



**THE REPUBLIC OF UGANDA**

**REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF**  
**UGANDA RAILWAYS CORPORATION**  
**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2021**

**OFFICE OF THE AUDITOR GENERAL**  
**UGANDA**

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## **LIST OF ACRONYM**

<b>Acronym</b>	<b>Meaning</b>
<b>BOD</b>	Board of Directors
<b>FY</b>	Financial year
<b>GOU</b>	Government of Uganda
<b>IFRS</b>	International financial reporting standards
<b>IAS</b>	International accounting standard
<b>IT</b>	Information Technology
<b>LPOs</b>	Local Purchase Orders
<b>MD</b>	Managing Director
<b>MoFPED</b>	Ministry of Finance, Planning and Economic Development
<b>MOU</b>	Memorandum of Understanding
<b>NDP</b>	National Development Plan
<b>NPA</b>	National Planning Authority
<b>UGX</b>	Uganda Shillings
<b>URC</b>	Uganda Railways Corporation
<b>KRC</b>	Kenya Railways Corporation
<b>RVR</b>	Rift Valley Railways
<b>PAYE</b>	Pay as You Earn
<b>PPE</b>	Property Plant and Equipment
<b>PS/ST</b>	Permanent Secretary / Secretary to the Treasury
<b>NSSF</b>	National Social Security Fund
<b>PERD Act</b>	Public Enterprises Reform and Divestiture Act
<b>PFM</b>	Public Financial Management Act
<b>PFM</b>	Public Financial Management Regulations
<b>UGX</b>	Uganda Shillings
<b>VAT</b>	Value Added Tax
<b>WHT</b>	Withholding tax

**REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS  
OF UGANDA RAILWAYS CORPORATION FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2021**

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

**Qualified Opinion**

I have audited the accompanying financial statements of Uganda Railways Corporation which comprise the statement of Financial Position as at 30<sup>th</sup> June 2021, and the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows together with other accompanying statements for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, except for the possible effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Uganda Railways Corporation as at 30<sup>th</sup> June 2021 and the results of its operations and cash flows for the period then ended, in accordance with the International Financial Reporting Standards and the Uganda Corporation Act, Cap 331 of the Laws of Uganda.

**Basis for Qualified Opinion**

**1.0 Overstatement of Non-current assets**

The Statement of Financial Position reflected that the Corporation had Non-current assets worth UGX.3,525,540,249,000 as at 30<sup>th</sup> June 2021. However, the review on Note 9 which contains the details of the Non-current assets indicated that the above figure included a total of UGX.6,012,000,000 in respect of Kabalega ferry (UGX.5,760,000,000) and Barbus ferry (UGX.252,000,000) which sunk under water twenty five years and sixteen years respectively.

Since the ferries have been out of use under water for a long time without retrieval and cannot be disposed of while under water, it cannot be determined whether they still hold the value indicated to the Corporation.

The Accounting Officer explained that the amounts were based on valuation by an independent Valuer in 2017-2018. Although the ships sunk and were submerged, they were considered to still have value because they are made of steel. The Accounting Officer further explained that they have received offers from the public to retrieve the vessels at their own cost, and the process to be used is being reviewed in consultation with the Ministry of Works and Transport.

I advised that the ferries should be removed from the statement of financial position until they are retrieved because no future economic benefit is currently expected from them in the foreseeable future. I also advised that in the alternative, URC should engage expert valuers in the marine field to provide professional reports that can be relied upon as basis for the values.

**2.0 Unsupported GoU equipment loans**

The Statement of Financial Position showed that the Corporation had GoU equipment loans amounting to UGX.22,067,482,000 at the beginning and end of the year under review. The loans comprised of borrowed funds or funds mobilized by the Government of Uganda from various multilateral and bi-lateral funding agencies for onward lending to the Corporation.

In my previous report, I indicated that out of this loan amount, loans totalling UGX.16,511,595,000 (other than the Spanish Government loan) were not supported and did not show any movement over the last four (4) years. The loans still remained un-supported and I was again unable to establish whether the outstanding amounts were fairly stated in the financial statements.

The Accounting Officer explained that the equipment was sourced and bought by GOU and given to URC for which subsequent on-lending agreements were not availed apart from the Spanish Loan. In addition, GOU paid off the foreign donors and URC has not received any demand notes over the years. Although URC continued to request for supporting documents from MoFPED, they were not availed. URC indicated that follow up was on with the Accountant General to convert the loans into Equity.

However, I noted that the status quo remained the same by the close of the year under review.

I advised the Accounting Officer to obtain a written confirmation from the Ministry of Finance and Accountant General regarding the settlement of the loans and subsequently initiate write off from URC books of accounts.

### **3.0 Un-supported interest payable on GoU equipment loans**

The Statement of Financial Position also reflects interest arising from loans that was yet to be cleared by URC amounted to UGX.9,511,880,000. However, this balance has been outstanding over several years without any movement. The status quo still remained the same by the close of the year under review. This interest payable was not supported by any original documentation as observed earlier and I was again unable to confirm whether this reported outstanding obligation was genuine.

The Accounting Officer explained that this relates to interest accumulated on Equipment Loans stated in paragraph 2.0 above. URC indicated that follow up with the Accountant General to convert the liability into Equity.

I advised the Accounting Officer to indicate to the Ministry of Finance and the Accountant General the importance of the decision to have the loans appropriately recognized in URC books of accounts.

### **4.0 Trade and Other payables**

The Statement of Financial Position indicated that Trade and Other Payables increased from UGX.17,937,602,000 at the beginning of the year to UGX.21,513,931,000 at the close of the year. However, the review of Note 22 which contains the details of the Payables indicated that the Corporation settled payables of only UGX.791,598,000 out of the brought forward figure of UGX.17,937,602,000.

In my previous report, I reported that trade and other payables worth UGX.9,753,781,407 lacked supporting documents such as LPOs, contracts, inward invoices, claims and demand notes. In the absence of supporting documentation, the genuineness of the payables could not be confirmed.

The Accounting Officer explained that they had requested for Board approval for writing off the UGX.9,753,781,407. However, I noted that the status quo remained the same by the close of the year under review.

I advised the Accounting Officer to fast track the Board approval to ensure that the un-supported liabilities are removed from the financial statements.

## **5.0 Trade and Other receivables**

The Statement of Financial Position indicated that the Corporation had Trade and Other Receivables of UGX.75,637,890,000 as at 30th June 2021. However, the review of Note 13 which contains the details of the Receivables reflects that the above includes UGX.69,516,000,000 due from Government in respect of the Nsambya land. This amount has remained un-paid to URC for too long despite Government having disposed of the land to the public long ago implying that the Corporation may never be compensated for its land.

In my previous report, I reported that trade and other receivables worth UGX.11,217,376,390 lacked supporting documents such as tenancy agreements, concession agreements and invoices. In the absence of supporting documentation, the existence of the receivables could not be confirmed and their eventual collection seemed remote.

The Accounting Officer then explained that the Board Paper for write off of the receivables had been prepared. The Accounting Officer further explained that part of the receivables relate to hire of the dry dock and would be reclassified as a Contingent Asset as Management was not certain that it would be recovered. The Accounting Officer explained that part of the receivables was a pre-concession trade receivable which related to unpaid VAT on concession fees under arbitration.

Whereas the Accounting Officer explained that they had requested for Board approval for writing off the UGX.11,217,376,390, I noted that the status quo remained the same by the close of the year under review.

I advised the Accounting Officer to fast track the Board approval to ensure that the un-supported receivables are removed from the financial statements.

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

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

### **Key Audit Matter**

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters. In addition to the matters described in the Basis for Qualified for Opinion Section, I have

determined the matters described below to be key audit matters communicated in my report.

## **6.0 Implementation of the approved budget**

Section 20 (2) of the Uganda Railways Corporation (URC) Act (Cap 331 of the Laws of Uganda) requires the URC Board to ensure that the undertakings of the Corporation are; (a) developed in a manner consistent with economic policy of Government and, (b) operated efficiently and economically and administered financially in accordance with sound commercial principles.

Paragraph 3.1.7 of the URC Financial and Accounting Manual 2007 requires the URC Chief Executive as the Accounting Officer, to ensure that resources are utilised efficiently and in accordance with approved procedures, work plans, and budgets.

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

Uganda Railways Corporation (URC) was established under URC Act, 1992 cap 331, Laws of Uganda to carry out construction, operation and maintenance of railway, marine and road services both in and outside Uganda for the carriage of goods and passengers. URC undertakes its operations mainly at its offices in Kampala, with stations across the country in the area coverage of the Meter Gauge.

The principal activities of URC as stipulated by section 3 of the URC Act are;

- The construction, operation and maintenance of railway, marine and road services both inside and outside Uganda for the carriage of goods and passengers,
- The carrying out, subject to the said Act, of such activities that are conducive or incidental to the attainment of the object above.

To achieve this mandate, URC planned to implement both recurrent and development activities. A review of the entity's work plan and budgets revealed that the entity had an approved budget of UGX.120.49bn, out of which UGX 54.6bn was realised. Table 1 below shows a summary of the key outputs of the Corporation for the financial year 2020/21:

**Table 1: Showing key deliverables for URC for the year**

No.	Details	Budget UGX ('000')	Cumulative percentage share of the total approved budget
1	Track Infrastructure Maintenance	2,765,950	1.03
2	Building Infrastructure Maintenance	109,989	1.07
3	Administrative	422,340	1.23
4	Railway Development	38,437	1.24
5	Building Infrastructure	6,651,873	3.73
6	Enforcing Land Interests	100,000	3.76
7	Track Infrastructure	4,435,175	5.42
8	URC capacity building project	40,000,000	20.34

9	Locomotives Maintenance	464,500	20.51
10	Fuel Supplies	7,893,831	23.46
11	Wagons Maintenance	7,234,280	26.16
12	Maintenance of Machinery, Plants, Breakdown & Mechanical Handling Cranes	1,460,000	26.70
13	Maintenance of Electrical Installations	1,040,451	27.09
14	Maintenance of Marine Vessels & Port Facilities	2,595,460	28.06
15	Maintenance of Motor Vehicles	298,980	28.17
16	Training	258,000	28.26
17	Support Trains Operations	214,560	28.34
18	Administrative Functions	259,200	28.44
19	Procurement of Four (4) Mainline Locomotives	42,000,000	44.11
20	Procurement of Two (2) Reach Stackers	6,000,000	46.35
21	Procurement of Five (5) Double Cabin Pick - Ups	1,000,000	46.72
22	Rehabilitation of 250 Wagons (Comprising of 160 Tank Wagons)	35,039,800	59.79
23	Rehabilitation of 4 Locomotives	8,640,000	63.01
24	Rehabilitation of One Break Down Crane	2,400,000	63.91
25	Rehabilitation of Ten (10) Passenger Coaches	4,800,000	65.70
26	Remanufacturing of Seven (7) Locomotives	56,000,000	86.59
27	Rehabilitation of Plants / Machinery	2,000,000	87.34
28	Administration and Supervision	300,020	87.45
29	Management of Foreign Networks	108,780	87.49
30	Yards and Terminals Activities	15,624	87.50
31	Port Activities	1,738,000	88.14
32	Planning and Control Activities	43,120	88.16
33	Asset Management	28,980,000	98.97
34	Operations Compliance	804,880	99.27
35	Commuter Operations	60,000	99.29
36	Safety, Health And Environment (SHE) Activities	475,540	99.47
37	Management and Control Of Cargo Tracking System	1,060,000	99.87
38	Accidents and Incidents Management	359,127	100.00

During the financial year 2020/2021, URC had an approved total budget of UGX 120,491,653,419. For purposes of this assessment, one hundred forty six (146) outputs under 39 programs with a total approved budget of UGX 73,700,688,733 representing 61% of the total approved URC budget were selected. From the procedures undertaken, I noted the following (**Table 2**):

No	Observation	Recommendation
6.1	<p><b><u>Existence of a strategic business plan that is aligned to NDP-III</u></b></p> <p>Paragraph 5 of the budget execution circular for the financial year 2020/2021 cites poor alignment of Government Budgets with the National Development Plans. The PS/ST urges Accounting Officers to ensure that all activities for Financial Year 2020/2021 are</p>	<p>I commended the Accounting Officer for the compliance with the NPA certification</p>



	<p>aligned with NDP III and implemented accordingly. Regulation 26 (1) of the National Planning Authority (development of Plans) regulations require entities to submit to NPA their five-year development plans for certification before approval.</p> <p>Review of the certificate of compliance for the annual budget FY 2020/21 assessment report issued by NPA indicated that overall, URC Annual Budget was satisfactory at 96.8%. In particular, the vote was 100% and 92.5% compliant in alignment of the BFP and Annual Budget and projects respectively. I also noted that whereas NPA indicated in its certificate of compliance report for the year under review that URC registered alignment of its strategic plan on all its NDPIII indicators and timelines, interviews with Management and document reviews indicated that the URC strategic plan for the period 2020/2021-2024/2025 is not yet approved by URC Board.</p>	requirement.																								
6.2	<p><b><u>Revenue Performance</u></b></p> <p>The URC budgeted to realize UGX.120.49 Bn out of which UGX.54.6 Bn was realized, resulting in a shortfall of UGX.65.89bn, which is 54.69% of the budget. Revenue shortfalls affect the implementation of planned activities.</p> <p>The Accounting Officer explained that the performance results during the period were severely impacted by the COVID-19 situation that affected transit cargo operations.</p>	I advised the Accounting Officer to devise business strategies for implementation when the lockdown eases, to enhance operational revenues.																								
6.3	<p><b><u>Budgeting for business activities</u></b></p> <p>I reviewed the extent of quantification of business outputs and activities for a sample of one hundred forty six (146) outputs with a total of one hundred forty six (146) activities with an approved budget of UGX 73.7 bn representing 61% of the authority's approved total budget of 120.49bn and noted the following;</p> <ul style="list-style-type: none"><li>One hundred forty three (143) outputs with a total of one hundred forty three (143) activities were fully quantified. Table 3 below refers.</li></ul> <p><b>Table 3: showing the extent of quantification of outputs</b></p> <table><tr><th colspan="8">Activity details-Analysis</th></tr><tr><th>Category of outputs</th><th>No. of outputs sampled</th><th>Expenditure UGX Bn</th><th>% proportion to total expenditure</th><th>Total no of activities in the outputs</th><th>No. of Fully Quantified activities</th><th>No of activities not fully quantified</th><th>% of quantification of activities per category of output</th></tr><tr><td>Fully quantified outputs</td><td>143</td><td>73.7</td><td>61</td><td>1436</td><td>143</td><td>0</td><td>100</td></tr></table> <p>I noted that the URC had unit cost estimates at activity level. However, expenditures were not reported at activity level to provide a link between inputs, processes, outputs and intermediate outcomes realized during the year.</p>	Activity details-Analysis								Category of outputs	No. of outputs sampled	Expenditure UGX Bn	% proportion to total expenditure	Total no of activities in the outputs	No. of Fully Quantified activities	No of activities not fully quantified	% of quantification of activities per category of output	Fully quantified outputs	143	73.7	61	1436	143	0	100	I commended the Accounting Officer for the compliance. I however advised the Accounting Officer to prepare expenditures at activity level to provide linkage between activities, processes and outputs.
Activity details-Analysis																										
Category of outputs	No. of outputs sampled	Expenditure UGX Bn	% proportion to total expenditure	Total no of activities in the outputs	No. of Fully Quantified activities	No of activities not fully quantified	% of quantification of activities per category of output																			
Fully quantified outputs	143	73.7	61	1436	143	0	100																			

6.4

**Implementation of quantified business outputs**

I assessed the implementation of One hundred forty three(143) outputs that were fully quantified with a total of one hundred forty three (143) activities and noted that;

- Fifty one (51) outputs with (51) activities were fully implemented. That is all the fifty one (51) activities within this output were fully implemented.
- Thirty five (35) outputs with thirty five (35) activities were partially implemented.
- Fifty seven (57) outputs with fifty seven (57) activities were not implemented.

Table 4 below refers.

**Table 4 Showing level of implementation of Fully Quantified outputs**

Category of output	No of outputs	% of implementation	Total no of activities	No of Fully implemented activities	No. Of partially implemented activities	No of activities that were not implemented	Extent of implementation of activities per category of output
Fully implemented outputs <sup>1</sup>	51	35.6	51	51	0	0	100
Partially Implemented outputs <sup>2</sup>	35	24.5	35	0	35	0	50
Outputs Not Implemented <sup>3</sup>	57	39.8	57	0	0	57	0
Total	143	100	143	51	35	57	

Some of the key activities that were not implemented are;

1. Sleeper Reconditioning
2. Drainage Improvement and Culvert Construction
3. Tororo Station Roof Repairs
4. Kampala Station Fencing
5. Sanitary Improvement (5 Stance Toilet at Selected stations)
6. Rehabilitation of Steel Mill Jinja siding

Non-implementation of planned activities implies that the expected services to the beneficiary communities were not attained.

The Accounting Officer explained that implementation of budget outputs was affected by lack of sufficient funding. The Accounting

I advised the Accounting Officer to fast track his promise of engaging GoU for sufficient funding so that URC delivers its mandate to enable the public to fully benefit from the projects/ programs by Government.

<sup>1</sup>Fully implemented output -All the activities within the outputs are fully implemented

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

<sup>3</sup>Outputs not implemented-All the activities within the output not implemented at all

	Officer explained that URC Management will continue engaging the GoU for funding.																									
6.6	<p><b><u>Achievement of intended services from implemented outputs-</u></b></p> <p>I undertook an assessment to establish if there was service delivery from a sample of outputs that were implemented and noted the following (<b>Table 5</b>); -</p> <p><b>Table 5: Service delivery from planned outputs</b></p> <table> <tr> <th>Output details</th><th>Activities/Details</th><th>Audit comments</th></tr> <tr> <td>3000 Sleepers Recovered And Reconditioned Under Framework Contract</td><td>Sleeper Reconditioning</td><td>Sleeper Reconditioning was not undertaken</td></tr> <tr> <td>Railway Drainage Improved And Culverts Installed</td><td>Drainage Improvement And Culvert Construction</td><td>Drainage not improved and culvert not constructed</td></tr> <tr> <td>Tororo Station Roof Repaired</td><td>Tororo Station Roof Repairs</td><td>Tororo Station Roof Repairs not undertaken</td></tr> <tr> <td>Entire Kampala Station Area Fenced Off</td><td>Kampala Station Fencing</td><td>Kampala Station was not fenced</td></tr> <tr> <td>5 Stanced Latrine Constructed At Kasese Stations</td><td>Sanitary Improvement (5 Stance Toilet At Select Station)</td><td>Sanitary improvement was not undertaken</td></tr> <tr> <td>Steel Mill Jinja Siding Rehabilitated And Reopened</td><td>Rehabilitation Of Steel Mill Jinja Siding</td><td>Steel Mills Siding not rehabilitated</td></tr> <tr> <td>Output 81: Construction/rehabilitation of Railway infrastructure</td><td>10% of civil works on 22 kms of Namanve-Kampala-Kyengera completed.</td><td>No civil works were done</td></tr> </table> <p>The failure to achieve the intended services from the outputs negates the purpose of budgeting and implementing these activities.</p> <p>The Accounting Officer explained that implementation of budget outputs was affected by lack of sufficient funding. The Accounting Officer explained that URC Management will continue engaging the GoU for funding.</p>	Output details	Activities/Details	Audit comments	3000 Sleepers Recovered And Reconditioned Under Framework Contract	Sleeper Reconditioning	Sleeper Reconditioning was not undertaken	Railway Drainage Improved And Culverts Installed	Drainage Improvement And Culvert Construction	Drainage not improved and culvert not constructed	Tororo Station Roof Repaired	Tororo Station Roof Repairs	Tororo Station Roof Repairs not undertaken	Entire Kampala Station Area Fenced Off	Kampala Station Fencing	Kampala Station was not fenced	5 Stanced Latrine Constructed At Kasese Stations	Sanitary Improvement (5 Stance Toilet At Select Station)	Sanitary improvement was not undertaken	Steel Mill Jinja Siding Rehabilitated And Reopened	Rehabilitation Of Steel Mill Jinja Siding	Steel Mills Siding not rehabilitated	Output 81: Construction/rehabilitation of Railway infrastructure	10% of civil works on 22 kms of Namanve-Kampala-Kyengera completed.	No civil works were done	I advised the Accounting Officer to continue engaging GoU for sufficient funding so that URC delivers its mandate to enable the public to fully benefit from the projects/ programs by Government.
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Output 81: Construction/rehabilitation of Railway infrastructure	10% of civil works on 22 kms of Namanve-Kampala-Kyengera completed.	No civil works were done																								
6.7	<p><b><u>Accuracy of Performance reports submitted</u></b></p> <p>From my review of the annual performance and the entity's financial statements, I noted inconsistencies in the reported expenditure, as shown in table 6 below.</p> <p><b>Table 6: Inconsistencies in reported expenditure</b></p> <table> <tr> <th>REPORTED ACTUAL SPENT IN THE ANNUAL PERFORMANCE REPORT (UGX BN)</th><th>REPORTED ACTUAL SPENT IN THE FINANCIAL STATEMENTS AS AT 30<sup>TH</sup> JUNE 2021 (UGX BN)</th><th>% VARIANCE</th></tr> <tr> <td>54.59</td><td>68.92</td><td>26.25</td></tr> </table> <p>Inaccurate reporting of performance misleads the users of this</p>	REPORTED ACTUAL SPENT IN THE ANNUAL PERFORMANCE REPORT (UGX BN)	REPORTED ACTUAL SPENT IN THE FINANCIAL STATEMENTS AS AT 30 <sup>TH</sup> JUNE 2021 (UGX BN)	% VARIANCE	54.59	68.92	26.25	I advised the Accounting Officer to report the total expenditure in the annual performance report to facilitate reconciliation.																		
REPORTED ACTUAL SPENT IN THE ANNUAL PERFORMANCE REPORT (UGX BN)	REPORTED ACTUAL SPENT IN THE FINANCIAL STATEMENTS AS AT 30 <sup>TH</sup> JUNE 2021 (UGX BN)	% VARIANCE																								
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	<p>financial information and casts doubt on the reliability and authenticity of the information (both Financial and Non-financial) presented by the entity.</p> <p>The Accounting Officer explained that the inconsistencies are caused by the amount spent in the annual performance report being on a cash basis while that in the financial statements being on an accrual basis.</p>	
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### **Emphasis of Matter**

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

#### **7.0 Financial analysis and assessment of the Corporation's performance**

I carried out financial analysis of URC financial performance and observed that the Corporation made a loss for the year under review amounting to UGX 37,783,152,000 and the previous year, the Corporation made a loss of UGX66,151,318,000. On review of the operating margin, I observed that the costs before considering interest and taxes exceeded revenue for the year. I also observed that due to the loss incurred, the Corporation generated a negative return on assets of 1.03%, and the previous year, the Corporation made a negative return on assets of 1.7%. Further, the Corporation also delays to collect its funds held with debtors.

The Corporation's losses and the ratios computed are an indication that Uganda Railways Corporation is not performing well in terms of profitability and ability to sustain provision of services without further Government intervention for funding and Management strategies to improve revenue generation.

The Accounting Officer explained that the performance results during the period were severely impacted by the COVID-19 situation that affected transit cargo operations.

I advised the Accounting officer to ensure that strategies are devised even during COVID-19 challenges to improve the revenue generating potential of the Corporation, while putting in place cost cutting mechanisms. I also advised the Accounting Officer to engage Government on further financing to be able to cover the current operating costs.

#### **8.0 Failure to impair assets**

In my previous report, I noted that Management did not assess impairment of assets despite existence of impairment indicators. For instance, rental properties were being charged below market value where some tenants were paying as low as UGX.5,000 per month for rentable houses. In addition, the revaluation and assessment report dated April 2018 indicated a number of assets such as cranes, civil engineering equipment, wagons and locomotives that were physically damaged and required major repairs, overhaul and decommissioning, thus emphasizing the need for impairment.

Non-recognition of impairment loss overstates non-current assets and understates expenditure.

The Accounting Officer then explained that this exercise had been started and a Board of Survey was also set up during the year 2019/2020. He further explained that this exercise progressed slowly because of the pandemic and would be completed in the year 2020/21.

However, the follow up of this matter indicated that the exercise was still incomplete and now Management plans to carry out the exercise in 2022/2023. The Non-current assets may therefore not have been disclosed at realistic values.

I advised the Accounting Officer to ensure that the exercise is carried out as soon as possible so that non-current assets are presented at the correct carrying values.

### **Other Matter**

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

#### **9.0 Lack of Land titles - UGX 91,832,636,500**

In my previous report, I noted that Uganda Railways Corporation land worth UGX.91,832,636,500 lacked land titles as evidence of URC's rights to own and use the property. Management's efforts to secure the land titles appear remote. Lack of land titles has led to heavy encroachment and grabbing of the Corporation's land.

The Accounting Officer explained that Management was pursuing the titling of land in various locations. Regarding Nalukolongo Workshop land worth UGX.75,113,745,000. The Accounting Officer further explained that Management sought the intervention and assistance of the Solicitor General's office to help them acquire title to the land on which the workshop and its ancillary developments are situated. The Accounting Officer also explained that measures to stop further encroachment were in place.

I advised the Accounting Officer to continue following up on the interventions and have all the titles processed for URC land.

### **Other Information**

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

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially consistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information; I am required to report that fact. I have nothing to report in this regard.

### **Directors Responsibilities for the Financial Statements**

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with the requirements of the Uganda Railways Corporation Act

and International Financial Reporting Standards on Accrual basis of Accounting and for such internal controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for overseeing the Corporation's financial reporting process.

### **Auditor General's Responsibilities for the audit of the Financial Statements**

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

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

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

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

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

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

### **Other Reporting Responsibilities**

As required by the Uganda Railways Corporation Act and the National Audit Act, I report to you, based on my audit, that, except for the effect of the matters raised in the preceding paragraphs:

- I have obtained all the information and explanations which to the best of my knowledge and belief were necessary for the purpose of my audit;
- In my opinion, proper books of account have been kept by the Corporation, so far as appears from my examination of those books; and
- The Corporation's statement of financial position and statement of financial performance are in agreement with the books of account.

### **Report on the Audit of Compliance with Legislation**

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

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

#### **10.0 Supply, delivery, training and commissioning of four (4) used locomotives**

URC contracted M/S GRP Leasing Africa for the supply, delivery, training and commissioning of four (4) used locomotives under procurement reference; URC/SUPLS/2020-11/0001 at UGX.41,323,768,935. Examination of the procurement file revealed non-compliance with the evaluation criteria.

Regulation 7 (2) of PPDA 2014 (Evaluation) provides that an Evaluation Committee shall not, during an evaluation, make an amendment or addition to the evaluation criteria stated in the bidding document, and shall not use any other criteria other than the criteria stated in the bidding document.

However I noted that the bidder did not comply with some requirements within the bid document which were supposed to be the basis of evaluation. Despite the non-compliance at preliminary stage, the bid was evaluated at the Technical stage contrary to the regulations. Details in Table 7 below:

**Table 7: Non-compliance with specification requirements for locomotives**

<b>Technical Specification required including applicable standards</b>	<b>Compliance of the specification offered</b>	<b>Management Response</b>
The Diesel Engines of the Locomotives are expected to Comply with the requirements of at least, Tier-2 Emission standards or Equivalent	Do not Comply; The locomotives are fitted with EMD 16-645 E3B engines that are Tier 0+ to the centre	The EMD 16-645-E3B are not Tier -2 emission standard but zero plus standard. Tier -2 engines can only operate on high quality low Sulphur diesel which is not readily available in Uganda. Thus the EMD 16-645 E3B engines match the quality of fuel here.
Engine Speed range between 1,000-1,800 rpm	Not Compliant, EMD 16-6453BE engine; RPM range 200 idle to 950 Maximum	This was a typo as the low speed range of 200 to 1000 rpm is appropriate for big engines.
Sand box Capacity; 700kg (Minimum)	Not Compliant, Standard 8x35kg sand boxes=280kg. Larger Sandboxes will be manufactured, 2x50kg plus 6x100kg=700kg	Sand boxes were modified to capacity as indicated in the bid.
Fuel tanks are expected to be provided with calibrated fuel gauge with an accuracy capacity of 95%	It is not standard on the locomotives of this supplier, but OEM fuel gauges N-Gauge are available to be fitted if required and displayed on the LDU for URC cost. Note it is not a consumption flow-meter, merely a fuel level gauge.	The fuel tanks have calibrated sight glass gauges from which fuel in the loco can be read.
<b>Battery</b> The locomotives are expected to have heavy duty storage batteries with high efficiency and adequate capacity for starting, lighting and other purposes necessary for controls of the locomotive. Low maintenance Ni-Cd batteries are preferred.	New D/M390 lead acid batteries fitted to the locomotives that have proved to be effective for around 3 years. Alternative batteries specified can be fitted with additional cost for URC	Acid batteries are good enough and acceptable.
<b>Control Systems</b> The Locomotives are expected to be of single driver cabin positioned at the front end of the locomotive, fitted with dual operating controls.  The cabin is expected to be fitted with two fans, shatter proof window, rear view mirror	The company is not able to fit dual operating controls. The locomotives have right sided drivers positions only.  No fans but air-conditioning fitted. Shutter proof windows fitted and door glasses. No rear mirror but can be installed in line with	Right sided drivers position will suffice.  Air conditioner is a better alternative.



<p>and door glasses.</p> <p>Other items on the driver cabin to include sun visors on windscreen, charging sockets for mobile phones and walk talkie and able to maintain noise level of less than 85 Db AS PER UIC 651</p> <p>All driving controls are expected to be arranged on both sides of the cabin to permit the locomotive to be operated from either side of the cabin with equal commission.</p>	<p>requirements.</p> <p>No sun visors but rolling blinds fitted. Charging socket can be added but not standard. 2 way radio can be installed by URC at own cost and specifications. The locomotive cab passed safety and noise compliance during new product launch and used by 7 other national railway operators.</p> <p>No, Right side only</p>	<p>Rolling blinds instead of sun visors is okay and noise levels are within the specs.</p>
<p><b><u>Safety Devices</u></b></p> <p>-Speed recorder that permits the locomotive driver to enter his particulars such as name, number, grades and others for identification purpose.</p>	<p>Not available</p>	<p>Manual system is in place to capture loco driver details and entered into Translogic system.</p>
<p><b><u>Gauges and indicators</u></b></p> <p>Lubricating oil pressure gauges</p>	<p>Not displayed</p>	
<p><b><u>Super Structure</u></b></p> <p>Static air extractor shall be provided on the cabin roof</p>	<p>None</p>	<p>The Air Conditioner was considered a better option.</p>
<p><b><u>Marking and Number</u></b></p> <p>A chart giving particulars of the colour coding for the pipe work shall be mounted at an open area in engine compartment of the Locomotive</p>	<p>No standard but can be added in visible sections.</p>	
<p><b><u>Training of maintenance personnel</u></b></p> <p>Training of maintenance staff shall be conducted in the four (4) main depots of URC-That is Kampala, Nalukolongo, Jinja and Tororo</p>	<p>No. Catered for Kampala only</p>	<p>URC does not have maintenance personnel at Kampala and Jinja. Tororo has only 1 staff. So the training was restricted to Nalukolongo Workshop and upcountry staff travel to Kampala for the training.</p>

Non-compliance with the evaluation criteria may have led to delivery of unsuitable locomotives at an inflated cost. In addition, the Corporation will incur un-planned costs of providing turning points for the locomotives.

The Accounting Officer explained that the alternatives were considered and agreed to by the Evaluation Committee as explained in the table above. The most critical criteria of loading gauge (dimensions of the locomotives), the track gauge of 1000mm, the maximum axle load of 18 tons per axle, coupler heights above the track line, the maximum tractive effort (starting and continuous) and the loco minimum turning radius of 80m were all met. This meant that the locomotives met the specified criteria substantially. The bid was therefore substantially responsive to the evaluation criteria.

The Accounting Officer further explained that the limiting turning curvature for the 98 class locomotives is 26 degrees whereas the existing railway triangle had some sections with sharper curvature of less than 26 degrees presumably because the existing triangle design considered the existing locomotive fleet prior to purchase of the new locomotives with different design specifications to safely change direction at the triangle. The physical constraints of the triangle including 2 bridges over Nakivubo channel, high voltage electricity transmission line pylon and the Kampala Flyover Project Right of Way have limited any possible improvements in the triangle alignment to relax the limiting curvature. As an alternative, the railway U-turn section within the Kampala yard with fewer physical constraints but more involving in terms of earthworks and resources than the triangle is now being assessed for alignment improvement to allow the new locomotives change direction.

The Corporation will therefore have to incur unplanned expenditure to provide for a turning point at the Kampala Station. In addition, the locomotives will not be able to turn at the Kasese and Tororo Stations where turning provisions also exist without further modifications because of their incompatible designs.

I advised the Accounting Officer to always ensure that Evaluation Committees check for bids' responsiveness to the criteria set in the bid documents and recommend only fully responsive bids for award of contracts.

#### **11.0 Concession agreement for Pamba ferry**

On 18<sup>th</sup> May 2020, the Minister of State for Transport signed an agreement between the Government of Uganda and Mango Tree (U) Ltd, witnessed by the MD URC to formalise and define the collaboration between the first party and second party for the rehabilitation and upgrade of the vessel without recourse to public funds in furtherance of the existing mutually-beneficial relationship between the second party and the Government of Uganda.

Inspection to the site revealed that the vessel was still grounded after a year of signing the agreement.

A review of MOU also revealed that the financial terms were not clear to either party to the agreement which may be to the disadvantage of the Corporation. Apart from the MoU, no any other documentation was availed pertaining the transaction and operationalization of the vessel.

The agreement with the firm may not yield the expected benefits to Government.

The Accounting Officer explained that the Board considered the request by M/s Mango Tree for an operating lease and approved the same subject to verification of costs of repairs (incurred by M/s Mango Tree).

I advised the Accounting Officer to follow up with the firm to ascertain the likelihood of implementation of the MoU.

#### **12.0 Subdivision and transfer of FRV 220 Folio 13 in Lira City**

The above property is an open space measuring about 4.452 hectares in Olailong, Lira City which was originally rented out at UGX.500,000 per month.

It is alleged that an officer who was by then acting on behalf of the Corporation Secretary forged the signature of the then Managing Director to transfer the title to one Ocen Joseph on 17th January 2018. The said land was subdivided into plots 41-63, 52-62, 42-50 and the titles were being processed.

The Corporation does not monitor its land and may lose this land.

The Accounting Officer explained that the matter is under investigation.

I advised the Accounting Officer to put a caveat on the land as soon as possible to stop the subdivision.

### **13.0 Sale of URC land by Jinja Municipal Council**

Uganda Railways Corporation has 43 acres around the old station area in Jinja Municipal Council. Out of this land, the Municipal grabbed 6.3 acres and gave it out to developers.

I noted that the Municipal Council illegally sold out land to fifty eight (58) persons who have since put up structures, some of them shown in figure below. The structures mainly constitute of family homes. The land is also still in the asset register of URC.

The Corporation does not monitor its land and may lose this land.

The Accounting Officer explained that they are taking action on the matter through court procedures.

I advised the Accounting Officer to follow up the matter to conclusion.



John F.S. Muwanga  
**AUDITOR GENERAL**

**23<sup>rd</sup> December, 2021**

## **APPENDICES:**

### **Appendix 1: Extent of delivery of planned outputs**

<b>Program</b>	<b>Output</b>	<b>Planned Target For The FY 20/21</b>	<b>Budgeted Amount UGX ('000')</b>	<b>Expenditure amount UGX ('000')</b>	<b>Achieved Target By Financial Year End</b>
Track Infrastructure Maintenance	All Routine And Appropriate Track Maintenance Activities Completed In Time	Routine Track Maintenance (SME)	2,765,950	586,882	There was no performance target set to facilitate performance measurement. However, Audit noted that 4 No. Call Off Orders were completed
	All Requisite Safety Wear Made Available To Track Maintenance Staff	Purchase Of PPEs			Requisite Safety Wear not availed To Track Maintenance Staff
	3000 Sleepers Recovered And Reconditioned Under Framework Contract	Sleeper Reconditioning			Sleeper Reconditioning was not undertaken
	Railway Drainage Improved And Culverts Installed	Drainage Improvement And Culvert Construction			Drainage not improved and culvert not constructed
	Level Crossing At Mbale And Malaba Resurfaced	Level Crossing Maintenance			Level crossings was rehabilitated
	Track Consumables Purchased	Purchase Of Consumables (Operation & Maintenance Of Track Equipments, Track Consumables)			Track consumables not procured
	Weed Killer Purchased	Purchase Of Weed Killer (Non Selective Herbicide)			There was no performance target set to facilitate performance measurement. However, Audit noted that Weed killer was procured and applied
	Lubricating Grease Purchased	Purchase Of Grease Graphite (Curve Lubrication)			Lubricating grease not procured

Program	Output	Planned Target For The FY 20/21	Budgeted Amount UGX ('000')	Expenditure amount UGX ('000')	Achieved Target By Financial Year End
	Monthly Inspections And Accident Attendance By Engineers And Inspectors Done	Routine Line Inspection, Participating In Railway Development Programs (Local Travel)			There was no performance target set to facilitate performance measurement. However, Audit noted that Inspections of railways programs was undertaken
Building Infrastructure Maintenance	Tororo Station Roof Repaired	Tororo Station Roof Repairs	109,989	1,559,872	Tororo Station Roof Repairs not undertaken
	Water Bills Verified And Paid	Utilities (Water Bills)			There was no performance target set to facilitate performance measurement. However, Audit noted that Water bills were verified and paid
Administrative	All Requisite Stationery Made Available	Purchase Of Stationery	422,340	197,315	There was no performance target set to facilitate performance measurement. However, Audit noted that Stationery was procured
	Staff Trained In Appropriate And Relevant Areas	Staff Training			There was no performance target set to facilitate performance measurement. However, Audit noted that Staff training was undertaken by Technical Assistance to URC funded by EU
	Engineering Services; Design, Consultancy Provided	Professional Services (Engineering Consultancy)			Engineering Services not provided
	Subscriptions For Registered Engineers And Surveyors Updated	Renewal Of Professional Subscriptions for 2 engineers			UIPE/ERB subscriptions were renewed for the two registered engineers under the civil department ( Eng. Geoffrey Obara and Brina Eng. Sempebwa)
Railway Development	Technical Support To On-Going Projects/Programs (SGR,	Participate In Railway Development Programs As And	38,437	43,646	There was no performance target set to facilitate performance

Program	Output	Planned Target For The FY 20/21	Budgeted Amount UGX ('000')	Expenditure amount UGX ('000')	Achieved Target By Financial Year End
	Gulu ICD, Bukasa Inland Port, Tororo-Gulu Line Rehabilitation) Provided And Regional Summits/Workshops Attended	When Requested (Travel Abroad)			measurement. However, Audit noted that Technical support was provided
Building Infrastructure	Tororo Station Fenced	Tororo Station Fencing	6,651,873	230,583	Tororo station not fenced
	Tororo Locoshed Rehabilitated	Rehabilitation Of Tororo Locoshed			Tororo Locoshed not rehabilitated
	Entire Kampala Station Area Fenced Off	Kampala Station Fencing			Kampala Station not fenced
	5 Stanced Latrine Constructed At Kasese Stations	Sanitary Improvement (5 Stance Toilet At Select Station)			Sanitary improvement not undertaken
	Port Bell Pier Winch And Guides Repaired	Repairs To Port Bell Pier Winch And Guides			Port Bell Pier not repaired
	Port Bell Mechanical Workshop Asbestos Roof Replaced	Port Bell Mechanical Workshop Removal Of Asbestos Roof			Port Bell Mechanical workshop repairs not undertaken
Enforcing Land Interests	All Maps And Drawings Digitized In Central Registry	Digitization Of Drawing Records	100,000	76,140	Drawings records not digitized
Track Infrastructure	Assorted Track Materials Purchased	Purchase Of Track Fittings (2 Way Keys, Distance Pieces, F Clips (I & O), Clip Bolts And Nuts)	4,435,175	380,236	Assorted Track Materials not procured
	Track Ballast Purchased	Purchase Of Track Ballast			Ballast were not procured
	Timber Sleepers Purchased	Purchase Of Timber Sleepers			There was no performance target set to facilitate performance measurement. However, Audit noted that Timber sleepers were delivered After financial year end
	Steel Mill Jinja Siding	Rehabilitation Of Steel Mill			Steel Mills Siding not rehabilitated

Program	Output	Planned Target For The FY 20/21	Budgeted Amount UGX ('000')	Expenditure amount UGX ('000')	Achieved Target By Financial Year End
	Rehabilitated And Reopened	Jinja Siding			
URC capacity building project	Output 81: Construction/rehabilitation of Railway infrastructure	10% of civil works on 22 kms of Namanve-Kampala-Kyengera completed.	40,000,000	12,940,000	No civil works were done
Locomotives Maintenance	Adequate Maintenance Spares Parts & Materials.	Procurement Of Maintenance And Repair Spares Parts & Materials (A - G Service Kits)	464,500	3,038,522	A-E Service Kits for 73/74XX Locos Procured
	Adequate Brake Block For Trains Operations.	Procurement Of 2000 Locomotives Composite Brake Blocks			200 brake blocks shipped out of a batch of 5,000 procured
	Adequate Workshops Consumables.	Procurement Of Workshops Consumables (Oxygen & Acetyne + Accessories, Welding Rods, Cotton Waste, Parafin, White Spirit, MS Plates, Round & Twisted Bars, Fastings, Paints, Gasket Materials)			There was no performance target set to facilitate performance measurement. However, Audit noted that Workshops Consumables (Oxygen & Acetyne + Accessories, Welding Rods, Cotton Waste, Parafin, White Spirit, MS Plates, Round & Twisted Bars, Fastings, Paints, Gasket Materials) Were procured
	Adequate Lubricants For Maintenance.	Procurement Of Lubricants (Quarterly)			locomotive Lubricants Procured quarterly
	Adequate Locomotives Tyres And Gipson Rings For Retyring.	Procurement Of 100 Locomotives Tyres & 50 Gipson Rings.			100 Locomotives Tyres & 50 Gipson Rings procured.
	Adequate Sand Needed In Locomotives Operation.	Procurement Of 500 Cubic Meters Of Sand (125 Cubic			500 Cubic Meters Of Sand (125 Cubic Meters Quarterly)
		Meters Of Sand (125 Cubic			

Program	Output	Planned Target For The FY 20/21	Budgeted Amount UGX ('000')	Expenditure amount UGX ('000')	Achieved Target By Financial Year End
		Meters Quarterly)			Were procured.
	14 Henschel Locomotives + Four (4) 3000 HP Mainline Locomotives In Good Mechanical Conditions.	Shopping Of The Locomotives As Per The Maintenance Plan, Conducting Incoming Inspections To Determine The Scope Of The Maintenance & Repairs Required, Carrying Out Maintenance Or Repairs Tasks Required And Ensuring Quality Control & Quality Assurance.			522 DTRS services, 3 A services, 7 Bservices,6Cservices,6-D services,4 EServices,136 Repairs Conducted. (8 Shunting, 2 Mainline URC Locos & 2 KRC Locos Maintained)
		Retyring Of Locomotives With Worn Out Tyres			There was no performance target set to facilitate performance measurement. However, Audit noted that 19 Loco wheelsets retyred
		Inspections Of URC Locos In KRC Network			URC Locos In KRC Network not inspected.
Fuel Supplies	Adequate Fuel For Operations.	Procurement Of Fuel For Locomotives	7,893,831	5,173,160	There was no performance target set to facilitate performance measurement. However, Audit noted that 1,220,788 Ltrs of diesel procured
	Adequate Fuel For Operations.	Procurement Of Fuel For Marine Vessels			There was no performance target set to facilitate performance measurement. However, Audit noted that 328,700 Ltrs of diesel procured
	Adequate Fuel For Operations.	Procurement Of Fuel For Motor Vehicles			There was no performance target set to facilitate performance measurement. However, Audit noted that Procurement of fuel and



Program	Output	Planned Target For The FY 20/21	Budgeted Amount UGX ('000')	Expenditure amount UGX ('000')	Achieved Target By Financial Year End
					contract management conducted
	Adequate Fuel For The Standby Generators.	Procurement Of Fuel For Standby Generators			There was no performance target set to facilitate performance measurement. However, Audit noted that 32,680 Ltrs of diesel procured
Wagons Maintenance	Adequate Maintenance Spares Parts & Materials.	Local Procurement Of CXR Repair & Overhaul Spares Parts.	7,234,280	1,024,788	Local Procurement Of CXR Repair & Overhaul Spares Parts carried out.
	Adequate Wagons & Couches Tyres And Gipson Rings For Retyring.	Procurement Of 750 Tyres & 100 Gipson Rings.			750 Tyres & 100 Gipson Rings procured.
	Adequate Brake Block For Trains Operations.	Procurement Of 8000 Wagons Composite Brake Blocks			The procurement of 8000 wagons composite Brake Blocks was not done. However, the contract for supply of 5,000 Wagon brake blocks was signed
	Adequate Maintenance Spares Parts & Materials.	Local Procurement Of CXR Repair Spares Parts & Materials (Oxygen & Acetyne + Accessories, Welding Rods, Cotton Waste, Parafin, White Spirit, MS Plates, Round + Twisted Bars, Angles, Fastings, Paints, Gasket Materials)			There was no target set to facilitate performance measurement. However, audit noted that CXR spare parts and consumables were procured and an assortment of spares and consumables were procured
	A Fleet Of 1000 Wagons In Good Mechanical Conditions.	Conducting Trains Incoming & Outgoing Inspections, Wagons & Coaches Inspections To Determine The Tyre Of The Maintenance & Repairs Required, Carrying Out Maintenance Or Repair Tasks			There was no target set to facilitate performance measurement. However, audit noted that Trains Incoming & outgoing inspections were conducted, A & B Wagon examinations + Light and Heavy Casual repairs were carried out, 41 A

Program	Output	Planned Target For The FY 20/21	Budgeted Amount UGX ('000')	Expenditure amount UGX ('000')	Achieved Target By Financial Year End
		And Ensuring Quality Control & Quality Assurance.			Examinations, 48 B-examinations, 229 Light casual Repairs and 34 Heavy Casual repairs were carried out.
		Quarterly Inspections Of URC Wagons Throughout URC, KRC & TRC Networks			Quarterly Inspections Of URC Wagons Throughout URC, KRC & TRC Networks was not done
Maintenance Of Machinery, Plants, Breakdown & Mechanical Handling Cranes	Workshop Machinery, Plants And Breakdown & Mechanical Handling Cranes In Good Mechanical Condition	Procurement Of Spares And Materials For The Maintenance Of Workshop Machinery, Plants And Breakdown & Mechanical Handling Cranes	1,460,000	70,837	There was no target set to facilitate performance measurement. However, audit noted that procurement of spares for plant and machinery Was done. Routine inspections, services and repairs of plant and machinery, break down and mechanical handling cranes were Carried out.
		Routine Inspections, Service & Repairs Of Workshop Machinery, Plants And Break Down & Mechanical Handling Cranes			There was no target set to facilitate performance measurement. However, audit noted that 89 Monthly services, 54 Quarterly services, 10 bi-annual services, 24 annual services and 15 breakdown repairs were carried out on Machinery equipment
Maintenance Of Electrical Installations	Electrical Installations In Good Functional State	Procurement Of Electrical Installations Requirements	1,040,451	0	There was no target set to facilitate performance measurement. However, audit noted that Electrical materials for various depots procured
		Routine Inspections And Maintenance & Repairs Of			There was no target set to facilitate performance measurement. However,

Program	Output	Planned Target For The FY 20/21	Budgeted Amount UGX ('000')	Expenditure amount UGX ('000')	Achieved Target By Financial Year End
		Electrical Installations			audit noted that routine Inspections & Maintenance of Electrical inspections was conducted at Kampala, NLK, JJS & TOR depots
Maintenance Of Marine Vessels & Port Facilities	Marine Vessels (MV Kaawa & The Floating Dock) And Port Facilities In Good Mechanical Condition	Procurement Of Requisite Spare Parts	2,595,460	420,280	There was no target set to facilitate performance measurement. However, audit noted that assorted spares for MV Kaawa Maintenance were procured
		Procurement Of Vessel Lubricants			There was no target set to facilitate performance measurement. However, audit noted that vessel Lubricants were Procured
		Procurement Of Marine Surveyor For MV Kaawa & The Floating Dock			Marine surveyor was Procured. 5 year docking survey was conducted
		Routine Inspections, Services & Repairs Of Marine Vessels & Port Facilities			Routine Inspections, services & repairs of marine vessels & port facilities not conducted
Maintenance Of Motor Vehicles	Well - Maintained 14 URC Motor Vehicles Fleet	Routine Inspections And Management Of Service & Repair Of URC Motor Vehicles	298,980	1,045	Routine Inspections & maintenance of motor vehicles conducted. 10 URC Motor Vehicles maintained
Training	Competent And Skilled Staff	Training Of Staff & Technical Personnel (ICT, Management, Enhancement Of Technical Maintenance Knowledge & Skills, Enhanced Motor Vehicles Driving Skills)	258,000	265,299	There was no target set to facilitate performance measurement. However, audit noted that Staff training undertaken under the EU capacity building project and 8 staff trained.
		Training Of Engineers Under			Training Of Engineers Under UIPE

Program	Output	Planned Target For The FY 20/21	Budgeted Amount UGX ('000')	Expenditure amount UGX ('000')	Achieved Target By Financial Year End
		UIPE Professional Development Programs			Professional Development Programs was Not done
Support Trains Operations	Prompt Clearances & Investigations Of All Incidents And Accidents.	Accident Attendance And Recoveries (Inland Travel)	214,560	0	There was no target set to facilitate performance measurement. However, audit noted that accident and Incidents were attended to Accordingly. 62 incidents and 10 accidents attended to.
Administrative Functions	Quarterly Inspections Reports Of Assets	Routine Inspections (Inland, KR & TR)	259,200	31,344	Routine Inspections (Inland, KR & TR) carried out.
	Supplies, Services & Consultancies	Procurements (Initiations, Evaluations, Contract Managements)			The procurement was not carried out. However, Various bid evaluations and contact management were Undertaken.
Procurement Of Four (4) Mainline Locomotives	Four (4) Mainline Locomotives	Preparations Of Bidding Documents, Evaluation Of Bids, Selection Of The Best Bidders, Contract Signing	42,000,000	10,208,000	Evaluation of bids and Contract signing Completed. Pre-shipment inspection also Completed.
		Procurement Of A Consultant For Inspections & Testing Of The Locomotives Prior To Delivery.			Four used 3000HP Mainline Locos procured.
		Commissioning Of The Locomotives.			A Consultant was not procured For Inspections & Testing Of The Locomotives Prior To Delivery. Audit noted however that the activity was done by URC staff. Locomotives were not commissioned.

Program	Output	Planned Target For The FY 20/21	Budgeted Amount UGX ('000')	Expenditure amount UGX ('000')	Achieved Target By Financial Year End
Procurement Of Two (2) Reach Stackers	Two (2) Reach Stackers	Preparations Of Bidding Documents, Evaluation Of Bids, Selection Of The Best Bidders, Contract Signing	6,000,000	1,000,0000	The two reach stackers were not procures however, Evaluation of bids and Contract signing completed. Pre-shipment inspection also completed.
		Inspections, Testing & Commissioning Of The Reach Stackers.			Inspections, Testing & Commissioning Of The Reach Stackers Not done
Procurement Of Five (5) Double Cabin Pick - Ups	Five (5) Double Cabin Pick - Ups	Preparations Of Bidding Documents, Evaluation Of Bids, Selection Of The Best Bidders, Contract Signing	1,000,000	0	Bidding Documents, Evaluation Of Bids, Selection Of The Best Bidders, Contract Signing not done
		Inspections, Testing & Commissioning Of The Motor Vehicles			Inspections, Testing & Commissioning Of The Motor Vehicles Not done
Rehabilitation Of 250 Wagons (Comprising Of 160 Tank Wagons)	250 Wagons Rehabilitated	Assesment Of Wagons For Rehabilitation	35,039,800	0	Assesment Of Wagons For Rehabilitation not done
		Procument Of Requisite Spare Parts & Materials			Procument Of Requisite Spare Parts & Materials Not done
		Procurement Of Labor Contractor			Labor contractor not procured
		Implementation Of The Rehabilitation Works			Rehabilitation works not implemented
Rehabilitation Of 4 Locomotives	4 Locomotives Rehabilitated	Re-Assessment Of Rehabilitations Requirements Of The 4 Locomotives	8,640,000	0	Re-assessment Of Rehabilitations Requirements Of The 4 Locomotives not done
		Procurement Of Requisite Spare Parts & Materials			Requisite Spare Parts & Materials not procured
		Implementation Of The Rehabilitation Works			Rehabilitation works not implemented.

Program	Output	Planned Target For The FY 20/21	Budgeted Amount UGX ('000')	Expenditure amount UGX ('000')	Achieved Target By Financial Year End
Rehabilitation Of One Break Down Crane	One Break Down Crane Rehabilitated	Assessment Of The Rehabilitations Requirements	2,400,000	0	Rehabilitation requirements not assessed
		Procurement Of Requisite Spare Parts & Materials			Requisite Spare Parts & Materials not procured
		Execution Of The Rehabilitation Works			Rehabilitation Works not executed
Rehabilitation Of Ten (10) Passenger Coaches	10 Passenger Coaches Rehabilitated	Assessment Of The Rehabilitations Requirements	4,800,000	0	Rehabilitation requirements were not assessed
		Procurement Of Requisite Spare Parts & Materials			Requisite Spare Parts & Materials not procured
		Execution Of The Rehabilitation Works			Rehabilitation works not executed
Remanufacturing Of Seven (7) Locomotives	7 Locomotives Remanufactured And Repowered	Procurement Of A Reputable Locomotives Remanufacturer	56,000,000	0	Reputable Locomotives Remanufacturer not procured
		Execution Of The Locomotives Remanufacturing Works			Locomotives Remanufacturing Works not executed
Rehabilitation Of Plants / Machinery	Defective Machinery/Plants Rehabilitated	Assessment Of The Rehabilitation Requirements	2,000,000	0	Rehabilitation Requirements not assessed
		Procurement Of Requisite Spare Parts & Materials			Requisite Spare Parts & Materials not procured
		Execution Of The Rehabilitation Works			Rehabilitation works not executed
Administration And Supervision	Plans And Budgets	Developing Departmental Plans And Budgets	300,020	24,596	There was no target set to facilitate performance measurement of this target. However, audit noted that departmental plans and budgets were developed
		Implement Management Decisions And Tasks			There was no target set to facilitate performance measurement of this target. However, audit noted that Management decisions and tasks

Program	Output	Planned Target For The FY 20/21	Budgeted Amount UGX ('000')	Expenditure amount UGX ('000')	Achieved Target By Financial Year End
					were implemented.
		Oversee Departmental Activities			There was no target set to facilitate performance measurement of this target. However, audit noted that Departmental Activities supervised
	Reports Submitted	Reporting Operations Performance To Management			There was no target set to facilitate performance measurement of this target. However, audit noted that Operations performance was reported to management
	Staff Appraisals	Appraisals Of Staff Performance			There was no target set to facilitate performance measurement of this target. However, audit noted that Staff appraisals were conducted
	Trainings Held	Staff Training Needs Planning			There was no target set to facilitate performance measurement of this target. However, audit noted that staff trainings was conducted in Dar-es-salam funded by EU and Tanzania
	Staff Welfare	Staff Entertainment			Staff Entertainment not conducted.
Management Of Foreign Networks	Active Participation In Meetings	Organize Verification Meetings	108,780	33,416	There was no target set to facilitate performance measurement of this target. However, audit noted that most of the meetings were held virtually with reduced the costs
		Coordinate Joint Technical Meetings			There was no target set to facilitate performance measurement of this target. However, audit noted that Joint Technical Meetings were Coordinated

Program	Output	Planned Target For The FY 20/21	Budgeted Amount UGX ('000')	Expenditure amount UGX ('000')	Achieved Target By Financial Year End
		Coordinate CEO's Meetings			There was no target set to facilitate performance measurement of this target. However, audit noted that CEOs meeting were Coordinated
		Organising Daily Operations Meetings With Sister Networks			There was no target set to facilitate performance measurement of this target. However, audit noted that Daily Operations Meetings With Sister Networks were organised
		Coordinate Operations With Sister Net Works			Operations With Sister Net Works Coordinated
Yards And Terminals Activities	Ontime Trains Movement And Cargo Handling	Trains Marshalling	15,624	42,200	There was no target set to facilitate performance measurement of this target. However, audit noted that Trains Marshalling was conducted
		Shunting (Placing And Withdrawing Wagons)			There was no target set to facilitate performance measurement of this target. However, audit noted that Shunting (Placing And Withdrawing Wagons) was carried out
		Reception And Dispatch Of Trains			There was no target set to facilitate performance measurement of this target. However, audit noted that Reception And Dispatch Of Trains was carried out
		Container And General Cargo Handling			There was no target set to facilitate performance measurement of this target. However, audit noted that container And General Cargo Handling was carried out
		Timely Trains Movement			Timely Trains Movement carried out



Program	Output	Planned Target For The FY 20/21	Budgeted Amount UGX ('000')	Expenditure amount UGX ('000')	Achieved Target By Financial Year End
Port Activities	On-time Vessel Handling And Movement	Receive And Dispatch Of Vessels	1,738,000	0	There was no target set to facilitate performance measurement of this target. However, audit noted that Vessels were received and dispatched
		Non-Rail Cargo Handling			There was no target set to facilitate performance measurement of this target. However, audit noted that Non-Rail Cargo Handling was conducted
	Clear And Clean Ports	Shoreline And Sud Management			Shoreline And Sud Management not conducted
	Assets In Place	Port Production Planning And Inter-Port Coordination			There was no target set to facilitate performance measurement of this target. However, audit noted that Port Production Planning And Inter-Port Coordination was conducted
		Purchase Of Commuter Boat			Commuter Boat not purchased
		Purchase Of Patrol Boat			Patrol Boat not purchased
		Fuel Offloading/Pumping Systems			Fuel Offloading/Pumping Systems not conducted
		Firefighting System At Ports And Terminals			Firefighting System At Ports And Terminals not conducted
Planning And Control Activities	Trains Plans And Reports	Trains Planning	43,120	42,200	There was no target set to facilitate performance measurement of this target. However, audit noted that Trains Planning was conducted




Program	Output	Planned Target For The FY 20/21	Budgeted Amount UGX ('000')	Expenditure amount UGX ('000')	Achieved Target By Financial Year End
		Trains Movement			There was no target set to facilitate performance measurement of this target. However, audit noted that Trains Movement was conducted
		Trains And Vessels Monitoring			There was no target set to facilitate performance measurement of this target. However, audit noted that Trains And Vessels were Monitored
		Organizing Daily Planning And Operations Meeting			Daily Planning And Operations Meeting Organized
		Keep Records On Accidents And Incidents			There was no target set to facilitate performance measurement of this target. However, audit noted that Records On Accidents And Incidents were kept
		Updating Internal Stakeholders On Operations Activities			There was no target set to facilitate performance measurement of this target. However, audit noted that Internal stakeholders were updated on operations activities
Asset Management	Quick Rolling Stock Turnaround	Monitor Wagon Turn Around	28,980,000	0	There was no target set to facilitate performance measurement of this target. However, audit noted that Wagon Turn Around was monitored
		Monitor Locomotive Turn Around			There was no target set to facilitate performance measurement of this target. However, audit noted that Locomotive turn around was monitored

Program	Output	Planned Target For The FY 20/21	Budgeted Amount UGX ('000')	Expenditure amount UGX ('000')	Achieved Target By Financial Year End
		Manage Accident Response			There was no target set to facilitate performance measurement of this target. However, audit noted that Accident response was managed
Operations Compliance	Standardized Operations	Trains Inspection	804,880	0	There was no target set to facilitate performance measurement of this target. However, audit noted that trains were Inspected
		Vessel Inspections And Surveys			There was no target set to facilitate performance measurement of this target. However, audit noted that Vessel was inspected and Surveyed
		Yards And Siding Compliance			There was no target set to facilitate performance measurement of this target. However, audit noted that Yards And Siding Compliance was conducted
		System Compliance			There was no target set to facilitate performance measurement of this target. However, audit noted that's System Compliance was conducted
		Standard Rules And Regulations Compliance			There was no target set to facilitate performance measurement of this target. However, audit noted that standard Rules And Regulations Compliance was carried out
		Review And Harmonize Railway Operating Rules And General Rules			Railway Operating Rules And General Rules reviewed and harmonized
Commuter Operations	Optimized Commuter Operations	Collect Ticket Revenue	60,000	118,979	Ticket Revenue collected
		Account For Ticket Revenues			Ticket Revenues accounted for

Program	Output	Planned Target For The FY 20/21	Budgeted Amount UGX ('000')	Expenditure amount UGX ('000')	Achieved Target By Financial Year End
		Passenger Customer Care			Passenger Customer Care
Safety, Health And Environment (SHE) Activities	Safe And Risk Free Operations	Level Crossing Management	475,540	0	There was no target set to facilitate performance measurement of this target. However, audit noted that level Crossing Management was carried out
		Organize Daily Safety Briefs			Daily safety briefs organized
		Providing Staff With Ppes			Staff not provided With PPEs
		Regular Safety Compliance Inspections			There was no target set to facilitate performance measurement of this target. However, audit noted that Regular Safety Compliance Inspections were conducted
		Periodical Safety Trainings			There was no target set to facilitate performance measurement of this target. However, audit noted that 1 training done out of two
		Drafting Operations And Marines Safety Manual			Operations And Marines Safety Manual not drafted
Management And Control Of Cargo Tracking System	Cargo Visibility And Tracking	Daily System Update	1,060,000	0	There was no target set to facilitate performance measurement of this target. However, audit noted that Daily System was Updated
		System Compliance			System Compliance conducted
		Joint Procurement Of A Tracking System With TRC			Joint Procurement Of A Tracking System With TRC Not conducted
		Review To Have An Independent Control Of The System From NRB			Review To Have An Independent Control Of The System From NRB Not conducted









Program	Output	Planned Target For The FY 20/21	Budgeted Amount UGX ('000')	Expenditure amount UGX ('000')	Achieved Target By Financial Year End
Accidents And Incidents Management	Proper Accident/Incident Handling And Management	Constituting An Accidents Committee	359,127	55,672	An Accidents Committee was constituted
		Accident Investigation And Reporting			There was no target set to facilitate performance measurement. However, audit noted that accidents were investigated and reported
		Supervise Accident Site Activities			There was no target set to facilitate performance measurement. However, audit noted that accident Site Activities were supervised
		Coordinate Accidents And Incidents			There was no target set to facilitate performance measurement. However, audit noted that Accidents And Incidents were coordinated
		Post-Accident Management			There was no target set to facilitate performance measurement. However, audit noted that Post-Accident Management was conducted
Coordination Of Other Departments	Information Flow And Availability	Updating Internal Stakeholders On Operations Activities	0	0	There was no target set to facilitate performance measurement. However, audit noted that Internal Stakeholders updated on operations activities
		Organizing Daily Planning And Operations Meeting			Daily Planning And Operations Meeting were organized

## **Appendix II. Land encroachment observed during field inspection.**

Remarks	Observation
<p>Namanve station- Has acreage of 2.75 along the railway line but the whole railway reserve corridor was seen to be heavily encroached. Efforts by the entity to have the encroachers defeated were futile as the situation seemed to be more political because they were claiming to pay rent to Railway Police, revenue which was unknown to URC.</p> <p>It was claimed that the encroachers are brought by the Railway Police.</p>	
<p>Market encroachment in Gulu along the line. A market was illegally established but with temporary structures. No action has been taken.</p> <p>-No revenue is being collected from this market.</p>	
<p>Extra structures built by tenants illegally in the quarters and not paying rent- Jinja</p>	
<p>Busoga loop line along Iganga road Volume 203 Folio 20, Kigulu at Iganga</p>	<p>URC land under the Busoga loop line on 34.59 acres to Iganga station Kigulu is all heavily encroached after the whole railway line was vandalized. The land currently has structures with people staying there but no action taken.</p>
<p>Plot 19/25 Atwala Road in Lira city seated on 24 acres.</p>	<p>The area had 40 units of URC but none of them were paying any rent to URC because they said they did not have any tenancy agreement with them the whole time they were staying there. The estates noted that he was waiting for authorization to allow him to start collecting the rent.</p>

Remarks	Observation	
Encroachment along the Kawolo railway line in the corridor		
Kasese railway station has an estimated illegal encroachers of 242 households and some with permanent and temporary structures including churches and Schools		
	New illegal building on railways land at kasese station	
		
	Illegal church on he railway land	Other illegal structures on railway land at kasese station
Kasese Railway station Area.		
	A New structure(Below and above) being built in a railway formation(railway line) at Kilembe mines	Permanent Houses (Below and above) build in a railway formation in Kilembe mines



Remarks	Observation	
		
Kamwenge Railway station		
	Gardens in a railway formation/line in Kamwenge	Destroyed Railway formation/lines in Kamwenge
Mityana		
	Gardens in vandalised railway formation/line in Mityana	Part of the destroyed railway formation in mityana.
Remarks	Observations	
Some of the tenants occupying URC houses but not paying rent. Some of them had erected extra structures on the land. No action had been taken by URC		



<p>A house constructed on URC open space land. No action had been taken by URC</p>	
<p>Property was initially rented to Laibi division, who later rented it out to Awere S S when they left. The school is not paying any rent to URC and yet they have tenants on the property as shown in the picture</p>	 
<p>Northern Business Institute occupies 0.618 hectares of property. It has two different fields and a pitch and is not paying rent to URC</p>	 
<p>Property occupies 3.6 acres of land. Has a coca cola store, NRM office, parking yard for lorries and other vehicles, kiosks and other small businesses. The tenant is supposed to pay a small value of UGX 150,000 but is not paying rent.</p>	