

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.