts operated by OPM (active and dormant accounts), specifically ascertain deposits on the Crisis Management Account for purposes of comparing Budgets against actual releases, authorization for expenditure and accountability.

**3.3** Ascertain the amount of payments made through personal accounts and establish the reasons for this anomaly. Ascertain whether the activities for which the funds were drawn were budgeted for and that funds were utilized in accordance with the intended purposes.

**3.4** Enquire into the procedures for use of motor vehicles including maintenance (repair) and fuel to establish their appropriateness with regard to the regulations. Analytical procedures should be applied to establish the reasonableness of this expenditure.

**3.5** Make a high level review of the scope of coverage of various programmes/projects under OPM such as NUSAF, PRDP, PWRP, PRDP and KALIP in order to establish that there are no overlaps and duplications in activities.

**3.6** Carry out an in-depth review of the PRDP activities and establish whether funds have been utilized in accordance with the approved work plans and that appropriate procedures have been followed for the utilization of the funds and related accountability provided. The findings of the investigation will be included in the individual reports of the recipient Districts and Agencies.

#### **4.0** **METHODOLOGY**

The investigation was carried out in accordance with the Terms of Reference and included such tests as we considered necessary in the circumstances. In conducting our review, the following was done:-

- Interviewed key staff with a view to understanding the operations of the OPM, MoFPED and BOU.
- Reviewed the financial framework and its implementation. The following were particularly reviewed; the Public Finance and Accountability Act, 2003 and the related regulations, Joint Financing Agreement (JFA) for donor funds, Memorandum of Understanding (MoU) between BOU and MoFPED, and Procurement Regulations.
- Reviewed the initiation and approval of invoices on the IFMS by Office of the Prime Minister.
- Reviewed documents at the BOU including security papers to confirm authorisation of expenditure on OPM accounts held by Bank of Uganda.
- Interviewed staff at MoFPED and interrogated IT systems to ascertain authorisation of transfer of funds to the Crisis Management Account.
- Interviewed recipients of the funds on personal accounts in the OPM to establish accountability for the funds.
- Reviewed company files at the Registrar of Companies for a sample of companies involved in provision of goods and services at the OPM.
- Reviewed other available documents like; contracts with suppliers, payment authorisation documents and bank statements.

- Inquired from Development partners the details pertaining to funds released for budget support activities implemented under OPM.
- Analyzed IFMS data on receipts and payments made at the OPM for two financial years 2010/2011 and 2011/2012.
- Discussed the findings with the parties involved.

## **5.0 FUNDING OF THE OFFICE OF THE PRIME MINISTER**

The Office of the Prime Minister is funded through appropriations by Parliament and off- budget funding. Through appropriations, OPM receives funding from GOU funds and budget support from Development Partners (Norway, Sweden, Denmark and Ireland). The budget support is mainly for PRDP activities. Included also in these appropriations are off budget projects funded by the World Bank, DFID and EU.

The details of the budget for the period under review are as under;

Details of the Budget figures for the two financial years (excludes project support)

	<b>Budgets</b>	<b>Releases</b>
Recurrent 2011/2012	26,105,323,756	26,040,862,289
Development 2011/2012	66,366,414,684	51,018,198,527
<b>TOTAL 2011/2012</b>	<b>92,471,738,440</b>	<b>77,059,060,816</b>
Recurrent 2010/2011	33,491,789,220	33,310,226,168
Development 2010/2011	71,442,267,583	62,020,977,316
<b>TOTAL</b>	<b>104,934,056,803</b>	<b>95,331,203,484</b>

The report focussed on issues mentioned in the TOR and therefore does not cover the entire funds released for the period under review. The specific areas include;

- Funds received on the crisis Management Account
- Funds meant for PRDP activities
- All funds sent to personal Accounts regardless of source
- All Funds paid out to meet fuel expenses
- All Funds paid out to meet food expenses

The remaining aspects will be covered in the ongoing statutory audit.

## **6.0 FINDINGS**

The findings in this report have been categorized according to the specific responsibilities by the entities that were involved in managing/processing of OPM funds, and the report is organized according to how the funds flow. The different entities in this respect have been identified as under;



- Ministry of Finance, Planning and Economic Development
- Bank of Uganda
- Office of the Prime Minister

## **6.1 MINISTRY OF FINANCE, PLANNING AND ECONOMIC DEVELOPMENT**

### **6.1.1 Support to Peace Recovery and Development Plan (PRDP) Funds**

The Government of Uganda requested the support of the signatory development partners to contribute towards the on budget funding of the Peace Recovery and Development Plan for northern Uganda 2009-2012. In December 2008 a Joint Financing Agreement (JFA)<sup>3</sup> was signed between the GoU and the signatory development partners namely; Norwegian Ministry of Foreign Affairs and the Swedish International development Cooperation agency, later in October 2010 the Government of Ireland and the Danish Ministry of foreign affairs joined the signatory development partners. The purpose of the earmarked budget support funds was to increase the GoU resource envelope to the implementation of the PRDP. The salient provisions in the JFA included among others;

- Paragraph 2 (15), that GOU will fully be responsible for the implementation through the Ministries, Departments, and the Local Government (LGs), with the office of the Prime Minister and the MoFPED in coordination and oversight roles.
- Paragraph 2 (17)(b), that MoFPED affirms that the contribution from the signatory development Partners will be used only to cover expenditures included in the National Budget as approved by Parliament of Uganda and only on expenditure on the PRDP.
- Paragraph 3 (28), that the signatory Development Partners' funds, notionally earmarked on budget PRDP support shall be paid into a Bank of Uganda 'holding' account, which is linked to the MoFPED Consolidated Fund Account . Section 31 requires MoFPED to immediately acknowledge receipt of the shillings equivalent in the **Central Treasury Account** (UCF) in writing to the signatory development partners.

<sup>3</sup> Joint Financing Agreement (JFA)

Salient issues from the MoU between MoFPED and BoU regarding movement of funds relating to PRDP included;

- Part II (8.2) (Vi) that all funds from budget support holding account shall be transferred to the Consolidated Fund Account on the instruction of the Accountant General and no expenditure other than transfers to the consolidated fund account shall be incurred on these accounts.

Accordingly, two budget support accounts were opened in BOU namely Support to PRDP-BASKET (003300098000060) and the Norwegian Support to PRDP in Northern Uganda to receive funds from the Signatory Development Partners. The instructions opening the accounts from the Accountant General clearly marked the accounts as budget support with the Accountant General as the Principal Signatory and the commissioners as the alternate signatories.

Over the period under review, a total of Shs.75,777,092,394 (Shs.39,319,399,151 and Shs.36,457,693,243 respectively) was received on the two accounts. It is important to note that all these funds were included in the resource envelope as budget support from grants and communicated to the Budget Directorate for subsequent inclusion in the MTEF ceilings. Details of receipts and releases on the two accounts are indicated below:

<b>Funds received on Support to PRDP Basket Account</b>		
<b>Date</b>	<b>Source</b>	<b>Amount (Shs)</b>
21-Oct-2010	Ireland ( EUR 3,250,000)	10,161,775,000
18-Nov-2010	Swedish Embassy	4,804,612,427
11-May-2011	Royal Danish Embassy(USD 901,785.1)	2,148,962,911
27-July-2011	Ireland	14,876,160,000
20-Dec-2011	Sweden (SEK 15,000,000)	5,295,368,488
29-June-2012	Royal Danish Embassy	2,032,520,325
		39,319,399,151
<b>Funds released from the Support to PRDP Basket Account</b>		
<b>Date</b>	<b>Destination Account</b>	<b>Amount (Shs)</b>
12.11.2010	Consolidated Fund	10,161,775,000
27.06.2011	National Policy for Disaster Management	6,953,527,579
28.12.2011	Crisis Management & Recovery Program	14,876,207,759
30.01.2012	Crisis Management & Recovery Program	1,795,368,488
30.01.2012	Crisis Management & Recovery Program	3,500,000,000

At the time of writing this report the account had a balance of Shs.2,032,621,211.

<b>Funds credited to Norwegian Support to PRDP</b>		
<b>Date</b>	<b>Source</b>	<b>Amount (UGshs)</b>
30-Nov-10	Norway	11,166,170,051
13-Dec-11	Norway (NOK 30,000,000	12,903,357,970
13-Dec-11	Norway	68,361,191
15-Dec-11	Norway(NOK 30,000,000)	12,254,919,724
15-Dec-11	Norway	64,884,307
	Total	36,457,693,243
<b>Funds released from the Norwegian Support to PRDP</b>		
<b>Date</b>	<b>Destination Account</b>	<b>Amount</b>
9th-Feb-2011	PRDP North (OPM)	11,166,170,051
27th-Dec- 2011	Refund of 30m NOK to Norway to correct a double transfer	12,254,919,724

The findings of this report reveal the following in relation to these funds:

- Amount received  
75,777,092,394
- Amount properly sent to the UCF  
10,161,775,000
- Amount refunded to Norway  
12,254,919,724
- Balance on hand 15,004,190,484  
37,420,885,208
- Amount  
misappropriated 38,356,207,186

(Norwegian support Shs.11,166,170,051, Basket shs.27,190,037,135)

The anomalies noted in the management of PRDP funds are explained in the following paragraphs.

**(a) Implementation of PRDP**

All PRDP funds are included in the budget and comprise of GoU funds and earmarked budget support from donors. On the advice of the OPM, the Treasury releases funds to implementing agencies (mainly districts) in accordance with the agreed work

plans. Over the last 3 years of implementation, the performance has been declining as indicated in the table below.

**PRDP budget performance for the Local Governments**

<b>Year</b>	<b>Budget</b>	<b>Releases</b>	<b>Performance</b>
2009/2010	79,970,152,000	79,879,575,000	100%
2010/2011	93,781,045,000	78,884,012,000	84%
2011/2012	93,871,043,000	71,388,853,000	76%

The decline in funding can be partly attributed to diversion of funds which is explained in the subsequent paragraphs in this report.

**(b) Diversion of PRDP Funds**

According to Paragraph 2 (17) (d) of the JFA, all funds contributed by Development Partners were to be used exclusively for PRDP activities. However, it was noted that Shs.6.93 billion was diverted and transferred by Treasury to an OPM account in BOU – National Policy on Disaster Management A/C No.000030088000013. The diversion was effected on 27<sup>th</sup> June 2011 on the advice of Ms. Mariam Kiggundu, an Economist from the Aid Liaison Department (MOFPED). In her letter, the officer explained that the funds that had been received from the Royal Danish Kingdom (DKK 5,000,000) as well as the Government of Sweden (SEK 15,000,000) were for developing a policy on disaster Management.

It was further noted that additional Shs.11.166 billion in respect of Norwegian Support Account was also diverted and funds transferred to an OPM account in BOU – PRDP North A/C No.000030088000038. The funds were released on the request made to the Accountant General by the Permanent Secretary OPM made 26<sup>th</sup> January 2011 to release the funds to the account in Bank of Uganda in accordance with an agreement between the GoU and the Norwegian Government.

Ordinarily the diverted funds should have been sent to the UCF, and released to the respective implementers (mainly the districts) following the appropriation by Parliament, instead, these funds were sent to a project account whose activities had ceased in 2009.

The above transfers are in contravention of the JFA and appropriations of Parliament. There was no authority by the PS/ST to divert the funds.

**(c) Fraudulent transfer of Shs.14.8bn**

All transfers from Budget support Accounts can only be effected by way of signed security papers and not by electronic transfer and require authorisation by the Accountant General. In addition, all transfers from the budget support accounts should be effected only to the Consolidated Fund. However, Shs.14.8 bn meant for support to PRDP and received on the basket budget support account on 27<sup>th</sup> July 2011 was fraudulently transferred on 1<sup>st</sup> December 2011 to an account named "Crisis Management and Recovery Programme" under OPM in BOU by way of electronic transfer. This account had been dormant for almost two financial years. The transfer was disguised as a salary EFT file and had no authorisation of the Accountant General. The fraud was originated from Treasury and was sent from a UCS computer with IP address; 192.168.8.3 and MAC address; 00-20-18-8c-69 AC. A review of the user accounts on this computer revealed one generic account of local administrator for first log on, whose pass word is known to Wilbert Okello and Tony Yawe.

To access the Finance server in BoU a second log on is required, to which we confirmed that another generic account "user1" was used to send the two EFT's. The password to this second generic account is known to Wilbert Okello.

**Attempted cover up of fraud**

In order to hide the irregularity in which the transaction was processed, 20 days later, an attempt was made to prepare a security paper and duly authorize it as noted below:

- An email was sent from Mugisha David (Macro Economics Department MoFPED) on the 19<sup>th</sup> December 2011 to Bright Atwine (Treasury Services Department). The email confirmed that Shs.14.8bn had been sent by the Irish Government for crisis management in Karamoja Project.
- The recipient of the Email then prepared a security paper on 28<sup>th</sup> December 2011, which was signed by the Commissioner TSD and the Accountant General, with the email acting as the basis for their signature.
- The signed document was later taken to BoU by the authorised Treasury agent, Takwenda Amon. BoU acknowledged receipt of the document on 29<sup>th</sup> December 2011 and simply filed it, a fact that can be confirmed by the Treasury agent. However, BOU in their response denied ever receiving the security paper and maintained that the stamp on the copy of the security paper was not theirs.
- The document was a payment instruction addressed to the Director Banking, and therefore required the Bank to act on it by doing all the necessary checks and then go ahead to either effect payment or refer the document to sender.
- Treasury staff subsequently reconciled this transaction as a known payment in the subsequent months. It was noted that the person who prepared the security paper is the one who did the reconciliation.

**(d) Fraudulent transfer of 5.2bn**

Shs.5,295,368,488 was also fraudulently transferred from the basket budget support to PRDP account to the crisis management account of OPM by way of electronic transfer disguised as salary EFT files. The transfer was never authorised by the Accountant General contrary to the guidelines. The transfer was done using two EFT files, details are shown below;

Filename	Debit Account	Credit Account	Amount	Status	Date and Time
9989123001.INT	003300098000060	000030088000030	3,500,000,000	Success	30/01/2012 at 12:25:42
	003300088000030	000030088000009	1,795,368,488	Failed	30/01/2012 at 12:25:42

9986123101.INT	003300098000060	000030088000030	1,795,368,488	Success	30/01/2012 at 16:10:42
	003300088000030	000030088000042	3,500,000,000	Failed	30/01/2012 at 16:10:42

The fraud was effected as follows:

- The transfer was originated from Treasury and sent from a UCS computer with IP address; 192.168.8.3 and MAC address; 00-20-18-8c-69 AC. A review of the user accounts on this computer revealed one generic account of local administrator for first log on, whose pass word is known to Wilbert Okello and Tony Yawe.
- To access the Finance server in BoU a second log on is required, to which it was confirmed that another generic account "user1" was used to send the two EFT's. The password to this second generic account is known to Wilbert Okello.
- The first EFT sent at 12.01hrs, had one of the transactions bouncing and BoU automatically sends emails of bounced EFTs to staff in Treasury for rectification. The rectification was done 4 hours later and another EFT was sent at 15.50 hrs, implying that the perpetrator of the fraud had access to the bounced EFT mail.
- From the above, it can be concluded that the perpetrator had the administrator password on the UCS computer, the password for the user1 account and had access to the bounced EFT mails.
- In addition, the budget support account was never reconciled till three months later, with the excuse that e-statements were not uploaded on to the IFMS. However, there is evidence that BoU sent hard copies of the same for that period.

It is important to note that, had prompt reconciliation been carried out, more than 95% of the funds would have been recovered.

Inquiry made with the Development Partners revealed that all their funds released for Support to PRDP were by budget support and not project support, and all their disbursements were in line with the JFA.

**(e) Irregular allocation of responsibility**

Approval of invoices is the most critical stage in the IFMS payment process, and as such the responsibility is limited to the accounting officer, or his/her designate in case of absence. However, scrutiny into the IFMS database revealed that the responsibility of invoice approval was irregularly assigned to the Principal Accountant (Geoffrey Kazinda) by one of the database administrators (Chris Lubega) on 1<sup>st</sup> February 2011. Subsequently, a total of Shs.16,222,877,129 was approved by the Principal Accountant and paid to various individuals and organizations.

**(f) Internal Control Weaknesses in Treasury**

We noted that some internal control weaknesses existed on the part of Treasury that could have led to lapses in the processing systems;

- Use of generic passwords for sensitive roles. The practice makes it difficult to assign responsibility for an action. Specific passwords should be used for sensitive roles.
- Minimal supervision in regard to bank reconciliation. Regular reconciliations enhance earlier detection of any errors or irregularities. It was observed that this was not done regularly. In addition there were no supervisory reviews in regard to reconciliation.
- Lack of involvement of Internal Audit. There has not been adequate Internal Audit involvement in the review of Treasury systems. The internal audit function is required to carry out regular reviews of internal control functions among others; review of reconciliations with the bank. This internal control check was missing.
- Lack of cameras in the UCS server room. Availability of cameras would assist to identify the staff who used a particular computer at a given time. This would also help deter any intentions to undertake any illicit activity.



## **6.2 BANK OF UGANDA**

### **6.2.1 Background**

On 1<sup>st</sup> July 2008, a Memorandum of Understanding was signed between BoU and the Government of Uganda represented by the Ministry of Finance, Planning and Economic Development, in which the two parties formally agreed to the terms and conditions of the banking relationship under the provisions of Section 4 (2) (d) of the Bank of Uganda Act. In this regard, the office of the Prime Minister opened and operates a number accounts in BoU.

### **6.2.2 Bank Payment system**

I reviewed the BoU payment process with the view of ascertaining whether BoU had a role in the purported fraud that occurred at OPM. The banking system is described below:

#### **a) Cash payments**

All cash payments are received by customer service at the Project desk. The officer at the desk verifies the original and copy of the instructions confirms that the serial numbers pertain to the account in question and that the customer is the authorised agent, stamps both and directs the customer to the paying teller. The customer deposits the original instruction together with his/her identification to the teller. The teller (maker) verifies the following;

- i. The Bank of Uganda received stamp
- ii. Whether the instruction is properly signed according to mandate
- iii. Signature of the drawers and the agent

- iv. Sufficiency of balances on the account
- v. Reconciles with amount originally drawn from the TGA account in case of EFT cash transfers
- vi. Reconciles amount in words and in figures
- vii. Date on the instruction; it should not be stale (more than 6 months back) or post-dated.

Depending on the amount on the instruction, the teller forwards the instruction to the cash officer or the Director's office for confirmation and authorization of payment; instructions for amounts less than Shs.10, 000,000 are forwarded to the Cash officer, while those for Shs.10, 000,000 and above are forwarded to the Director. The Director's office verifies signatures again and confirms with one of the signatories for authenticity of document before authorising payment. The Deputy Director confirms cash payments of fifteen million and above. If the verification confirms that the transaction is genuine, the payment is made.

#### **b) Non-Cash Payments**

Payment instructions (all done by EFT instructions) are received over the counter at the projects desk. The receiving officer verifies that the account has sufficient funds, that the instructions are delivered by authorized agents and that the amounts in words tally with the amounts in figures. The instructions are then sent to the back office for further processing.

At the back office, the security paper is verified (serial number and security features). The signature mandate is also verified against the specimen signatures held. All the EFT instructions are captured in an excel file (name, payee, account number and amount) and reviewed by the section head who confirms the amount and the payee. The Deputy Director also confirms all payments in excess of Shs.20 million by calling at least one of the signatories.

After the review, the file is converted into a format readable by BBS, saved in the outward clearing folder where the clearing section picks it up for further processing. A copy of the excel file is encrypted with a password, and saved on the Banking common folder. No overdraft facilities are extended unless expressly authorized by

the Permanent Secretary/Secretary to the Treasury through the Governor. Such instructions also require the approval of the Director Banking.

**c) Internal Account to Account Transfer**

The instructions for funds to be transferred are received at the project counter, where the same checks as noted above are performed, and then forwarded to the back office for further processing. They are captured onto the BBS (funds transfer module) and authorized by the section head. Any transfers in excess of Shs.50 million are authorized by the Division head. In addition, the division head confirms all transfers in excess of Shs.20 million with one of the signatories. From the description of the process, the following were noted.

**6.2.3 Flaws in the banking system**

**6.2.3.1 Non Confirmation of Payments**

Whereas the BoU payment guidelines require that all cash payments above Shs.15,000,000 and non-cash payments in excess of Shs.20 million are confirmed by calling at least one of the signatories, it was noted that in the period under review 61 non-cash payments totalling to Shs.10,928,904,340 were not confirmed<sup>4</sup> with any of the signatories. Although BOU indicated that they were not confirming inter account transfers since they regarded them as low risk, this was in contravention of the banking guidelines.

Where confirmation was done, it was also noted that whereas the guidelines required confirmation from one of the signatories, most of the confirmations were made with the Principal Accountant yet the Accounting Officer is the principal signatory. All cash payments above 15,000,000 and non-cash payments above 20,000,000 for the financial years 2010/2011 and 2011/12 were analyzed. The analysis revealed that from the sample, out of the 473 security papers confirmed, 74.5% were confirmed with the Principal Accountant (Geoffrey Kazinda), 10.6% were confirmed by the Permanent Secretary (Pius Bigirimana), while 14.9% were confirmed by other OPM staff. It was noted that the calls for confirmation of payments were not recorded; as such reference cannot be made to them subsequently.

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<sup>4</sup> List of unconfirmed payments

### 6.2.3.2 Signature Verification

The payment guidelines require that officers in the bank should carry out a verification of the signature mandate against the specimen signatures in the bank. A review of a sample of cash payments above Shs.15 million and non-cash payments above 20,000,000 from all OPM accounts over a period of the two financial years; 2010/2011 and 2011/2012 was carried out. The review revealed that 121 payment instruments totalling to Shs.13,454,035,346<sup>5</sup> appeared to have signatures of the Permanent Secretary and Under Secretary differing from the specimen signatures in Bank of Uganda, a fact to be confirmed by the signature expert.

A comparison of the signature verification control and the Payment confirmation control revealed that all the instruments with differing signatures were confirmed by the then Principal Accountant and honoured by the bank.

The signatures on the security papers were verified by different BoU staff<sup>6</sup>. It was also noted that 80% of these instruments were approved by the substantive deputy director banking (Milton Opio) and 20% by others<sup>7</sup>. In some instances the difference in signature was so apparent that the staff of the bank would have had to confirm with the signatory whose signature differed before effecting payment. However, this was not done and confirmations were made with the one whose signature appeared authentic.

Under the circumstances, it can be concluded that negligence on part of the bank is apparent and collusion with OPM staff cannot be ruled out. The responsible officers both in BOU and OPM should be held accountable.

### 6.2.3.3 Violation of cash withdrawal limits

A review of communications between MoFPED, OPM and the BoU on the cash withdraw limits revealed that on 13<sup>th</sup> August, 2010 the Accountant General granted special permission to the Accounting Officer of OPM to withdraw cash above the limit of Shs.20,000,000. On 8<sup>th</sup> October, 2010 the MOFPED granted OPM blanket authority

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<sup>5</sup> List of payments where the signatures grossly differ from the specimens

<sup>6</sup> List of staff who verified security papers where signatures appear different

<sup>7</sup> List of other staff who approved payment for security papers where signatures differ from specimen

to withdraw up to Shs.100,000,000 but subject to proper accountability of the previous withdrawal, this was further extended on 14<sup>th</sup> July, 2011.

A review of bank statements of various accounts of OPM revealed that on a some occasions the Ministry withdrew cash over and above the warranted cash limit without express authority. Refer to table below for details:

DATE	ACCOUNT NAME	AMOUNT
27/07/2010	PRDP POST CONFLICT	116,990,000
29/12/2011	DFID EVIDENCE BASED	119,011,916

The blanket authority from the MOFPED was rather ambiguous; as the bank would not know whether the funds were accounted for and it does not mention whether the limit is per account or for the whole entity. Indeed, the offer was grossly abused by OPM to the extent of picking over 100 million a day.

However, the ambiguity does not exonerate BoU, because in the worst case scenario the authority allows a maximum withdrawal of Shs.100 million per withdrawal, which was still violated by the bank as shown above. Negligence on the part of Bank officials is apparent and collusion with OPM staff cannot be ruled out.

In addition, on 25<sup>th</sup> September, 2010, the Accountant General also granted an imprest warrant of up to Shs.96,371,916 monthly. However, it was noted that imprest amounts were drawn over and above the authorized limit<sup>8</sup> in various months in some instances drawing over Shs 800 million in a single month was undertaken. A summary of the withdrawals is shown below:

MONTH	No of times of imprest withdrawal	Monthly total (Shs)
October 2011	3	289,115,748
November 2011	3	289,115,748
December 2011	9	867,347,244
January 2012	8	770,975,328
February 2012	5	481,859,580
March 2012	9	867,347,244
April 2012	2	192,743,832

<sup>8</sup> Schedule of monthly imprest withdrawals above the authorized amount

May 2012	2	192,743,832
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#### 6.2.3.4 Irregular transfer of funds from Budget support holding accounts to project accounts

According to Part II (8.2) (Vi) of the Memorandum of Understanding between Bank of Uganda and the Ministry of Finance, Planning and Economic Development regarding the opening and management of Government accounts, all funds from budget support holding account are required to be transferred to the Consolidated Fund Account (UCF) on the instruction of the Accountant General and no expenditure other than transfers to the UCF are authorized to be incurred on the accounts.

During the period, Shs.75,777,092,394 from various development partners was deposited on Support to PRDP-BASKET account number 003300098000060 and Norwegian Support to PRDP, which are budget support accounts. It was noted that only Shs.10,161,775,000 was transferred to the UCF as required by the MoU and the balance of Shs.38,291,273,877 was transferred to National Policy for Disaster Management, Crisis Management and PRDP North Accounts. Refer to the table below:

Date	Accounts transferred to	Amount (Shs)
12.11.2010	UCF	10,161,775,000
27.06.2011	National Policy for Disaster Management	6,953,527,579
28.12.2011	Crisis Management & Recovery Program	14,876,207,759
30.01.2012	Crisis Management & Recovery Program	1,795,368,488
30.01.2012	Crisis Management & Recovery Program	3,500,000,000
27.02.2011	PRDP North	11,166,170,051

The transfers to other accounts other than the UCF were contrary to the terms of the MoU between BoU and MoFPED and exposed the said funds to misappropriation. BOU did not adhere to the terms of the MOU and went ahead to effect the transfer of funds to the accounts without recourse to MOFPED as a party to the said MOU.

#### 6.2.3.5 Failure to close dormant accounts

According to the MoU between BoU and MOFPED, an account is classified as dormant in the books of BoU if it has had no activity for a continuous period of 24 months in which case the Executive Director Finance is required to give a written two months'

notice to that effect to the Accountant General and if no action is taken by the Accountant General upon the expiry of the notice, the Bank closes such dormant accounts and transfers any credit balance to the Consolidated Fund Account.

A review of the bank accounts held by OPM in BoU revealed that five accounts were dormant for some time. Refer to table below:

<b>Account</b>	<b>Date last operated</b>	<b>Closing Balance</b>
AU media	14/09/2010	1,150,698
Emergency Relief Fund	2/09/2010	-
JMC Refugees	1/07/2010	-
NUREP	June 2010	-
World Bank support	8/09/2010	

In their response, BOU stated that dormant accounts are normally closed as required, however, there had been a revalidation exercise and many Government accounts were revalidated and reactivated in July 2010. However, I was not provided with evidence to confirm that BOU had earlier sent a notice of closure of the accounts to Treasury, and even then from July 2010 up to the time of audit, these accounts had remained dormant for two years.

Such dormant accounts expose the entity to the risk of being used for fraudulent activities; indeed the Crisis Management Account and Building Peace and Development account on to which funds were irregularly channelled had been dormant for almost two years. Negligence on part of the bank is again apparent.

#### 6.2.3.6 Running EFT files on The BBS without confirmation from the Treasury

EFT files are generated by Treasury, encrypted and then transferred to the Finance Server in BOU across a dedicated line. Upon receipt on the side of the bank the file is automatically picked from the server, decrypted and then uploaded onto the BoU Banking system (BBS). On the BBS the files are automatically run at scheduled intervals. Treasury is required to send confirmatory emails for each EFT file detailing the number of transactions sent and the totals paid out.

Automatically running EFT files by BoU before receiving confirmatory emails from Treasury is a major weakness in the system as it exposes the entity to running fraudulent or altered files; the fraudulent transfers of 14.8bn, 3.5bn and 1.7bn were partly successful because of this weakness.

### **6.3 OFFICE OF THE PRIME MINISTER**

#### **6.3.1 Bank Accounts**

The OPM has a total of 40 bank accounts with the Central Bank, 6 of which are not known to OPM management. The unknown accounts are indicated in the table below;

#### **List of accounts in BoU not known to the office of the prime minister**

<b>NO</b>	<b>CUSTOMER</b>	<b>ACCOUNT NO.</b>	<b>ACCOUNT NAME</b>
1	OPM	000030088000001	EMERGENCY RELIEF FUND 70401
2	OPM	000030088000016	NUREP OPERATIONAL PROGRAMME ESTIMATE NO.1
3	OPM	000030088000028	NUREP POST FLOODS REHABILITATION NO.2
4	OPM	000030088000032	NUREP PROGRAMME ESTIMATE NO.4
5	OPM	000030088000043	NATIONAL POLICY FOR PEACE BUILDING AND
6	OPM	000030088000047	UGANDA VETERANS ASSISTANCE BOARD OPM

It was also observed that of the six unknown accounts, five of them were dormant. This implies that there was a major weakness in managing accounts of the entity. Such weaknesses could lead to fraud being channelled through the accounts.

#### **6.3.2 Mismanagement of funds under the Crisis Management and Recovery Account**

Crisis Management and Recovery Programme account was opened in July 2008 to receive funds meant for the Crisis Management and Recovery Program (CMRP) funded by UNDP. Although the program ended in 2009, the account was not closed and remained dormant for a period of close to 2 years. However, between 1<sup>st</sup> December 2011 and 30<sup>th</sup> January 2012, Shs.20,171,476,505 was irregularly credited on the account from support to PRDP account.



The payments were effected as indicated in the table below;

<b>Date</b>	<b>Payment Details</b>	<b>Amount</b>
1-Dec-11	183011PT011211 CRISIS MANAGEMENT & RECOVERY PROGRAM	14,876,108,017
30-Jan-12	183111PT300112 CRISIS MANAGEMENT & RECOVERY PROGRAM	3,500,000,000
30-Jan-12	STP400033300112 CRISIS MANAGEMENT & RECOVERY ROGRAM	1,795,368,488
	<b>Total</b>	<b>20,171,476,505</b>

As noted in the earlier paragraphs, PRDP funds were meant to be sent to mainly the districts through the UCF for implementation of activities.

There was no documentation to show that the funds had been requisitioned and neither were there workplans in place.

Accordingly, the Accounting Officer confirmed that in all instances he was not aware of the source of funds to this account and on the 12<sup>th</sup> of December 2011, he wrote to the Principal Accountant inquiring of the source. In his response the Principal Accountant referred him to an earlier request by himself to attempt to secure funds from the MoFPED and alluded to the fact that MoFPED had responded, quoting the fraudulent email from Macro Economics Department and the back dated transfer letter by the Accountant General as evidence.

It is important to note that in his response the Principal Accountant referred to two security papers from the Accountant General, an original one and a back dated one, a clear indication of a fraudulent transaction.

Ideally, the Accounting Officer should have made further inquiries since the source of funding was not clear and there were no related workplans. According to S.14 of the PFAAR, the Accounting Officer is personally and pecuniary responsible for the votes revenue and expenditure. This responsibility was not properly executed in this instance.

### **6.3.3. Expenditure**

At the time of audit, all the Shs.20,171,476,505 deposited on Crisis Management Account had been paid out. A review of the payments from the account revealed that

of this amount Shs.15,509,912,881 was approved for payment by the accounting Officer, details are shown below;

<b>Purpose</b>	<b>Amount</b>
Cash withdrawn	1,462,582,726
Farm Engineering Industries Ltd	1,970,000,000
Food supplies	1,274,677,112
Fuel	755,700,000
Paid to Ministry of Water for Valley tanks	1,731,092,000
Procurement of Motor Vehicles	1,818,413,285
Personal Accounts	2,085,893,685
Hydra form for block making machines	431,554,073
Transfer to other OPM account	3,980,000,000
	<b>15,509,912,881</b>

It should be noted that contracts for procurement of Motor Vehicles and supply of hydra form block making machines had been entered into prior to receiving these funds implying that the source of funding for these contracts had already been identified.

The following was further noted on the expenditure on the account;

**i) Purported unapproved expenditure by the P/S Shs.4,661,563,624**

Expenditure totalling to Shs.4,661,563,438<sup>9</sup>, was purportedly not approved by the Accounting Officer (Permanent Secretary) as confirmed by him in writing. The said payments correlate closely with financial instruments which had signatures differing from the specimen signatures. The recipients of these funds could not provide evidence of approval by the accounting officer and as such all funds are recoverable.

**ii) Cash withdrawals**

A total of Shs.3,237,987,522<sup>10</sup> was withdrawn cash by the cashier, Oonyu Isaiah, with a frequency of Shs.96 or Shs.100 million almost daily. Of this amount Shs.1,462,582,726 was explicitly approved by the Accounting Officer and Shs.1,775,404,796 was attributed to forged signatures. In 9 instances, cash totalling

<sup>9</sup> List of payments from the crisis management account not known to the accounting officer

<sup>10</sup> List of cash withdrawals from crisis Management

to Shs.787,131,278 was drawn on Fridays putting into question whether activities were to be undertaken over weekends.

No cash book was availed to show the recipients of the cash and how these funds were utilised, no single accountability document was presented for audit and therefore, under the circumstances, all the funds are recoverable.

**iii) Transfers to other accounts**

Shs.3,980,000,000 was transferred to two other accounts namely Building Sustainable Peace & Development In Karamoja account and United Kingdom/Uganda Post Conflict Development Programme Grant 2010 account as shown in the table below;

DATE	PAYMENT DETAILS	RECEIVING ACCOUNT	AMOUNT
12/12/2011	AAT REF 110229	PEACE DEV KARAMOJA	980,000,000
14/02/2012	AAT REF 110298	UK/UG POST CONFLICT	3,000,000,000
			<b>3,980,000,000</b>

The following are the findings regarding the transfers;

**a) Building Sustainable Peace & Development in Karamoja project**

Building Sustainable Peace and Development in Karamoja account was opened in November 2007. Prior to this transfer, the last transaction on this account was made on 10<sup>th</sup> January 2010 implying that it had been dormant for close to two years.

Out of the 980million transferred, Shs.681,738,832<sup>11</sup> was withdrawn cash by the cashier, Oonyu Isaiah over a period of one month. Neither a cash book nor accountability documents were availed for audit and as such the whole amount remains unaccounted for and is recoverable.

It was also observed that Shs.289,600,000 was paid to various food suppliers<sup>12</sup> on the 3<sup>rd</sup> of February 2012, but no accountability documents were presented for audit. Signatures of the Accounting Officer which moved funds off this account all appear different from the specimen, a fact to be confirmed by the hand writing expert.

<sup>11</sup> Cash payments from peace and development

<sup>12</sup> Food suppliers who received payment from the peace and development account

**b) UK/ UG Post Conflict Account**

Shs.3,000,000,000 was transferred to UK/UG post conflict account. Although the Accounting Officer explained that these funds were a refund of moneys earlier borrowed from this account, there was no breakdown of the same to show how the funds had been earlier borrowed. In absence of proper justification for the refunds the funds are recoverable. . The Permanent Secretary, OPM explained that the Shs 3bn had been borrowed to pay for boluses for marking cattle. However, there was no evidence provided to that effect.

**6.3.4 PRDP North Account**

PRDP North account was opened in June 2010 to receive funds meant for monitoring PRDP activities. As earlier indicated in paragraph 7.2.3.4, Shs.11,166,123,879 was irregularly credited on the account from Norwegian support to PRDP account on 9<sup>th</sup> February 2011.

Of this amount, Shs.2,561,332,832 was withdrawn cash of which shs. 1,887,744,916 was approved by the accounting officer and shs.673,587,916 relates to the forged signatures. No accountability was available for review. In addition Shs.6,200,000,000 was transferred to Ministry of Works in May 2011 for Procurement of a ferry to cross Lake Bisina. Accountability documents from the Works Ministry regarding the same were not availed for review and according to the Accounting Officer the ferry is not yet operational. Shs. 1,324,297,716 was paid to Farm Engineering Ltd, details of which are in paragraph 8.3.11.

Further, Shs.150,000,000 was paid to Nakaseke District and Shs.207,975,000 was paid to Akamba Ltd, details of these payments could not be established as cash books and vouchers were not availed. As noted in the previous paragraphs, the Accounting Officer expended funds whose source was not clear and without respective approved work plans.

It was also noted that Shs.776,602,900 was transferred to personal accounts. The details of these personal advances and others are indicated in the next paragraph.

**6.3.5 Expenditure off the Policy on Disaster Management Account**

Shs.6.953 billion was irregularly transferred to this account on the 27<sup>th</sup> June 2011 from the Norwegian support to PRDP. Due to absence of cash books and expenditure vouchers, Audit could not isolate the details of the expenditure relating to this figure. Audit however notes that sending 6.953 billion for drafting a policy on Disaster Management was rather exaggerated.

The Accounting Officer should provide a detailed breakdown as to how the funds were utilised.

### **6.3.6 Personal Advances**

The Treasury Accounting Instructions, Sections 227, 228 and 229 state that all payments should be made by the Accounting officer directly to the beneficiaries. Where this is not convenient an imprest holder should be appointed by the Accounting Officer with the approval of the Accountant General. However, analysis of payments over two years revealed that in a number of instances huge sums were transferred to personal accounts (Shs.34,610,365,101) for undertaking Ministry activities without following the regulations. It was noted that transfers onto personal accounts was authorised by the Accounting officer vide an internal memo to the Principal Accountant dated 21<sup>st</sup> May 2010.

An attempt to access the original accountability documents proved futile and the current head of accounts confirmed that no single accountability document was passed on to him at the time of hand over. Police statements given by several staff of the OPM allege that the Principal Accountant had an office in the basement and that on a number of occasions carried a few files with him to work from either the basement or home. However, I cannot confirm that the documents were taken by the Principal Accountant.

Requests were made to individuals to provide any form of available evidence as to how the funds were utilised. Review of these documents revealed that the whole population could be categorised into four, i.e. those with evidence of submission of accountability, those with no evidence of submission, those with photocopies of the

original accountability documents and those who did not respond at all, table below gives the summary. Details are given in appendix 9<sup>13</sup>.

Status	Total Amount
Submitted to Accounts with evidence of submission	14,609,943,235
Submitted but with no evidence of submission	10,995,884,316
No response from the officer	5,068,711,688
Photocopies of accountability were available	3,162,885,899
Refunded to Accounts	767,435,963
<b>Total</b>	<b>34,604,861,101</b>

I was unable to obtain accountability for the amount of Shs.34,604,861,101 shown above as documents in support of the same were unavailable.

#### 6.3.6.1 Advances to Cashiers

Audit found it irregular that Shs.2,916,833,943<sup>14</sup> advanced to cashiers, that is; Obbo Boniface and Oonyu Isaiah personal accounts was found to be irregular as they were not mandated to carry out field activities. No accountability was provided for review. The funds are therefore recoverable.

#### 6.3.6.2 Refund of cash from Personal accounts

Shs. 767,435,963 was purportedly remitted to personal accounts in error and therefore was recalled by the accounts staff. The recipients withdrew the funds and refunded it to accounts staff in cash, evidence of acknowledgement by accounts staff was availed as indicated in the table below;

Name of Officer	Amount	Receiving Officer in Accounts department
Lubega Raphael	200,000,000	Kazinda Geoffrey
Dhikusooka Cyprian	95,000,000	Nalwanga Lydia
Muwanika Abdul	88,000,000	Obbo Boniface
Owaro Johnson	71,355,000	Kazinda Geoffrey
Etyang Martin	108,000,000	Kazinda Geoffrey
Waduwa Flavia	205,080,963	Kazinda Geoffrey
<b>Total</b>	<b>767,435,963</b>	

However, banking corresponding to the refunded amounts was not provided.

<sup>13</sup> Details of status for personal Advances

<sup>14</sup> Details of advances to cashiers

It appears that referring to them as errors was a disguise. In this regard the whole amount is recoverable.

#### **6.3.6.3 Review of accountability for personal advances**

A few of the original accountability documents retrieved from CID headquarters were reviewed and details are attached as appendix 11<sup>15</sup>. Below are the highlights of the review which reflect a number of irregularities;

- An officer procured 50 cartons of salt from a hardware shop, a fact the shop owners disputed on phone.
- A number of fuel receipts were from Total Ntinda 1 and were serially following each other , despite having different dates
- The receipt serial numbers from the same suppliers were not consistent with the dates, earlier numbers being issued later.
- All of them flouted procurement guidelines as they used micro procurement method for billions of moneys.
- Activities were duplicated especially those pertaining to disaster relief
- Signatures appeared forged in a number of accountabilities An officer used two trailers with a fuel cost of 3.6million to transport only 35 bags (1 tonne) of nails to Kiryandongo.
- Signatures for RDCs, CAOs and LCV chairmen kept on varying on different accountability sheets, an indicator of forgery
- Signatures for drivers were grossly forged, a fact confirmed by the drivers
- Some accountabilities for workshops had no attendance sheets, making the workshops doubtful.
- 6 trucks of firewood procured in Kigumba required two trailers from Kampala to transport the fire wood to a nearby town of Kiryandongo.
- Whereas Tarpaulins were procured centrally, a number of officers included receipts from several companies for procurement of the same, a fact the shop owners disputed on phone.

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<sup>15</sup> Details of accountabilities reviewed

- In a number of instances construction supervisions were carried out by officers who had no engineering knowledge.

The above irregularities point to issues of mismanagement of funds. However, I was unable to obtain sufficient evidence as most of the documents relating to the personal advances were unavailable.

### **6.3.7 Absence of OPM Accounting Records**

Section 420 of the Treasury Accounting Instructions states that “the Accounting Officer shall be responsible for maintenance of accounting records.” Section 421 goes ahead to state that the principal accounting records shall be kept in secure rooms or fire proof locked cabinets when not in use and should never be removed from the safe storage facility except for audit or legal purposes .

Contrary to the above provisions, the Accounting Officer failed to secure the accounting documents of the OPM as no evidence of breakage into secure rooms or cabinets was ever reported. In his explanation, the Accounting Officer indicated that he had delegated this duty to the Principal Accountant who unfortunately did not perform and instead took away the documents.

### **6.3.8 Fraudulent approval of invoices on the IFMS**

Approval of invoices is the most critical stage in the IFMS payment process, and as such the responsibility is limited to the Accounting Officer, or his/her designate in case of absence. A review of invoices on the IFMS over a period of two years revealed that invoices amounting to Shs.16,222,877,129<sup>16</sup> were fraudulently approved by the Principal Accountant (Geoffrey Kazinda) as summarized below.

<b>SUPPLIER</b>	<b>AMOUNT_SUM</b>
OPM staff Personal Accounts	3,345,196,361
Other OPM accounts	6,322,933,220
Private Companies	3,775,466,587
Cahier's personal Account	547,467,420
Centenary Bank	1,705,125,951
District Accounts	526,687,590
<b>Total</b>	<b>16,222,877,129</b>

<sup>16</sup>16 Details of transactions fraudulently approved



Scrutiny into the IFMS database revealed that the responsibility of invoice approval was irregularly assigned to the Principal Accountant by one of the database administrators on 1<sup>st</sup> February 2011.

From the above table the following is also noted;

- Funds advanced to the cashier's personal account were described as a refund of borrowed cash, making it appear as if the cashier lent government money from his personal savings. There was no evidence that the cashier had lent Government money.
- Funds transferred to private companies had no approval of the accounting officer, implying that the goods and services supplied were for personal benefit. Had the payments been genuine, then there would be no need for the fraudulent approval.
- Funds sent to Centenary Bank were disguised as funds for a genuine activity of Kasiimo for Luweero Veterans. I could not access the records of the bank to establish the beneficiaries of the money.
- Shs.5,000,000,000 was transferred to an OPM account Policy on disaster Management on 24<sup>th</sup> of June 2011, probably as a way of circumventing the expiry of the appropriation control and subsequently paid out to a number of suppliers and personal accounts.
- The Accounting Officer confirmed in writing that in his absence, he had only delegated this function to three people at the level of Undersecretary and Director and never to the Principal Accountant.
- Further review revealed that most of the beneficiaries from these payments also appear on the beneficiary list of the Crisis Management in Karamoja and Building Sustainable Peace and Development in Karamoja accounts.

All transfers by the Principal Accountant were never authorised by the Accounting officer and thus are fraudulent and recoverable. However, it should be noted that under the guidelines of processing payments using Electronic funds guidelines issued by Accountant General, the Accounting Officer is required to review all payments by the head of accounts on a daily basis and sign off. This was meant to identify transactions that could have been irregularly paid. However, this was not done. Investigations should be extended to the private companies, staff personal accounts, districts and banks, with a view of recovering the funds and prosecuting staff involved.

### **6.3.9 Apparent forging of signatures**

Review of 121 payment instruments totalling to Shs.13,454,035,346 from OPM appeared to have signatures of the Permanent Secretary and Under Secretary differing from the specimen signatures in Bank of Uganda, a fact to be confirmed by the signature expert. It was also noted that the signature of the principal accountant appeared authentic on all these payment and these payments had been confirmed by the Principal Accountant, Kazinda Geoffrey. The involvement of the Principal Accountant in the forged signatures in the circumstances cannot be ignored.

### **6.3.10 Fuel and Motor Vehicle Servicing**

The ministry has a fleet of 392 vehicles which is controlled by the Transport Officer. In the period under review a total of Shs.8,936,127,612 was paid out for fuel and motor vehicle servicing details are shown below.

#### **Break down of fuel payments for the period**

<b>SUPPLIER</b>	<b>AMOUNT</b>
Engineers Investments Ltd/Shell Mulago	6,800,000
Jinja Road Service Station 2011 Limited	153,580,827
New CALTEX Ntinda Service Station	6,850,987,854
Office of Prime Minister Fuel	2,521,594,906
Shell Bukoto Service Station	6,000,000
Shell Capital 2001 Limited	6,740,000
Standard Chartered Bank (Fuel)	913,406,585

Total Key Fuel Filling Station	270,000,000
Wampewo Avenue Service station	98,722,225
	<b>8,590,127,612</b>

According to the Transport Officer, the fuel that was under his control was that paid through Standard Chartered Bank and loaded onto cards. Narrations from IFMS indicated that the Fuel paid to the New Caltex account was for transportation of food.

The following are findings on the amounts deposited.

**a) New Caltex Ntinda Service Station**

- Shs.6,850,987,854 was paid to this company in the period under review. It is unclear how the company was procured. There is no evidence of background check or evaluation. A search at the company registry revealed that New Caltex Ntinda is only a business name registered in May 2000. No details of partners or business location were ever filed with the company registry.
- No fuel consumption statements were availed by OPM and the fuel station and as such it was not possible to ascertain the use of the fuel.
- On the 6<sup>th</sup> of February 2012 Shs.576,000,000 was paid to this station as a refund for fuel used on 6<sup>th</sup> and 17<sup>th</sup> December and 5<sup>th</sup> and 16<sup>th</sup> January. This payment was approved by the Accounting Officer on advice of the Commissioner Disaster Preparedness, without any detail of the vehicles which consumed the fuel and the purpose. Besides, no food was issued for transportation from the stores on those dates. It should also be noted that this amount translates into Shs 144,000,000 per day and this can fuel 48 trailers making a return journey to Karamoja. This payment appears fictitious and therefore the funds are unaccounted for.
- A review of the Station Bank statements revealed that in a number of instances funds deposited from OPM would be withdrawn lump sum shortly after, an indicator of retrieval by the sender. In her statement to police, the Manager of the station confessed that upon sending these funds they would be retrieved by officials from the OPM.

- It was also noted, that several requisitions for transporting food and non food items had a component of fuel embedded in there, implying that fuel was not drawn from the station.

In view of the above, my findings cannot rule out the fact that the said funds were put to personal use. Investigations should be carried out to confirm the above audit conclusions.

### **6.3.11 Procurement of Food**

The OPM procured a lot of food for purposes of aiding disaster stricken communities. The practice was to have a list of prequalified suppliers from which a few would be chosen on a rotational basis, issued with LPO's and they would deliver food to OPM stores. In the stores all receipts were to be verified then entered in the food ledger, subsequently the food was to be issued out to different communities on the approval of the Accounting Officer.

Review of the food ledger revealed that the amount of food supplied by different companies greatly differs from amounts of money paid to the suppliers from OPM accounts. The analysis shows that a total of 23 companies were overpaid to a tune of Shs.8,647,602,417. Details are shown in **appendix 17**<sup>17</sup>.

In addition, further review of the company files at the company registry revealed the following:

- It was noted that there was an individual who was a shareholder and director in four of the companies, namely; M.J.Z Enterprises Ltd (1999), Mbalaba Enterprises Ltd (2007) Bimala Enterprises Limited (1999) and ASB Enterprises (1999).
- Some of the above companies have no registered addresses with the registrar of Companies i.e. Maliaka, M.J.Z, Katikamu, Mbalaba, Bimala, Kapitol, Rural Enterprises and Khadali.
- Rural Enterprises last filed company returns in 1986, implying that the company has been dormant since then.

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<sup>17</sup> Details of overpayment for food

- Some of the above companies have no records at all at the company registry i.e. Jesus Enterprises and Bulondo's apartments.

### **6.3.12. Farm Engineering Ltd**

#### **a) Background**

The Ministry under Pacification and Development department undertook to implement the Karamoja Action plan for food security by providing tractor hire services and ploughing various parts of Northern Uganda and Karamoja particularly in the 7 districts of Moroto, Amudat, Kotido, Koboong, Nakapiripirit, Napak and Abim.

In implementing the project, OPM was to;

- Identify the districts where the ploughing would be done and also allocate the acreage to be ploughed per district.
- Hire the service provider ( Farm Engineering)
- Settle the bills and

Districts;

- To identify the beneficiaries of the ploughing
- Supervise the ploughing through the district production officers.
- Certify the works done.

As part of the implementation plan, contract agreements were signed with M/S Farm Engineering Industries Ltd (FEIL) as hereunder;

- On the 6<sup>th</sup> November 2009 for provision of Tractor hire services for Karamoja District for a period of 12 months (i.e. November 2009 to October 2010).

- A second contract was signed on 30<sup>th</sup> June 2010 for provision of tractor hire and ploughing to Teso, Lango and Acholi sub regions. This was after the termination of a contract with National Enterprises Corporation to provide similar services in the greater North.
- The third contract was signed on 27<sup>th</sup> February 2012 for the provision of tractor hire and ploughing for Northern Uganda and Karamoja region for a period of 18 months effective 27<sup>th</sup> February 2012.

A close scrutiny of the operations revealed the following;

- OPM did not have an official understanding (in form of MoU) with the Districts to guide and bind them on their roles in the undertaking.
- The second contract agreement signed on 30<sup>th</sup> June 2010 was open ended as it was not time bound and had no contract price, implying that the contractor could supply forever.
- Whereas all the contracts appeared to be frame work contracts, call off orders were not issued to the contractor as a commitment for services, instead letters were written indicating the number of acres to be ploughed.
- A detailed review of the terms and conditions of the contracts revealed that FEIL would make a surcharge of 30% to the agreed upon rates when virgin land is being cultivated. The acreage which had virgin land was not identified in advance and this presented an opportunity for the contractor to declare all land virgin, even on second ploughing and this can cause financial loss.

#### **b) Contract Management**

- The project contract manager was not formally appointed by the Accounting Officer contrary to Reg 259 of the PPDA regulations
- There was no contract Implementation plans prepared by the contract Manager for monitoring purposes contrary to Reg 285 (3) of the PPDA regulations

- There was no contract register to support the works and payments made in lieu of the contracts.
- There were no progress or completion reports of the contract as required by law

### c) **Payments**

A total of Shs. 13,716,991,976<sup>18</sup> was paid to farm engineering but there were no adequate records availed to support the expenditure.

Critical review of the payment patterns revealed the following;

In a number of instances payments with the same voucher narration were made up to nine times on the same day, a fact that suggests duplicate payments.

<b>Invoice description</b>	<b>No of times paid</b>	<b>Total Amount</b>	<b>Payment Date</b>
Payment for a contract	5	700,000,000	9/27/2010
Payment for services under Tractor Hire services for Acholi Sub-region	2	110,000,000	11/9/2010
Supply of Farm Input To Karamoja	4	1,061,143,100	11/30/2010
Completion of Ploughing and Harrowing of 760 Acres of gardens for Women groups in Napak and Moroto	9	363,204,029	2/10/2011
Completion of Ploughing, Harrowing in Nakapiripirit and Amudat Districts	2	723,822,960	3/9/2011
Completion of Ploughing, Harrowing in MOROTO and NAPAK Districts	4	573,888,204	3/9/2011
Payment after completion of ploughing and Harrowing in Kotido & Kaboong districts	3	681,607,353	5/3/2011
8/9Ton tipping Trailer with 6 stud braked and un braked axles , walking beam, 10 ton ram cylinder drawbar Jack	3	102,500,000	5/24/2011
Ploughing, Harrowing in Amuru and Nwoya districts	4	607,272,276	9/2/2011
Ploughing and Harrowing in Pader and Lamwo district	3	498,877,275	10/12/2011

<sup>18</sup> Details of payments to Farm Engineering

Ploughing and Harrowing in Kitgum and Pabbo sub county in Amuru	5	504,000,000	11/14/2011
Ploughing and Harrowing in Amuru-Nwoya	2	120,000,000	11/14/2011
Ploughing and Harrowing in Pader-Lamwo	3	146,877,275	11/14/2011
Ploughing and Harrowing in Kitgum and Pabbo sub county in Amuru	3	410,000,000	11/22/2011

In the absence of appropriate supporting documents, the payments are doubtful.

### 6.3.13 Overview of OPM projects

The OPM has a total of 18 projects with funding from both Government of Uganda and several Development Partners. The detailed list is attached as **appendix 19**.

The following was noted;

#### Overlapping Activities

A review of the different activities undertaken by the different projects revealed that in a number of instances the projects undertake the same activities, creating a risk of duplication as indicated below;

PROJECTS/PROGRAMMES	OVERLAPPING ACTIVITIES
ALREP,KIDDP,KALIP	<ul style="list-style-type: none"> <li>• Construction of valley dams</li> <li>• Construction of market sheds</li> <li>• Construction of cattle crushes</li> </ul>
<ul style="list-style-type: none"> <li>• NUSAF2</li> <li>• Post war recovery and presidential pledges</li> </ul>	<ul style="list-style-type: none"> <li>• Procurement of seeds for northern Uganda</li> <li>• Construction of low cost houses</li> </ul>
KIDDP,NUSAF,PRDP at LG's	<ul style="list-style-type: none"> <li>• Construction of teachers houses</li> </ul>
<ul style="list-style-type: none"> <li>• KIDDP</li> <li>• Post war recovery and presidential pledges</li> </ul>	<ul style="list-style-type: none"> <li>• Procurement of ox ploughs</li> </ul>
<ul style="list-style-type: none"> <li>• Evidence based decision making,</li> </ul>	<ul style="list-style-type: none"> <li>• Monitoring By the GCW</li> <li>• Mobilization of a wide community</li> </ul>



<ul style="list-style-type: none"> <li>National integrated M&amp;E strategy</li> </ul>	<ul style="list-style-type: none"> <li>for effective participation in barazas</li> <li>Dissemination and lunch of M&amp;E policy</li> </ul>
PRDP,NUSAF2	<ul style="list-style-type: none"> <li>Supply of seeds</li> <li>Construction of teachers houses</li> <li>Construction of health centres</li> </ul>
PRDP,KALIP	<ul style="list-style-type: none"> <li>Construction of boreholes in Moroto</li> </ul>
NUREP,PRDP	<ul style="list-style-type: none"> <li>Preparing 4 status reports for PRDP projects</li> <li>Monitoring and developing programmes in northern Uganda (NUSAF2,ALREP)</li> </ul>

There is need for the OPM to harmonise its projects with a view of eliminating possible duplication.

## APPENDICES