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**A VALUE FOR MONEY AUDIT TO ASSESS LICENSING AND ENFORCEMENT OF STANDARDS
IN DOWNSTREAM PETROLEUM OPERATIONS BY MINISTRY OF ENERGY AND MINERAL DEVELOPMENT**

A REPORT BY THE AUDITOR GENERAL

DECEMBER, 2019

THE REPUBLIC OF UGANDA



**A Value For Money Audit to assess Licensing and Enforcement
of Standards in Downstream Petroleum Operations by Ministry
of Energy and Mineral Development**

A Report by the Auditor General

December, 2019

AUDITOR GENERAL'S MESSAGE

24th December 2019

The Rt. Hon. Speaker of Parliament
Parliament of Uganda
Kampala.

VALUE FOR MONEY AUDIT TO ASSESS LICENSING AND ENFORCEMENT OF STANDARDS IN DOWNSTREAM PETROLEUM OPERATIONS BY MINISTRY OF ENERGY AND MINERAL DEVELOPMENT

In accordance with Article 163(3) of the Constitution, I hereby submit my report on the audit on the Licensing and Enforcement of Standards in Downstream Petroleum Operations by Ministry of Energy and Mineral Development.

My office intends to carry out a follow-up at an appropriate time regarding actions taken in relation to the recommendations in this report.

I would like to thank my staff who undertook this audit and the staff of the Ministry of Energy and Mineral Development (MEMD) for the assistance offered to my staff during the period of the audit.

John F.S. Muwanga
AUDITOR GENERAL

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ABBREVIATIONS

EIA (s)	Environmental Impact Assessment (s)
GOU	Government of Uganda
LPG	Liquefied Petroleum Gas
MEMD	Ministry of Energy and Mineral Development
NEMA	National Environment Management Authority
NPIS	National Petroleum Information System
OMC (s)	Oil Marketing Companies
TPC	Technical Petroleum Committee
UNBS	Uganda National Bureau of Standards

EXECUTIVE SUMMARY

The Department of Petroleum Supply (DPS) and the Technical Petroleum Committee (TPC), under the Ministry of Energy and Mineral Development, were set up under the Petroleum Supply Act, 2003 to supervise and monitor; the importation, exportation, transportation, processing, supply, storage, distribution and marketing of petroleum products.

In addition, the Department of Petroleum Supply is responsible for licensing and control of petroleum activities and installations.

It is further responsible for the protection and safety of public health and the environment, and also promotes fair competition in the petroleum supply market.

There has been an increase in the volume of trade of petroleum products with import expenditure on petroleum products rising from US\$775 million (UGX.2.87 Trillion) in 2016 to US\$ 1,017.1 million (UGX.3.77 Trillion) in 2017¹.

The overall audit objective was to assess the extent to which MEMD ensures compliance with licensing and enforcement of standards in regard to downstream petroleum operations. This followed a public outcry on adulteration, mislabelling and short weighting of petroleum products at some fuel stations, as well as the escalating number of fuel stations and single fuel pumps in un-gazetted places posing safety threats on communities and the environment.

KEY FINDINGS

a) Compliance with the set facility Standards, Regulations and Guidelines

There were differing levels of compliance under the different parameters regarding compliance under licencing and operation of fuel stations.

The highest levels of compliance were noted in pump location, plot size, fire emergency preparedness, well maintained office block and canopy while the lowest levels of compliance were noted on possession of environmental audit reports, EIA certificates, well maintained forecourt, oil interceptor, drainage and valid operating license; and training of staff on health and safety.

Audit noted that there were no interventions to ensure that the right quantity and quality of Liquefied Petroleum Gas (LPG) was sold to consumers contrary to Objective 1 of the Fuel Marking and Quality Monitoring Program (signed between MEMD and UNBS on 1st July, 2018).

The inspection and monitoring check list and reports neither included LPG parameters nor results.

An analysis of the Fuel Marking and Quality Monitoring Program Reports for quality of fuel sold at outlets between 2016/17 to 2018/19 revealed that the average failure rate for the three years was 6%, from 5% in 2016/17, 9% in 2017/18 to 5% in 2018/19.

The analysis also noted instances of repeat offenders on the name and shame mechanism used by the MEMD to curb adulteration of fuel.

b) Licensing of fuel operators and facilities

A number of outlets were found operating without the prerequisites for possession of a license, contrary to the operational guidelines. Of the 984 licensed fuel stations in the MEMD database, 363 fuel stations did not possess EIAs, 205 fuel stations did not possess construction permits and 698 fuel stations did not possess construction completion certificates, yet they were licensed.

1 Using BoU Exchange rate 1 USD=UGX.3707.92 as at 23rd December, 2019

It was further noted that there were inconsistencies in the number of fuel stations operating in the country with the Fuel Marking and Quality Monitoring reports reporting 2,990 fuel stations as at 30th June, 2019, while the MEMD database reported only 984 licenced fuel stations as at 29th September 2019.

c) Inspections and Monitoring

The Department of Petroleum Supply work plans were inadequate as they did not specify the number of inspections to be carried out per quarter to guide the inspections and enable measurement of performance in this regard.

The National Petroleum Information System did not contain all the required information that could enhance inspections.

In addition, the monitoring checklist used by MEMD lacked some parameters specified in the Standards (US-947-1).

It also had parameters which were not checked and reported on in the monitoring reports.

The Monitoring and Enforcement division was not adequately staffed to efficiently cover the volume of work.

Lastly, the Feedback provided by MEMD to the fuel stations was not always adequate, specific, measurable, and time bound.

d) Enforcement

The Department of Petroleum Supply work plans were inadequate as they did not specify the number of inspections to be carried out per quarter to guide the inspections and enable measurement of performance in this regard.

KEY RECOMMENDATIONS

The Petroleum Supply Department should;

- Ensure effective use of the licensing application checklist during evaluation of license applications and propose amendment of the Act and Regulations by making licensing requirement annual to improve compliance of licensees.
- Ensure all vacant positions are filled in consultation with the Ministry of Finance Planning and Economic Development.
- Ensure a collaboration platform consisting of critical stakeholders (MEMD, NEMA, UIA, URA, UNBS and District local councils) is established for easy information sharing regarding licensing.
- Plan, prioritise, quantify outputs and update the monitoring checklist with all the necessary parameters as per the requirements of the Standard in order to enhance monitoring and enforcement and follow up on enforcement.
- Enhance enforcement guidelines to go as far including penalties on all aspects inspected.
- Expedite an effective system of management of records and information (NPIS) in order to support the process of Licensing, Monitoring and Inspection, and Enforcement.

OVERALL AUDIT CONCLUSION

Whereas the Petroleum Supply Department in the Ministry of Energy and Mineral Development has made some good efforts in regulating and monitoring of Petroleum Supply in the downstream sub sector, there were inadequacies in the processes of Licensing, Monitoring and Inspection, and Enforcement. These inadequacies, coupled with lack of coordination between the PSD and the Lead Agencies such as NEMA, URA, UIA, UNBS and District Local Governments affected the performance of the Petroleum Supply Department.

It is hoped that the lessons identified and learnt under this Study will be applied efficiently and effectively to improve the processes of Licensing, Monitoring and Inspection, and Enforcement.

It is also important that the PSD fast-tracks the development of NPIS and expedites an effective system of management of records and information in order to support these processes.

CHAPTER ONE

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CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND

The Department of Petroleum Supply (DPS) and the Technical Petroleum Committee (TPC), under the Ministry of Energy and Mineral Development, were set up under the Petroleum Supply Act, 2003 to supervise and monitor; the importation, exportation, transportation, processing, supply, storage, distribution and marketing of petroleum products.

In addition, the Department of Petroleum Supply is responsible for licensing and control of petroleum activities and installations.

It is further responsible for the protection and safety of public health and the environment, and promotion of fair competition in the petroleum supply market².

It is worth noting that 95% of Uganda's petroleum products which include petrol, diesel, kerosene, jet fuel and Liquefied Petroleum Gas (LPG) are imported through Kenya while only 5% is supplied through Dar es Salaam, Tanzania³.

1.2 MOTIVATION

Petroleum fuels and other petroleum products (white products) have taken a significant proportion of the imports bill in Uganda over the years. Import expenditure on petroleum products rose from US\$775 million (UGX.2.87 Trillion) in 2016 to US\$ 1,017.1 million (UGX.3.77 Trillion) in 2017⁴; representing an increase of 31.2%, and constituting 18.2% of the total imports in the Country during 2017⁵.

Furthermore, there was a 10% increase in import volume for petrol and diesel from 2016 to 2017, while kerosene registered a 6% decline⁶. Uganda imported a monthly average of 172 million litres of petroleum products during the 2017/18 financial year, which translates to 1.9 billion litres for the entire year⁷.

As a result of the increased volume of trade, serious gaps have been identified in licensing, monitoring and enforcement of standards regarding downstream petroleum operations in Uganda; which poses serious threats to the environment, public health and safety⁸. This is exacerbated by the fact that petroleum products are volatile, highly combustible and inflammable with a very high risk of causing fire, seepage of dangerous waste into the environment, among other risks.

It has been noted that a number of fuel stations are supplying petroleum products without valid operating licenses, construction permits and approved Environmental Impact Assessments (EIAs)⁹. This has led to inadequate compliance with the operating standards in the petroleum supply chain. In addition to non-compliance, Government has lost revenue from issuance of licenses, construction permits and approval of EIAs. The criterion observed by MEMD while issuing construction permits to applicants intending to operate fuel stations has also been under scrutiny¹⁰.

2 Petroleum Supply Act 2003

3 MEMD Emergency Petroleum Supply Plan, 2018

4 Using BoU Exchange rate 1 USD=UGX.3707.92 as at 23rd December, 2019

5 UBOS statistical abstract 2018, page 123

6 UBOS statistical abstract 2018 page 70

7 MEMD annual report 2017/18

8 Complaint against illegal petroleum supply operations by ACN in January 2017

9 MEMD Monitoring and Inspection reports, Complaint against illegal petroleum supply operations by ACN in January 2017 and <https://www.monitor.co.ug/Business/Commodities/Government-suspend-fuel-companies-dealing-unlicensed-retailers--/688610-4565518-kwbgr7/index.html>

10 Kampala's fuel stations: Looming danger government must undo: Daily Monitor Friday December 14 2018

Several fuel stations are operating without the required health, safety and environment standards¹¹. Similarly, there have been reports of an increase in the number of fuel stations supplying adulterated fuel to the unsuspecting public¹² as indicated in a media report¹³. There has also been a growing concern over the escalating number of fuel stations and single fuel pumps in un-gazetted places such as residential areas, schools, motor garages, car parks and suburbs, posing real safety threats on communities, the environment as well as staff who work in these fuel stations¹⁴.

In general, there have been reports of adulteration, mislabelling and short weighting of petroleum products. Not only do these unethical business behaviours reduce consumer welfare and Government revenue, but combustion of substandard fuels can have a serious impact on public health, safety and the environment¹⁵. Licensing, monitoring and enforcement of operating standards are critical and therefore require a credible regulatory system. Therefore, it is important that the standards and laws enacted to avert the risks associated with downstream petroleum operations are strictly adhered to and enforced in order to protect public health, safety and the environment.

The Office of the Auditor General, recognizing the importance of regulation of petroleum supplies, decided to carry out a value for money audit on the Licensing, Monitoring and Enforcement of Standards in downstream petroleum operations by the Ministry of Energy and Mineral Development.

1.3 DESCRIPTION OF THE AUDIT AREA

1.3.1 General description

The Department of Petroleum Supply (DPS) in the Ministry of Energy and Mineral Development is responsible for the regulation and monitoring of petroleum supply in the country.

The purpose of this Department is to ensure adequate, reliable and affordable supply of petroleum products at internationally competitive and fair prices within appropriate health, safety and environmental standards.

The Department has three Divisions of; Standards, Licensing and Quality Assurance; Monitoring and Enforcement; and Transport and Storage. The Division of Standards, Licensing and Quality Assurance is responsible for development and implementation of standards for regulation of downstream petroleum operations, reviewing EIAs, issuing of petroleum construction permits, issuing construction completion certificates and petroleum operating licenses, and ensure quality assurance.

The Monitoring and Enforcement Division monitors and enforces implementation and observance of the principles of a free market and fair competition, as well as enforcing compliance with the downstream petroleum operations standards.

The Transport and Storage Division is responsible for ensuring efficient transportation of petroleum products that promotes safety and quality of petroleum products and also ensuring there is sufficient and appropriate storage for petroleum products at the different depots and fuel stations.

11 Complaint against illegal petroleum supply operations by ACN in January 2017 and Kampala's fuel stations: Looming danger government must undo: Daily monitor Friday December 14th 2018

12 The fuel marking and quality monitoring program monthly reports and <https://www.monitor.co.ug/Business/Commodities/Govt-to-close-stations-selling-adulterated-fuel--says-and-monthly-fuel-marking-and-quality-monitoring-programme-monthly-reports-2016/17-2018/19>

13 <https://www.monitor.co.ug/Business/Commodities/Govt-to-close-stations-selling-adulterated-fuel--says-official/688610-2444424-144rq1w/index.html>

14 <https://www.observer.ug/component/content/article?id=13069: hazards-abound-as-single-fuel-pumps-increase>

15 Daily monitor Thursday April 26th 2019

1.3.2 Legal Framework/Mandate

The mandate of the DPS is to supervise and monitor; the importation, exportation, transportation, processing, supply, storage, distribution and marketing of petroleum products. This mandate is derived from the Petroleum Supply Act, 2003, the Petroleum Supply General Regulations, 2009, and the Petroleum Marking and Quality Control Rules, 2008.

1.3.3 Vision and Mission

The Department of Petroleum Supply supports the MEMD'S vision and mission stated below;

MEMD Vision

"To be a model of excellence in sustainable management and utilization of energy and mineral resources."

MEMD Mission

"To ensure reliable, adequate and sustainable exploitation, management and utilization of energy and mineral resources for the inclusion and benefit of all people in Uganda."

1.3.4 Objectives of the Department of Petroleum Supply

The key policy objective of Government in the downstream sub sector is to ensure adequate, reliable and affordable supply of petroleum products at internationally competitive and fair prices within appropriate health, safety and environmental standards.

The Department spearheads the achievement of the policy objective through the implementation of the following specific objectives;

- To streamline petroleum supply and distribution;
- To develop organizational structure and capacity of the petroleum supply department;
- To ensure sufficient stock of petroleum products on the market;
- To establish standards and promote product quality, health and safety;

- To promote efficient mode of transportation of petroleum products;
- To develop and maintain the National Petroleum Information System (NPIS);
- To promote usage of Liquefied Petroleum Gas.

1.3.5 Petroleum Supply Activities

The activities carried out under the DPS are:

- Inspection and monitoring operations of private oil companies with respect to volumes, prices, product quality and safety of operation, technical and environmental standards;
- Capacity building for Oil and Gas sector
- Management and ensuring that the Country has sufficient national strategic reserves to act as a reserve buffer when there is a supply outage and stabilize the supply of petroleum products in the country;
- Licensing of petroleum operators, facilities and enforcement of standards;
- Maintenance of the National Petroleum Information System for efficient dissemination of data on petroleum supply;
- Ensuring development of downstream petroleum products infrastructure;
- Promotion of development of refined petroleum products pipeline and diversification of alternative supply routes;
- Coordination of petroleum supply operations;
- Promotion of usage of LPG; and
- Implementation of the Petroleum Supply (General) Regulations, (2009) and Petroleum Marking and Quality Control Rules, (2008).

1.3.6 Organisation/Department Structure

The Commissioner Petroleum Supply is the Head of the DPS under MEMD and is assisted by three Assistant Commissioners in charge of: Standards, Licensing and Quality Assurance; Monitoring and Enforcement; and Transport and Storage.

Each of the Assistant Commissioners supervises two Principal Petroleum Officers who also supervise other officers below them as detailed in Appendix I.

1.3.7 Funding of the Department of Petroleum Supply

The Department received a total of UGX 3,203,047,924 for the three financial years between 2016/17 and 2018/19 for licensing, monitoring and enforcement as shown in the table below.

Table 1: Funding for the Department of Petroleum Supply

Financial year	Amount (UGX)
2016/17	816,567,938
2017/18	766,821,000
2018/19	1,619,658,986
Total	3,203,047,924

Source: OAG analysis of data obtained from MEMD.

1.4 AUDIT OBJECTIVE

The overall audit objective was to assess the extent to which MEMD ensures compliance with licensing and enforcement of standards in regard to downstream petroleum operations.

The specific audit objectives were to assess:

- a) The extent to which licensing of fuel operators and facilities was undertaken in accordance with the set standards in the Petroleum Supply Act, 2003.
- b) The extent to which monitoring and inspection was carried out to ensure compliance to stipulated standards.
- c) The extent to which enforcement activities were carried out to ensure adherence to stipulated standards.

1.5 AUDIT SCOPE

The audit assessed the adequacy of the process of licensing petroleum operators and facilities, and monitoring and enforcement of operating standards. The assessment included a review of the processes and activities involved in issuing petroleum operating licenses; monitoring and inspection; and enforcement of standards. The assessment was undertaken to establish the efficiency and effectiveness of the processes and activities as undertaken by the DPS.

The Study covered three financial years from 2016/17 to 2018/19 and was based on the operations of DPS/ MEMD and the partnering institutions, such as: NEMA, UNBS, District Local Governments and fuel stations.

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CHAPTER TWO

AUDIT METHODOLOGY

The audit was conducted in accordance with the International Organization of Supreme Audit Institutions (INTOSAI) Performance Auditing Standards and Guidelines in the Office of the Auditor General's Value for Money manual. The standards require that the audit be planned in a manner that ensures that an audit of high quality is carried out in an economic, efficient and effective way, and in a timely manner.

2.1 SAMPLING

Sampling was conducted on the audit population comprising 984¹⁶ fuel stations registered in the MEMD database. The stations were categorised according to 4 regions, i.e. Northern (63), Eastern (115), Western (165), and Central (586) and 72 stations were randomly selected for inspection.

2.2 DATA COLLECTION

Data was collected using the following methods:-

Document Review

Documents were reviewed to understand the licensing, inspection and monitoring, and enforcement processes and to assess the extent of compliance of fuel stations with operating standards in order to inform the audit of the challenges faced in enforcement of standards. The details of the documents reviewed are attached in Appendix II.

Interviews

The audit team conducted 83 interviews with several officials from MEMD, NEMA, UNBS and fuel stations. This was to gain an understanding of the licensing, enforcement of compliance with standards and corroborating information gathered from document review. Appendix III refers.

Inspections

The audit team visited 72 fuel stations to verify their level of adherence to set standards regarding health, safety and the environment. During inspections, photographic images were taken to document the findings.

Analytical Reviews

The team analysed primary data to ascertain trends and behaviours of certain variables for obtaining an in-depth understanding and derive well informed conclusions. Trend analysis of the quarterly quality assurance reports and monitoring and inspection reports over the three years was undertaken to establish the compliance levels over the years.

In addition, a comparison of data in the UNBS, NEMA and MEMD databases was carried out to identify discrepancies and confirm instances of non-compliance.

16 MEMD List of Licensed petroleum retail outlets as at 12th September, 2019

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CHAPTER THREE

SYSTEMS AND PROCESS DESCRIPTION

3.1 ROLES AND RESPONSIBILITIES OF KEY PLAYERS

3.1.1 Ministry of Energy and Mineral Development

The Ministry of Energy and Mineral Development (MEMD) is the principal agency in Uganda responsible for overall coordination and supervision of all activities in petroleum operations.

The Ministry is the regulatory authority that oversees the licensing and control activities and installations, safety and protection of public health and the environment in petroleum supply operations.

The Ministry also encourages and protects fair competition in the petroleum supply market. In addition, MEMD is required to monitor compliance of all players in the petroleum supply chain in regard to existing laws and regulations.

The MEMD provides policy directives of the petroleum supply's sub sector. The Commissioner DPS plays the following specific roles;

- Provides technical advice to the Minister in all legislative and regulatory matters concerning petroleum supply operations;
- Establishes, implements and administers an effective and equitable licensing system for petroleum supply operations and installations in accordance with the Petroleum Supply Act;
- Receives, evaluates and processes all applications for and approves the granting, renewal, assignment, suspension or revocation of all permits and licenses.

Other roles played by the Commissioner are;

- Ensuring the establishment, maintenance and periodic updates of the National Petroleum Information System and the evaluation and dissemination of information derived from this system;
- Organizing, implementing and coordinating with other Government agencies the monitoring

process of the operations, installations and participants in the supply chain, including domestic and international market prices;

- Encourage, monitor and enforce the implementation of, and the observance of the principles of the free market and fair competition in co-ordination with other Government agencies, create and implement effective and adequate procedures to receive and resolve without undue delay, all inquiries and complaints by other Government agencies, consumers, recognized consumer organizations or participants in the supply chain, concerning the safety of petroleum supply operations and installations or the quality, quantity or prices of petroleum products distributed or sold in Uganda;
- Develop and maintain national strategic petroleum stocks; and to perform such other functions conferred or imposed upon him or her under the Petroleum Supply Act, any other law or by the Minister.

3.1.2 National Environment Management Authority

National Environment Management Authority (NEMA) is responsible for reviewing and approving EIAs and review of environmental audit reports submitted by fuel stations and other operators, such as distributors and wholesalers.

NEMA is also responsible for carrying out, alongside MEMD, environmental monitoring and audits of fuel depots and fuel stations; ensuring and monitoring compliance of downstream petroleum supply activities with environmental guidelines; issuing guidelines for strategic environmental assessment, and harmonizing national performance standards in the Oil and Gas sector on environmental sustainability with international standards. NEMA issues wetland resource use permits and monitors petroleum supply activities to assess their impact on the environment.

3.1.3 District Local Governments

The District Local Governments are responsible for review and approval of fuel station construction sites. This ensures that fuel stations are located in appropriate places to promote industrial safety and environmental protection.

District Local Governments are responsible for approving the building plan/ architectural drawings for the construction of a fuel station.

The Local Governments coordinate with the Inspectors from the MEMD and NEMA to ensure that premises, work place, building, or facilities and examining construction works installations comply with the provisions of the Petroleum Supply Act and the conditions of the permit or license.

An applicant applies to the Commissioner Petroleum Supply at MEMD for a petroleum operating license before dispensing petroleum products to consumers. The application must be accompanied by an approved EIA certificate and an approved building plan, among others.

After which a construction permit and construction completion certificate is issued by the Commissioner.

3.1.4 Uganda National Bureau of Standards

Uganda National Bureau of Standards (UNBS) is the principal agency in Uganda responsible for development, promotion and enforcement of standards. UNBS carries out monthly quality tests and biannual verification of pumps in fuel stations countrywide to ensure petroleum products dispensed to consumers are of the right quality and quantity.

The UNBS verification mark is thereafter embedded on the pumps at the points of sale as evidence of verification.

In consultation with MEMD, UNBS develops joint fuel quality testing programs and guidelines in quality monitoring of petroleum products.

3.1.5 Uganda Revenue Authority

Uganda Revenue Authority (URA) carries out tax assessment of petroleum products at the designated customs entry points in Malaba,

Busia and Mutukula and at the fuel stations to raise government revenue.

In addition, URA administers collection of revenue from petroleum products in line with the relevant laws, assisting in monitoring and assessing the impact of petroleum revenues on the economy, and participating in the formulation of tax measures to regulate collection of the right revenues from petroleum products.

In addition URA is responsible for issuing tax clearance certificates before licensing of fuel stations by MEMD.

3.1.6 Fuel Stations

These are companies and individuals who buy petroleum products from whole sellers and sell to consumers. MEMD records indicate a total of 984 licensed fuel stations currently operating in Uganda¹⁷.

3.1.7 Consumers

These buy petroleum products from fuel stations for their vehicles, generators, motorcycles and other machines that run on these products. They also file complaints to MEMD regarding dissatisfaction with petroleum products such as adulteration, short weighting and others.

3.2 PROCESS DESCRIPTION

3.2.1 Issuing of Petroleum Operating Licenses

Section 3 (1&2) of the Petroleum Supply Regulations, 2009 stipulates that a person who intends to obtain a petroleum construction permit under section 17 (1) of the Petroleum Supply Act shall submit the original and two copies of the application to the Commissioner as prescribed in Schedule 3 of these Regulations. An applicant for a petroleum operating license shall be a body corporate.

This application is accompanied by an approved EIA certificate issued by NEMA; approval of the District Local Government; a construction permit; a construction completion certificate; previous copies of operations license; proof of legally binding supply contracts with licensed wholesalers (Oil Marketing Companies- OMCs); description and location of offices; and the amount of investment and operating capital, and technologies to be used.

17 MEMD List of Licensed petroleum retail outlets as at 12th September, 2019

The application is also supported by proof of insurance; copy of agreement for supply of petroleum products; certificate of incorporation or registration; description of safety programs and equipment, and plans for protection of occupational and environmental health and safety. Further, the application should have contingency plans for accidents and natural disasters, proof of payment of prescribed fees, and proof of investment certification by Uganda Investment Authority and tax clearance from URA.

In addition, the application is supported with proof of storage facilities owned, rented or otherwise with minimum ten (10) days average monthly anticipated throughput and in case of application for retail license and license for industrial consumers; proof of legally binding supply contracts with licensed wholesalers; and proof of approval or applications filed for other authorizations required by other Government authorities.

When the Commissioner is satisfied that all the requirements have been fulfilled by the applicant, a petroleum operating license is issued to commence operations. A petroleum operating license for wholesale and retail distribution is valid for 5 years and is renewable.

3.2.2 Inspections and monitoring

Section 25 of the Petroleum Supply Act, 2003 and Section 21 of the Petroleum Supply (General) Regulations, 2009 require the Commissioner Petroleum Supply on a quarterly basis to inspect the area, premises, works, facilities, installations, records including books of account, documents and any other records connected with the operations of the holder of the permit or license to ensure adherence to the conditions specified in the petroleum operating license and the US 947-1 Standards.

The Commissioner also in partnership with UNBS performs fuel marking and quality management that aims at reducing and elimination of adulteration of petroleum products across the country. Inspection reports are prepared and issued to the fuel stations inspected, highlighting areas that require improvement to ensure dispensation of fuel of the right quality and quantity and compliance with safety, health and environmental standards. On a quarterly basis, the MEMD inspection team prepares a general inspection report.

According to the MoU between MEMD and UNBS, UNBS carries out monthly quality tests and bi annual verification of pumps at fuel stations countrywide to ensure petroleum products dispensed to consumers are of the right quality and quantity. This is evidenced by certificate of analysis or analysis report and a physical stamp or sticker on the pump. UNBS also coordinates with MEMD to share data on non-compliance.

The District Local Governments coordinate with the inspectors from MEMD to ensure the facilities and construction work installations comply with the provision of the Petroleum Supply Act and conditions in the petroleum operating licenses.

3.2.3 Enforcement

The Commissioner Petroleum Supply is required to enforce adherence to UNBS US 947-1 Standards, 2011, and other petroleum laws and regulations governing fuel stations that are found non-compliant upon inspection. The Standard ensures that dispensed petroleum products comply with health, safety and environment standards; such as: operating with; oil interceptor/drainage, safety programmes, emergency fire preparedness, and staff training on safety, vapour vents longer than 4 meters above the ground, illuminated price display boards, and proper forecourt preparation. In addition, the Standard ensures that the fuel stations have well-stocked first aid kits, proper oil/solid waste disposal, traffic signposts, perimeter walls (at least 1.8 meters), good office space, well-constructed canopies, security, display of safety signs during offloading, tank storage capacities indicated on top of manhole covers and standard colour coding of manhole covers, proximity to households and high voltage supply, good housekeeping and proper sanitation facilities, among others. In addition, MEMD is mandated to ensure fuel stations dispense fuel of the right quality and quantity to consumers.

Enforcement mechanisms including sealing off, prosecution, fines, and penalties are imposed on fuel stations found violating the above standards. The enforcement team coordinates with the police to ensure compliance. A quarterly report on enforcement is prepared.

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CHAPTER FOUR

FINDINGS AND RECOMMENDATIONS

4.1 COMPLIANCE WITH THE SET FACILITY STANDARDS, REGULATIONS AND GUIDELINES

a) Compliance Requirements under Licensing and Operating of Fuel Stations

Using the monitoring checklist as per National Petroleum Information System, the fuel stations were scored in terms of implementation of good health, safety, environment, fair competition, and good business practices, possession of EIA certificate, construction permit, and construction completion certificate.

In addition, the checklist assesses possession of operating license, environment audit reports, appropriate plot size, distance from nearest licensed petroleum facility, illuminated retro reflective sign post visible from a distance of at least 50m, and a well maintained office block and canopy. Furthermore, the checklist assesses possession of a well maintained forecourt, and a well-designed oil interceptor and well-designed drainage. The checklist also assesses whether location of pumps is not in road reserves or adjacent to residential houses, housekeeping, fire emergency preparedness, staff safety and training, traffic sign posts(in and out) and records of stocks, prices and sales.

Audit performed an analysis of the quarterly monitoring reports prepared by DPS/MEMD and rated compliance of fuel stations to the above parameters as “complied” or “partially complied” or “not complied”.

The highest level of compliance was noted in pump location, plot size, fire emergency preparedness, well maintained office block and canopy. Out of a total of 1695 fuel stations inspected over a period of 3 years, 1503 (89%) had fuel pumps properly located, 1095 (65%) had the right plot size, 1088 (54%) had appropriate fire emergency preparedness mechanism, 850 (50%) had well maintained office blocks and canopies.

The lowest levels of compliance were noted on possession of environmental audit reports, EIA certificates, well maintained forecourt, oil interceptor, drainage and valid operating license; and training of staff on health and safety. Out of a total of 1695 fuel stations inspected over a period of 3 years only 10 (1%) carried out environmental audit reports, 211 (12%) possessed EIA certificates, 201 (12%) had well maintained forecourts, 225 (13%) had oil interceptors. Similarly, 236 (14%) fuel stations carried out training of staff on health and safety, 252 (15%) had proper drainage, and 548 (32%) possessed valid operating license.

A detailed analysis of all the parameters is as indicated in the table below;

Table 2: Assessment of compliance with set facility standards, regulation and guidelines

Key parameter as per monitoring checklist	Number of fuel stations that complied [2016/17-2018/19]	Number of fuel stations that partially complied [2016/17-2018/19]	Number of fuel stations that did not comply [2016/17-2018/19]	% of compliance
Possession of EIA certificate	211	0	1484	12%
Possession of construction permit	Not reported on	Not reported on	Not reported on	0%

Key parameter as per monitoring checklist	Number of fuel stations that complied (2016/17-2018/19)	Number of fuel stations that partially complied (2016/17-2018/19)	Number of fuel stations that did not comply (2016/17-2018/19)	% of compliance
Possession of construction completion certificate	Not reported on	Not reported on	Not reported on	0%
Possession of operating license	548	0	1147	32%
Possession environment audit reports	10	0	1685	1%
Plot size	1095	0	497	65%
Distance from nearest licensed petroleum facility	Not reported on	Not reported on	Not reported on	0%
Illuminated retro reflective sign post visible from a distance of at least 50m	654	0	1041	39%
Well maintained office block	850	279	138	50%
Well maintained canopy	850	279	138	50%
well maintained forecourt	201	761	666	12%
Possession of well-designed oil interceptor	225	289	1167	13%
Possession of well-designed drainage	252	0	1443	15%
Is there a pump in road reserve or adjacent to residential houses	1503	0	72	89%
House keeping	0	1126	574	0%
Fire emergency preparedness; fire assembly point clearly labelled, emergency telephone contact displayed, fire extinguishers	1088	77	719	64%
Staff safety and training conducted for staff	236	0	1459	14%
Traffic sign posts (in and out)	760	0	1034	45%
Records of stocks, prices and sales	Not reported on	Not reported on	Not reported on	0%

Physical inspection of 72 fuel stations revealed similarities in compliance levels on a number of parameters analysed from the quarterly inspection reports. The highest levels of compliance were noted in pump location 68 (94%), plot size 62 (86%), fire emergency preparedness 54 (75%) and office blocks, canopies and forecourts 47 (65%).

On the other hand the lowest levels of compliance were noted in areas, such as: environmental audit reports 3 (4%), EIA certificates 11 (15%), operating license 17 (24%) and staff training 33 (46%). The detailed compliance analysis from audit inspection is as per Appendix iv.

Management Response

The Petroleum Supply Act, 2003 Section 46 together with the Petroleum Supply General Regulations, 2009 allow for a grace period of three years for outlets existing before the Regulations, to regularise their operations by getting the necessary operating licenses for outlets.

It was against that background that in 2010 a public announcement was run in all newspapers of wide national coverage requesting operators to regularise their operations and as a result enforcement commenced in 2013 after sensitizations and consultations among stakeholders.

Existing outlets prior to 2003 when the Act came in place were therefore required to comply with environmental requirements; however, there were no legal provisions within the National Environmental Act Cap 153 and EIA Regulations of how to bring such facilities into compliance. New outlets that were beginning from the green field were required to undertake EIAs among other requirements like the local authority approvals before they could submit their application for construction permits and later completion certificates and operating licenses.

In addition it is a requirement for licensed outlets to undertake annual Environment Audits for retail outlets but NEMA has previously had capacity challenges leading to delays in issuing of compliance and EIA certificates.

NEMA opened four regional offices in Mbale, Mbarara, Lira and Masindi in February 2018. The Regional Offices are helping in expediting the review and decision making on environmental assessments.

The Petroleum Supply Department will continue to sensitize the operators in workshops and meetings regarding issues identified in Monitoring and Inspection such as training of fire emergencies, management of interceptors, drainage and housekeeping in addition to issuing of standalone communications to operators/defaulting outlets regarding compliance.

Audit Comment

Whereas Management explained that the fuel stations existing before the Regulations are justified not to have the EIAs, they did not categorise the non-compliant fuel stations into prior and after the regulations and as a result MEMD could not carry out a proper follow-up on non-compliance.

Recommendations

Management should;

- Improve guidelines and include penalties on defaulting stations.
- Ensure non-compliant issues are addressed by fuel stations before a license is renewed.
- Propose amendment of the Act and Regulations by making licensing an annual requirement just like environmental audits.
- Consider communication of peculiar issues that seem to be persistent in fuel stations through sensitization at quarterly workshops.

b) Compliance Requirements under Liquefied Petroleum Gas

Objective 1 of the Fuel Marking and Quality Monitoring Program (signed between MEMD and UNBS on 1st July, 2018) requires MEMD in cooperation with UNBS to monitor the quality of imports such as petrol, diesel, kerosene, fuel oil, bio-diesel and Liquefied Petroleum Gas (LPG). Furthermore, the Oil and Gas Standards Catalogue, 2017, Standard 250-308 specify the requirements on distribution of Liquefied Petroleum Gas.

From the interview with Management of UNBS, Audit noted that there was no direct intervention to ensure that the right quantity and quality of LPG was sold to consumers. The inspection and monitoring check list and reports did not include LPG parameters and results.

In addition physical inspection of fuel stations selling LPG revealed that none of the gas cylinders was verified by UNBS since none had the UNBS certification.

It was further noted in the 3rd Technical Petroleum Committee minute (Min.06/03/18) of 19th July, 2018 that Uganda had 17 Distributors of LPG, however other dealers, such as supermarkets, not licensed to supply petroleum products were found selling LPG. As a result, customers may not get the right services and this also compromises on the quality and safety of LPG.

Management Response

LPG standards for cylinders, grills and banners are in final stages of completion at the East African level. Distribution of LPG at Supermarkets is a safe way of making LPG available to Ugandans whose consumption is still too low at 1% of Uganda's households. Plans are underway to further sensitise safe handling and usage of LPG to avoid future accidents as more Ugandans convert to usage of LPG.

However, UNBS is planning to draft Regulations specifying safety requirements for Distributors of LPG Products, including verification of quantities declared on Cylinders and labelling requirements.

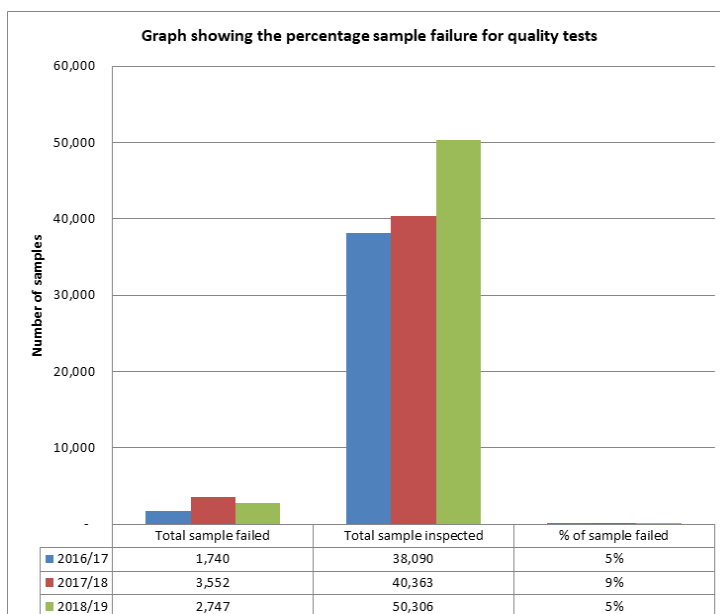
Audit Comment

I take note of management response and await the implementation of new initiatives proposed by management.

c) Compliance Requirements under the Quality of Fuel

MEMD signed a memorandum of understanding with UNBS to jointly carry out quality monitoring of petroleum products. From the review of the Fuel Marking and Quality Monitoring Program Reports for 2016/17 to 2018/19, Audit noted that the average failure rate was 6% from 2016/17 to 2018/19; as demonstrated in the figure below.

Table 1: Trend in the number of samples that failed quality tests



In addition, analysis of the name and shame lists published for the FY 2016/17, 2017/18 and 2018/19 revealed that there were 29 repeat offenders, with some appearing thrice within a financial year.

The existence of poor quality petroleum products on the market was attributed to inadequate enforcement of punitive measures, such as the “name and shame” mechanism used by MEMD and UNBS, which do not deter these unacceptable practices in the petroleum industry resulting into continued adulteration of petroleum products. Appendix v refers.

Management Response

The quality of Petroleum Products has been very good with a failure rate of 0.6% reported in 2019 from 29% in 2009 when the fuel marking program commenced. The quality monitoring is done daily using 5 mobile laboratories fully deployed in the field and it aims to cover 100% of the outlets.

Audit Comment

Although management reflects a failure rate of 0.6% in 2019, our analysis indicated a trend in the failure rates of 5%, 9% and 5% in the financial years 2016/17, 2017/18 and 2018/19, respectively as calculated from the samples analysed by UNBS.

Audit noted that the non-compliance with the set facility standards, regulations and guidelines was a result of the various areas of weakness identified in the licensing process, inspection and monitoring, and enforcement of standards in downstream petroleum operations as discussed below;

4.2 LICENSING OF FUEL OPERATORS AND FACILITIES

Section 17 (2) of the Petroleum Supply Act, 2003 stipulates that no person shall perform petroleum supply operations without a petroleum operating license. An application for a petroleum operating license shall be accompanied by an approved EIA certificate issued by National Environment Management Authority (NEMA), approved construction plans from the District Local Governments, a construction permit and construction completion certificate issued by MEMD.

In addition the applicant is required to attach proof of previous copies of operations license for renewals, legally binding supply contracts with licensed wholesalers (OMCs), description and location of offices, amount of investment and operating capital and technologies to be used. The application should also be supported with proof of insurance; copy of agreement for supply of petroleum products; certificate of incorporation or registration; description of safety programs and equipment.

Furthermore, the applicant should show proof of plans for protection of occupational and environmental health and safety, contingency plans for accidents and natural disasters, payment of prescribed fees, investment certification by Uganda Investment Authority, and tax clearance from URA.

It was noted that the Fuel Marking and Quality Monitoring reports reported 2,990 fuel stations to be operating in the Country as at 30th June, 2019¹⁸, while the database at MEMD reported only 984 licenced fuel stations as at 29th September 2019. The difference between the fuel stations operating in the country as reported in the fuel marking quality monitoring reports and the licensed fuel stations in the MEMD database indicates that there are so many fuel stations that are operating without licenses.

From the analysis of the MEMD database we noted that out 984 licensed fuel stations, 363 fuel stations did not possess EIAs, 205 fuel stations did not possess construction permits and 698 fuel stations did not possess construction completion certificates, yet they were licensed. In addition, prospective fuel operators cannot construct a fuel station without an EIA, however, further analysis of the MEMD database revealed that there were 489 fuel stations that had construction permits but did not possess EIAs.

18 The Fuel Marking And Quality Monitoring Program Monthly Report June 2019.

Furthermore, document review of 58 application files revealed that there were 30 fuel stations that were awarded licenses which were not supported with all the prerequisite documentation, Appendix VI refers. Similarly, field inspection visits by the audit team revealed that out of the 72 fuel stations inspected, only 17 had operating licenses. However, of the 17 fuel stations only 2 had all the prerequisites for licensing while only 8 possessed EIAs, 3 possessed construction permits and 2 had construction completion certificates.

Fuel stations were licensed without meeting all the prerequisite conditions. This was attributed to the failure by DPS to effectively use the licensing application checklist¹⁹ when approving applications for licenses. In addition, key positions (PPO and PO) in the Standards Unit under Standards, Licensing and Quality Assurance Division were vacant.

We also noted limited coordination between MEMD and other critical stakeholders such as NEMA, URA, UIA and District Local Governments who did not share information used in evaluation of applications. There is no platform for information sharing. Our interactions with NEMA revealed that the institution was not adequately staffed, especially at the district level, to review and process EIAs throughout the Country.

Operating without licenses has led to illegal operations, and causes loss of non-tax revenue due to Government.

Management Response

The Database of 2,990 stations emanates from the database of Fuel Marking and Quality Monitoring Program which includes illegal outlets which once found are closed through enforcement. However as of September 2019 the Ministry recognises the 984 outlets that are duly licensed. Otherwise, evidence of NEMA EIA Certificates has been provided for the mentioned 489 outlets that the Ministry issued with Construction Permits.

Under the National Environment Act No. 5 of 2019, Environmental and Social Impact Assessment Regulations of 1998 have been amended with provisions for projects that did not carry out Environmental Social Impact Assessment in the beginning and how they can be brought into compliance.

Audit Comment

Of the 489 outlets, EIAs for the 332 outlets were confirmed on the MEMD database, 9 on the files and the remaining 148 could not be confirmed. Although in the FY 2018/19, PSD spent UGX 157,896,250 on the NPIS, not all the EIAs were uploaded on the NPIS. Audit noted that the management of records in the PSD is inadequate and Management acknowledged that accurate keeping and retrieval of records is a big challenge, and the staff currently employed are overwhelmed by volume of documents.

Audit also reviewed application files for prerequisite documentation for licensing fuel stations but as noted above, this was incomplete as a result of the poor management of records and information. Appendix VI refers.

Conclusion

MEMD did not undertake licensing of all fuel operators and facilities in accordance with the stipulated standards in the Petroleum Supply Act, 2003 which could have adverse effects on the legal operations of the fuel station and Government revenue.

The lack of a proper system for management of records and information in the PSD makes it difficult to access key documentation related to the licensing as well as affecting the department's ability to keep track of licensed outlets and plan for their monitoring and inspection.

19 DPS's checklist for approval application licenses

Recommendations

- DPS should ensure effective use of the checklist during evaluation of license applications. All the tick boxes should be appropriately checked and referenced with evidence.
- The vacant positions in the Standards Unit should be filled in consultation with the Ministry of Finance Planning and Economic Development.
- A collaboration platform consisting of critical stakeholders (MEMD, NEMA, UIA, URA, UNBS and District local councils) should be established for easy information sharing regarding licensing, inspection and enforcement.
- The NEMA should consider empowering their regional offices to take decisions regarding timely approval of EIAs.
- The databases of operating fuel stations at UNBS and MEMD should be reconciled and harmonized.
- PSD should expedite an effective system of management of records and information in order to support the process of Licensing, Monitoring and Inspection, and Enforcement.

4.3 INSPECTIONS AND MONITORING

Part 4.2.2 of the Energy Policy for Uganda, 2002 requires the downstream petroleum sub-sector to ensure an adequate, reliable and affordable supply of quality petroleum products within the appropriate health, safety and environmental standards through implementation of a monitoring system for the petroleum industry.

Furthermore, Section 25 of the Petroleum Supply Act, 2003 and Section 21 of the Petroleum Supply (General) Regulations, 2009 require the Commissioner petroleum supply to inspect the area, premises, works, facilities, installations, records including books of account, documents or

any other records connected with the operations of the holder of the permit or license to ensure adherence to the conditions specified in the petroleum operating license and the US 947-1²⁰ Standards set by UNBS. The licensing conditions and UNBS Standards are further summarized in the monitoring and inspection checklist.

The Commissioner through a Memorandum of Understanding with UNBS performs fuel marking, pump verification and quality management that aim at reducing and eliminating short weighing and adulteration of petroleum products across the country. DPS/MEMD and UNBS prepare work plans, carry out quarterly monitoring, inspections and prepare reports highlighting areas that require improvement to ensure dispensation of fuel of the right quality and quantity and compliance with safety, health and environmental standards. In addition, feedback is provided by MEMD to the fuel stations using an inspection and monitoring report form booklet.

Audit noted that fuel stations were inspected by UNBS for biannual verification of pumps and monthly verification of quality of fuel. Where UNBS was satisfied with compliance, they issued a sticker and a certificate of analysis to the fuel station. A review of the monthly analysis reports issued to the fuel stations by UNBS revealed that only one of the 72 fuel stations inspected failed the fuel quality test.

However, audit also identified areas of weakness that affected the effectiveness of monitoring and inspection as discussed below;

a) Planning of inspections

The Monitoring and Inspection team at MEMD conducted 1,695 inspection visits in period from 2016/17 to 2018/19 as indicated in the table below;

Table 3: Number of fuel stations inspected over the years

Year	Quarter	Number of fuel stations inspected
2016/17	Q1	103
	Q2	219
	Q3	191
	Q4	171
Sub-total		684
2017/18	Q1	161
	Q2	142
	Q3	0
	Q4	108
Sub-total		411
2018/19	Q1	110
	Q2	138
	Q3	173
	Q4	179
Sub-total		600
Grand total		1,695

Although DPS carried out these inspections, their work plans did not specify the number of inspections to be carried out per quarter to guide the inspections and enable measurement of performance in this regard. However, in interviews with the Commissioner/DPS and Assistant Commissioner/M&E, it was explained that the objective of the Department is to inspect all fuel stations in the Country in a year.

Without quantified work plans, it is difficult to ascertain the required number of inspections and associated activity costs, as well as prioritization of the risky fuel stations and regions.

In addition, it was difficult to ascertain whether the released funds were actually spent on the intended inspections.

The failure to quantify work plans was attributed to the failure by Department of Monitoring and Inspection to forecast outputs and ascertain the required costs.

b) Funding

Audit observed that from July 2016 to June 2019, a total of UGX 431,420,266 was released for monitoring and enforcement. However, we noted that monitoring and inspection funds were not separated from enforcement.

Further scrutiny of the expenditure vis-à-vis the actual outputs (inspection visits) revealed that although M&E funding for the FY 2018/19 increased by 176% (from UGX 95,151,766 in 2016/17 to UGX 262,912,500 2018/19), this was not matched with corresponding increase in the number of fuel stations visited.

The number of fuel stations monitored declined by 12.3% (from 684 in 2016/17 to 600 in 2018/19), Table 4 refers.

Management attributed the 12.3% decline in the number of inspections performed over the audit period to inadequate funding. However, audit attributes this to inadequate planning and prioritization of inspections.

Table 4: Number of inspections carried out over the years

Financial years	Funds budgeted for inspection activities	Funds released for inspection activities	Funds diverted / not utilized for intended activities	No. of planned inspections	No. of fuel stations inspected (as per the annual report and inspection reports)	No. of fuel stations enforced (as per the enforcement reports)
2016/17	546,074,000	95,151,766	12,185,000 (12.8%) – Appendix VIII	Not indicated in the work plans/approved budget	684	250
2017/18	595,000,000	73,356,000	3,955,000 (5.4%) - Appendix VIII	Not indicated in the work plans/approved budget	411	413
2018/19	595,000,000	262,912,500	N/A	Not indicated in the work plans/approved budget	600	243
Total	1,736,074,000	431,420,266	16,140,000			

In addition, audit noted that a total of UGX 16,140,000 was spent on other activities other than monitoring and enforcement and this affected the number of inspection visits to fuel stations. Appendix IV refers.

c) Staffing

According to the approved structure in the Ministerial Policy Statement for the FY 2018/19, the division of Monitoring and Enforcement is supposed to have 10 staff (3-monitoring, 4-enforcement, and 2-NPIS). These are supervised by an Assistant Commissioner, Monitoring and Enforcement. All the positions were filled except for one petroleum officer/Enforcement. However, an interview with the Assistant Commissioner Monitoring and Enforcement, revealed that Senior Petroleum Officer Monitoring & Inspection was acting in the position of Principal Petroleum Officer/Transport and Storage, thus creating a gap of one staff in Monitoring and Inspection.

Audit analysis revealed that with the 984 fuel stations in the Country, the number of 3 filled petroleum officers (PPO, SPO and PO) cannot adequately monitor and inspect all the fuel stations. The approved structure cannot allow staff increment.

d) National Petroleum Information System

Sections 22 (b) and 23 of the Petroleum Supply Regulations, 2009 require the Commissioner to establish and maintain a Central Petroleum Registry as part of the National Information System in accordance with section 28 of the Petroleum Supply Act.

The National Petroleum Information System (NPIS) is supposed to have information on every permit or license holder including monthly reports on sales, purchases and product losses per product, dead stock, maximum storage capacity per product, annual summary report of investments, major rehabilitations, all essential information about the holder.

In addition, the NPIS should contain the dates of application, approval, renewal, transfers, revocation or termination of a license, dates and results of all inspections.

Furthermore, it should contain information on any violations, convictions for offenses, penalties, suspensions, orders for mitigating/remedial actions, and the date and type of interruptions, substantial reductions of operations, damage caused by accidents, natural disasters, other events of force majeure, negligence, and wilful misconduct by any person.

However, the NPIS does not contain complete information in regard to stock movement, sales, dates of, application, renewals, expiry and revocation of licenses, among others on all the fuel stations in the country. This makes it difficult for MEMD to properly plan for inspections, project license revenue, track renewals due, and track of progress of application by clients. This was attributed to the on-going process of developing the NPIS.

e) Adequacy of the Monitoring Tool

The inspections performed by the DPS were planned to ensure that the downstream sub sector is well regulated as far as health, safety, environment, fair competition standards and good business practices. The monitoring by the DPS is carried out through interviews and observations and is guided by a monitoring checklist as per the NPIS requirements.

However, a review of the inspection checklist used by MEMD revealed that it was lacking some parameters specified in the Standards (US-947-1) and the terms and conditions required for licensing. It did not specifically outline the requirement for construction completion certificates (yet some fuel stations inspected are newly constructed), annual environmental audits, possession of a health, safety and environment policy, appropriate insurance policy, measures to

collect and handle waste products, contingency plans for emergencies, policies for promotion of Corporate Social Responsibility, and quality and quantity checks for LPG.

It was further observed that the checklist had parameters which were not checked and reported on in the monitoring reports, such as; stock movements, distance from the nearest licensed petroleum facility, and construction permits. This was as a result failure by the DPS to review and update the monitoring tool as per the requirements.

In addition, the feedback provided by MEMD to the fuel stations was not always adequate.

A sample of 25 field inspection and monitoring report form booklets revealed that inspection recommendations issued were not always specific, measurable, and time bound as seen in Appendix IX. Without adequate feedback, fuel stations are not able to implement remedial actions timely.

Management Response

The number of outlets will be captured within the budgeting tool commencing with 2020/2021 financial year in order to have clear targets of outlets to be inspected.

NPIS commenced in 2016 and populating of the system is on-going and we concur that it is still incomplete, and is hampered by staff deficits as it is currently managed by one officer instead of three. One officer retired and the new structure phased off the position while another officer is sick.

The focus has been on ensuring security of supply of Petroleum Products in the country, but we target 2021 to have the NPIS fully operational.

Management notes the gaps in the Monitoring and Inspection tool and it will be revised to incorporate the missing areas by March 2020.

Audit Comment

Audit takes note of management response and awaits the outcome of the implementation of the proposed initiatives.

Conclusion

MEMD did not adequately conduct inspections to ensure compliance with standards stipulated in the petroleum operating licenses, due to inadequate planning and prioritization of inspections, inadequate staffing structure of Monitoring and Inspection, incomplete NPIS and inadequate Monitoring Tool.

Recommendation

- Management is advised to plan, prioritise and quantify outputs to facilitate monitoring and inspections.
- MEMD should strengthen the Department of Monitoring and Inspection with sufficient staff to conduct inspections throughout the country.
- Management should fast-track the development of NPIS and ensure that it is populated with critical data regarding fuel station operations in the country.
- Management should ensure that the monitoring checklist is updated with all the necessary parameters as per the requirements of the Standard and other Licensing requirements.

4.4 ENFORCEMENT

Section 7(f) of the Petroleum Supply Act, 2003 requires the Commissioner to encourage, monitor and enforce the implementation of, and the observance of the principles of the free market and fair competition in co-ordination with other Government agencies in accordance with this Act.

In addition, Regulation 21(2b) of the Petroleum Supply Regulations, 2009 requires the Commissioner in accordance with Section 25 (3) of the Petroleum Supply Act, to enter upon any area, premises or work place of a holder of a permit or licence for the purpose of enforcing the provisions of the Act and the conditions of the permit or licence or to abate or remove any nuisance.

In regard to the above, Enforcement is carried out in line with the quarterly work plans and budget. This is further informed by reports from monitoring and inspection unit which indicate non-compliance to US 947-1 Standards²¹.

The enforcement team coordinates with the Uganda police to enforce the recommendations in the monitoring and inspection reports.

Enforcement measures may include; sealing off pumps, prosecution, fines and penalties imposed on fuel stations found violating the Standards. Quarterly enforcement reports are prepared to that effect indicating action taken against non-compliant fuel stations.

It was observed that out of the expected 12 enforcement reports (3 years x 4 quarters), only 9 were prepared. The table below refers.

Table 5: Quarterly enforcement reports

Start period of operation	Expected Enforcement Quarterly Reports	Actual No of reports	Variance	Performance Level
2016/17	4 quarters	2 (1st and 4th)	2 (2nd and 3rd)	50%
2017/18	4 quarters	4 (1st,2nd,3rd and 4th)	–	100%
2018/19	4 quarters	3 (1st and 2nd, 4th)	1 (3rd)	75%
Average Performance				75%

21 US 947-1 US 947-1 Standards and Petroleum Supply Laws and Regulations - Appendix VII.

The average performance of 75% on report writing seems to be a good indicator of performance, however, there was no or limited action taken by the MEMD enforcement team on non-compliant fuel stations identified by the Monitoring and Inspection Unit as noted in the table below;

Table 6: Enforcement action taken on non-compliant fuel stations

Key parameter as per monitoring checklist	Number of fuel stations that did not comply over the audit period (2016/17-2018/19) from Monitoring and Inspection reports	Action taken by enforcement team over the period (2016/17-2018/19)
Possession of EIA certificate	1484	0
Possession of construction permit	Not reported on	17 stations' construction halted
Possession of construction completion certificate	Not reported on	0
Possession of operating license	1147	651 sealed off pumps
Possession environment audit reports	1685	0
Plot size	497	32 sealed off pumps
Distance from nearest licensed petroleum facility	Not reported on	0
Illuminated retro reflective sign post visible from a distance of at least 50m	1041	0
Well maintained office bock and canopy	276	0
well maintained forecourt	666	0
Possession of well-designed oil interceptor	1167	0
Possession of well-designed drainage	1443	0
Is there a pump in road reserve or adjacent to residential houses	72	16 sealed off pumps
House keeping	574	0
Fire emergency preparedness; fire assembly point clearly labelled, emergency telephone contact displayed, fire extinguishers	719	0
Staff safety and training conducted for staff	1459	0
Traffic sign posts(in and out)	1034	0
Records of stocks, prices and sales	Not reported on	0

Management attributed the above to inadequate funding; however, audit noted that the number of staff compared to the 984 fuel stations in the Country was inadequate. The number of 3 filled Petroleum Officers (PPO, SPO and PO) cannot adequately enforce Standards throughout the Country.

In addition, one out two positions of Petroleum Officer/Enforcement was vacant. The approved structure cannot allow for staff increment.

Audit further observed that there were no guidelines in regard to the timing of enforcement upon conclusion of inspection and monitoring visits. An interview with the Assistant Commissioner M&E revealed that enforcement is only done when resources are available.

Furthermore, we noted that the follow up mechanism on previous actions on enforcement was weak whereby there were no specific actions taken other than generalization of progress of enforcement of the previous actions in every report.

It was again observed that there was limited collaboration with other institutions during enforcement. NEMA and UNBS have enforcement units used to check compliance in their areas of jurisdiction. However, MEMD could harness from the well-established enforcement unit in those institutions.

During audit inspections, it was noted that MEMD had not adequately compelled fuel stations to adhere to the requirements of the US 947-1 Standards, Petroleum Laws and Regulations since fuel stations with inadequacies were found dispensing fuel to consumers. In addition, individuals were found dispensing fuel on the road side which can be dangerous to the community and environment.

The photos below refer;



The plot size of the service station is less than the required 1200 meters squared (US-947-1; 4.4.2.1).

The station is adjacent to the veranda of a college business school (US-947-1; 4.1.2).



This homestead on the road side was found selling fuel contrary to section 17(2) of the Petroleum Supply Act, 2003 which states that no person shall perform petroleum supply operations without a petroleum operating license.



Oil spillage from drainage at service station that eventually ends up in the water source contrary to US 947-1; A.3



Filling station with no canopy and drainage contrary to US 947-1; 4.4.2.4 and US 947-1; 7.3.2

Management Response

Enforcement involves a lot of preparation and coordination with other stakeholders and varies basing on the behaviour of culprits and most times outlets that break Government seals require further checking within the same period of reporting which consumes more time and funds. Various considerations are always put in place before closure of any outlet. The magnitude of work is enormous and tools like vehicles to facilitate service delivery are inadequate.

MEMD, UNBS, NEMA will consider undertaking selected joint monitoring and enforcement so that culprits do not play Institutions against each other. Furthermore, NEMA collaborates with MEMD in the review of EIAs and Audits which has improved decision making.

Audit Comment

Audit takes note of management response and awaits the outcome of the implementation of the proposed initiative.

Conclusion

MEMD has not adequately enforced adherence to US 947-1 standards and Petroleum Laws and Regulations, terms and conditions stipulated in the petroleum operating licenses, and best practice expected of downstream operators in the petroleum industry.

Recommendations

- Management is advised to plan, prioritise and quantify outputs to facilitate Enforcement.
- MEMD should strengthen the Enforcement Unit with sufficient staff to carry out enforcement throughout the Country.
- Management should fast-track the development of NPIS and ensure that it is populated with critical data regarding fuel station operations in the Country.
- MEMD should ensure that all non-compliant cases are addressed with appropriate enforcement measures.

- MEMD should develop a robust mechanism of follow-up on specific actions identified in the previous enforcement reports.
- MEMD should develop elaborate Memoranda of Understanding with NEMA and UNBS to enhance their enforcement mechanism.

OVERALL AUDIT CONCLUSION

The Petroleum Supply Department in the Ministry of Energy and Mineral Development has made some good efforts in regulating and monitoring of Petroleum Supply in the Petroleum sector in accordance with the reporting requirements. However, there were inadequacies in the processes of Licensing, Monitoring and Inspection, and Enforcement.

These inadequacies led to low performance of the Petroleum Supply Department.

In addition there was lack of coordination between the PSD and the Lead Agencies such as NEMA, URA, UIA, UNBS and District Local Governments who did not share information in regard to Licensing, Monitoring and Inspection, and enforcement.

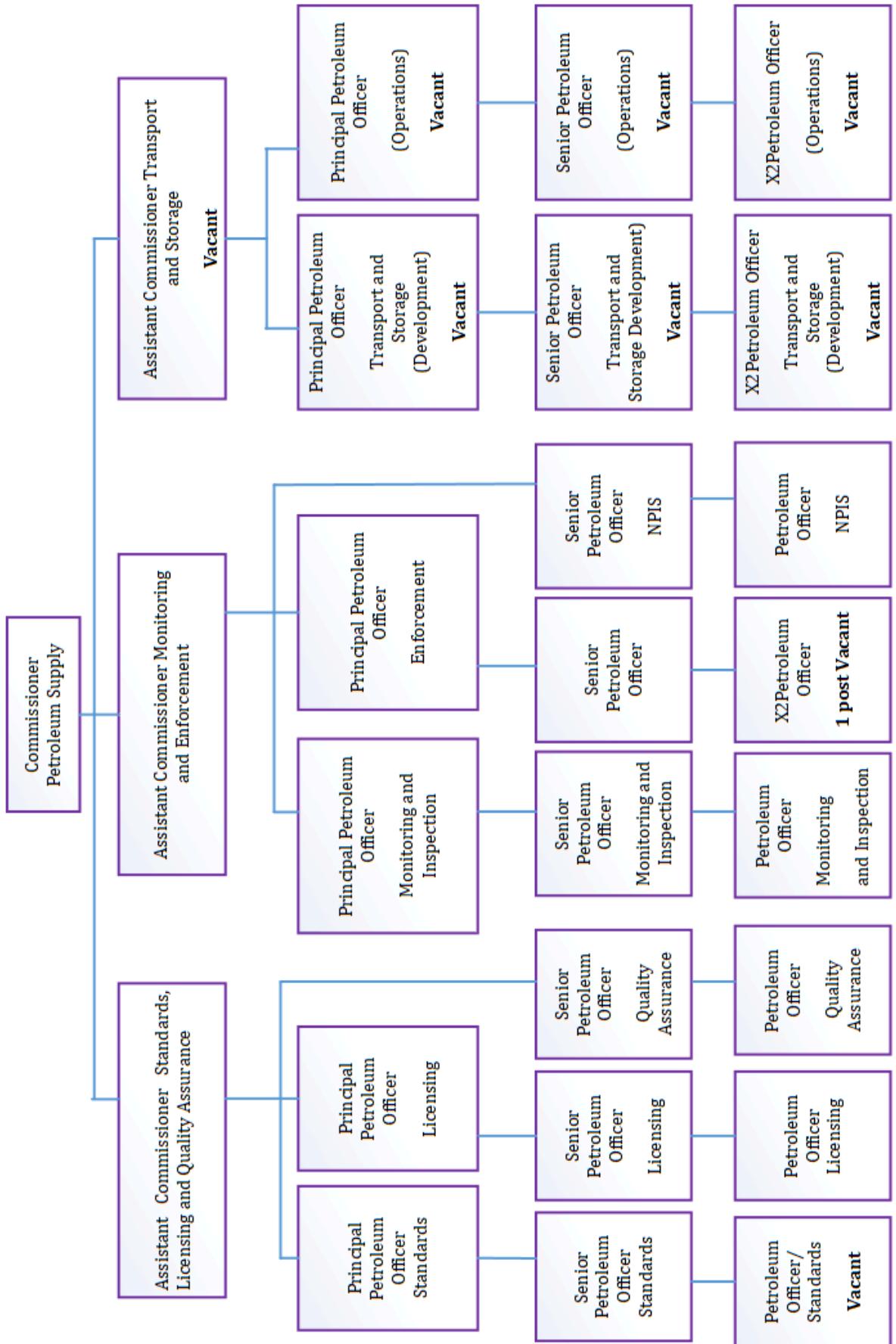
Furthermore, there were delays by NEMA to review and approve EIAs due to internal staffing challenges especially at the district level.

It is hoped that the lessons identified and learnt under this Study will be applied efficiently and effectively to improve the processes of Licensing, Monitoring and Inspection, and Enforcement.

It is also important that the PSD fast-tracks the development of NPIS and expedites an effective system of management of records and information in order to support these processes.

APPENDICES:

Appendix I: Organizational Structure



Appendix II: Documents Reviewed

Document	Purpose for Review
Petroleum Supply Act, 2003.	To obtain an understanding of the process regarding licensing and enforcement of standards regarding downstream petroleum operations.
Petroleum Supply General Regulations, 2009.	To obtain a detailed understanding of the process regarding licensing and enforcement of standards regarding downstream petroleum operations.
The Petroleum Marking and Quality Control rules, 2008.	To establish the quality control standards petroleum product dealers are expected to comply with and the punitive measures therein.
Ministerial policy statements for 2016/17-2018/19	To obtain an understanding of activities planned by the department of petroleum supply and establish their priorities.
US 947-1 Standards , 2011 for facilities	To establish the standards petroleum product dealers are required to comply with.
Technical Petroleum Committee minutes 2016/17-2018/19	To obtain an understanding of relevance of the deliberations at the TPC towards licensing and enforcement of standards regarding downstream petroleum operations.
Monitoring reports	To establish the frequency of inspections and their relevance in ensuring compliance with set standards.
Quarterly and Annual progress reports for 2016/17-2018/19	To establish the extent to which the department of petroleum supply implemented their plans for the period under review.
Memorandum of Understanding with UNBS	To establish the responsibilities of UNBS and assess their contribution towards monitoring quality of petroleum products.
Files of selected petroleum dealers	To establish whether licenses were awarded following the due processes as enshrined in the Petroleum Supply Act, 2003 and (Petroleum Supply General) Regulations, 2009.

Appendix III: Interviews Conducted

Interviewee	Purpose for Interview
Commissioner, Department of Petroleum Supply	To establish the rationale of the processes regarding licensing and enforcement of standards, challenges faced and how the challenges can be overcome.
Assistant Commissioner Standards, Licensing and quality assurance.	<ul style="list-style-type: none"> To obtain an understanding of the roles and responsibilities of the different key players in licensing and enforcement of standards regarding downstream petroleum operations To establish the process entailed in licensing of fuel stations from application for a construction permit through to license application. To establish the challenges faced by the department of petroleum supply in licensing of downstream petroleum operators and how they can be overcome.
Assistant Commissioner Monitoring and Enforcement	<ul style="list-style-type: none"> To establish the role of this division in enforcement of standards regarding downstream petroleum operations. To establish how monitoring and enforcement is carried out. To establish the challenges faced during monitoring and how they can be overcome.
Principal Petroleum Officers (2); PPO/Licensing and PPO/Monitoring & Inspection.	To obtain an understanding of the Petroleum Supply (Downstream) Department and its activities.
Head Laboratory - Principal Analyst	To establish the quality assurance processes undertaken by MEMD and UNBS to ensure supply of fuel of the right quality to the market.
NEMA (4); Environment Inspector, Environmental Assessment Officer, Inspector and Apprentice	<ul style="list-style-type: none"> To understand the role played by NEMA along the process of licensing and enforcement of standards regarding downstream petroleum operations. To establish the processes involved in review and approval of EIAs. To establish the challenges faced by NEMA and how they can be overcome.
UNBS (1); Deputy Executive Director	To establish the frequency of inspections and their relevance in ensuring compliance with set standards.
Fuel Stations (72)	To establish the level of compliance by the fuel stations and the challenges faced.

Appendix IV: Assessment of compliance of fuel stations from Audit Inspection

Key parameter as per monitoring checklist	Essential criteria	Number of fuel stations that complied	Number of fuel stations that partially complied	Number of fuel stations that did not comply	% of compliance	% of non-compliance
Possession of EIA certificate	Regulation 8(2) of the petroleum supply regulations, 2009 requires an applicant for a petroleum licence to have an environmental impact statement certificate approved by the National Environment Management Authority in consultation with the Commissioner.	11	0	57	15%	79%
Possession of construction permit	Section 17(1) of the Petroleum Supply Act 2003 states that, no person shall carry out the construction or major modification, of an installation or facility of the supply chain without having obtained a petroleum construction permit under this Act.	5	0	63	7%	88%
Possession of construction completion certificate	Regulation 5(3) of the petroleum supply regulations 2009, states that upon completion of the final inspection, the Commissioner shall issue the certificate of completion in respect of the project.	2	0	66	3%	92%
Possession of operating license	Section 17(2) of the Petroleum Supply Act 2003 states that no person shall perform petroleum supply operations without having obtained a petroleum operating licence under this Act.	17	0	51	24%	71%
Possession environment audit reports	Regulation 10 of the petroleum supply regulations 2009, states that within a period of twelve months or as need may arise after commencement of operations, the holder of an operating licence shall undertake an environmental audit of the project.	3	0	65	4%	90%

Key parameter as per monitoring checklist	Essential criteria	Number of fuel stations that complied	Number of fuel stations that partially complied	Number of fuel stations that did not comply	% of compliance	% of non-compliance
Plot size	US-947-1; 4.4.2.1 states that; a) the minimum size for a filling station shall be 30 m x 30 m; however, in intensely developed areas the frontage can be relaxed after investigation subject to approval of the relevant authority(ies). This area excludes area required for other services other than storage and dispensing petroleum products (motor fuel); and b) the minimum size for a service station (filling station with a service bay) shall be 1 200 m ² , with the frontage of not less than 30 m;	62	0	10	86%	14%
Distance from nearest licensed petroleum facility	US 947-1; 4.1.2 states that service stations shall be sited at distance of not less than 1000 m from each other on the same section of the single carriage road, this applies to either side of the dual carriage road;	39	0	33	54%	46%
Illuminated retro reflective sign post visible from a distance of at least 50m	US 947-1; 9.2 states that entrances and exits shall be made of artificially illuminated retro reflective material and read from a distance of 50 m;	50	0	22	69%	31%
Well maintained forecourt, office block, canopy	US 947-1; 4.4.2.4 states that each service station shall include buildings, constructed in conformity with building and construction standards and regulations existing at the time, to serve but not limited to functions of office block, sanitary wash rooms, canopy, generator house and service station store.	47	0	25	65%	35%
Possession of well-designed drainage/oil interceptor	US 947-1; 7.3.2 states that a driveway area around the dispensers/dispensing pumps where spillage might occur during the refuelling operation, shall be so graded that any effluent run-off will not flow to the street, or into watercourses or into storm water systems without first passing through an interceptor. Contrary sufficient channels and slopes shall be shall be constructed and maintained to stop outside effluent run-off from entering the service station forecourt.	38	0	34	53%	47%

Key parameter as per monitoring checklist	Essential criteria	Number of fuel stations that complied	Number of fuel stations that partially complied	Number of fuel stations that did not comply	% of compliance	% of non-compliance
Is there a pump in road reserve or adjacent to residential houses	US 947-1; 4.1.2 states that there will be no siting of stations on road curves and bends and adjacent to residential houses	68	0	4	94%	6%
House keeping	Annual report 2017/18 3.3.2.1 methodology of monitoring; monitoring involves; interviews and observation to find out: records/booking, health, safety and environment, compliance with other regulatory authorities like NEMA and local authorities, stock levels, housekeeping, compliance to facility standard US 947-1 and possession of the necessary licenses, permits as required by the Petroleum Supply Act 2003.	65	0	7	90%	10%
Fire emergency preparedness; fire assembly point clearly labelled, emergency telephone contact displayed, fire extinguishers	US 947-1; 9.4.1 states that the following specific safety and protection measures shall be provided for in accordance with the OHS Act, 2006: first-aid treatment; medical assistance; emergency treatment; prevention of inhalation of fumes; protective clothing; protective footwear; protective equipment; breathing apparatus; and safety goggles or eye shields.	54	0	18	75%	25%
Staff safety and training conducted for staff	US 947-1; 9.6 states that all staff engaged in filling station operational and maintenance duties shall be fully acquainted with the requirements of the safety regulations in terms of the OHS Act, 2006.	33	0	39	46%	54%
Traffic sign posts (in and out)	US 947-1; 4.4.2.5 states that the entrances and exits to the service station shall be of sufficient size and be positioned in such a way that drivers are not obstructed from other road users by structures and features within and in the neighbourhood.	37	0	35	51%	49%
Records of stocks, prices and sales	Regulation 21(1) of the petroleum supply regulations 2009 states that, the Commissioner may, in accordance with section 25 (1) of the Act, direct the holder of a permit or licence, at a reasonable time and place specified in the directive, to make available to, or to produce for inspection by an officer authorized by the commissioner any books, accounts, documents or record of any kind concerning the petroleum supply operations, and the holder shall comply with the direction.	45	0	27	63%	38%

Appendix V: Repeat offenders - Name and shame list

Sn	Date	Station's Name / Location - District	Markers Result Summary
1	7/10/17	Achievers Kiyindi – Buikwe	Fail- T1PMS 1.85 PPM \ -7.5% RSD
	12/15/18	Achievers Kiyindi – Buikwe	Fail- T1PMS 1.85 PPM \ -7.5% RSD
2	3/26/18	Agat Oil Nsangi – Mpigi	Fail- T1PMS 1.79 PPM \ -10.5% RSD
	7/4/18	Agat Oil Nsangi – Mpigi	Fail- T1AGO 1.71 PPM \ -14.51% RSD
	5/10/19	Agat Oil Nsangi – Mpigi	Fail- T1PMS 1.79 PPM \ -10.5% RSD
3	5/7/19	Aladine F/S Matuga – Wakiso	Fail- T1AGO 1.85 PPM \ -7.5% RSD
	6/6/19	Aladine F/S Matuga – Wakiso	Fail- T1AGO 1.81 PPM \ -9.5% RSD
4	5/25/17	Beetego Oil F/S - Mukono	Fail- T1AGO 1.83 PPM \ -8.5% RSD
	7/8/17	Beetego Oil F/S - Mukono	Fail- T1AGO 1.77 PPM \ -11.5% RSD
5	5/20/18	Bong Oils Mafubira – Jinja	Fail- T1AGO 1.64 PPM \ -18.01% RSD
	9/20/18	Bong Oils Mafubira – Jinja	Fail- T1AGO 1.36 PPM \ -32% RSD
6	10/15/17	Bugodi F/S – Mayuge	Fail- T1AGO 1.64 PPM \ -18.01% RSD
	1/20/18	Bugodi F/S – Mayuge	Fail- T1AGO 1.55 PPM \ -22.5% RSD
7	1/30/17	Bunamwaya F/S – Wakiso	Fail- T1PMS 1.59 PPM \ -20.5% RSD
	7/28/17	Bunamwaya F/S – Wakiso	Fail- T1PMS 1.67 PPM \ -16.51% RSD
8	10/11/16	Byansi Energy - Wakiso	Fail- T1AGO 1.79 PPM \ -10.5% RSD
	1/25/19	Byansi Energy - Wakiso	Fail- T1AGO 1.75 PPM \ -12.5% RSD
9	7/7/17	Dipo Oil Buwenge – Jinja	Fail- T1AGO 0.47 PPM \ -76.5% RSD
	3/22/18	Dipo oil Buwenge – Jinja	Fail- T1AGO 1.81 PPM \ -9.5% RSD
	7/5/18	Dipo Oil Buwenge – Jinja	Fail- T1AGO 1.21 PPM \ -39.5% RSD
10	6/20/18	Domine International – Kayunga	Fail- T1AGO 1.71 PPM \ -14.51% RSD
	9/21/18	Domine International – Kayunga	Fail- T1AGO 1.73 PPM \ -13.5% RSD
11	6/14/18	Explora Energy Katosi – Mukono	Fail- T1PMS 1.83 PPM \ -8.5% RSD
	9/17/18	Explora Energy Katosi – Mukono	Fail- T1PMS 1.8 PPM \ -10% RSD
12	5/21/18	Frexo – Masaka	Fail- T1AGO 0.45 PPM \ -77.5% RSD
	6/22/19	Frexo – Masaka	Fail- T1AGO 1.82 PPM \ -9% RSD
13	7/24/18	Gaz Oil Kagoma – Kampala	Fail- T1AGO 1.67 PPM \ -16.51% RSD
	9/7/18	Gaz Oil Kagoma – Kampala	Fail- T1AGO 1.85 PPM \ -7.5% RSD
14	4/18/17	Ge Oil Kasanje - wakiso	Fail- T1AGO 1.81 PPM \ -9.5% RSD
	4/18/17	Ge Oil Kasanje - wakiso	Fail- T1PMS 1.54 PPM \ -23% RSD
15	6/23/19	Good Fuel Sunga – Masaka	Fail- T1AGO 1.62 PPM \ -19% RSD
	6/23/19	Good Fuel Sunga – Masaka	Fail- T1PMS 1.75 PPM \ -12.5% RSD
16	2/19/19	G-Power Pet Mabira - Kyenjojo	Fail- T1PMS 1.8 PPM \ -10% RSD
	3/20/19	G-Power Pet Mabira - Kyenjojo	Fail- T1AGO 1.82 PPM \ -9% RSD
17	9/22/18	Hope Well F/S Bogolole – Mayuge	Fail- T1AGO 1.01 PPM \ -49.5% RSD
	10/16/18	Hope Well F/S Bogolole – Mayuge	Fail- T1AGO 1.85 PPM \ -7.5% RSD
18	12/6/18	Jomaco F/S Buwenge – Jinja	Fail- T1AGO 1.47 PPM \ -26.5% RSD
	4/5/19	Jomaco F/S Buwenge – Jinja	Fail- T1AGO 1.82 PPM \ -9% RSD
19	12/16/17	K.K Trust Oils Kalamba – Mubende	Fail- T1PMS 1.79 PPM \ -10.5% RSD
	1/15/18	K.K Trust Oils Kalamba – Mubende	Fail- T1PMS 1.75 PPM \ -12.5% RSD

Sn	Date	Station's Name / Location - District	Markers Result Summary
20	12/5/18	Kabi F/S Musita - Mayuge	Fail- T1PMS 1.5 PPM \ -25% RSD
	2/9/19	Kabi F/S Musita - Mayuge	Fail- T1AGO 1.43 PPM \ -28.51% RSD
21	5/14/19	Kamusenene F/S - Kibaale	Fail- T1AGO 1.76 PPM \ -12% RSD
	5/14/19	Kamusenene F/S - Kibaale	Fail- T1PMS 1.84 PPM \ -8% RSD
22	4/11/18	Kasenge F/S - Wakiso	Fail- T1AGO 1.74 PPM \ -13% RSD
	8/9/18	Kasenge F/S - Wakiso	Fail- T1AGO 1.70 PPM \ -15.01% RSD
23	7/6/16	Kikandwa F/S - Mityana	Fail- T1PMS 1.82 PPM \ -9% RSD
	12/9/17	Kikandwa F/S - Mityana	Fail- T1PMS 1.8 PPM \ -10% RSD
24	7/24/17	Kikonge F/S Mityana Road - Mityana	Fail- T1AGO 1.68 PPM \ -16.01% RSD
	7/24/17	Kikonge F/S Mityana Road - Mityana	Fail- T1PMS 1.78 PPM \ -11% RSD
	8/25/18	Kikonge F/S Mityana Road - Mityana	Fail- T1PMS 1.74 PPM \ -13% RSD
25	8/2/18	Masulita F/S - Wakiso	Fail- T1AGO 1.64 PPM \ -18.01% RSD
	6/13/19	Masulita F/S - Wakiso	Fail- T1AGO 1.82 PPM \ -9% RSD
26	1/13/19	Mpasana Filling Station - Kibaale	Fail- T1AGO 0.6 PPM \ -70% RSD
	1/13/19	Mpasana Filling Station - Kibaale	Fail- T1PMS 1.75 PPM \ -12.5% RSD
27	5/17/19	Pure Quality F/S Nkoko - Kibaale	Fail- T1AGO 1.75 PPM \ -12.5% RSD
	6/8/19	Pure quality F/S Nkoko - Kibaale	Fail- T1AGO 1.83 PPM \ -8.5% RSD
28	6/14/18	Seri Pure Energy Katosi - Mukono	Fail- T1PMS 1.23 PPM \ -38.5% RSD
	9/17/18	Seri Pure Energy Katosi - Mukono	Fail- T1PMS 1.39 PPM \ -30.51% RSD
29	12/11/17	Stabex Walukuba - Bulisa	Fail- T1PMS 1.49 PPM \ -25.5% RSD
	1/7/18	Stabex Walukuba - Bulisa	Fail- T1PMS 1.79 PPM \ -10.5% RSD

Appendix VI: Assessment of compliance with licensing requirements

Applicant	Supply contracts with licensed whole sellers	Proof of insurance Policy	Proof of safety Programmes/ OSH	Proof of contingency plans - accidents, natural disasters	Proof of approval from other government authorities to trade	EIA	Proof of payment of fees	Investment certification by UIA	Tax clearance/ TIN/VAT reg certificate	Incorporation Status	Financial and technical capability	Environment Audit	Construction Permit & completion cert	operating license
Ainushamsi Energy Uganda Limited Wakiso District	√	√	x	x	X	x	x	x	x	√	√	x	x	√
Super Oil Limited Muyenga	√	√	√	√	X	√	x	x	1000526504	√	√	x	x	√
Total (U) Ltd Kyaliwajjala	N/A	√	√	√	√	√	√	x	1000024845	√	√	x	only completion certificate was available	√
Mount Meru Ndeeba	√	√	√	√	√	√	x	√	x	√	√	x	x	√
Petrocity Enterprise (U) Ltd Key-engerera	√	√	√	√	X	√	x	x	√	√	√	x	x	√
Petrocity Enterprise (U) Ltd Katosi	x	√	x	x	X	√	x	x	1000023730	√	√	x	x	√
Stabex International Limited	N/A	√	√	√	X	√	x	√	1000867188	√	x	x	x	√
Rock Global Oil Nebbi	√	√	x	x	X	√	x	√	1000640339	√	√	x	only construction permit availed	√
Rock Global Oils (U) Ltd-Bweyale	N/A	√	x	x	X	√	x	x	1000640339	√	x	x	√	√
STAR Kisasa Service Station Ltd	x	√	x	x	X	√	x	x	1001877348	√	√	x	only construction permit availed	√
Petrocity Enterprise (U) Ltd Kiyindi	x	√	x	x	X	x	x	x	√	√	√	x	x	√
TAQQADUM Petroleum Mumanya Road, Buikwe	x	x	x	x	X	√	x	x	x	√	x	x	√	√

Applicant	Supply contracts with licensed whole sellers	Proof of insurance Policy	Proof of safety Programmes/ OSH	Proof of contingency plans - accidents, natural disasters	Proof of approval from other government authorities to trade	EIA	Proof of payment of fees	Investment certification by UIA	Tax clearance/ TIN/VAT reg certificate	Incorporation Status	Financial and technical capability	Environment Audit	Construction Permit & completion cert	operating license
Petro Uganda Ltd Nalukolongo	✓	✓	✓	✓	✓	✓	x	✓	x	✓	x	x	x	✓
DON (U) LTD Apollo Kagwa Road	✓	✓	x	x	X	✓	x	x	1000083176	✓	✓	x	x	✓
Petrocity Enterprises U Ltd Soroti	x	✓	x	x	X	✓	x	x	✓	✓	x	x	✓	✓
HASS Petroleum Kyengera	N/A	✓	✓	x	✓	x	✓	✓	1000027831	✓	x	x	x	✓
Petrocity Enterprise Ltd Wakiso District	N/A	✓	✓	x	X	x	x	x	1000023730	✓	✓	x	✓	✓
DON (U) LTD Kawempe Division	x	✓	x	x	✓	x	x	x	x	✓	✓	x	x	✓
KPI Petroleum Company Ltd Nakulabye	N/A	x	x	x	X	x	x	x	1000171933	✓	✓	x	x	✓
AFRICA OIL Uganda Limited Makerere	x	x	x	x	X	✓	x	✓	x	✓	x	x	only construction permit availed	✓
Stabex International Limited Mabarara	N/A	✓	✓	x	X	✓	x	✓	✓	✓	✓	x	x	✓
Mount Meru Kampala Road DTB Building	x	x	x	x	✓	✓	x	x	1008968048	✓	x	x	x	✓
Don Uganda Ltd Fort Portal	x	x	x	x	X	x	x	x	x	X	x	x	x	✓
Vivo Energy Uganda Ssonde, Lyantonde, Bulenga, Namusera, Kyengeru, Kakira	✓	✓	✓	✓	✓	✓	✓	x	✓	✓	✓	✓	✓	✓

Applicant	Supply contracts with licensed whole sellers	Proof of insurance Policy	Proof of safety Pro-grammes/ OSH	Proof of contingency plans - accidents, natural disasters	Proof of approval from other government authorities to trade	EIA	Proof of payment of fees	Investment certification by UIA	Tax clearance/ TIN/VAT reg certificate	Incorporation Status	Financial and technical capability	Environment Audit	Construction Permit & completion cert	operating license
Stabex International Limited Nansana	N/A	√	√	x	√	√	x	√	1000867188	√	√	x	x	√
Super Oil Limited Naj-janankumbi, Kansanga	√	√	√	√	X	x	x	x	D94303 15498w	X	√	x	x	√
Gapco Ug Ltd	x	√	√	√	√	x	x	√	100002 9381	√	√	x	x	√
Vivoenergy-Shell Kwatule, Nansana, Kira Town, Masaka, Katosi, Katungulu	√	√	√	√	√	√	√	x	√	√	√	√	only construction permit availed	√
Stabex Tororo	N/A	x	x	x	X	√	x	√	100086 7188	√	√	x	x	√
STABEX Hoima Road	x	√	x	x	X	x	x	√	√	X	√	x	x	√
	KEY;													
	√	Com-plied												
	x	Not com-plied												

Appendix VII: US 947-1 Standards and Petroleum Supply Laws and Regulations

Key parameter as per monitoring checklist	Essential criteria
Possession of EIA certificate	Regulation 8(2) of the petroleum supply regulations 2009, requires an applicant for a petroleum licence to have an environmental impact statement certificate approved by the National Environment Management Authority in consultation with the Commissioner.
Possession of construction permit	Section 17(1) of the petroleum supply act 2003 states that, no person shall carry out the construction or major modification, of an installation or facility of the supply chain without having obtained a petroleum construction permit under this Act.
Possession of construction completion certificate	Regulation 5(3) of the petroleum supply regulations 2009, states that upon completion of the final inspection, the Commissioner shall issue the certificate of completion in respect of the project.
Possession of operating license	Section 17(2) of the petroleum supply act 2003 states that no person shall perform petroleum supply operations without having obtained a petroleum operating licence under this Act.
Possession environment audit reports	Regulation 10 of the petroleum supply regulations 2009, states that within a period of twelve months or as need may arise after commencement of operations, the holder of an operating licence shall undertake an environmental audit of the project.
Plot size	US-947-1; 4.4.2.1 states that; a) the minimum size for a filling station shall be 30 m x 30 m; however, in intensely developed areas the frontage can be relaxed after investigation subject to approval of the relevant authority(ies). This area excludes area required for other services other than storage and dispensing petroleum products (motor fuel); and b)the minimum size for a service station (filling station with a service bay) shall be 1 200 m ² , with the frontage of not less than 30 m;
Distance from nearest licensed petroleum facility	US 947-1; 4.1.2 states that service stations shall be sited at distance of not less than 1000 m from each other on the same section of the single carriage road, this applies to either side of the dual carriage road;
Illuminated retro reflective sign post visible from a distance of at least 50m	US 947-1; 9.2 states that entrances and exits shall be made of artificially illuminated retro reflective material and read from a distance of 50 m;
Well maintained forecourt, office block, canopy	US 947-1; 4.4.2.4 states that each service station shall include buildings, constructed in conformity with building and construction standards and regulations existing at the time, to serve but not limited to functions of office block, sanitary wash rooms, canopy, generator house and service station store.
Possession of well-designed drainage/oil interceptor	US 947-1; 7.3.2 states that a driveway area around the dispensers/dispensing pumps where spillage might occur during the refuelling operation, shall be so graded that any effluent run-off will not flow to the street, or into watercourses or into storm water systems without first passing through an interceptor. Contrary sufficient channels and slopes shall be shall be constructed and maintained to stop outside effluent run-off from entering the service station forecourt.
Is there a pump in road reserve or adjacent to residential houses	US 947-1; 4.1.2 states that there will be no siting of stations on road curves and bends and adjacent to residential houses
House keeping	Annual report 2017/18 3.3.2.1 methodology of monitoring; monitoring involves; interviews and observation to find out: records/booking, health, safety and environment, compliance with other regulatory authorities like NEMA and local authorities, stock levels, housekeeping, compliance to facility standard US 947-1 and possession of the necessary licenses, permits as required by the petroleum supply act 2003.
Fire emergency preparedness; fire assembly point clearly labelled, emergency telephone contact displayed, fire extinguishers	US 947-1; 9.4.1 states that the following specific safety and protection measures shall be provided for in accordance with the OHS Act, 2006: first-aid treatment; medical assistance; emergency treatment; prevention of inhalation of fumes; protective clothing; protective footwear; protective equipment; breathing apparatus; and safety goggles or eye shields.

Key parameter as per monitoring checklist	Essential criteria
Staff safety and training conducted for staff	US 947-1; 9.6 states that all staff engaged in filling station operational and maintenance duties shall be fully acquainted with the requirements of the safety regulations in terms of the OHS Act, 2006.
Traffic sign posts (in and out)	US 947-1; 4.4.2.5 states that the entrances and exits to the service station shall be of sufficient size and be positioned in such a way that drivers are not obstructed from other road users by structures and features within and in the neighbourhood.
Used oil and solvent washings (paraffins)	US 947-1; A.3 states that all used oil and contaminated used hydrocarbons shall be sold as waste to a licensed oil refiner or recycling plant. At every installation, a system and facilities shall be provided for collecting and storing the waste products without spillage or infringement of the Water Act of 1956, and for removing the waste.
Records of stocks, prices and sales	Regulation 21(1) of the petroleum supply regulations 2009 states that, the Commissioner may, in accordance with section 25 (1) of the Act, direct the holder of a permit or licence, at a reasonable time and place specified in the directive, to make available to, or to produce for inspection by an officer authorized by the commissioner any books, accounts, documents or record of any kind concerning the petroleum supply operations, and the holder shall comply with the direction.

Appendix VIII: Inspection and Monitoring funds diverted

Invoice Number	Distribution Amount	Dept.	MTEF	Code Charged	Activity	Description	Supplier
2016/2017							
D5104/02/17	650,000	017140000	030406	227001	Travel inland	Field trips to inspect way leaves	Ssekate Robert 68422
D4816/06/17	880,000	017140000	030402	211103	Allowances	Dist field facts on infrasound & lightening	Nyago Joseph 1002919159
D5105/02/17	650,000	017140000	030406	227001	Travel inland	Field trips to inspect way leaves	Kiwala-bye Fred 1002497979
D601/03/17	270,000	017140000	030404	227001	Travel inland	Distribution of the Food/ Maize and the Gaint Store at Namalu Prison Farm.	Obwoch Santo
D4820/06/17	440,000	017140000	030406	211103	Allowances	Dist field facts on infrasound & lightening	Ndawula Paul
D718/06/17	684,000	017140000	030404	227004	Fuel, Lubricants and Oils	Collection of Personal Data and Information of Pensioners. (Sitting allowance for pensioners)	Kabengyere Lillian
D5103/02/17	700,000	017140000	030406	227001	Travel inland	Field trips to inspect wayleaves	Odoch Robert
D5111/02/17	650,000	017140000	030406	227001	Travel inland	Field trips to inspect wayleaves	Makumbi James
D5106/02/17	450,000	017140000	030406	227001	Travel inland	Field trips to inspect wayleaves	Sembatya Ahamed
D4821/06/17	440,000	017140000	030404	211103	Allowances	Dist field facts on infrasound & lightening	Mwesigwa Justus
D5101/02/17	800,000	017140000	030406	227001	Travel inland	Field trips to inspect wayleaves	Byokunda Sperato
D5110/02/17	800,000	017140000	030406	227001	Travel inland	Field trips to inspect wayleaves	Abaaho George 1004707097
D4802/06/17	461,000	017140000	030406	227001	Travel inland	Monitoring of HPPs	Paul Basudde
D5108/02/17	300,000	017140000	030406	227001	Travel inland	Field trips to inspect wayleaves	Nabugosiri Caroline
D5109/02/17	700,000	017140000	030406	227001	Travel inland	Field trips to inspect wayleaves	Manyindo Ben 1002510265
D4802/06/17	560,000	017140000	030406	211103	Allowances	Monitoring of HPPs	Paul Basudde
D5107/02/17	300,000	017140000	030406	227001	Travel inland	Field trips to inspect wayleaves	Batabeire Margie Munono

Invoice Number	Distribution Amount	Dept.	MTEF	Code Charged	Activity	Description	Supplier
D5102/02/17	800,000	017140000	030406	227001	Travel inland	Field trips to inspect wayleaves	Maali Nelson Rwampigi
D600/03/17	555,000	017140000	030404	227001	Travel inland	Distribution of the Food/ Maize and the Gaint Store at Namalu Prison Farm.	Peter Lokeris
D602/03/17	1,095,000	017140000	030404	227001	Travel inland	Distribution of the Food/ Maize and the Gaint Store at Namalu Prison Farm and Fuel.	Lokol Joseph
Sub-Total	12,185,000						
2017/2018							
D306/02/18	1,165,000	017140000	030310	227001	Travel inland	Facilitation to 32nd NRA/NRM Victory Day Anniversary & Fuel.	Kusemererwa Frank 1006660746
D2021/06/18	150,000	017140000	030310	227001	Travel inland	Facilitation for the gardener for June 2018	Jalum Robert
D1160/03/18	1,100,000	017140000	030307	227001	Travel inland	Payment to register for Kabaka's Royal Run.	Katushabe Kamugisha Harriet
D305/02/18	330,000	017140000	030310	227001	Travel inland	Facilitation to 32nd NRA/NRM Victory Day Anniversary.	Barbara Nakasujja
D1160/03/18	730,000	017140000	030307	221008	Computer supplies and Information Technology (IT)	Payment to register for Kabaka's Royal Run.	Katushabe Kamugisha Harriet
D304/02/18	480,000	017140000	030310	227001	Travel inland	Facilitation to 32nd NRA/NRM Victory Day Anniversary.	Kasande, Robert
Sub-Total	3,955,000						
Grand Total	16,140,000						

Appendix IX: Inspection feedback to fuel stations

S/n	Serial number	Date	Fuel station	Location	Status from field inspection and monitoring	Recommendations following inspections	Audit Remarks
1	1151	9/20/2017	Job filling station	Nebbi	<ul style="list-style-type: none"> - No drainage channels. - No oil interceptor. - No construction permit from Ministry of Energy. - No operating license from Ministry of Energy. - Canopy is not built to required standard. - Workers should put on uniform and safety shoes. 	Address the above issues urgently.	No indication of timelines to address the issues.
2	1156	9/20/2017	Oil Well	Arua	The station does not meet the required standards and no effort has been made to rectify the situation despite several reminders.	Illegal operations must stop	No specific details of what standards and conditions in the standards are violated
3	951	3/16/2017	Me fuel Com	Butare	<ul style="list-style-type: none"> - Forecourt is not paved therefore no oil spillage interception. - No safety signs. - No perimeter wall/fence. 	Acquire US 947-1 2011 from UNBS for guidance on construction of petroleum facilities.	No indication of timelines to address the issues.
4	959	3/16/2017	GL Energy	Ishaka	<ul style="list-style-type: none"> - No specific license. - Forecourt is not finished. - No drainage channels. - No oil interceptor. - No environmental audit/EIA. - Rebrand to refelect trade name. 	Arrange to process license for this urgently.	No indication of timelines to address the issues.
5	960	3/16/2017	BAM ST Kagwa	Ishaka	<ul style="list-style-type: none"> - Oil interceptor needs servicing. - No fire extinguisher. - No safety signs at the pump. - The operating license is not displayed at station. - No first aid box at station. 	Please make sure that you work on the above issues as soon as possible.	No indication of timelines to address the issues.
6	976	5/22/2017	Kavango	Bukorwaro	The station is on road reserve and does not meet the required standards	Relocate to appropriate location.	The recommendation following inspection is not adequate and does not indicate timelines to address the issues.
7	999	5/23/2017	Kapyata filling station	Pachwa	The station does not meet the required standards	Relocate to appropriate location.	The recommendation following inspection is not adequate and does not indicate timelines to address the issues.

S/n	Serial number	Date	Fuel station	Location	Status from field inspection and monitoring	Recommendations following inspections	Audit Remarks
8	1217	10/4/2017	Golden Energy	Lira	The station is undergoing reconstruction however the following documents are not available; - Construction permit from Ministry. - Operating license from Ministry.	Address the above issues urgently. This is the last warning.	No indication of timelines to address the issues.
9	257	8/25/2015	Hak Petroleum	Kyabakade	Does not meet the required standards of filling station	Station should be relocated to a suitable site.	The recommendation following inspection is not adequate and does not indicate timelines to address the issues.
10	259	8/25/2015	MOGAS	Kalagi-Mukono	The station is under reconstruction	Environmental audit should be carried out annually.	There are no specific details on what the fuel station did wrong and recommendation is not in line with the status
11	282	8/26/2015	Petro	Njeru	Improvement has been noted since the last visit	NEMA approved person should be hired to clean/empty the oil interceptor	Recommendation is not linked to the inspection findings.
12	295	8/27/2015	Shell	Kira	The station is under renovation	Refer to petroleum facility standards for guidance.	The recommendation is not specific about what exactly should be done.
13	115	3/19/2015	Mopetro	Namasuba	- The station seems small in regard to the filling station. - Need to improve on drainage and interceptor. - No evidence of environmental audit.	No recommendation given.	No indication of timelines to address the issues.
14	127	5/5/2015	Rock filling station	Pachwa	- No oil interceptor. - The forecourt needs improvement. - The area around offloading needs to be concrete. - Recommended construction of wall fence.	No recommendation given.	No indication of timelines to address the issues.
15	99	5/7/2015	GAPCO	Moyo	- Work on the forecourt. - Work on the drainage. - No canopy. - Put the pumps. - No smoking signs.	Please work on the above.	No indication of timelines to address the issues.

S/n	Serial number	Date	Fuel station	Location	Status from field inspection and monitoring	Recommendations following inspections	Audit Remarks
16	1408	9/5/2018	Rafik petrol station	Muhorro	<ul style="list-style-type: none"> - No EIA certificate from NEMA. - No construction permit from Ministry - No operating license from Ministry. 	Process the above documents urgently.	No indication of timelines to address the issues.
17	1640	5/22/2019	TINI	Ntoroko	Station was sealed but operator is by-passing the seals	Stop illegal operations immediately.	
18	1612	5/21/2019	Gulu oils	Nabingoola	<ul style="list-style-type: none"> - No EIA certificate from NEMA. - No construction permit from Ministry. - No operating license from Ministry. - Forecourt not paved therefore oil spillage. 	The grace period has expired. Address the above issues urgently.	No indication of timelines to address the issues.
19	934	3/15/2017	Skyline Petroleum	Kasese	<ul style="list-style-type: none"> - Oil interceptor wrongly designed. - Fire extinguishers are not pressurized. - No safety signs. - Workers should put on safety shoes. - No operating license from Ministry. 	Apply for operating license immediately	No indication of timelines to address the issues.
20	615	9/2/2016	Total	Gulu	The station floods with water from road.	Mitigate the flooding as a matter of urgency.	No indication of timelines to address the issues.



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