



THE REPUBLIC OF UGANDA

# TREASURY MEMORANDUM

## ON THE REPORTS OF THE PUBLIC ACCOUNTS COMMITTEE-LOCAL GOVERNMENT FOR THE FINANCIAL YEAR 2020/21

Presented by  
THE HON. MINISTER OF  
FINANCE, PLANNING AND ECONOMIC DEVELOPMENT

**MAY 2023**

**MOFPED**  
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# Abbreviations

|          |  |
|----------|--|
| AG       | Auditor General                          |
| AGO      | Accountant General's Office              |
| AO       | Accounting Officer                       |
| BoU      | Bank of Uganda                           |
| CAO      | Chief Administrative Officer             |
| CID      | Criminal Investigations Directorate      |
| CFO      | Chief Finance Officer                    |
| COVID-19 | Corona Virus Disease 2019                |
| DLGs     | District Local Governments               |
| DPP      | Director of Public Prosecutions          |
| DSC      | District Service Commissions             |
| ESC      | Education Service Commission             |
| FY       | Financial Year                           |
| GoU      | Government of Uganda                     |
| HCM      | Human Capital Management                 |
| IFMS     | Integrated Financial Management System   |
| IG       | Inspectorate of Government               |
| IPPS     | Integrated Personnel and Payroll System  |
| IRAS     | Integrated Revenue Administration System |
| MDAs     | Ministries, Departments and Agencies     |
| MC       | Municipal Council                        |

|         |  |
|---------|--|
| MoES    | Ministry of Education and Sports                       |
| MoFPED  | Ministry of Finance, Planning and Economic Development |
| MoGLSD  | Ministry of Gender, Labour and Social Development      |
| MoH     | Ministry of Health                                     |
| MoPS    | Ministry of Public Service                             |
| NDP III | Third National Development Plan                        |
| NID     | National Identity Card                                 |
| NIRA    | National Identification Registration Authority         |
| NPA     | National Planning Authority                            |
| NTR     | Non-Tax Revenue  |
| OPM     | Office of the Prime Minister                           |
| PAC-LG  | Public Accounts Committee-Local Government             |
| PIAPs   | Programme Implementation Action Plans                  |
| PAYE    | Pay As You Earn  |
| PBS     | Programme Budgeting System                             |
| PDMS    | Pay Load Database Management System                    |
| PDU     | Procurement and Disposal Unit                          |
| PFMA    | Public Finance Management Act, 2015                    |
| PFMR    | Public Finance Management Regulations, 2016            |
| PPDA    | Public Procurement and Disposal of Public Assets       |
| PS/ST   | Permanent Secretary/Secretary to the Treasury          |

|          |  |
|----------|--|
| SACCOs   | Savings and Credit Cooperative Organisations                                   |
| TIN      | Tax Identification Number  |
| UBA      | Uganda Bankers' Association  |
| UCLA     | Uganda Consumers Lenders' Association  |
| UCF      | Uganda Consolidated Fund   |
| UgIFT    | Uganda Intergovernmental Fiscal Transfer                                       |
| UGX      | Uganda Shillings   |
| URA      | Uganda Revenue Authority   |
| URF      | Uganda Road Fund   |
| USD      | United States Dollar   |
| USMID-AF | Uganda Support to Municipal Infrastructure<br>Development-Additional Financing |
| UWEP     | Uganda Women's Entrepreneurship Programme                                      |
| VAT      | Value Added Tax  |
| YLP      | Youth Livelihood Program   |

# STATEMENT BY THE HON. MINISTER OF FINANCE, PLANNING AND ECONOMIC DEVELOPMENT

The Rt. Hon. Speaker of Parliament  
Hon. Members of Parliament

This Treasury Memorandum is presented pursuant to Article 163 of the Constitution of Uganda, and Section 53 of the Public Finance Management Act 2015, that require the Minister responsible for Finance to submit a Treasury Memorandum on the recommendations of Parliament in respect to the report of the Auditor General.

Rt. Hon. Speaker, Parliament on the 17<sup>th</sup> of January 2023, concluded the adoption of the Auditor General's reports on Local Governments for Financial Year ended 30<sup>th</sup> June 2021 including reports for 98 entities not considered by the Public Accounts Committee-Local Government.

Key among the accountability issues raised by the Auditor General, is the mismanagement of the payroll in Local Governments. I have accordingly requested the Auditor General to conduct a special audit on the management processes for salaries, pensions and gratuity across Government.

Rt. Hon. Speaker, Parliament and the Executive have shown commitment in fulfilling the requirements of the accountability cycle. In that regard, this is to present the Treasury Memorandum on the report of the Auditor General on Local Governments for the financial year ended 30<sup>th</sup> June 2021.



Matia Kasaija (MP)

**MINISTER OF FINANCE, PLANNING AND ECONOMIC DEVELOPMENT**

## **STATEMENT BY THE PERMANENT SECRETARY/SECRETARY TO THE TREASURY**

Section 11(2) (m) of the Public Finance Management Act, 2015 requires the Secretary to the Treasury to prepare a Treasury Memorandum indicating measures taken by each vote to implement the recommendations of Parliament in respect to the report of the Auditor General.

Parliament considered the report of the Auditor General on Local Governments for the Financial Year ended 30<sup>th</sup> June 2021, and adopted reports from the Public Accounts Committee-Local Government on; 65 District Local Governments, 7 Municipal Councils and 6 Cities. The reports of the Auditor General for the remaining Local Governments were adopted omnibus (Hansard of 17<sup>th</sup> January 2023).

There was a notable improvement in the quality of financial reporting by Local Governments. Out of the 139 audit opinions issued by the Auditor General to Local Governments, 133 (96%) were unqualified while only 6 (4%) were qualified. There were no adverse or disclaimer audit opinions issued to Local Governments for the year under review.

The above results can be attributed to the deepening of the Integrated Financial Management System, capacity building, and professional certification of Accountants, Procurement Officers, and Systems Support Officers. However, there is room for further improvement riding on additional Public Financial Management Systems such as; Programme Budgeting System, roll out of Electronic Government Procurement, Human Capital Management System, and the Integrated Revenue Administration System.

Government is committed to the finalization of the accountability cycle by ensuring that Treasury Memoranda are prepared and submitted within the statutory timelines. This commitment calls for innovative ways of preparing Treasury Memoranda such as the omnibus approach which has been used to prepare this

Treasury Memorandum. The approach focusses on cross-cutting issues, incidences of non-compliance with the Public Finance Management Act (PFMA) 2015, entity specific issues for those with qualified audit opinions, Value for Money Audits, and Special Audits.

The specific cases of suspected fraud and financial mismanagement highlighted by the Auditor General and Parliament are being handled by the investigative institutions of Government. In addition, the Auditor General is undertaking a special audit on the wage, pension and gratuity management processes to address the persistent challenges observed in this area.

The key cross-cutting issues are in the areas of: management of Salary, Pension and Gratuity; staffing gaps; alignment of strategic plans to NDP III; Management of the Youth Livelihood, and Uganda Women Entrepreneurship Programmes; management of Uganda Intergovernmental Fiscal Transfers; payment of administrative Advances into staff personal bank accounts; and lack of Titles for Government land. These have been dealt with from a policy perspective, so as to streamline Government business processes.

Accounting Officers are responsible for the regularity and proper use of funds appropriated to the vote, and this is emphasized in their appointment letters every financial year. The instances of low funding observed in some critical sectors shall continue to be addressed through the budget approval processes.

The budget for financial year 2020/21 was implemented amidst COVID-19 disruption and this adversely affected execution of many work plans and activities leading to delays in; recruitment of staff, procurements, and completion of construction works.

Government has revised the Chart of Accounts to address issues of misclassification of expenditures and provide for the new programme budgeting and reporting approach under NDP III. The approach necessitated an upgrade of both the Programme Budgeting System (PBS), and the Integrated Financial Management System (IFMS). The upgrade of the IFMS also fully brought on board, Heads of

department into the procurement and invoice approval hierarchy in both Central and Local Government votes.

The key Public Finance Management focus areas by Government are; re-vamping the Fixed Assets Module under the Integrated Financial Management System for the accounting and management of government assets, and the full roll out of both the Electronic Government Procurement and Human Capital Management Systems. This will build on the efficiency gains achieved by Integrated Financial Management System.

A handwritten signature in blue ink, consisting of several loops and a long horizontal stroke extending to the right.

Ramathan Ggoobi

**PERMANENT SECRETARY/SECRETARY TO THE TREASURY**

# 1.0 METHODOLOGY

The Constitution of the Republic of Uganda under Article 163 requires the Auditor General to submit to Parliament a report of the accounts audited by him or her for each financial year. Parliament shall, within six months after the submission, debate and consider the report and take appropriate action.

Section 53 of the Public Finance Management Act (PFMA) 2015, requires the Minister responsible for Finance to submit a Treasury Memorandum to Parliament within six months from the date of Parliament's consideration of the report of the Auditor General.

Parliament considered the report of the Auditor General on Local Governments for the Financial Year ended 30<sup>th</sup> June 2021, and adopted reports from the Public Accounts Committee Local Government on; 65 DLGs, 7 MCs and 6 Cities. The reports of the Auditor General for the remaining Local Governments were adopted omnibus (Hansard of 17<sup>th</sup> January 2023).

A summary of the types of audit opinions issued to Local Governments for FY 2020/21 are shown in the table below;

**Table 1: Types of Audit Opinions Issued**

| Category of Audited Entities  | Type of Opinions |           |          |            | Total      |
|-------------------------------|------------------|-----------|----------|------------|------------|
|                               | Unqualified      | Qualified | Adverse  | Disclaimer |            |
| Districts Local Governments   | 110              | 5         | 0        | 0          | 115        |
| Municipal Councils and Cities | 23               | 1         | 0        | 0          | 24         |
| <b>Total</b>                  | <b>133</b>       | <b>6</b>  | <b>0</b> | <b>0</b>   | <b>139</b> |

\*The table above excludes Lower Local Governments

\*\*Source: Report of the Auditor General to Parliament for the financial year ended 30<sup>th</sup> June 2021

The analysis of Table 1 above, indicates that out of the 139 audit opinions of the Auditor General, 133 representing 96% were unqualified while only 6



representing 4% were qualified. There were no adverse or disclaimer audit opinions issued to Local Governments for the year under review.

This is a significant improvement in the quality of financial reporting which can be attributed to the deepening of IFMS across many Local Governments, plus the increasing professional certification of the Accounts, Procurement, and Information Technology Officers.

This Treasury Memorandum indicates measures taken by Local Government votes to implement the recommendations of Parliament in respect to the report of the Auditor General for the Financial Year ended 30<sup>th</sup> June 2021. The Treasury Memorandum should have been submitted to Parliament by December 2022 as per the timelines in the PFMA, 2015. However, this was not possible as the report of the Auditor General was adopted in January 2023.

In order to comply with the timelines as stipulated in the PFMA 2015, an omnibus Treasury Memorandum on the report of the Auditor General on Local Governments for the financial year ended 30<sup>th</sup> June 2021 has been prepared.

This omnibus Treasury Memorandum on Local Governments specifically addresses cross cutting recommendations as identified by Parliament, and instances of non-compliance with the PFMA 2015. A number of policy interventions to address the cross-cutting issues have been implemented or proposals made to the relevant line Ministries.

Specific recommendations for entities with qualified audit opinions have been dealt with in this Treasury Memorandum and some cases that require further investigations, have been referred to the Director, Criminal Investigations Directorate of Uganda Police.

The above notwithstanding, the investigative institutions of Government, were requested to review the report of the Auditor General for the financial year ended 30<sup>th</sup> June 2021, to determine whether there may be *prima-facie* cases for prosecution.

This Treasury Memorandum is structured as follows;

**Section A:** Contains cross cutting issues as highlighted in the report of Parliament. The key cross cutting issues revolve around the following among others:

- i. Poor management of Salaries, Pensions, and Gratuity
- ii. Non-alignment of Local Government Strategic Plans to NDP III
- iii. Non-declaration of Off-budget Receipts
- iv. Challenges in Management of the Youth Livelihood Program (YLP) and Uganda Women’s Entrepreneurship Programme (UWEP) including recovery of funds and monitoring of the groups
- v. Under Collection of Local Revenue
- vi. Under-staffing
- vii. Delayed Procurements
- viii. Lack of Land Titles/Poor Management of Land
- ix. Lack of Urban Physical Planning Committees

**Section B:** Contains entity specific issues for the Local Governments that obtained a qualified audit opinion. Out of the 139 Local Governments that were audited by the Auditor General, six (6) obtained a qualified opinion and these are; Abim, Apac, Butaleja, Kole and Oyam DLGs plus Masindi Municipal Council.

In addition, this section was to deal with any instances of non- compliance with the PFMA 2015. However, the Auditor General in his report on the Audit of Compliance with Legislation on the consolidated financial statements on local governments noted that “there were no material findings in respect of the compliance with legislation.”<sup>1</sup>

**Section C:** Contains highlights from the engineering audits carried out in the local governments. The two engineering audits are;

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<sup>1</sup> Report of the Auditor General to Parliament for the Financial Year ended 30<sup>th</sup> June 2021, Page 51

- i) Value for Money Audit and Assessment of Urban Infrastructure projects implemented by 22 Municipal Councils under the USMID-AF Program for projects started in the Financial year 2018/2019
- ii) Value for Money audit and assessment of Infrastructure projects implemented by 60 Local Governments under the UgIFT Program for Construction of Seed Schools and Health Facilities in the Education and Health Sector

## 2.0 SECTION A: CROSS CUTTING ISSUES

### 2.1 SALARY, PENSION AND GRATUITY

#### 2.1.1 Late Submission of Wage Estimates

The Committee noted that many Cities, Local Governments and Municipal Councils failed to adhere to Paragraph 2.2 of Establishment Notice No.2 of 2019 which requires Accounting Officers of Local Governments to submit salary, pension and gratuity estimates for the subsequent year to Ministry of Public Service (MoPS) by the 30<sup>th</sup> day of September of the previous year. There were a few exceptions.

During meetings with the Accounting Officers of the Cities, District Local Governments and Municipal Councils to consider the FY 2020/21 report of the Auditor General, it was noted that delays in submission of wage estimates were majorly attributed to COVID-19 lockdown restrictions on movement of persons and low staffing numbers. The staff were key in timely preparation of wage estimates.

#### Committee Observations

The Committee observed that the delays in submission of local government budget estimates in line with Paragraph 2.2 Establishment Notice No.2 of 2019 were hampered by conditions that were beyond the management and control of local governments.

#### Recommendations

The Committee recommends that the Accounting Officers, should adhere to the timelines prescribed under Paragraph 2.2 of the establishment Notice No.2 of 2019 on submission of wage estimates by 30<sup>th</sup> September of the preceding year.

## Action status

The Programme Budgeting System (PBS) has been upgraded and all budget estimates (including estimates for wage, pension and gratuity) are submitted online through the system, within the statutory timelines.

### 2.1.2 Under-absorption of Funds for Salary, Pension and Gratuity

The Committee noted that Local Governments failed to absorb the money for salaries, pension and gratuity.

The Accounting Officers explained that the under absorption of funds were due to factors including but not limited to;

- i) Failure to recruit staff as a result of the Covid-19 national lockdown
- ii) Absence of and non-functional District Service Commissions
- iii) Lack of an approved staff structure for the cities
- iv) Delayed approval of Members of District Service Commissions
- v) Delays by Education Service Commission to recruit teachers
- vi) Delayed access to the payroll by MoPS
- vii) Failure to attract staff in key positions for instance District Health Officer, District Engineer, and Medical Officers.

### Committee Observations

- i) Many Local Governments conceal or ring-fence positions that have fallen vacant by deploying junior staff in acting capacity/ assignment basis beyond the mandatory period of six months.
  - a. This is a ploy to give time to their persons to gain the requisite qualifications during which period they deny deserving persons employment at the expense of service delivery.
- ii) Adequate absorption of Wage budget in Cities, District Local Governments and Municipal Councils during the FY 2020/21 was constrained by factors ranging from non-functionality of District Service Commissions (DSC) to staffing challenges

- iii) The Education Service Commission (ESC) delays to recruit tertiary and secondary school teachers despite releases made and formal requests to the line ministry
- iv) The MoFPED made releases to some LGs over and above the requested funds
- v) Some of the affected Accounting Officers adhered to the provisions under section 17(3) of the PFMA Act 2015, thus monies were re-voted to cater for the initially planned for activities;
- vi) The absence and failure to implement the provisions of the Negotiating, Consultative and Dispute Settlement Machinery Act 2008, resulting into failure to settle labour disputes, leading to under-absorption, loss of funds and high cost of dispute resolution

### Recommendations

- i) The Accounting Officer should institute measures that will ensure timely declaration of vacant positions to the DSC, appointment and access to the payroll to avoid return of unspent balances to the Consolidated Fund
- ii) The ESC should ensure strict and timely adherence to their recruitment plans to avoid delays in staff recruitment
- iii) Local Governments should ensure that there are fully constituted DSCs to enable timely recruitment of staff
- iv) The Ministry of Public Service, and Public Service Commission develops guidelines for timeliness on the tenure and approval of the members of the DSC
- v) The Ministry of Local Government should intensify its inspection and monitoring on matters of staff including; staff establishment, service functionality and cases of staff discipline.
- vi) The provisions of the Negotiating, Consultative and Dispute Settlement Machinery Act 2008 should be adhered to
- vii) The Ministry of Finance, Planning and Economic Development should adhere to the entities quarterly work plans with timely release of funds.

viii) Local Governments should commence on the execution of their work plans upon approval by the councils as they await actual budget releases

### **Action status**

The Minister of Finance, Planning and Economic Development has requested the Auditor General to carry out a special audit on the wage, pension and gratuity management processes to address the persistent budget under-absorptions/overruns, over/under payments, delays in recruitment, unauthorised recruitments and promotions, mischarges and illegal deductions, among others.

The special audit report is expected by the 30<sup>th</sup> June 2023. The outcome of the audit will inform further policy interventions in this area.

### **2.1.3 Over-payment of Salary**

The Committee noted that majority of the Accounting Officers admitted to authorizing salary over-payment to some employees under the service of their respective Local Governments. A case in point is Luweero DLG that made an over payment of UGX 150,000,000. However, there were a few exceptions where the Accounting Officer did not agree to the auditor's findings.

#### **Committee Observation**

The Committee observed that authorizing of payment for staff salaries over and above their actual salary entitlements was a direct contravention of Section B-a (7) of the Uganda Public Service Standing Orders, 2010.

Where the Accounting Officer did not agree, these matters were referred to Auditor General for reconciliation.

## Recommendations

- i) The Accounting Officers of the above-mentioned Local Governments should adhere to Section B-a (7) of the Uganda Public Service Standing Orders, 2010; and
- ii) The Accounting Officers should ensure recovery of over-paid salary amounts from the affected employees.

## Action status

In addition to the special audit on the wage, pension and gratuity management processes, Government has rolled out the Human Capital Management (HCM) system to replace the Integrated Personnel and Payroll System (IPPS). HCM has automated all Human Resource functions in Government and business processes from end-to-end.

This will address the internal control weaknesses in the management of the wage, pension and gratuity payrolls. HCM is being rolled out in a phased manner starting with 60 Local and Central Government votes in Financial Year 2022/23, a further 100 votes in Financial Year 2023/24 and the rest in the subsequent years.

### 2.1.4 Under-payment of Salary

The Committee noted numerous cases of under-payment by different local governments. The Accounting Officers attributed the under-payments to delays by the responsible line officers to reflect the payrolls with right salary amounts and entitlements at the time of incremental dates.

#### Committee Observation

The Committee observed that by authorizing payments of wrong salary amounts, the Accounting Officer was in breach of Section B-a (7) of the Uganda. Public Service Standing Orders, 2010.



## Recommendations

- i) The Accounting Officers of the affected Local Governments should in future, ensure to adhere to Section B-a (7) of the Uganda Public Service Standing Orders, 2010 with a view of authorizing employees' payments of correct salary amounts
- ii) Accounting Officers should ensure processing of payment of top up salary amounts in respect of employees who were underpaid, and
- iii) The Accounting Officers should liaise with Ministry of Public Service to reconcile the different salary amounts paid to their respective employees.

## Action status

The Minister of Finance, Planning and Economic Development has requested the Auditor General to carry out a special audit on the wage, pension and gratuity management processes to address the persistent budget under-absorptions/overruns, over/under payments, delays in recruitment, unauthorised recruitments and promotions, mischarges and illegal deductions, among others.

The special audit report is expected by the 30<sup>th</sup> June 2023.

### 2.1.5 Non-payment of Salary

The Committee noted cases of non-payment of salaries contrary to Section B-a (7) of the Uganda Public Service Standing Orders, 2010, which states that salaries shall be paid correctly and promptly in accordance with the approved salary structure for the Public Service. Non-payment of salaries leads to accumulation of arrears.

The Accounting Officers attributed this to bounced salary payments due to challenges with supplier numbers and names mismatch between the IFMS and employee bank details.

## Recommendations

- i) The Ministry of Public Service should carry out capacity assessment of Human Resource (HR) officers of all Local Governments and come up with a training plan
- ii) The Human Resource Department should offer support to the affected staff in identifying the underlying challenges and also ensure that the arrears are fully paid.

## Action status

The Minister of Finance, Planning and Economic Development has requested the Auditor General to carry out a special audit on the wage, pension and gratuity management processes to address the persistent budget under-absorptions/overruns, over/under payments, delays in recruitment, unauthorised recruitments and promotions, mischarges and illegal deductions, among others.

The special audit report is expected by the 30<sup>th</sup> June 2023.

### 2.1.6 Payment of Salary using Wrong Scales

The Audit report noted wrong application of salary scales, Accounting Officers in most of the local governments erroneously authorized payment of staff salaries in contravention of Section B-a (6) and (7) of the Uganda Public Service Standing Orders.

The Committee noted that some Accounting Officers of the local governments admitted to the audit finding while others contested stating that staff appointment letters clearly stipulated specific staff titles/designations, salary scales and attendant remuneration and other relevant information. In addition, what seemed like an over-payment resulted from increase of salaries of the teaching staff.

### **Committee Observation**

The Committee observed that;

- i) Payment of staff salaries based on wrong salary scales was indicative of fraudulent actions and a breach of Section B-a (6) and (7) of the Uganda Public Service Standing Orders, 2010.
- ii) In some cases, the wrong scales were attributed to payroll changes not supported by signed pay change reports.

### **Recommendations**

The Committee recommends that the Accounting Officer should ensure correct payments are made in compliance with Section B-a (6) and (7) of the Uganda Public Service Standing Orders, 2010.

### **Action status**

In addition to the special audit on the wage, pension and gratuity management processes, Government has rolled out the Human Capital Management (HCM) system to replace the Integrated Payroll Payment System (IPPS). HCM has automated all Human Resource functions in Government and business processes from end-to-end.

This will address the internal control weaknesses in the management of the wage, pension and gratuity payrolls. HCM is being rolled out in a phased manner starting with 60 Local and Central Government votes in Financial Year 2022/23, a further 100 votes in Financial Year 2023/24 and the rest in the subsequent years.

### **2.1.7 Delayed Deletion of Staff from Payroll**

The Committee noted that on account of delayed deletion of staff from the payroll, some Accounting Officers authorized payment of salaries to staff who had retired, transferred, absconded or died.

The Accounting Officers admitted to the audit finding, but indicated that recoveries of monies erroneously paid out to affected staff was ongoing.

### **Committee Observation**

The Committee observed that the delayed deletion of staff from the entities' active salary payroll was a violation of Section B-a (12) of the Uganda Public Service Standing Orders, 2010, which states that payment of salary to public officers be stopped immediately they cease rendering services to Government under whatever circumstances, including death.

### **Recommendations**

- i) The Accounting Officers should ensure that there is an accurate staff salary payroll in line with Section B-a (12) of the Uganda Public Service Standing Orders, 2010.
- ii) The Police should investigate the actions of the Accounting Officers and their Human Resource Officers on account of failure to effect deletion of staff from the entities' salary payrolls.
- iii) The Accounting Officers should recover the said money from the beneficiaries.
- iv) The Office of the Auditor General should carry out annual audit of the staff and pension payroll to clean up the system

### **Action status**

The Minister of Finance, Planning and Economic Development has requested the Auditor General to carry out a special audit on the wage, pension and gratuity management processes to address the persistent budget under-absorptions/overruns, over/under payments, delays in recruitment, un-authorized recruitments and promotions, mischarges and illegal deductions, among others.

The special audit report is expected by the 30<sup>th</sup> June 2023. The outcome of the audit will inform further action and policy interventions in this area.

### **2.1.8 Over and Under-remittance of Deductions**

The Audit report revealed that Accounting Officers effected payroll deductions from employees' salaries and remitted it to different beneficiaries in line with Section B-a (178) of the Uganda Public Service Standing Orders, 2010. However, the audit revealed that there were over and under-remittances and non-remittance in some cases.

The Committee was informed that over and under-remittance of deductions was occasioned by mix up of staff lists in some local governments and staff capacity gaps to process the right deduction amounts.

#### **Committee Observation**

The Committee observed that Accounting Officers do not conduct verification of staff lists to ascertain the right amounts of money to be deducted in favour of various beneficiaries.

#### **Recommendations**

The Committee recommends that Accounting Officers should conduct verification of their respective staff lists and attendant contract agreements entered into with various associations, schemes and bodies; with a view of ensuring adherence with Section B-a (17) of Uganda Public Service Standing Orders, 2010.

#### **Action status**

The Ministry of Public Service conducts training for Human Resource Officers and supports them on the verification of staff lists and on how to ascertain the right amounts of money to be deducted in favour of various beneficiaries.

The roll out of HCM which has more robust features, the instances of mix up of staff lists and incorrect deductions will be significantly reduced.

### **2.1.9 Delayed Remittance of Deductions to UCLA,UBA and URA**

The Audit report found that Accounting Officers delayed and/or failed to remit deductions to Uganda Revenue Authority, Uganda Consumers Lenders' Association (UCLA) and Uganda Bankers' Association (UBA) in contravention of Paragraph 4.6.1 of Establishment Notice No.2 of 2019 which requires payroll deductions to be remitted concurrently with salary payments.

#### **Committee Observations**

The Committee observed the following;

- i) Delayed and non-remittance of deductions to UCLA/UBA was a breach of Paragraph 4.6.1 of Establishment Notice No.2 of 2019;
- ii) Local Government staff risk being subjected to penalties associated with failure to settle and/or meet their contract agreements/obligations to the credit lending institutions.

#### **Recommendations**

The Committee recommends that the responsibility of remittance to the financial institutions ceases to be a duty of Local Governments.

#### **Action status**

The Accountant General's Office has put in place procedures to ensure that salaries and deductions can only be processed and paid concurrently.

### **2.1.10 Un-authorized Loan Deductions**

The Audit report revealed deductions from employees' salaries without adherence to Section 2.1.2 and 2.1.4 of the Service Agreement between the Government (Ministry of Public Service) and Uganda Consumer Lenders' Association/Uganda Bankers' Association which requires a letter of undertaking for each Government employee before making an employee reservation on the Pay Load Database Management System (PDMS).

The Accounting Officers indicated that the Local Governments did not retain copies of letters of undertaking issued to their respective employees.

The Committee was informed that some of the credit lending institutions/organisations extended loans to teachers' SACCOs whereupon subsequent repayments effected to all teachers whether or not they applied for loan facilities.

### **Committee Observations**

The Committee observed that;

- i) Whereas the Accounting Officers were not in firm control of management of payroll deductions from staff salaries in favour of UCLA and UBA, they are supposed to protect the staff from the credit lending institutions.
- ii) Letters of undertaking should be issued by the Accounting Officer as a way of protecting employees, considering that banks can easily manipulate the staff.
- iii) There was gross financial indiscipline among Local Governments' staff who opt for loan facilities beyond their capacity to repay.

### **Recommendations**

- i) The Accounting Officer should not sign letters of undertaking where staff already have running loans with credit lending institutions
- ii) The Accounting Officer should ensure strict adherence to Section 2.7.2 and 2.7.4 of the Service Agreement between the Government (Ministry of Public Service) and Uganda Consumer Lenders' Association/Uganda Bankers' Association which requires a letter of undertaking for each Government employee before making an employee reservation on the Payroll Deduction Management System.
- iii) The responsibility of loan recovery ceases to be a duty of Local Governments. The Ministry of Public Service should terminate the requirement for the undertakings with lending institutions as a policy measure.

- iv) Government should institute more protective measures to curb multiple and over borrowing by employees

### **Action status**

The PS/ST has recommended to the Permanent Secretary, Ministry of Public Service that the management of salary-based loans and staff contributions to various SACCOs should be the preserve of commercial banks. This will free Government from management of loans/SACCO contributions, and focus on the core payroll management activities.

### **2.1.11 Non-deduction of PAYE from Political Leaders**

The Audit report highlighted failed deduction of PAYE from political leaders leading to revenue losses to Government on account of failure by Accounting Officers to subject political leaders' gratuity to PAYE deduction.

The Committee was informed that the anomaly was occasioned by lack of a dedicated budget line or window on the IFMS platform to effect the deduction electronically.

### **Committee Observations**

The Committee observed the following:

- i) All income earned by private persons and organisations should, in accordance with Section 19(1)(a) of the Income Tax, be subjected to Pay As You Earn (PAYE) tax therefore guidance should have been sought from the line Ministry;
- ii) The non-computation of PAYE on political leaders' gratuity payments was reflective of failure by the Accounting Officers to follow and adhere to Section 19(1)(a) of the Income Tax, 1997 as amended;
- iii) Some Accounting Officers in a bid to adhere to the Income Tax Act opted to manually deduct the PAYE;
- iv) Some Accounting Officers had already initiated recoveries at the time of interaction with the Committee.



- v) By the time of interaction with the Committee, the system had been updated therefore, subsequent year deductions effected promptly.

### **Recommendations**

- i) The Accounting Officers should subject Political leaders' gratuity to computation of PAYE as prescribed under Section 19(1)(a) of the Income Tax, 1997 as amended.
- ii) All Accounting Officers who did not deduct PAYE should ensure that this money is deducted from the political leaders whether in office or out of office.

### **Action status**

The PS/ST provided guidance in the Budget Execution Circular for Financial Year 2022/23 dated 30<sup>th</sup> June 2022, on deduction of Pay As You Earn (PAYE) for gratuity for political leaders.

### **2.1.12 Delayed Access to Salary Payroll**

The Audit report revealed that Accounting Officers failed to expedite quick access of newly appointed staff to the salary payroll.

The Accounting Officer however indicated that newly appointed staff did not submit requisite information such as Tax Identification Numbers (TIN), National Identification Cards, bank accounts numbers that were key requirements to enable access to salary payroll.

### **Committee Observations**

The Committee observed that;

- i) The Accounting Officers did not provide adequate support and guidance to newly appointed staff to enable them access the salary payroll.
- ii) There was laxity on the side of the Human Resource in supporting the staff.

## Recommendations

- i) The Accounting Officers should in future, ensure to adhere to Section B-a (11) of the Uganda Public Service Standing Orders which require Accounting Officers to ensure that public officers access the payroll within four (4) weeks from the date of assumption of duty;
- ii) Accounting Officers should ensure payment of salary arrears to newly appointed staff that accrued from delayed access to payroll.
- iii) NIRA should expedite the process of issuance of National IDs.

## Action status

The Ministry of Public Service is rolling out the Human Capital Management (HCM) system to replace the Integrated Payroll Payment System (IPPS) which has more robust features for managing the payroll right from recruitment planning through to retirement.

The PS/ST in the Budget Execution Circular for Financial Year 2022/23 dated 30<sup>th</sup> June 2022 guided on the payment of salary arrears.

The process of issuance of National IDs by NIRA is being reviewed in order to address the administrative and system bottlenecks.

### 2.1.13 Delayed Access to Pension Payroll

The Audit report revealed that Accounting Officers did not facilitate retired staff to timely access and transition to the Pension Payroll on attainment of mandatory retirement age of 60 years.

The Accounting Officers attributed the delayed access to the pension payroll, to retired staffs' delays to submit required documents such as National Identification Cards, appointment letters that were necessary to conduct verification prior to accessing the pension payroll.

### **Committee Observations**

The Committee observed that;

- i) In many aspects there was laxity of the Human Resource Management (HRM) in preparing the staff for retirement.
- ii) Many retirees had difficulty in obtaining a national ID.
- iii) Expeditious access to the pension payroll required collaborative efforts between the entity management and retired staff.

### **Recommendations**

- i) The Accounting Officers should, adhere to Section B-a (11) of the Uganda Public Service Standing Orders, 2010 which bestows the Responsible Officers the responsibility of initiating and completing the processing of retirement benefits within six months to the mandatory retirement date; and
- ii) The Accounting Officer should ensure to expedite processing of pension arrears that accrued on account of delayed access to the Pension Payroll
- iii) Ministry of Public Service should initiate a system that automatically transitions employees from the salary payroll to the pension payroll once they clock the retirement age.
- iv) Pensioners need to be prepared for access to retirement benefit prior to obtaining the mandatory retirement age to avoid time lags.

### **Action status**

- i) Ministry of Public Service has initiated the roll-out of the Human Capital Management (HCM) system to replace the Integrated Personnel and Payroll System (IPPS). Under the HCM, retiring staff automatically transition from the active salary payroll to the pension payroll once they clock the retirement age.
- ii) Pensioners are prepared for retirement at least six (6) months prior to clocking the mandatory retirement age to avoid time lags.

- iii) The Accounting Officers are reminded through the Budget Call Circulars to budget for pension arrears that accrued on account of delayed access to the Pension Payroll

#### **2.1.14 Payment of Salaries/Pension/Gratuity Outside IPPS**

Audit report noted unauthorized payments of salaries, pension and gratuity outside the IPPS; thereby contravening Paragraph 4.5 of Establishment Notice No.2 of 2019 which requires the responsible officer to pay for only salaries, pension and gratuity processed through IPPS.

The Accounting Officers attributed the audit finding to the mix-up of staff lists of different local governments and inconsistencies in the Ministry of Public Service payrolls and the entities' Payroll registers.

#### **Committee Observations**

The Committee observed that payments of salaries, pension and gratuity off the IPPS contravened Paragraph 4.5 of the Establishment Notice No.2 of 2019; and could lead to abuses and manipulation for private gain.

#### **Recommendations**

- i) The Accounting Officers should ensure to reconcile their respective entity staff lists together with the Ministry of Public Service in order to avoid payments of salaries, pensions and gratuity outside the IPPS.
- ii) The Accounting Officer should desist from the practice and can only take such actions with the approval of the Ministry of Public Service.

#### **Action status**

Ministry of Public Service has rolled-out of the Human Capital Management (HCM) system to replace the Integrated Personnel and Payroll System (IPPS) in a phased manner starting with 60 Central and Local Government votes in the FY 2022/23. An additional 100 votes will be brought on board in FY 2023/24.

HCM has more robust features and controls which will address the weaknesses of IPPS. HCM by default requires votes to reconcile their approved establishment structures with Ministry of Public Service.

### **2.1.15 Inconsistencies between the MoPS and Entity Payrolls**

The Audit report noted variances between figures in the Ministry of Public Service IPPS and on the entities' Payroll Registers.

The Accounting Officers informed the Committee that inconsistencies between MoPS-IPPS and entities was due to changes in names or dropping off the list while the entities maintained the same on their Payroll Registers. The Committee received undertakings from the Accounting Officers to harmonise the differences between the MoPS-IPPS and the entities' Payroll Registers.

#### **Committee Observation**

The Committee observed that inaccuracies and inconsistencies between the Ministry of Public Service IPPS and the entities' payroll registers was a recipe for manipulation and abuse to defraud Government employees of their hard-earned salaries.

#### **Recommendations**

- i) The Accounting Officer should conduct regular checks on the two systems/databases to ensure accuracy and consistence.
- ii) Government should develop an integrated system to cover all functions of HR, finance and, other related functions to curb disjointed management systems.
- iii) The Accounting Officer should carry out due diligence.
- iv) Training and/or capacity development should be done regularly for Local Governments to remain informed and up to date with new system developments.

## Action status

Ministry of Public Service has rolled-out of the Human Capital Management (HCM) system to replace the Integrated Personnel and Payroll System (IPPS) in a phased manner starting with 60 Central and Local Government votes in the FY 2022/23. An additional 100 votes will be brought on board in FY 2023/24 and subsequently to all votes.

HCM has more robust features and controls which will address the weaknesses of IPPS. HCM by default requires votes to reconcile their approved establishment structures with Ministry of Public Service.

The phased roll-out of HCM is to incorporate training and capacity building of Human Resource Officers in the votes so as to improve the uptake of the new system.

### 2.1.16 Un-validated Employees/Pensioners

Audit revealed that verification forms and copies of the verification cards for employees and pensioners/beneficiaries were not on the personal files.

While some Accounting Officers reported to have conducted validation of employees, pensioners/beneficiaries on the IPPS against the NIRA interface, others regretted the anomaly and undertook to improve.

#### Committee observation

The Committee noted negligence on the part of the Accounting Officers in proper record management.

#### Recommendations

The Committee recommends that the Accounting Officer should ensure that employees/pensioners/beneficiaries on the IPPS are validated against the NIRA interface and their employee verification forms and copies of the verification cards are kept on file.

**Action status**

Government through NITA-U is working on improving the interface and sharing data used across its entities.

Employee data used for salaries/pensioners/gratuity would be shared on the interface including IPPS and validated against the NIRA data base.

**2.1.17 Misclassification/Mischarge Salary/Pension/Gratuity**

The Audit reported that Accounting Officers mischarged expenditures for salaries, pension and gratuity.

The Accounting Officers attributed the anomaly to inadequate funds on the respective codes. Additionally, the financial year was coming to an end and the balances were to be swept back.

**Committee observation**

The Committee observed that mischarge of funds distorts budget performance and monitoring, as well as the credibility of the financial statements.

**Recommendations**

The Committee recommends that the Accounting Officer should at all times ensure that payments are effected using the right codes.

**Action status**

The Government Chart of Accounts has been revised to include new item codes and additional explanations where there were ambiguities.

Accounting Officers are routinely guided through the annual Budget Call Circulars to appropriately budget for Salaries, Pension and Gratuity as this have first call on the available budget resources.

### **2.1.18 Un-supported Payroll Changes**

The Committee noted that a number of entities effected salary payments to various employees without signed Pay Change reports; contrary to Paragraph 6.2.1 of the Guidelines and Procedures for Decentralised Salary Payment Processing, 2014 which requires that any changes on the payroll should be supported by Pay Change reports.

#### **Committee Observation**

The Committee observed the following:

- i) Accounting Officers disregarded the Guidelines and Procedures for Decentralized Salary Payment Processing 2014, and effected changes to salary payments to staff.
- ii) Changes to salary payments made without signed Pay Change reports could lead system abuse, inaccuracies and flaws in the salary administration policies of the different local governments

#### **Recommendations**

The Committee recommends that the Accounting Officers should adhere to Paragraph 6.2.1 of the Guidelines and Procedures for decentralized Salary Payment Processing, 2014.

#### **Action status**

Ministry of Public Service has rolled-out of the Human Capital Management (HCM) system to replace the Integrated Personnel and Payroll System (IPPS) in a phased manner starting with 60 Central and Local Government votes in the FY 2022/23. An additional 100 votes will be brought on board in FY 2023/24 and subsequently to all votes.

HCM has more robust features including dashboards that provide monthly/quarterly wage, pension and gratuity performance analysis reports.



### **2.1.19 Non-submission of Wage/Pension/Gratuity Performance Analysis**

The Audit report revealed that various local governments failed to prepare monthly wage, pension and gratuity performance analysis and thus did not submit quarterly returns on their respective payrolls to Ministry of Public Service as guided by Paragraph 2.1 of Establishment Notice No.1 of 2020.

Most Accounting Officers indicated that the COVID-19 pandemic lockdown restrictions on movement of persons inhibited their timely submission of returns on the payroll to Ministry of Public Service. While some requested for online submission of returns, Ministry of Public Service was not in agreement with this option.

#### **Committee Observations**

The Committee observed that the failure to ensure timely submission of returns on the Payroll to Ministry of Public Service was at the time beyond the control and management of the Local Governments.

#### **Recommendations**

The Committee recommends that for subsequent financial years, Accounting Officers should adhere to Paragraph 2.7 of Establishment Notice No.7 of 2020 so as to avoid cases of accumulated arears and under-absorption of wage, pension and gratuity budgets.

#### **Action status**

Ministry of Public Service has rolled-out of the Human Capital Management (HCM) system to replace the Integrated Personnel and Payroll System (IPPS) in a phased manner starting with 60 Central and Local Government votes in the FY 2022/23. An additional 100 votes will be brought on board in FY 2023/24 and subsequently to all votes.

HCM has more robust features including dashboards that provide online real time documentation to support payroll changes

The phased roll-out of HCM is to incorporate training and capacity building of Human Resource Officers in the votes so as to improve the uptake of the new system.

### **2.1.20 Under-staffing**

Under-staffing overstretches the available staff beyond their capacity, creates job-related stress to the fewer staff and negatively affects the level of public service delivery to the community.

The Accounting Officers explained that staffing at LLG level is a responsibility of the respective Districts and Municipal Councils.

### **Recommendation**

Accounting Officers were advised to follow up on the matter with the relevant authorities and ensure that most of the vacancies are filled.

### **Action status**

The PS/ST in the annual Budget Call Circulars provided sufficient wage resources and advised Accounting Officers of Local Governments to prioritise the filling of vacancies especially for critical posts such as Heads of Department. In those instances where the District Service Commission is not fully constituted, the services of a neighbouring Service Commission can be sought.

## **2.2 ALIGNMENT OF STRATEGIC PLANS AND BUDGET PERFORMANCE**

### **2.2.1 Strategic Plans not Aligned with NDP III**

The Audit report noted that over the years the alignment of Government Budgets with the NDP has been poor and needed to be improved thus urging all Accounting Officers to ensure that all activities for the Financial Year 2020/21 are aligned with NDP III and implemented accordingly. In this regard local Governments were expected to prepare and approve a strategic plan that was aligned to NDP III.

#### **Committee Observations**

The Committee observed that at the time of interaction with the Local Governments, many strategic plans were still pending approval by National Planning Authority. However, a few entities like Kagadi DLG, Bulambuli DLG and Arua City had an approved plan by the time of interaction with the Committee.

#### **Recommendations**

- i) NPA expedites the process of scrutinizing the strategic Plans for the different Local Governments as well as establishing clear/coordination of activities to avoid unnecessary delays that impede the execution of the plans
- ii) The Ministry of Finance/NPA extends capacity building support on strategic and operation planning to the planning units at Local Government levels
- iii) There should be establishment of a standard planning unit structure across all Local Government to address the question of capacity and man-power.

#### **Action status**

National Planning Authority (NPA) has finalized the review of the Strategic Plans for the Local Governments. A few entities whose Strategic Plans did not pass the criteria have been advised to amend them accordingly.

NPA has also trained the Local Governments on the NDP-III and its Programme approach to planning, budgeting and reporting.

### **2.2.2 Non-submission of Annual Budget Monitoring Plans**

The Audit Report revealed that local governments had prepared annual monitoring plans but had not been submitted to MoFPED, MoLG and NPA as required by the time of audit. In addition, quarterly monitoring reports were not submitted to the Office of the Prime Minister and MoFPED as required.

The Accounting Officers attributed the anomaly to system challenges and covid-19 lockdown and movement restrictions.

#### **Committee Observations**

The Committee observed that there was laxity in the preparation and submission of monitoring plans and reports by the local governments which contravened Paragraph 58 of the Budget Execution Circular for 2020/21.

#### **Recommendations**

The Committee recommends that;

- i) The PS/ST should hold the Accounting Officers personally liable for contravening Paragraph 58 of the Budget Execution Circular for 2020/21
- ii) The Accounting Officer should ensure prompt and timely submission of these monitoring plans and reports

#### **Action status**

The Programme Budgeting System (PBS) was upgraded to include a mandatory field for the input of Programme Implementation Action Plans (PIAPs)/Monitoring Plans, and enable the preparation/submission of real-time quarterly electronic reports.

### **2.2.3 Non-implementation of Planned Activities**

Section 13 (15, b) of the PFMA 2015 states that a policy statement submitted by a vote shall contain the annual and three months' work plans, outputs, targets and performance indicators of the work plans. Regulation 11 (3) of PFMR 2016 requires that a vote prepares a work plan that indicates the outputs of the vote for the financial year; the indicators to be used to gauge the performance of the outputs and funds allocated to each activity.

Audit noted that although some outputs were fully quantified; some were partially quantified, while others were not quantified at all.

Additionally, some of the outputs were not implemented.

#### **Committee Observations**

The Committee observed that there was non-implementation of some planned activities.

#### **Recommendations**

The Committee recommends that the Accounting Officers should always embark on implementation of approved work plans and only await budget releases to effect the contracts so as not to lose out on time.

#### **Action status**

The Covid-19 pandemic disrupted the implementation of many aspects of the work plan. The Programme Budgeting System (PBS) was upgraded to introduce the NDP-III Programme approach. The Programme Implementation Action Plans (PIAPs) form the basis for quantification of outputs which is mandatory. The unimplemented activities were identified and included in the subsequent Financial Year work plans.

## 2.2.4 Measurement of Performance

### Local Government absorption capacity

Some Local Governments did not receive 100% of their budget. It was also noted that many entities did not fully absorb the funds that were released to them.

### Cost of service in Local Government

The Auditor General's report highlighted the amount of resources spent on non-core service delivery activities, such as employee costs and transfers to other units (sub-counties, schools and health centres). In other words, on average, Government spent three shillings on each shilling for outputs that directly affect service delivery.

### Local revenue performance

The audit report indicated that some Local Governments did not report on local revenue well aware that this is a core source of funding for the district councils. In many scenarios, entities collected less than their local revenue budget. This denied the councils facilitation to supervise and monitor the works of the local government.

### Committee Observations

The Committee observed that;

- i. Local Governments did not receive the whole appropriated budget therefore failed to implement the planned activities.
- ii. The unspent balance was attributed to a number of factors including; failure to recruit, delayed deployment of teachers by Ministry of Education, failure to procure contractors under USMID, and delayed completion of projects
- iii. The Local Governments' revenue mobilization were greatly affected by COVID-19 pandemic thus the low local revenue performance.
- iv. There were leakages and spending at source by lower Local Governments

## Recommendations

The Committee recommends that;

- i) The Ministry of Finance, Planning and Economic Development accounts for the under-release of funds to the Local Governments
- ii) Accounting Officers under whose supervision Local Governments fail to utilise funds released to them be held personally liable.
- iii) Entities whose cost of administration was above 6 times the cost of output service delivery be subjected to further investigation to ascertain the source of the abnormality in the operation cost of the Local Government
- iv) On Local revenue performance, most district local governments can hardly meet their target thus misleading in the planning and budgeting for services to be provided to the population. Accordingly, Accounting Officers should ensure that the Local Revenue Enhancement Committees are strengthened
- v) The Local Governments devise effective measures to address the leakages, and hold accountable revenue officers who abuse their powers
- vi) Accounting Officers should ensure that an updated revenue register is in place to track and enhance the revenue performance
- vii) Accounting Officers should ensure that an effective revenue mobilisation and tax education plan is in place

## Action status

- i) During the year, the budget releases were suppressed to cater for essential/emergency activities needed to respond to the COVID-19 pandemic.
- ii) The Covid-19 pandemic that led to the lockdown of the economy disrupted the implementation of the approved work plans.
- iii) The ever-increasing number of Local Government administrative units (such as; Districts, Cities, Municipalities, Town Councils, Counties, Sub-Counties, and Parishes) has increased the overall cost of administration.

iv) Government through the Ministry of Local Government has been supporting the Local Governments to build capacity on increasing local revenue sources and its collection.

The Integrated Revenue Administration System (IRAS) has been rolled out to 64 Local Governments and found to be successful in enhancing revenue information and collections.

Other Local Governments have engaged Uganda Revenue Authority (URA) to collect their revenues.

These automated revenue management systems have enabled the update of revenue registers, tracking of payments of revenue resulting into enhanced revenue performance.

v) Building on the above revenue management systems, the Ministry of Finance, Planning and Economic Development now requires all Local Governments to bank their local revenues in the Consolidated Fund, and thereafter pass a Local Council resolution for the appropriation of the local revenues. This process enhances transparency and accountability in the use of local revenues.

vi) Automated systems are effective in revenue mobilisation, as revenue registers and databases are always up to date. The Ministry of Local Government and URA continuously offer local revenue and tax education.

### **2.2.5 Late Submission of Quarterly Budget Performance Reports**

Paragraph 8.12 (4,5,6) of the Treasury Instructions 2017, require the Accounting Officer to prepare reports for each quarter of the Financial Year in respect of the vote for which he/she is responsible. Audit noted that many entities submitted performance reports for Q2, Q3, Q4 after the deadline.

The Accounting Officers attributed the late submission of Quarterly Performance Reports to late loading of releases on the Program Budgeting System by Ministry of Finance, Planning and Economic Development. The Accounting Officers also attributed it to restrictions of staff movement during Covid-19 pandemic.



### **Committee observation**

The Committee observed that failure to submit returns leads to accumulation of arrears and under-absorption of wage, pension and gratuity.

### **Recommendations**

The Committee recommends that;

- i) The PS/ST should reprimand the Accounting Officers and hold them personally liable for failure to Perform his functions in line with paragraph 2.7 of Establishment Notice No.7 of 2020.
- ii) The Accounting Officer(s) should ensure timely submission of reports to the respective Ministries.
- iii) Continuous training should be done for users.
- iv) The Ministry of Finance, Planning and Economic Development designs quick response mechanism to Districts that may have system problems

### **Action status**

The Programme Budgeting System (PBS) was upgraded to include a mandatory field for the input of Programme Implementation Action Plans (PIAPs)/Monitoring Plans, and enable the preparation/submission of real-time quarterly electronic reports.

The Ministry of Finance, Planning and Economic Development has enhanced the capacity of its twelve (12) Regional Treasury Service Centres to include quick response mechanisms to support Districts that may have PBS challenges.

### **2.2.6 In-accurate Performance Reports**

The Audit Report revealed that there were cases where the reported level of performance was inconsistent with the results of the Auditor's verification.

The Accounting Officers acknowledged the anomaly and promised to be accurate while reporting.

**Committee Observations**

The Accounting Officers explained that the inconsistencies in the reports were directly linked to system challenges.

**Recommendations**

The Committee recommends that the Accounting Officer should always adhere to the provided reporting guidelines and ensuring accurate reporting.

**Action status**

Accounting Officers review the Quarterly Performance Reports for accuracy and submit them electronically on PBS to MoFPED.

**2.2.7 Non-declaration of Off-budget Receipts**

The Audit report noted that some local governments received off-budget financing which was not declared to the PS/ST and accordingly was not appropriated by Parliament as required under Section 43 (1) of the PFMA 2015.

Some of the Accounting Officers explained that non-declaration of off-budget support was on the presumption that the Permanent Secretary/ Secretary to the Treasury was aware of such support since financing agreements were signed between Ministry of Finance, Planning and Economic Development and the donors; and the entity was only required implement related activities. In other instances, the Accounting Officers explained that the funds were transferred directly to the implementing entity.

**Committee Observation**

The Committee observed that although the decision had already been taken at national level and activities already determined by the funders, it was irregular for the Accounting Officer/the entity to spend this money without following the

appropriate financial and accounting regulations that include having such amounts declared and subjected to supplementary appropriation by the entity.

### **Recommendations**

The Committee recommends;

- i) The Accounting Officer should adhere to Paragraph 29 of the Budget Execution Circular for the FY 2020/21;
- ii) The MoFPED should mainstream the disbursement of funds through the normal planning and budgeting cycles to avoid off-budget receipts.

### **Action status**

The upgraded Programme Budgeting System (PBS) has features that enable Accounting Officers to declare anticipated donations of cash and assets during the budgeting process. This PBS feature is a mandatory field to be filled in by Accounting Officers, who have been notified not to receive any off-budget donations without prior authorisations by the Minister of Finance.

The above was again communicated in the Budget Call Circular for FY 2022/23. During this Financial year 2022/23 all declared donations were included in the Appropriations bill.

### **2.2.8 Shortfall in Other Government Transfers**

The Audit Report noted that a number of entities budgeted for funds under external financing and government transfers but what was received was way below the budgeted amounts. For instance, Kagadi DLG budgeted UGX 12,170,774,572 as transfers and UGX 1.32 billion which accounts for 11% of what was actually budgeted.

The Accounting Officers explained that there was under funding for projects like the Agricultural Cluster Development Project (ACDP), Uganda Road Fund (URF), and Result-Based Financing (RBF).

### **Committee Observation**

The Committee observed that;

- i) The entities did not have control over Other Government Transfers from Government Units.
- ii) Some Government Units especially Uganda Road Fund released funds to the entity in the last quarter with directives to expend them before the close of the financial year.
- iii) Failure to release the budgeted funds affects project implementation.

### **Recommendations**

The Committee recommends that;

- i) The MoFPED should ensure that the funds, as budgeted be sent to the district to ensure proper implementation of planned activities.
- ii) The Accounting Officer should develop mechanisms to widen their local revenue base to avoid over dependency on external financing.

### **Action status**

The Covid-19 pandemic that led to the lockdown of the economy disrupted the revenue inflows of Government including loans and grants. This affected the funding of the Government budget for the year under review.

The Integrated Revenue Administration System (IRAS) has been rolled out to 64 Local Governments and found to be successful in enhancing revenue information and collections. Other Local Governments have engaged Uganda Revenue Authority (URA) to collect their revenues.

### **2.3 Capitation Grants**

#### **a) Lack of guidelines for capitation grant for printing of home study materials**

The Audit Report noted that Government through MoES released UGX 23 billion for the printing of home study materials to facilitate home learning during the

COVID-19 lockdown. On review of the bank statements for sampled schools by Audit, it was noted that the study materials were not procured and the funds were still on the school accounts by 30<sup>th</sup> September, 2021. Consequently, the objective of ensuring that learners continued to learn during the lockdown was not achieved.

**b) Failure to utilize Capitation Grants**

It was noted that Local Governments were authorized additional Non-wage expenditure limits to facilitate printing and supply of home study materials. On review of the bank statements for sampled schools by Audit, it was noted that the funds were still on the school accounts by 30<sup>th</sup> September, 2021 and had hence not been utilized.

The Accounting Officers explained that whereas they received the money, there was a ban from the Ministry of Education and Sports (MoES) on the utilization of the money until guidance is given. The Ministry of Education later on authorized the District/schools to utilize the funds.

**Committee Observations**

The Committee observed that;

- i) The failure to utilize the funds at the time of audit was largely occasioned by the Ministry of Education and Sports directives.
- ii) Guidance was given in October 2021 authorizing the schools to utilise the funds following H.E the President's address on the plan for re-opening schools/institutions.
- iii) The new directives issued in October 2021 changed the purpose which the funds that were disbursed to the schools were to be used. The funds were used for other activities in preparation of the re-opening of schools.

## Recommendation

The Committee recommends that for every money sent to the District there should be clear guidelines on how this money is supposed to be used and the initial intended purpose should not be lost.

## Action status

The Ministry of Education and Sports (MoES) annually issues guidelines on capitation grants for printing of study materials. However, during the year under review, schools were closed due to Covid-19. MoES instructed schools to utilise the grants to print home study materials to facilitate home learning. Printing of home study materials was not part of the guidelines that had been earlier issued.

The MoES subsequently, stopped the utilization of the grants until further guidance is given. This guidance was given in October 2021 by H.E the President in an Executive Order authorizing the schools to utilise the funds for re-opening schools/institutions.

## 2.4 Management of the Youth Livelihood Programme

The Youth Livelihood Programme (YLP) is a Government of Uganda financed programme designed as one of the interventions of Government in response to the high unemployment rate and poverty among the youth in the country.

The primary objective of the YLP is to empower the target youth to harness their socio-economic potential and increase self-employment opportunities and income levels. The specific objectives include:

- i) To provide youth with marketable vocational skills and tool kits, for self-employment and job creation
- ii) To provide financial support to enable the youth establish income generating activities
- iii) To provide the youth with entrepreneurship skills as an integral part of their livelihoods

- iv) To provide youth with relevant knowledge and information for attitudinal change (positive mind set change)

The Audit report revealed dismal performance of the programme as low recoveries were realized during the period under review.

The low recovery of YLP funds was attributed to Project Managers neglect, disbandment of groups, extreme weather conditions (for agricultural enterprises) and misconception of the intentions of the Programme.

### **Committee Observations**

The Committee observed that:

- i) Most of the district local governments did not have proper recovery plans and data on the beneficiary groups
- ii) Some funds disbursed to the local governments were in respect of Financial Years 2014/15 to 2018/19
- iii) Misconception of the Programme among the youths and project neglect were key determinants for low recovery rates. These were beyond the management and control of the local governments
- iv) There was no budget line for supervision and follow up of the groups
- v) Much as the groups received the funds, there was no evidence that the groups had the capacity to repay

### **Recommendations**

The Committee recommends the following;

- i) Revolving funds for the future programmes be covered or guided by a legal framework to provide for sanctions, detailed programme management structures
- ii) Accounting Officers should institute measures and mechanisms to recover outstanding balances including developing clear recovery plans
- iii) Government adheres to timelines in provision of grants to the different programmes to align it with the reporting framework

- iv) The aspect of community ownership and participation should be enhanced through co-funding mechanisms
- v) Accounting Officers should institute clear achievable performance indicators for Officers involved in the programme implementation
- vi) There should be budgetary provisions to support supervision of the beneficiary groups
- vii) Government through the Ministry of Gender, Labour and Social development (MoGLSD) together with the Local Governments should re-evaluate the performance of the YLP given that recovery of the funds has remained low

### Action status

MoGLSD provides the technical guidelines, support capacity building, financing, and overall coordination. YLP support is provided through Youth Interest Groups (YIGs) of 10-15 persons in form of Revolving Funds (soft loans-with youth friendly terms). These funds are youth-friendly because:

- i) There is no interest for repayments made within the first twelve months;
- ii) Only 5% per annum surcharge for the repayments made after the initial 12 months;
- iii) No physical assets/collateral required;
- iv) Flexible repayment period of 1-3 years depending on the nature of the project;
- v) Accessible for both existing and new groups;
- vi) Formal registration of groups not a pre-condition for access;
- vii) No administrative fees levied on any application;
- viii) Promotes active participation of the youth at all stages of implementation through the Youth Council Structures.

The loan size depends on request made by the group ranging from UGX 1-25 million.



- i) The YLP is a revolving fund under the Ministry of Gender, Labour and Social Development, implemented through the Local Governments with user guidelines, training modules and management structures.
- ii) The Officers involved in the programme implementation have clear achievable performance indicators. However, lack of community ownership and participation makes it difficult to trace members of groups that have disbanded. The Youth Council Structures only participate at the group selection stage.
- iii) Government through the Ministry of Gender, Labour and Social Development together with the Local Governments has re-evaluated YLP and UWEP and implemented the Parish Development Model as an alternative intervention.

## **2.5 Management of the Uganda Women Entrepreneurship Programme**

Government of Uganda introduced the Uganda Women Entrepreneurship Programme (UWEP) as an initiative aimed at improving access to financial services for women and equipping them with skills for enterprise growth, value addition and marketing of their products and services.

Implemented as a Rolling Programme under the auspices of Ministry of Gender, Labour and Social Development (MGLSD), the primary objective of UWEP being empowering Ugandan women for economic development. The Programme is designed to address the challenges women face in undertaking economically viable enterprises including the limited access to affordable credit, limited technical knowledge and skills for business development, limited access to markets as well as information regarding business opportunities. The Program envisages to increase participation of women in business development, increase their incomes, livelihood security and overall quality of life.

The overall goal of the Programme is to empower Ugandan women to improve their income levels and their contribution to economic development.

The Programme's specific objectives include;

- i) To strengthen the capacity of women for entrepreneurship development;
- ii) To provide affordable credit and support access to other financial services to enable women establish and grow their business enterprises;
- iii) To facilitate women's access to markets for their products and services;
- iv) To promote access to appropriate technologies for production and value addition; and
- v) To strengthen Programme management and coordination

The Audit report noted that the funds disbursed as a Revolving Fund to UWEP beneficiary groups underperformed. This was attributed to low recovery responses, poor choice of enterprise selection, project neglect, inadequate support, poor guidance on project execution and misconception of the intentions of the Programme. On mechanisms to counter the poor recovery of funds, Accounting Officers indicated that they would resort to involving security personnel for the purpose.

#### **Committee Observations**

- i) UWEP was performing better than YLP but the levels of recoveries were still low. This was occasioned by poor recovery measures instituted by Accounting Officers.
- ii) There are cases where the monies were remitted directly to the beneficiary groups and the Local Governments were not in the know.

#### **Recommendations**

The Ministry of Gender, Labour and social Development comes up with regulatory frameworks to empower the District Commercial Officers to ease recoveries of YLP and UWEP and any other future grants to mitigate mismanagement.

## Action status

The primary target beneficiaries of UWEP are women within the age bracket of 18-65 years. The Youth Livelihood Programme (YLP) targets young women aged 18–30 years as the Programme guidelines stipulate that 30% of the Youth Interest Group members should be female. Therefore, female youth already benefiting from YLP are not considered as beneficiaries for UWEP.

The Programme emphasizes the integration of the following categories of women into beneficiary groups:

- i) Unemployed women
- ii) Vulnerable Groups such as; single young mothers, widows and Gender-Based Violence (GBV) survivors
- iii) Women with Disabilities
- iv) Women living with HIV/AIDS
- v) Women heading households
- vi) Women slum dwellers
- vii) Women living in hard-to-reach areas, and
- viii) Ethnic minorities

Government through the Ministry of Gender, Labour and Social Development together with the Local Governments has re-evaluated YLP and UWEP and implemented the Parish Development Model as an alternative intervention.

## 2.6 Management of Uganda Intergovernmental Fiscal Transfers

### Delayed disbursement and failure to absorb project funds

A sample of thirty-six (36) projects failed to absorb funds availed to them for implementation of activities and as a result, a total of UGX 431 billion and USD 30.2 million remained on projects accounts.

Failure to absorb project funds was mainly attributed to the fact that disbursement of any project funds depends on the utilization and full

accountability of prior disbursements which was still a challenge for most projects. In addition, absorption of funds was affected by Covid-19.

Failure to absorb project funds affects subsequent disbursements which in turn affects the implementation of project activities.

### **Delayed procurement processes**

Audit noted delays in completing the procurement processes. In some cases, the time taken between procurement initiation and contract signing was more than five (5) months.

Delays in procurements were caused by numerous administrative reviews, inefficiencies within the PDUs, and COVID-19 which resulted in entities operating at 30%.

Delayed procurements result in delayed commencement of works and loss of implementation time hence affecting service delivery.

### **Committee observation**

The Committee observed that these projects mainly related to UGIFT. There were cases where a district made full advance payment contrary to the law. For instance, Kole district paid UGX 1,717,875,500 for the construction of Okwerodot Seed Secondary School, leaving a balance of UGX 94,974,500 as retention money.

### **Recommendations**

The PPDA should review the hybrid procurement modalities with a view of saving Government from losing funds to contractors who lack capacity.

### **Action status**

Hybrid procurement is a method of procurement where the local and central governments conduct joint procurements.

The hybrid procurement method was intended to effectively support the generation of cost savings, alignment with stakeholder needs, efficiency, and close the capacity gaps.

However, the hybrid method has faced a number of challenges such as;

- Delayed execution of projects as contractors centrally procured fail to complete the majority of their contracts, and they only pay allegiance to the Central Government instead of the local governments which are supposed to supervise projects
- The contractors are awarded a number of projects beyond their capacity to execute simultaneously, and
- Local Governments also have inadequate capacity for managing and supervising construction projects.

Government is reviewing the hybrid procurement method with a view of harmonizing the guidelines, build the capacity of local governments to manage and supervise large projects, and have an inclusive procurement in which the local government are active participants in decision-making.

The unnecessary delays previously encountered under the PPDA Act 2003, have been addressed through its amendment enacted in 2021. The procurement lead times were shortened and the administrative review levels reduced. In addition, aggrieved parties may appeal to the High Court for redress but only on matters of law.

## **2.7 Long-outstanding Receivables**

The Audit Report revealed that the entities had long-outstanding receivables some of which relate to previous financial years.

The Accounting Officers attributed this to COVID-19 restrictions that inhibited the collection of budgeted revenues.

### **Committee Observation**

The Committee observed that the Accounting Officers were reluctant to enforce recoveries of the funds and may subsequently become hard to collect.

### **Recommendations**

The Committee recommends that;

- i) The revolving funds for the future programmes be covered or guided by a legal framework to provide for sanction and detailed programme management structures
- ii) The Accounting Officer should institute mechanisms to recover outstanding balances including developing clear recovery plans
- iii) Government adheres to timelines in provision of grants to the different programmes to align it with the reporting framework

### **Action status**

Government through the Ministry of Gender, Labour and Social Development together with the Local Governments has been re-evaluated YLP and UWEP and implemented the Parish Development Model as an alternative intervention.

IFMS has been upgraded to include the functionality to record and track receivables. This will facilitate the Accounting Officers in recording and tracking the recovery of grants under the different programmes.

### **2.8 Long-outstanding Payables**

The Audit Report noted that many local governments had outstanding payables; comprising of received deposits, and trade creditors. Outstanding payables some of which were in respect of previous financial years.

### **Committee Observations**

The Committee observed that;

- i) It was irregular and inconsistent with the existing financial regulations or the Accounting Officers to or the entity to maintain this level of outstanding payables as this could lead to litigation.
- ii) Commitments made by the Accounting Officers to clear the outstanding payables was insufficient compared to the amount of payables due.
- iii) The explanation of the COVID-19 pandemic given by Accounting Officers was unsatisfactory

### **Recommendations**

The Committee recommends that;

- i) Accounting Officers should desist from committing the Local Government to services they cannot pay for.
- ii) The Accounting Officers should ensure that the outstanding balance is budgeted for and cleared to avoid litigation.
- iii) The Accounting Officers should expeditiously clear the outstanding payables

### **Action status**

IFMS has been upgraded to include the functionality for recording and tracking of domestic arrears. Only declared and verified domestic arrears can be uploaded and paid under the domestic arrears IFMS functionality on the First in, First Paid basis.

Accounting Officers have been reminded in their appointment letters, and in the Budget Call Circulars not to commit Government beyond the approved budgets

## 2.9 Non-quantifiable Contingency Liabilities

The Audit Report revealed that a number of local governments had court cases brought against them mainly on land matters; Kumi district had 22 cases while Gulu City had 10 court cases.

The Accounting Officers indicated that there was laxity by the Attorney General to provide the entity with legal support and guidance in matters to do with representation in courts of law.

### Committee Observation

The Committee observed;

- i) Inadequate capacity of the local governments to deal with legal matters instituted against them
- ii) The regional offices of the Attorney General are under staffed and underfunded rendering them unable to effectively handle all the district Court cases

### Recommendations

- i) The Accounting Officers should adhere to the Auditor General's advice of seeking to engage the Attorney General for legal support
- ii) The Local Government and the Attorney General's Office should adequately budget for legal representation
- iii) The Office of the Attorney General should carry out adequate staff recruitment to improve effectiveness of the legal representation at regional level

### Action status

The PS/ST has brought the above recommendations to the attention of the Attorney General



## **2.10 Payment of Administrative Advances into Staff Personal Bank Accounts**

The Audit Report noted that some local governments made payments to individual staff personal bank accounts to implement several council activities instead of paying them to eligible suppliers and service providers.

### **Committee Observations**

The Committee observed that the funds advanced to staff personal bank accounts to implement activities could lead to misappropriation of funds.

### **Recommendations**

The Committee recommends that;

- i) The Accounting Officers in question should ensure full recovery of the unaccounted-for funds, three months from the adoption of the report or make good the loss
- ii) The PS/ST should hold the Accounting Officers personally liable and reprimand them for contravening the Local Government Financial and Accounting Regulations, 2007

### **Action status**

The PS/ST in the Budget Execution Circulars has reiterated that payments to individual staff personal bank accounts to implement Government activities is irregular. Accounting Officers should engage eligible suppliers and service providers, who should be paid after delivery of the goods/services.

## **2.11 Award of VAT Inclusive Contracts to Non-VAT Registered Persons**

The Audit Report revealed that some local governments awarded several contracts and made payments without proof of active VAT registration. As a result, VAT was paid to non-registered companies or those deregistered due to non-compliance.

The Accounting Officers explained that at the time of evaluation, the bidders had attached the VAT Registration Certificates as seen from the bidding documents and that there was an oversight in the verification of the authenticity of these documents. In other cases, the contracts committee based on the copies of registration and thought the above contractors were VAT registered and promised to do due diligence in the future to avoid a re-occurrence.

#### **Committee observations**

- i) The Districts made payments to non-VAT complaint companies contrary to Sections 35(3)(e) of the Local Government PPDA regulations, 2006
- ii) Paying monies to non-VAT registered entities caused financial loss to Government

#### **Recommendations**

The Committee recommends that;

- i) The PS/ST should hold the Accounting Officers personally liable and reprimand them for contravening Sections 35(3)(e) and 45(3)(d) of the Local Government PPDA Regulations, 2006
- ii) The amounts in question be recovered or the Accounting Officer makes good the loss within three months from the time of adoption of this report.

#### **Action status**

The Ministry of Finance, Planning and Economic Development has reviewed the procedures for accounting for VAT, and now requires Accounting Officers to withhold VAT and remit it directly to Uganda Revenue Authority.

#### **2.12 Lack of Land Titles**

Section 9(j) of Local Government Financial and Accountability Regulations (2007) requires the Accounting Officer to ensure safe custody of all assets of the Council.

A review of the list of land pieces owned by some Local Governments revealed that the district land was not titled; Kumi district had 58 pieces of land owned by the district but lacked titles.

#### **Recommendation**

The Committee recommends that the Accounting Officers should expedite the titling process for the affected pieces of land to avoid encroachment

#### **Action status**

The Permanent Secretary, Ministry of Lands, Housing and Urban Development has been requested to include the costs of surveying and titling of land in the next budget cycle. This activity will be phased over the medium term, starting with the most critical land parcels.

## 3.0 AUDIT OF LOWER LOCAL GOVERNMENTS

The Auditor General undertook an audit of a total of 2,048 Lower Local Governments (Sub-Counties, Town Councils and Divisions), covering two financial years 2018/2019 (762 LLGs) and 2019/2020 (1,286 LLGs). The following cross cutting issues were noted in the report;

### 3.1 Under-staffing

It was noted that 217 LLGs in FY 2018/2019 and 175 in FY 2019/2020 had significant staffing gaps averaging 48% and 60% shortages respectively. Details are in the table below.

| Financial Year | Approved positions | Filled | Shortage | Percentage shortage |
|----------------|--------------------|--------|----------|---------------------|
| 2018/19        | 3,847              | 2,008  | 1,842    | 48%                 |
| 2019/20        | 6,797              | 2,713  | 3,823    | 60%                 |

Source: OAG Analysis

Understaffing overstretches the available staff beyond their capacity, creates job-related stress to the fewer staff and negatively affects the level of public service delivery to the community.

The Accounting Officers explained that staffing at LLG level is a responsibility of the respective Districts and Municipal Councils.

### Recommendation

Accounting Officers were advised to follow up on the matter with the relevant authorities and ensure that most of the vacancies are filled.

### Action status

Wage budget shortfalls in the lower local governments did affect the recruitment of staff. The local governments were advised to carry out wage analysis for the vacant posts clearly stating the critical staff such as Heads of Departments, Medical workers, Teachers and Pharmacists.

Additional wage budgets were provided and the local governments advised to expedite the recruitment of the critical staff. The challenge however, is the attraction and retention of the critical staff given that some of these LLGs are located in hard to reach areas.

## 3.2 Shortfall in Local Revenue Collections

The LLGs sampled had approved budgeted total local revenue for the two (2) financial years amounting to UGX 91,399,324,016 (revised) out of which UGX 74,615,525,633(82%) was collected resulting into a shortfall of UGX 16,783,798,383(18%), as shown in the table below:

| Financial Year | Revised budget | Actual receipts | Variance       | Percentage performance |
|----------------|----------------|-----------------|----------------|------------------------|
| 2018/19        | 68,424,052,397 | 57,321,631,217  | 11,102,421,180 | 84%                    |
| 2019/20        | 22,975,271,619 | 17,293,894,416  | 5,681,377,203  | 75%                    |

Source: OAG Analysis

The Accounting Officers mainly attributed the underperformance of local revenue in the Financial Year 2019/2020 to the Covid-19 lock down which affected several of their major sources of local revenue.

### **Recommendations**

Accounting Officers should ensure that local revenue is collected as budgeted.

### **Action status**

New strategies such as; valuation of properties, review of local own revenue sources and rates, Integrated Revenue Administration System (IRAS) have been implemented by many local governments to boost revenue collections.

Covid-19 lock down adversely affected the performance of local revenue in the Financial Year 2020/2021.

### **3.3 Poor Quality of Financial Statements**

In the previous year's reports, the Auditor General noted that there was still a problem with the presentation of financial statements in the Lower Local Governments. In the financial years under review, it was noted that there was an improvement in the quality of financial statements with only 37 (6%) LLGs out of 627 and 22 (9%) out of 250 LLGs in financial years 2018/2019 and 2019/2020 respectively having qualified audit opinions.

However, the following matters were noted; UGX 202,282,811 was improperly accounted for in FY 2018/2019 and UGX 80,259,257 remained Un accounted for in FY 2019/2020.

The most common shortcomings were; Inconsistences in the amounts in the financial statements, errors in financial statements, incomplete financial statements and notes, wrong presentation of figures in financial statements,

failure to prepare financial statements and unsupported figures in the financial statements.

Preparation of financial statements is a stewardship role in which accountability for application of resources entrusted to Accounting Officers is reported to the stakeholders.

Failure to present financial statements properly impairs interpretation and analysis of entity performances.

The Accounting Officers attributed this to staff changes that were made in the middle of the financial year, difficulty in acquiring books of accounts from district stores and lack of training.

### **Recommendations**

Accounting Officers should liaise with responsible authorities to ensure that the staffing gaps are addressed and the necessary trainings undertaken.

### **Action status**

The PS/ST in the Budget Call Circulars has provided wage budget resources and emphasized to local government Accounting Officers to fill critical vacant positions.

In addition, Accountant General's Office (AGO) has been providing training for accounts staff to obtain professional certification. The AGO has been providing capacity building on various Public Finance Management areas including financial reporting.

### 3.4 Land Management in Lower Local Governments

#### Committee Observations

The Auditor General noted that 331 (53%) Lower Local Governments out of the 627 in FY 2018/19 and 188 (75%) Lower Local Governments out of 250 in FY 2019/20 sampled respectively had land management challenges such as:

- 41 LLGs in FY 2018/19 and 24 LLGs in FY 2019/20 respectively lacked land titles, including where their headquarters are located.
- 41 LLGs in FY 2018/19 and 24 LLGs in FY 2019/20 respectively lacked Area Lands Committees or the Committees were non-functional.
- In the circumstances, there is risk of persons trespassing, disputes and litigation.

Majority of Accounting Officers explained that it was the responsibility of the Districts or Municipal Councils to obtain these land titles. A number of other Accounting Officers cited insufficient funding as a cause for failure to have fully functional land committees.

#### Recommendations

Government should consider taking deliberate steps to fund the survey and titling of all government land in the Local Governments.

Accounting Officers were also advised to constitute Area Land Committees

#### Action status

The Permanent Secretary, Ministry of Lands, Housing and Urban Development has been requested to issue further guidance to local governments on the process of acquisition of titles for Government land under their jurisdiction.

In addition, the PS/ST has brought the above recommendation to the attention of the Permanent Secretary, Ministry of Local Governments

### **3.5 Lack of Urban Physical Planning Committees**

#### **Committee Observations**

The report noted that 32 Town Councils in the two financial years had no Urban Physical Planning Committees in place or the Committees were not fully functional.

Consequently, physical developments undertaken within the physical planning areas may not have been well determined and managed by the respective LLGs. This was mainly attributed to lack of sufficient funds to operationalize the Physical Planning Committees.

#### **Recommendations**

Government should engage the relevant stakeholders to nominate members and ensure that the committees are fully constituted and functional.

#### **Action status**

The PS/ST has brought the above recommendation to the attention of the Permanent Secretary, Ministry of Local Governments



## 4.0 SECTION B: ENTITY SPECIFIC ISSUES

During the year under review, the Auditor General carried out the audit of 139 Local Governments and issued unqualified audit opinions to 133 Local Governments. Six (6) Local Governments were issued with qualified audit opinions, and there were no adverse or disclaimer audit opinions.

The following Local Governments obtained qualified audit opinions;

- i) Abim District Local Government
- ii) Apac District Local Government
- iii) Butaleja District Local Government
- iv) Kole District Local Government
- v) Oyam District Local Government, and
- vi) Masindi Municipal Council

### 2.1 ABIM DISTRICT LOCAL GOVERNMENT

#### 2.2.1. Anomalies in Management of the Pension and Salary Payrolls

The Auditor General noted a number of anomalies during review of the district pension and salary payrolls such as; Failure to submit wage estimates to MoPS, and over-payments of salaries worth UGX 2,172,750.

#### Action status

The District had capacity gaps in its Human Resource Department. These gaps have been addressed through training carried out by the Ministry of Public Service, and the Principal Human Resource Officer of Otuke District who is also a national trainer.

This has improved the timely submission of wage estimates, and payments of salaries by the District.

### 2.2.2. Delayed Access to Salary and Pension Payrolls

It was observed that there was delayed access to payroll by one hundred two (102) new employees and six (06) Pensioners; failure to utilize wage funds of UGX 0.8 billion; un-deducted PAYE from political leaders' gratuity resulting in unpaid tax of UGX 8,922,417 and payment of nineteen (19) staffs worth UGX 46,305,014 off the IPPS.

#### Action status

- i) Failure to utilise wage funds was due to delays in processing employee supplier numbers. The officers have since accessed the payroll.
- ii) The non-deduction of PAYE from political leaders' gratuity was due to capacity gaps in the Human Resource Department. Uganda Revenue Authority has trained Officers on management of income tax/Pay As You Earn.
- iii) Payments off the IPPS related to Parish Chiefs. These Parish Chiefs accessed IPPS in July 2022 and are now being paid through the system.

### 2.2.3. Poor Budget Performance

The Auditor General noted a number of issues in the implementation of the approved budget such as; incomplete works, partial implementation of activities, under absorption of funds worth UGX 1.3 billion that was swept back to Consolidated Fund account, under performance of the donor/releases from other government units worth UGX 5.87 billion, and delayed submission of quarterly monitoring reports to OPM/MoFPED.

#### Action status

- i) **Incomplete works**  
This was due to late initiation of procurements, and weaknesses in the procurement processes. The Head PDU was interdicted and subsequently resigned from Service. A submission has been made to DSC for a replacement.

- ii) **Under-absorption of funds worth UGX 1.3 billion**  
Late initiation of procurements and poor coordination by user departments, including guidance on what laboratory equipment to be procured led to under absorption of funds. Other under absorbed funds were for the upgrading of Wilela Health Centre II to Health Centre III due to late initiation of procurement.
- iii) **Under performance of the donor funds/releases from other government units**  
COVID-19 disruptions affected the cash in-flows of Government and Development Partners. As a result, Government suppressed its approved budget including Other Government Transfers, so as to fund emergency activities relating to the pandemic.
- iv) **Delayed submission of quarterly monitoring reports to OPM/MoFPED**  
The District does not have a substantive District Planner and this has affected the timely submission of quarterly monitoring reports to OPM/MoFPED. The Community Development Officer is performing the duties of the District Planner. The District is in the process of replacing him by recruiting a substantive senior planner.

#### **2.2.4. Long-outstanding Payables**

The Auditor General noted that the district has outstanding payables worth UGX 43,702,393 by the end of the year.

#### **Action status**

IFMS has been upgraded to include the functionality for recording and tracking of domestic arrears. Only declared and verified domestic arrears can be uploaded and paid under the domestic arrears IFMS functionality on the First in, First Paid basis.

Accounting Officers have been reminded in their appointment letters, and in the Budget Call Circulars not to commit Government beyond the approved budgets.

### **2.2.5. Over Payment of Pension**

Over payment of pension to 11 pensioners worth UGX 2,318,376 arising from wrong salary scale

#### **Action status**

The Pension amounts have been reconciled and the salary scales adjusted accordingly.

The Ministry of Public Service is rolling out the Human Capital Management (HCM) system to replace the Integrated Payroll Payment System (IPPS) which has more robust features to manage both salary and pensions payrolls.

### **2.2.6. Mischarges**

The Auditor General noted Misclassification of Expenditure worth UGX 296,881,279

#### **Action status**

The PBS has undergone an upgrade which addressed some of the challenges of selecting the correct accounting codes. During budgeting for FY 2022/23 most of the challenges were addressed and no mischarges are expected. In-house mentorship has been continually conducted, and internal controls introduced to deal with budget indiscipline, and poor budgetary practices.

### **2.2.7. Failure to Pay Pensioners**

It was noted that UGX 130,582,400 accrued within the year and had not yet been paid to pensioners by the year end.

#### **Action status**

The Ministry of Public Service is rolling out the Human Capital Management (HCM) system to replace the Integrated Payroll Payment System (IPPS) which has more

robust features to manage both salary and pensions payrolls. The system automatically transfers retiring officers from the active payroll to pension's payroll and also generates the gratuity and pension payable.

#### **2.2.8. Under-remittance of Salaries Deduction**

The report noted under-remittance of salaries deduction worth UGX 352,211,360

##### **Action status**

The under-remittance of salary deductions was due to capacity gaps in the Human Resource and Accounts Departments. Uganda Revenue Authority and Ministry of Public Service have since trained Officers on management of income tax/Pay As You Earn and other deductions.

The Accountant General has instituted a policy of paying salaries and remitting the attendant deductions at the same time.

#### **2.2.9. Charging Pension and Gratuity on Wrong Codes**

It was noted that funds amounting to UGX 2 million relating to pension and gratuity were incorrectly charged on salaries and pension codes.

##### **Action status**

The PBS has undergone an upgrade which addressed some of the challenges of selecting the correct accounting codes. A revised Chart of Accounts was used in the budgeting for FY 2022/23 in which most of the challenges were addressed and no mischarges are expected. In-house mentorship has been continually conducted, and internal controls introduced to deal with budget indiscipline, and poor budgetary practices.

### **2.2.10. Lack of an Approved Strategic Plan that is Aligned to NDP-III**

It was noted that the Abim district did not have an approved strategic plan that is aligned to NDP-III and therefore lacks a certificate of compliance issued by National Planning Authority.

#### **Action status**

The Strategic Plan was prepared and has been approved by National Planning Authority.

### **2.2.11. Lack of Land Title**

It was noted that Nyakwae Seed Secondary School lacked a land title.

#### **Action status**

Land surveying for the school was done and submitted to Mbale land office. But due to boundary dispute between Abim and Napak districts where both have claims on the area, issuance of land titles has been withheld. The matter is now with the Ministry of Lands, Housing and Urban Development.

### **2.2.12. Irregular Disbursement of NUSAF Funds**

The Auditor General noted irregular disbursement of UGX 175,113,737 for NUSAF funds.

#### **Action status**

The irregular disbursement of funds has been brought to the attention of the DPP, IG and CID for investigation and appropriate action.

### **2.2.13. Award of a VAT Inclusive Contract to a Non-VAT Registered Supplier**

It was noted that a VAT inclusive contract was awarded to a non-VAT registered supplier worth UGX 610,546,414 with a VAT amount UGX 109,898,354.

### **Action status**

The issue of awarding VAT inclusive contracts to non-VAT registered suppliers has been resolved by requiring the paying entities to with-hold and pay 50% of the VAT payable to Uganda Revenue Authority (URA). The supplier would then be required to account for the full VAT to URA.

### **2.2.14. Unaccounted for Funds**

Unaccounted for funds worth 1,412,507,436 at year end.

### **Action status**

This matter was picked up the Inspectorate of Government- Moroto branch. The bulk of these un-accounted for funds related to Development Initiative for Northern Uganda (DINU) funds.

The then Chief Finance Officer (CFO) was interdicted on 22<sup>nd</sup> June 2022 and has been recommended for retirement in public interest.

### **2.2.15. Errors in Financial Statements**

The Auditor General noted in the Statement of Appropriation: Transfers from other Government units indicated warrants of UGX 848,098,183; Actuals and note 5 of UGX 1,073,044,082; posting a difference of UGX 224,945,899 while the trial balance indicated a figure of UGX 1,194,065.

### **Action status**

There is inadequate capacity especially in the Local Governments to prepare quality financial statements. The Office of the Accountant General is addressing this through professional certification, in-house capacity building, and automation of financial statements on Integrated Financial Management System (IFMS).

These capacity issues are progressively being resolved as can be noted through the reducing number of qualified financial statements in local governments over time.

#### **2.2.16. Overstatement of Operating, Investing and Financing Activities**

It was noted that the Statement of Cash Flows indicated a total amount from operating, investing and financing activities as UGX 17,850,462,341 while the payment file indicated UGX 17,808,775,851 leading to an overstatement of UGX 41,686,490.

#### **Action status**

There is inadequate capacity especially in the Local Governments to prepare quality financial statements. The Office of the Accountant General is addressing this through professional certification, in-house capacity building, and automation of financial statements on Integrated Financial Management System (IFMS).

These capacity issues are progressively being resolved as can be noted through the reducing number of qualified financial statements in local governments over time.

#### **2.2.17. Unsupported Receivables Figure**

It was noted that the unsupported receivables figure in the Statement of Financial Position of UGX 1,683,003,314 as there is no schedule of receivables attached to the financial statement.

#### **Action status**

There is inadequate capacity especially in the Local Governments to prepare quality financial statements. The Office of the Accountant General is addressing this through professional certification, in-house capacity building, and automation of financial statements on Integrated Financial Management System (IFMS).



These capacity issues are progressively being resolved as can be noted through the reducing number of qualified financial statements in local governments over time.

## **2.2 APAC DISTRICT LOCAL GOVERNMENT**

### **2.2.1. Non-recognition of Advance Payments to Contractors**

The entity paid a total UGX 1,197,441,431 to three Contractors; namely Bygon Enterprises Limited, KLR (U) Limited and Delmaw Enterprises Limited at contract sum of UGX 477,409,253, UGX 305,882,904 and UGX 414,149,184 respectively, to execute specific various contracts. Audit revealed that the total amount was not recognized under advances to form part of receivables in the statement of financial position.

On whether the Accounting Officer has the right to advance payments to contractors towards the close of the financial year 2020/21 without due diligence, the District Health Officer indicated and confirmed that works were completed and payment of advances to the Contractors was inevitable.

#### **Committee Observations**

The Committee observes that the payments to the Contractors were purposefully backed by ill -motives of defrauding Government.

#### **Recommendations**

The Committee recommends that the Accounting Officer should recover the advances paid to the contractors

#### **Action status**

The advance payments to contractors for drilling of boreholes, and upgrade of health centres were part of the signed agreement which were made against advance payment securities/guarantees. The works were completed and the payments that had been advanced are part of the full payments made.

### **2.2.2. Irregular Payment of Salary and Salary Arrears to Staff**

The entity irregularly paid salary and salary arrears amounting to UGX 571,199,403 to 25 individuals and to the Estate of the late Otik Fautino.

Audit further revealed that the payments were not generated by the Human Resource Department.

#### **Committee Observations**

The Committee observes that the payment of salary and salary arrears without the requisite authorization was irregular and therefore not possible to ascertain whether it was made to the rightful beneficiaries.

#### **Recommendations**

The Committee recommends that CID conducts further investigations into this payment with the view of prosecuting the established culprits.

#### **Action status**

The Officer was interdicted and the matter is before the Anti-Corruption Court.

### **2.2.3. Mischarge of Expenditure**

The entity mischarged UGX 413,137,977 on items which did not reflect the nature of the expenditure; which impacted on credibility of the financial statements. Audit revealed that misclassification of expenditure impacts on the credibility of financial statements since the figures reported therein do not reflect the true amounts expended on the respective items.

The Accounting Officer stated that the entity had undertaken corrective measures not to mischarge expenditures.

The Committee advised the Accounting Officer to reflect the right account codes and items to charge at the time of planning and budgeting for the entity.

**Committee Observations**

The Committee observes that the Accounting Officer did not critically examine the account codes to be charged at the time of sanctioning or authorizing for payments.

**Recommendations**

The Committee recommends that the Accounting Officer should always respect the budget allocations and ceilings under the account codes.

The Committee further recommends that the Accounting Officer should always seek for clarification from the Accountant General in the event of uncertainty on the account codes to charge.

**Action status**

The mischarged expenditure arose due to capacity challenges and oversight during the budgeting processes. The Chart of Accounts has been revised and IFMS upgraded to include Heads of Department as vote cost centre heads; to improve ownership and clarity on the budget items to be charged. This reform is expected to minimize instances of mischarged expenditures.

**2.2.4. Erroneous Remittance of Deductions**

Audit revealed that without evidence of payroll deductions made for Apac Municipal Council, Apac Sub County, Chegere Sub County, Ibuje Sub County and Akokoro Sub County, the entity transferred UGX 60,468,750 from the wage provisions to the above-mentioned entities without any justifications.

**Committee Observations**

The Committee observed that the creation of Kwanja District Local Government disrupted payroll deductions leading to erroneous remittances of funds.

## Recommendations

The Committee recommends that the Accounting Officer should reconcile the entity's payroll register to avoid possible cases of erroneous remittance

## Action status

The subdivision of Apac District to create Kwania District Local Government among others led to challenges in separation of the payroll leading to unprecedented delays in salary payment and erroneous remittance of deductions. The issues surrounding the separation of the entity's payroll have been resolved.

### 2.2.5. Payment of Un-disclosed Domestic Arrears

The Accounting Officer authorized payments amounting to UGX 30,430,093 relating to payables incurred in prior years but were never disclosed in the financial statements for the year ended 30<sup>th</sup> June, 2020; contrary to the Accountant General's advice.

Audit observed that there was overstatement of FY 2019/2020's net worth and overstatement of expenditures of FY 2020/21 by the same amount.

#### Committee Observations

The Committee observed that the Accounting Officer has for two consecutive financial years not disclosed domestic arrears totalling to UGX 30,430,093 in the financial statements.

## Recommendations

The Committee recommends further investigations be carried out by the CID with view of establishing possible fraud for prosecution.

**Action status**

The domestic arrears have been disclosed in the financial statement for FY 30<sup>th</sup> June 2022 as an adjustment to the accounts.

**2.2.6. Late Submission of Wage Estimates**

The Audit Report revealed that the entity did not submit the wage estimates as required. The Accounting Officer admitted to the audit findings; and undertook to take corrective action to adhere to Paragraph 2.2 of the Establishment Notice No.2 of 2019.

**Committee Observations**

The Committee observed that the Accounting Officer delayed by 41 days to submit wage estimates to the Ministry of Public Service after the required date of 30<sup>th</sup> September.

**Recommendations**

The Committee recommends that the Accounting officer should ensure adherence to Paragraph 2.2 of Establishment Notice No.2 of 2019 on submission of wage estimates before 30<sup>th</sup> September.

**Action status**

The PBS was upgraded and all budget estimates (including estimates for wage, pension and gratuity) are submitted online through the system, within the statutory timelines.

### **2.2.7. Under-absorption of Funds**

The Audit Report revealed that the entity received UGX 16,952,272,381 and absorbed only UGX 16,061,885,795 leading to an unspent balance of UGX 890,386,586 at the close of the financial year.

The Accounting Officer admitted to the audit query, and attributed it to the COVID-19 pandemic and the non-functionality of Apac District Service Commission at the time. The entity's staff structure was reported to have vacant staff positions; namely District Engineer, District Planner and the Human Resource Officer.

#### **Committee Observations**

The Committee observed that the outbreak of the COVID-19 pandemic occasioned the under-absorption of funds.

#### **Recommendations**

The committee recommends that the Accounting officer should apply to Ministry of Finance, Planning and Economic Development to re-vote the funds to facilitate implementation of planned activities.

#### **Action status**

COVID-19 disrupted the implementation of several Government activities and Accounting Officers were advised to include the affected activities in the subsequent work plans.

The PS/ST in the Budget Call Circulars has always advised Accounting Officers of District Local Governments to prioritise the recruitment of critical positions especially Heads of Department.

### **2.2.8. Over/Under-payment of Salary**

The Audit Report revealed that there were variances between amounts on the approved payroll and payments to individual employees leading to an over and under-payment of salary of UGX 168,951,417 and UGX 41,430,436 respectively.

#### **Committee Observations**

The Committee observed that there were inadequacies in the management of Apac District Local Government's payroll.

#### **Recommendations**

The Committee recommends that the Accounting Officer should adhere to the Auditor General's advice with Section B-a (7) of the Uganda Public Service Standing Orders, 2010.

#### **Action status**

The Ministry of Public Service is rolling out the Human Capital Management (HCM) system to replace the Integrated Payroll Payment System (IPPS) which has more robust features to manage both salary and pensions payrolls.

### **2.2.9. Over/Under/Non-payment of Pension/Gratuity**

The Audit Report revealed that there were variances between amounts on the approved payroll and payments to individual pensioners leading to over-payment of UGX 764,207,203; contrary to Article 254(1) and (3) of the 1995 Constitution (as amended). The audit further revealed that the entity accrued UGX 702,052,938 as pension arrears that had not been paid to pensioners by the close of the year.

#### **Committee Observations**

The Committee observed that there was poor management of pension payroll in Apac District Local Government.

## Recommendations

The Committee recommends that the Accounting Officer should ensure recovery of over-paid pension amounts from the affected retired staff.

## Action status

The case is before the Anti-Corruption Court.

### 2.2.10. Payment of Non-existent Employees

The Audit Report revealed that the entity paid UGX 4,084,006,413 to 748 non-existent staff; that were not on the IPPS payroll register and also lacked necessary documentation to support their existence.

The Accounting Officer attributed the anomaly to merger of the Apac District primary school teacher's payroll that was merged and migrated to Kwania District Local Government since March 2020 to date.

## Committee Observations

The Committee observes that creation of new local governments disrupts and distorts payroll and human resource management functions of both the old and new local governments. For instance, staff of either local governments could still feature on the payroll registers of the other local governments and their remuneration could be construed as paying ghost employees.

## Recommendations

With support from the Ministry of Public Service, the Human Resources Officers/Accounting Officers of the District Local Governments of Apac and Kwania, should disaggregate staff lists with the view of confirming staff that are in the service of their respective local governments.



The Office of the Auditor General conducts forensic audit on payroll registers of the District Local Governments of Apac and Kwanja, with a view of ascertaining whether the actual payments were made to existing employees or not.

#### **Action status**

The Ministry of Public Service is rolling out the Human Capital Management (HCM) system to replace the Integrated Payroll Payment System (IPPS) which has more robust features to manage both salary and pensions payrolls.

The Minister of Finance Planning and Economic Development vide HRM 155/222/02 dated 29<sup>th</sup> November 2022 has requested the Auditor General to carry out a special audit on wage, pension and gratuity payroll management process across Government.

#### **2.2.11. Payment of Salary using Wrong Scales**

The Audit Report noted that the entity paid salaries to 18 employees using wrong salary scales leading to over-payments of UGX 1,517,904 contrary to Section B-a (6) and (7) of Uganda Public Service Standing Orders, 2010. The Accounting Officer attributed this to the IPPS inadequacies where primary school teacher's quotas on IPPS were insufficient in comparison with the approved establishment.

#### **Committee Observations**

The Committee observed that payment of employee's salaries by the Accounting Officer without following the right salary scales contravenes Section B-a (6) and (7) of Uganda Public Service Standing Orders, 2010.

#### **Recommendations**

The Accounting Officer should recover UGX 1,517,904 from the respective recipients and always ensure that salary amounts are reconciled to salary scales before payments are made.

**Action status**

The Ministry of Public Service is rolling out the Human Capital Management (HCM) system to replace the Integrated Payroll Payment System (IPPS) which has more robust features to manage both salary and pensions payrolls.

**2.2.12. Delayed Deletion of Staff from Payroll**

The Audit Report noted that the entity delayed to delete 2 staff who had either retired, transferred, absconded or died, from the salary payroll contrary to Section B-a (12) of the Uganda Public Service Standing Orders, 2010, thus leading to illegal payment of UGX 2,257,209.

The Accounting Officer explained that all records for the two (2) staff who had resigned their positions were deleted in time; and that their files were available. However, the said files were not availed for audit verification.

**Committee Observations**

The Committee observed that the records of the said two (2) officers were not deleted in time as required under Section B-a (12) of the Uganda public Service Standing Orders, 2010.

**Recommendations**

The Accounting Officer should recover UGX 2,257,209 illegally paid to the two(2) staff and ensure timely deletion of all staff who either retire, resign, die or abscond from duty.

**Action status**

Recoveries have been made from the beneficiaries' retirement benefits.

### **2.2.13. Over/Under/Non-remittance of Deductions**

The Audit Report noted that the entity deducted UGX 1,461,588,003 from employee's salaries for remittance to different beneficiaries. However, UGX 2,357,026,039 was remitted leading to an over remittance of UGX 906,079,942. The report also revealed that there was an obligation of UGX 10,641,906 created at the close of the year which may give rise to penalties and fines.

The Accounting Officer attributed the over-remittance to the merger of payroll registers of Apac and Kwanja District Local Governments which were made from primary teachers who appeared under Kwanja District Local Government payroll register whose deductions were extracted and paid as required.

#### **Committee Observations**

The Committee observed that the over remittance of UGX 906,097,942 of which UGX 472,266,424 was paid to URA; UGX 362,500 to the District General Fund Account; UGX 23,656,788 to UNATU; and UGX 409,794,230 to UCLA was occasioned by the failure of Apac and Kwanja District Local Governments to streamline their respective payrolls.

#### **Recommendations**

Apac and Kwanja District Local Governments should expeditiously harmonise their respective payrolls in order to avoid the same situation from happening in future.

The Accounting Officer should recover the UGX 906,097,942 erroneously remitted to URA, the District General Fund Account, UNATU and UCLA.

#### **Action status**

Apac and Kwanja District Local Governments have harmonised their respective payrolls.

The Ministry of Public Service is rolling out the Human Capital Management (HCM) system to replace the Integrated Payroll Payment System (IPPS) which has more robust features to manage both salary and pensions payrolls.

#### **2.2.14. Unauthorised Loans Deductions**

The Audit Report noted that the entity made unauthorized loan deductions of UGX 35,749,336 from 20 employees that neither had letters of undertaking nor existed in the 'active deduction' or the 'my approval' reports on the Payroll Deduction Management System.

##### **Committee Observations**

The Committee observed that the unauthorized loan deductions were as a result of direct collaboration between the affected staff and the lending agencies outside the knowledge of the Accounting Officer.

##### **Recommendations**

Every lending agency should sign memoranda of understanding with Local Governments before entering into any lending transactions with the staff. All loan applications initiated by the borrowers should be approved by the Accounting Officer.

##### **Action status**

Copies of letters of undertaking are currently filed on the staff personal files.  
The Officers are encouraged to obtain loans from only licensed commercial banks. All loan applications are signed by the Accounting Officer.

#### **2.2.15. Delayed/Non-remittance of Deductions to UCLA/UBA**

The Audit Report noted that the entity made payroll deductions of UGX 289,000,000 and delayed to remit the same to UCLA/UBA for a period of up to 24 days, contrary to Paragraph 4.6.1 of Establishment Notice No.2 of 2019 which requires payroll deductions to be remitted concurrently with salary payments.

The Accounting Officer reported that the delays were due to the erroneous merger of the payrolls of Apac and Kwanja District Local Governments making it difficult to verify and extract beneficiaries who were eligible.

### **Committee Observations**

The Committee observes that delayed remittance of deductions to UCLA/UBA contravenes Paragraph 4.6.1 of Establishment Notice No.2 of 2019 which affects the operations of these institutions.

### **Recommendations**

The Committee recommends that the Accounting Officer should ensure that remittances to UCLA/UBA are done concurrently with salary payments.

### **Action status**

The remittances to UCLA/UBA delayed for a period for 24 days but it was eventually remitted. Currently, the remittances to UCLA/UBA are done concurrently with salary payments.

### **2.2.16. Delayed/Non-remittance of PAYE Deductions to URA**

The Audit Report noted that the entity made PAYE deductions of UGX 1,127,774,290 but delayed to remit the same to Uganda Revenue Authority for a period of up to 22 days.

The Accounting Officer stated that the delays were occasioned by the erroneous merger of the payrolls of Apac and Kwanja District Local Governments making it difficult to verify and extract beneficiaries who were eligible.

### **Committee Observations**

The Committee observed the following:

- i. Delayed and non-remittance of deductions to URA was a breach of Section 123(1) of the Income Tax, 1997 as amended.

- ii. Apac District Local Government risks being subjected to penalties associated with failure to remit PAYE to URA with in statutory timelines.

### **Recommendations**

The Accounting Officer should liaise with Ministry of Public Service to streamline the payroll.

The Accounting Officer for Apac District Local Government should adhere to the Auditor General's advice to ensure timely remittance of PAYE to URA.

### **Action status**

The remittances to URA delayed for a period of 22 days but it was eventually remitted. Currently, the remittances to URA are done concurrently with salary payments.

### **2.2.17. Non-deduction of PAYE from Political Leaders**

The Audit Report noted that entity did not subject political leaders' gratuity to computation of PAYE in IPPS, leading to an under deduction of UGX 7,747,080, contrary to Section 19(1)(a) of the Income Tax Act.

The Accounting Officer attributed the non-deduction of PAYE from political leaders to the lack of clear guidance from the Ministry of Public Service.

### **Committee Observations**

The Committee observed that the PAYE from political leaders' gratuity was not subjected to computation of PAYE contrary to Section 19(1)(a) of the Income Tax as amended due to limited guidance from Ministry of Public Service.

### **Recommendations**

The Committee recommends that Ministry of Public Service should automate the payment system to provide for deduction of PAYE from political leader's gratuity.

### **Action status**

The PAYE deduction against the political leaders' gratuity has been automated on the IPPS.

The Ministry of Public Service is rolling out the Human Capital Management (HCM) system to replace the Integrated Payroll Payment System (IPPS) which has more robust features to manage salary, gratuity and pensions payrolls.

### **2.2.18. Delayed Access to Salary Payroll**

The Audit Report noted that the entity failed to facilitate 11 newly recruited employees to access the salary payroll period of up to 6 months, contrary to Section B-a (11) of the Uganda Public Service Standing Orders, 2010 that requires Accounting Officers to ensure that public officers access the payroll within four (4) weeks from the date on assumption of duty.

The Accounting Officer attributed the delayed access to salary payroll to the delay in obtaining TIN and supplier numbers for newly recruited employees.

#### **Committee Observations**

The Committee observed that the Accounting Officers did not provide adequate support and guidance to newly appointed staff to enable them access the salary payroll.

### **Recommendations**

The Accounting Officer should in future, ensure to adhere to Section B-a (77) of the Uganda Public Service Standing Orders which require Accounting Officer to ensure that public officers access the payroll within four (4) weeks from the date of assumption of duty.

The Accounting Officer should ensure payment of salary arrears to newly appointed staff that accrued from delayed access to payroll.

### **Action status**

After new staff accepting appointment and during their induction, the staff are informed and sensitized of the documents required to access the payroll.

Management always ensures timely access to the payroll for newly recruited staff upon verification of their documents, and their arrears paid.

### **2.2.19. Delayed Access to Pension Payroll**

The entity failed to facilitate one Pensioner to access the pension payroll for a period of up to 3 months after retirement contrary to Paragraph 5.1 of Establishment Notice No.1 of 2020 which requires responsible officers to initiate and complete the processing of retirement benefits within six months to the mandatory retirement date.

The Accounting Officer attributed the delay to settle pension claims to non-appearance of the Pensioners on Apac District local government payroll register which made it difficult to verify.

#### **Committee Observations**

The Committee observed that expeditious access to the pension payroll requires collaborative efforts between the entity management and retired staff.

### **Recommendations**

The Accounting officer should adhere to section B-a (11) of the Uganda Public Service Standing Orders, 2010 which bestows on the responsible officers the responsibility of initiating and completing the processing of retirement benefits within six months to the mandatory retirement date; and.

The Accounting Officer should ensure that the processing of pension arrears that accrued on account of delayed access to the pension payroll is expedited.



### **Action status**

Ministry of Public Service has introduced the Human Capital Management (HCM) system which has more robust features for the management of both the active and pension payrolls. The HCM has been rolled out in a phased manner with 60 entities during FY 2022/23 and a further 100 entities will be on-boarded in FY2023/24 and the rest in subsequent years.

### **2.2.20. Payroll Changes not Supported by Signed Pay Change Reports**

The Audit Report revealed that the entity paid salaries worth UGX 210,381,853 to 98 employees without signed pay change reports, contrary to Section 6.2.1 of Guidelines and Procedures for Decentralized Salary Payment Processing 2014, which requires that any changes on the payroll should be supported by pay change reports.

The Accounting Officer attributed this to factors ranging from duplicate records, and refund of excessive loan deductions to erroneous double payments.

### **Committee Observations**

The Committee observed the following:

The Accounting Officer disregarded the Guidelines and Procedures for Decentralized Salary Payment Processing, 2014 and effected payments to staff.

Salary payments without signed pay change reports could lead to system abuse, inaccuracies and flaws in the salary administration policies of the Local Governments.

### **Recommendations**

The Committee recommends that the Accounting Officer should adhere to Paragraph 6.2.1 of the Guidelines and Procedures for Decentralized Salary Payment Processing, 2014.

## Action status

Changes to salary payments are now supported with signed pay change reports.

Ministry of Public Service has introduced the Human Capital Management (HCM) system which has more robust features for the management of both the active and pension payrolls. The HCM has been rolled out in a phased manner with 60 entities during FY 2022/23 and a further 100 entities will be on boarded in FY2023/24 and the rest in subsequent years.

### 2.2.21. Non-submission of Monthly Wage, Pension and Gratuity Performance Analysis

The Audit Report revealed that the entity did not prepare monthly wage, pension and gratuity performance analysis; and thus, did not submit quarterly returns on payroll to Ministry of Public Service, contrary to Paragraph 2.1 of Establishment Notice No.1 of 2020.

The Accounting Officer attributed the anomaly to challenges in analysing the District Local Government's payroll on a monthly basis since the District had only 45% of its staff on its payroll register because all the primary school teachers were wrongly merged on Kwania District Local Government payroll register by Ministry of Public Service. The Accounting Officer attributed the over-remittance to the merger of payroll registers of Apac and Kwania District Local Governments which were made from primary teachers who appeared under Kwania District Local Government payroll register whose deductions were extracted and paid as required.

### Committee Observations

The Committee observed that the failure to disaggregate the payroll registers of Apac and Kwania District Local Governments was responsible for the anomalies in the payroll management at the time of audit. The Accounting Officer did not submit the monthly wage pension and gratuity performance analysis for the year under review

## Recommendations

The Committee recommends that for subsequent financial years, accounting officers should adhere to Paragraph 2.7 of establishment Notice No.7 of 2020 so as to avoid cases of accumulated arrears and under-absorption of wage pension and gratuity budgets.

## Action status

The PBS and its interface with IFMS have been upgraded and this has improved preparation of monthly wage, pension and gratuity performance analysis; and the submission of quarterly returns on payroll. These reports are publicly accessible on [www.budget.finance.go.ug](http://www.budget.finance.go.ug)

### 2.2.22. Non-validation of Employees, Pension, Pensioners/Beneficiaries on the IPPS

The Audit Report revealed that verification forms and copies of the verification cards for all employees and all pensioners/beneficiaries were not on their files. The Accounting Officer explained that no pension processing could proceed without a validation except that the validation reports were not printed and attached.

## Committee Observations

The Committee observed that at the time of audit many staff had inconsistencies in their records on the IPPS and those at NIRA.

## Recommendations

The Committee recommends that for any recruitment and staff appointments, the Accounting Officer should ensure that the information provided by the applicant is consistent with the information available with NIRA database.

### **Action status**

During the induction of staff, they are informed and sensitized of the documents required to access the payroll. Those with inconsistent data are referred to NIRA while some are referred to Court to swear affidavits.

### **2.2.23. Inconsistencies between IPPS and Entity Payroll Registers.**

The Audit report revealed there were variances of UGX 5,085,389,132 between the figures in the Ministry of Public Service IPPS and entity/ payroll register.

The Accounting Officer explained that the general concern was that Apac District Local Government primary teachers' payroll was merged and migrated to Kwania District Local Government since March 2020 to date; and for other cases other than primary teachers, responses are against each individual record but no evidence was availed for verification.

### **Committee Observations**

The Committee observed that inaccuracies and inconsistencies between the IPPS and the entity's Payroll Registers was a recipe for manipulation and possible commission of fraud against Government employees.

### **Recommendations**

The Accounting Officers should conduct regular checks on the two systems/databases to ensure accuracy and consistency.

Ministry of Public Service should develop an integrated system to cover all functions of Human Resource, finance and other related functions to curb disjointed management systems.

The Accounting Officer should do due diligence on entity staff charged with the responsibility of payroll management.

The Accounting Officer should arrange for regular training and or capacity development among the entity staff on new systems and innovations.

**Action status**

The IFMS – IPPS interface has been upgraded and this has improved the management of the payroll.

Ministry of Public Service has also introduced the Human Capital Management (HCM) system which has more robust features for the management of both the active and pension payrolls. The HCM has been rolled out in a phased manner with 60 entities during FY 2022/23 and a further 100 entities will be on boarded in FY2023/24 and the rest in subsequent years.

HCM is being rolled out in a phased manner to ensure that there is adequate capacity building to facilitate efficient use of the system

**2.2.24. Effectiveness and reliability of the IPPS/NID Interface**

The Audit Report revealed a number of issues that inhibited the effective performance of the IPPS/NID interface. The Accounting Officer explained that the entity was in touch with Ministry of Public Service to resolve the challenges.

**Committee Observations**

The Committee noted limited awareness of the system usage and management occasioned by capacity gaps.

**Recommendations**

The Committee recommends that adequate training be provided to the users and effective support mechanism be put in place.

**Action status**

Ministry of Public Service upgraded the system interface and further conducted capacity building sessions.

### **2.2.25. Misleading Commentary on the Financial Statements by the Head of Finance**

The Auditor noted that the statements made by the Chief Finance Officer that the District's financial statements were prepared using modified cash accounting instead of modified accrual basis of accounting as approved by the Accountant General, were misleading to the users. The Accounting Officer acknowledged the anomaly and promised to have the accounts adjusted. However, the adjustment had not been made by the time of the audit report.

#### **Committee Observations**

The Committee observed that the commentary by the Head of Finance was misleading that it had a potential of giving a wrong impression about the entity's financial position.

#### **Recommendations**

The Committee recommends that the Accounting officer should always adhere to the guidance given by the Accountant General on the preparation of the financial statements

#### **Action status**

The Head of Finance commentary was erroneous but it has been adjusted with guidance from the Accountant General's Office.

### **2.2.26. Long-outstanding payables**

The Audit Report noted that the entity had long standing payables amounting to UGX 1,116,111,859 (Deposits of UGX 752,976,459, sundry creditors of UGX 236,996,000 and pension liability of UGX 126,139,400). The audit revealed that out of the outstanding payables balance of UGX 1,116,111,859, UGX 1,083,618,859 related to previous financial years.

The Accounting Officer did not present any responses to the audit query.

**Committee Observations**

The Committee observed that the Accounting Officer was reluctant to settle the payables as these have been outstanding for several years.

**Recommendations**

The Committee recommends that the Accounting Officer should budget for settlement of the payables to avoid litigation from the affected creditors

**Action status**

The upgraded IFMS has a new feature for capturing verified arrears details and its only declared arrears that can be paid.

The verified arrears were included in the subsequent budgets for settlement of domestic arrears.

**2.2.27. Long-outstanding Receivables**

The Audit Report noted that the entity has long-outstanding receivables amounting to UGX 1,601,547,743 of which UGX 721,547,749 were advances; and UGX 880,000,000 as other accounts receivable.

The Accounting Officer informed the meeting that the entity awaited receivables in respect of court cases where the judgment was passed in its favour.

**Committee Observations**

The Committee observed that there was laxity by the Accounting Officer to follow up with debtors to ensure settlement of their respective obligations.

**Recommendations**

The Accounting Officer should make recoveries of the advances from respective officers.

The Accounting Officer should expeditiously follow up the outstanding receivables from the debtors.

#### **Action status**

Management has written reminder letters to debtors and recovery is underway.

#### **2.2.28. Apparent Loss of Local Revenue from Sale of Ibuje Rock**

The Audit Report noted that the Accounting Officer and the Senior Administrative Secretary (SAS) of Ibuje Sub County, on behalf of the two entities entered into a contract with M/S Matrix Lands Limited to use Ibuje Rock for stone quarrying at a contract sum of UGX 105,000,000 for a period of 40 months without following procurement procedures as prescribed by the PPDA. This culminated into loss of revenue to the entity as there was no competition and use of procurement forms.

Audit further noted that out of the UGX 105,000,000 received by Ibuje Sub County, only UGX 30,000,000 was remitted to the District Cash Account (Imprest Accounts) instead of remitting the full UGX 105,000,000 to Apac District General Fund Account as required by the circular issued by the Permanent Secretary/Secretary to the Treasury. The balance of UGX 75,000,000 was purportedly retained by the sub-country contrary to the Budget Execution Circular. The remittance of UGX 30,000,000 was irregular implying that this revenue was not included in the reported local revenue of the District for the year. The funds were also not accounted for as the bank statements for the cash account and the cashbook were not provided for audit.

The Accounting Officer informed the meeting that the matter on the sale of Ibuje Rock in Apac District was under investigations by the Inspectorate of Government.



### **Committee Observations**

The Committee observed the following:

The Accounting Officer did not obtain the services of the Chief Government Valuer to determine the value of Ibuje rock before disposal;

The Accounting Officer did not follow the procurement process in the sale of Ibuje Rock;

The Accounting Officer did not remit the full amount of money received from the sale to the District's General Fund Account as required by the circular issued by the Permanent Secretary/ Secretary to Treasury;

The Accounting Officer remitted UGX 30,000,000 received from the sale of the rock irregularly to the District Cash Account (imprest Account) instead of the District General Fund Account; and

The Accounting Officer remitted to the District Cash Account only UGX 30,000,000 representing 28.57% of the total revenue collected from the sale of the rock, instead of the mandatory 35% which would be UGX 36,750,000

### **Recommendations**

The Accounting Officer should always ensure that the services of the Chief Government Valuer are obtained before disposal of any assets or property owned by local governments.

The Accounting Officer should always adhere to the requirements of the PPDA Act in the disposal of Government property.

The Accounting Officer should always adhere to the requirements of the circular issued by the PS/ST on accounts being used in respect of Government transactions.

The Accounting Officer should remit the outstanding UGX 6,750,000 to the District General Fund Account to make up the 35% requirement of royalties as required under section 85(3) of the local Government Act, 1997 as amended.

**Action status**

The matter is under investigation by CID upon the directive of Local Government Public Accounts Committee.

**2.2.29. Garnished funds/Withdrawal on Apac General Fund Account**

The Audit Report revealed that the entity parted with UGX 6,200,000 off its General Fund in respect of a court case filed against it by Mr. Omara Charles, details of which were not availed for audit. Audit further revealed that on 29<sup>th</sup> January 2021, the entity paid Mr. Odora Denis UGX 3,000,000 outside IFMS.

**Committee Observations**

The Committee observes that the matter was under adjudication by Court.

**Recommendations**

The Committee recommends that Parliament should await determination of the matter by Court.

**Action status**

The matter is still in Court.

**2.2.30. Existence of Strategic Plans that are Aligned to NDP III**

Audit revealed that the entity had prepared a Strategic Plan and awaited certification by National Planning Authority (NPA) before formulation of annual plans to achieve the objectives of NDPIII.

The Accounting Officer explained that the plan was submitted to NPA for certification and will be aligned to NDP III.

#### **Committee Observations**

The Committee observed that the plan was submitted to NPA, but the review had not been done.

#### **Recommendations**

The Accounting officer should continuously follow up on the review of the draft plans.

NPA should establish an effective mechanism of timely review and feedback to the Local Governments to facilitate timely approval.

#### **Action status**

The District Local Government has drafted a new strategic plan that is aligned to NDP-III and is following up on its approval by NPA.

### **2.2.31. Shortfall in Local Revenue Collections**

The entity budgeted to collect UGX 469,382,716 as local revenue during the year under review, but only collected UGX 207,094,928, leading to revenue shortfall of UGX 262,287,788.

On amounts the entity projected to collect during the financial year, the Accounting Officer indicated that UGX 436,000,000 was projected to be mobilized during the financial year 2020/21 but the entity only managed to raise UGX 114,000,000.

#### **Committee Observations**

The Committee observed that the shortfall in the collection was attributed to the COVID - 19 pandemic.

## Recommendations

The Committee recommends that the Accounting Officer institutes strategic mechanisms that would boost revenue collections in Apac District Local Government

## Action status

The Government has introduced the Integrated Revenue Administration System (IRAS) to streamline revenue collection and management in District Local Governments.

IRAS has been rolled out to 38 District Local Governments, 17 Municipal Councils, and 09 Cities; where it has boosted revenue collections, improved accountability and transparency in local revenue performance. The remaining Local Governments will be onboarded in a phased manner.

### 2.2.32. Shortfall in GoU Receipts

The entity budgeted to receive UGX 34,253,246,174 (revised) as grants from the Treasury; however only UGX 24,585,072,845 was received.

## Committee Observations

The Committee observed that the Covid-19 pandemic occasioned budget cuts across Government institutions thereby affecting performance of Government receipts.

## Recommendations

The Committee recommends that the Accounting Officer should adhere to the Auditor General's advice to engage the PS/ST to ensure that all revenues are availed to the entity as planned

### **Action status**

The Ministry of Finance always released all budgeted funds to entities. However, the Covid-19 disruptions negatively impacted revenues of Government which affected the release of funds to Votes.

### **2.2.33. Shortfall in Other Government Transfers**

The entity budgeted to receive UGX 8,361,537,916 as transfers from other Government Units; namely Northern Uganda Social Action Fund (NUSAF), Support to PLE (UNEB), Uganda Road Fund (URF), Uganda Women Entrepreneurship Program (UWEP), Neglected Tropical Diseases (NTDs), Agriculture Cluster Development Project (ACDP) and Results-Based Financing (RBF); however only UGX 973,487,000 was received.

### **Committee Observations**

The Committee observed that the COVID-19 pandemic greatly inhibited performance of transfers from other Government Units/Other Government Transfers, and that this affected local governments, Apac District Local Government inclusive.

### **Recommendations**

The Committee recommends that the Accounting Officer should engage the other Government Units to roll over unimplemented activities to subsequent years.

### **Action status**

Currently management engages MoFPED and any un implemented activities are rolled over to the subsequent years budgets.

### **2.2.34. Shortfall in Receipts from External Financing**

The entity budgeted to receive UGX 852,472,000 as external/donor finances; namely United Nations Children Fund (UNICEF), Global Fund for HIV, TB and

Malaria; World Health Organisation (WHO), and Global Alliance for Vaccines and Immunisation (GAVI); but only received UGX 230,399,000.

**Committee Observations**

The Committee observed that the COVID-19 pandemic inhibited performance of receipts from external financiers as donors shifted priorities to management and control of the spread of the COVID-19.

**Recommendations**

The committee recommends that the accounting officer should rollover planned activities to subsequent financial years and engage the external financiers to fund the same

**Action status**

All planned activities were rolled over to subsequent FYs and external funders were engaged to provide funding.

**2.2.35. Under-absorption of Funds**

The entity received UGX 24,585,072,845 during the financial year; and spent UGX 24,200,773,874 leading to an unspent balance of UGX 364,298,971 which was sent back to the Consolidated Fund. The Accounting Officer stated that the unimplemented activities would be rolled over to the subsequent period.

**Committee Observations**

The Committee observed that the inadequate budget execution to prevalence of the COVID-19 and associated restrictions that could not allow for recruitment of secondary school teachers.

### **Recommendations**

The Committee recommends the Accounting Officer should ensure implementation of unimplemented activities during the subsequent financial years

### **Action status**

All planned activities were rolled over/re-voted to the subsequent Financial Year budget and implementation of activities is underway.

### **2.2.36. Non-implementation of Quantified Outputs**

Audit report noted that the entity had 12 quantified outputs with a total of 22 activities worth UGX 2,750,000,000; out of which 9 outputs with 19 activities worth were fully implemented; two outputs with two activities worth UGX 1,214,000,000 not implemented; while two activities were partially implemented.

The Accounting Officer stated that the outputs had since been implemented.

### **Committee Observations**

The Committee observed that the non-implemented activity had eventually been implemented.

### **Recommendations**

The Accounting officer should always ensure timely implementation of planned activities to benefit the beneficiary communities.

### **Action status**

All planned activities were rolled over/re-voted to the subsequent Financial Year budget and implementation of activities is underway.

### **2.2.37. Failure to Achieve Intended Services from Implemented Outputs**

The audit report noted that the entity embarked on a number of activities including upgrade of Kungu and Kidilani Health Centre II to Health Centre III status; supply of medical equipment in both health facilities and gravelling of 7km kiga Highway to Nakitoma Beach Community Access Road under NUSAF. Audit revealed incomplete civil works on the two health centres, and abandonment of works on the road project.

#### **Committee Observations**

The Committee observed that the non-implemented activity had eventually been implemented.

#### **Recommendations**

The Accounting Officer should always ensure timely implementation of planned activities to benefit the beneficiary communities.

#### **Action status**

All planned activities were rolled over/re-voted to the subsequent Financial Year budget and implementation of activities is underway

### **2.2.38. Late Submission of Quarterly Performance Reports**

Audit revealed the entity submitted performance reports for Quarters 1, 2, 3, and 4 after the deadline given for submission of the reports; which was a violation of Paragraph 8.12 (4, 5,6) of the Treasury Instructions, 2017 which require the Accounting Officer to prepare reports for each quarter of the Financial Year in respect of the vote for which he/she is responsible. The reports should be submitted to Treasury not later than 15 days after the end of each quarter.

The Accounting Officer alluded to system connectivity challenges that inhibited the timely submission of the quarterly performance reports.



**Committee Observations**

The Committee noted that the delays were caused by system challenges

**Recommendations**

That the Accounting Officer re-emphasizes continuous training for users. That Ministry of Finance, Planning and Economic Development should design quick response mechanism to Districts that face system problems.

**Action status**

MoFPED has continuously organised trainings to build capacity of Districts on using the system

**2.2.39. Lack of Adequate Medical Equipment at the Apac District General Hospital**

Audit revealed inadequate medical equipment at Apac District General Hospital.

The Accounting Officer attributed the issue to inadequacy of specialized staffs to operate medical equipment at the General Hospital.

**Committee Observations**

The Committee observed that Ministry of Health failed to provide the medical equipment to the Hospital, therefore posing high risk to patients. The Committee observes that whereas the Ministry of Health had not secured the required equipment, the District had also not recruited the required staff to operate the equipment.

**Recommendations**

The Committee recommends that Ministry of Health should handle this matter with urgency and provide the required medical equipment to Apac District General Hospital.

**Action status**

The District has been liaising with Ministry of Health, and so far, a digital x-ray machine, Gene expert machine and an ultra sound machine have been supplied.

**2.2.40. Failure to Properly Maintain the Medical Equipment**

Audit revealed that Apac District General Hospital Management did not carry out regular maintenance of available medical equipment and particularly the examination lights which were defective. The Accounting Officer admitted to the query, stating that the medical equipment shall be maintained in future.

**Committee Observations**

The Committee observed that the medical equipment was not adequately routinely maintained.

**Recommendations**

The Committee recommends that the Accounting Officer ensures that there is routine maintenance of medical equipment.

**Action status**

The repair is supposed to be done by the Regional Referral workshop but the entity has now budgeted for routine maintenance of medical equipment under PHC fund.

**2.2.41. Poor Records Management on Mother's Delivery**

Audit on services and records management at the Maternity/ Ward revealed that there was poor service delivery. The Accounting Officer admitted that the anomaly shall be rectified; and data maintained.

**Committee Observations**

The Committee observes that there was poor records management of mother's delivery data in the District General hospital.

**Recommendations**

The Committee recommends that the Accounting Officer ensures proper documentation and data management of deliveries at the Maternity Ward.

**Action status**

Management has introduced daily delivery book/register to enhance proper documentation of deliveries at the maternity ward.

**2.2.42. Lack of Guidelines for Capitation Grants**

The entity received from Government, UGX 110,793,659 for printing materials which the Accounting Officer transferred to various primary schools, though audit revealed that the funds to the primary schools was not as per the release schedule given by the Treasury.

The Accounting Officer admitted to the audit findings; and stated that the Permanent Secretary, Ministry of Education and Sports authorized head teachers to utilize funds for reopening of schools.

**Committee Observations**

The Committee observed that there was a delay by Ministry of Education and Sports to issue guidelines for utilization of the funds.

**Recommendations**

The Committee recommends that the Accounting Officer should seek for guidance from Ministry of Education and Sports on implementation of Capitation Grants.

### Action status

The District always gets guidance from MoES on implementation of capitation grant.

### 2.2.43. Payment of Administrative Advances into Staff Personal Bank Accounts.

The Accounting Officer authorized payment of UGX 394,980,107 to some staff's personal bank accounts to facilitate execution of several council activities, instead of paying them directly to service providers and suppliers.

The Accounting Officer disputed the audit findings, stating that payments were made on different days were generated on the same day. This arose from the shortfall in the cash limits (UGX 40,000,000) that could not allow the entity withdraw funds at the time yet the activities to be implemented were already scheduled being donor funding. He further stated that the funds were accounted for in accordance with financial and accounting regulations.

### Committee Observations

The Committee observed that contrary to the directive from the Permanent Secretary/ Secretary to Treasury i.e. Ref. HRM/222/01, UGX 394,980,107 was paid to personal bank accounts of some staff to facilitate the execution of Council activities instead of paying the service providers and suppliers directly.

### Recommendations

The Committee recommends that the Accounting Officer should always adhere to the guidelines on the modes of payments by effecting payments directly to eligible suppliers of service providers' bank accounts to avoid possible mismanagement of funds meant for implementation of District Council's activities.

### **Action status**

Currently, Guidelines to the mode of payment are being adhered to.

## **2.3 BUTALEJA DISTRICT LOCAL GOVERNMENT**

### **2.2.1. Unsupported Adjustments**

The Audit report noted that the opening balance in the Statement of Equity (Net Worth) was adjusted by UGX 631,011,062. However, the documents and schedules supporting the adjustment were not availed for verification.

The Accounting Officer regretted the anomaly and undertook to ensure that the financial statements are prepared in accordance with the applicable regulatory framework with supporting documents.

#### **Committee Observations**

The Committee observed that there were no supporting documents to justify the adjustment. The Accounting Officer failed to perform his duty as required by Section 51 of the PFMA 2015.

#### **Recommendations**

The Accounting Officer should be held liable for failure to perform his duty. The Accounting Officer should desist from such practices that contravenes provisions of Section 51 of the PFMA 2015.

### **Action status**

Statement of Changes in Equity in the financial statements was adjusted accordingly.

### **2.2.2. Unaccounted for Expenditure**

The Audit report noted that a total of UGX 107,524,840 was advanced to officials to carry out various activities but remained unaccounted for. The Accounting

Officer took responsibility for the weakness in advancing money to staff beyond financial year and explained that the money was advanced for administrative activities like trainings, but the submission of accountability was delayed.

### **Committee Observations**

- i) The Accounting Officer breached Regulation 43(2) of the Local Government Finance and Accountability Regulations, 2007 which requires accountabilities to be retired within one month.
- ii) The list of the recipients of these advances was not provided to the Committee for scrutiny
- iii) Payments to Jenena General Enterprises Ltd for construction of a house in Butaleja is doubtful as several payments were made on the same day

### **Recommendations**

The sum of UGX 107,524,840 advanced to the officers be recovered from the respective officers by 30<sup>th</sup> September, 2022. The Police should carry out investigations into the conduct of Jenena General Enterprises and the District officials involved with a view of prosecution.

The Committee recommends that PPDA investigates Jenena General Enterprises with a view of blacklisting.

### **Action status**

The upgraded IFMS now has a functionality for recording and tracking advances to staff. However, the PS/ST in the Budget Execution Circulars has reiterated that payments to individual staff personal bank accounts to implement Government activities is irregular. Accounting Officers should engage eligible suppliers and service providers, who should be paid after delivery of the goods/services.

The PS/ST has notified the Director, Criminal Investigation Directorate (CID) to follow up the unaccounted for funds of UGX 107,524,840 and the doubtful payments to M/S Jenena General Enterprises Ltd for the construction of a house in Butaleja, and take appropriate action.

### **2.2.3. Non-deduction of PAYE from Political Leaders**

The Audit report noted that the District did not subject Political Leader's gratuity totalling to UGX 43,502,261 to the computation of PAYE in IPPS, leading to loss of UGX 13,074,078.

The Auditor General advised the Accounting Officer to ensure that Political Leader's gratuity is included in the gross taxable income when computing PAYE. The Accounting Officer explained that for the financial year 2021/22, political gratuity was taxed.

#### **Committee Observations**

The Committee observed that this was occasioned by the lack of a code on the IPPS system to automatically deduct PAYE from the Political Leaders.

#### **Recommendations**

- i) The Accounting Officer should in future subject Political Leaders' gratuity to computation of PAYE as prescribed under Section 19(1)(a) of the Income Tax, 1997 as amended.
- ii) The Accounting Officer should recover UGX 13,074,078 from the Political Leaders whether in office or out of office.

## Action status

The PS/ST provided guidance in the Budget Execution Circular for Financial Year 2022/23 dated 30<sup>th</sup> June 2022, on deduction of Pay As You Earn (PAYE) for gratuity for political leaders.

### 2.2.4. Poor Performance of Youth Livelihood Programme

Included in the statement of financial position and note 19 to the financial statement are Receivables amounting to UGX 1,242,695,260.

The District is at a risk of failing to recover the money given the poor recovery rate and failure by the Ministry of Gender and Social Development (MoGLSD) to provide money for monitoring and collection.

The Accounting Officer explained that the money has accrued for a number of years and rate of recovery is low at 20%.

#### Committee Observations

Most of the District local governments did not have proper recovery plans and data on the beneficiary groups.

The factors that caused low recovery of funds under the Program were far beyond the management and control of the local governments. The aspect of misconception of the Program among the Youths and project neglect were key determinants for low recovery rates.

#### Recommendations

The Committee recommends the following;

- i) Revolving funds for the future programmes be covered or guided by a legal framework to provide for sanctions, detailed programme management structures



- ii) Accounting Officers should institute measures and mechanisms to recover outstanding balances including developing clear recovery plans
- iii) Government adheres to timelines in provision of grants to the different programmes to align it with the reporting framework
- iv) The aspect of community ownership and participation should be enhanced through co-funding mechanisms
- v) Accounting Officers should institute clear achievable performance indicators for Officers involved in the programme implementation
- vi) There should be budgetary provisions to support supervision of the beneficiary groups
- vii) Government through the Ministry of Gender, Labour and Social development together with the Local Governments should re-evaluate the performance of the YLP given that recovery of the funds has remained low

#### **Action status**

The YLP is a revolving fund under the Ministry of Gender, Labour and Social Development, with a loan size ranging from UGX 1-25 million, depending on the request made by the group. YLP is implemented through the Local Governments with user guidelines, training modules and management structures.

The Officers involved in the programme implementation have clear achievable performance indicators. However, lack of community ownership and participation makes it difficult to trace members of groups that have disbanded. The Youth Council Structures only participate at the group selection stage.

Government through the Ministry of Gender, Labour and Social Development together with the Local Governments has been re-evaluated and implemented the Parish Development Model as an alternative intervention.

### 2.2.5. Shortfall in Local Revenue Collection

The Audit report noted that the District budgeted to collect UGX 351,612,589 during the year but collected only UGX 138,922,585 representing (40%) performance thereby registering a shortfall of UGX 212,690,004 (60%).

The Accounting Officer explained that creation of functional utilities and awarding to competent tenderers has been done to expand the revenue base and collection.

#### Committee Observations

The Committee noted that the underperformance was a result of COVID-19 pandemic.

#### Recommendations

The Committee recommends that;

- i) Butaleja District Local Government can hardly meet its target thus misleading planning and budgeting for services to be provided to the population. Accordingly, the Accounting Officer should ensure that the Local Revenue Enhancement Committee is strengthened
- ii) The District should devise effective measures to address the leakages, and hold accountable, Revenue Officers who abuse their powers
- iii) The Accounting Officer should ensure that an updated revenue register is in place to track and enhance the revenue performance
- iv) The Accounting Officer should ensure that an effective revenue mobilisation and tax education plan is in place

#### Action status

- i) The Covid-19 pandemic that led to the lockdown of the economy disrupted the collection of local revenue.

- ii) Government through the Ministry of Local Government has been supporting the Local Governments to build capacity on increasing local revenue sources and its collection.
- iii) The Ministry of Local Government has provided support to Local Government Accounting Officers to update their revenue registers to enable them track the revenue collections
- iv) The Ministry of Finance, Planning and Economic Development now requires all Local Governments to bank their local revenues in the Consolidated Fund, and thereafter pass a Local Council resolution for the appropriation of the local revenues. This process enhances transparency and accountability in the use of local revenues.

#### **2.2.6. Shortfall in Other Government Transfers**

The Audit report noted that the entity budgeted to receive UGX 7,964,270,061 as transfers from other Government Units. However, only UGX 1,079,971,210 (14%) was received.

##### **Committee Observations**

The Committee noted that this matter was across many local governments and that the shortfalls were beyond their control.

The Committee observed that failure to release the budgeted funds affects project implementation.

##### **Recommendations**

The Committee recommends that the Accounting Officer should engage the other Government Units to roll over unimplemented activities to subsequent years.

## Action status

The local government has engaged the other government units and the unimplemented activities have been rolled over to the subsequent years' budgets.

### 2.2.7. Under-absorption of Funds

The Audit report noted that out of the total receipts for the financial year of UGX 32,265,176,283, the District spent UGX 30,241,709,120 (94%) resulting in an unspent balance of UGX 2,023,467,163 (06%). The funds that were swept at the end of the financial year were for Salaries and UGIFT projects.

The District had an approved staffing structure of 2,760 staff and by the close of the year, 2,064 positions (representing 75%) were filled, leaving 696 positions vacant. The key vacant positions included; District Education Officer, District Natural Resources Officer, District Production Officer, Principal Agricultural Officer, District Planner, and District Engineer, among others.

#### Committee Observations

The Districts' staffing level stood at 75% and the most affected positions were of high calibre staff. The failure to fill the vacant positions cost the District to return funds back to the Treasury.

#### Recommendations

- i) The Accounting Officer should institute measures that will ensure timely declaration of vacant positions to the DSC, appointment and access to the payroll to avoid return of unspent balances to the Consolidated Fund
- ii) The ESC should ensure strict and timely adherence to their recruitment plans to avoid delays in staff recruitment
- iii) Local Governments should ensure that there are fully constituted DSCs to enable timely recruitment of staff

- iv) The Ministry of Public Service, and Public Service Commission develops guidelines for timeliness on the tenure and approval of the members of the DSC
- v) The Ministry of Local Government should intensify its inspection and monitoring on matters of staff including; staff establishment, service functionality and cases of staff discipline.
- vi) The provisions of the Negotiating, Consultative and Dispute Settlement Machinery Act 2008 should be adhered to
- vii) The District should commence on the execution of their work plans upon approval by the Council as they await actual budget releases

#### **Action status**

The wage budget for salary was re-voted during the financial year 2021/2022 and 226 staff of various categories were recruited.

The unspent balance for UGIFT projects was re-voted in financial year 2021-2022 and was used for completion of Nakwasi Seed Secondary School, which was commissioned on 26<sup>th</sup> March 2022

#### **2.2.8. Non-implementation of Capital Works**

##### **a) Failure to deliver the desired quantities and specifications of ICT equipment to Nakwasi Seed Secondary School under Education Department**

It was noted that during the year under review, the district contracted M/S Masaka Agricultural Dealers Enterprises (U) Ltd to supply ICT equipment, Science kits, and Chemical reagents to Nakwasi Seed Secondary School at a contract sum of UGX 207,490,000 out of which UGX 193,636,000 was paid to the contractor.

Audit found out the following;

| SN | Item                             | Quantity Ordered   | Quantity Delivered | Inspection Findings  | Audit Conclusion   |
|----|----------------------------------|--------------------|--------------------|--|--|
| 1  | Desktop Computers (complete set) | 28 sets            | 28 sets            | 28 Desktop computers supplied had a Random-Access Memory (RAM) of 4 GB rather than the 8 GB specified in the contract and LPO  | Desktop computer supplied did not meet the agreed specifications               |
| 2  | Power Surge Protectors           | 10 pieces          | 05 pieces          | Only Five (05) pieces were delivered out of the Ten (10) specified in the contract and LPO   | Quantity delivered was less than contracted quantity (only 50% delivered)      |
| 3  | CCTV camera (Complete system)    | 01 complete system | Incomplete set     | The delivery only included One (01) Digital Video Recorder (VDR) and one (01) mouse. Undelivered items included One (01) 18-inch Monitor screen, One (01) dome camera, and One (01) keyboard | The supplier did not deliver a complete CCTV camera system as per the contract |
| 4  | Patch panel 48 Port              | 02 pieces          | 01 piece           | Only One (01) piece was delivered out of the Two (02) pieces specified in the contract   | Quantity delivered was less than contracted quantity (only 50% delivered)      |

The Audit report also noted that the ICT equipment were neither verified nor tested by technical personnel upon delivery, thus supplies fell short of the agreed quantities and specifications. The ICT equipment had also not been installed at the Seed Secondary School due to delayed completion of construction works.

The Accounting Officer explained that;

- i) The service provider delivered the equipment after working hours (6:00pm) and there were no Technical Staff to inspect the delivery, and efforts to invite the service provider to install the equipment were futile.
- ii) Both the supplier and the contractor, were procured by the Ministry of Education and Sports.

#### **Committee Observations**

- i) The Contractor was paid more money than what they delivered. The equipment delivered was less than what was ordered
- ii) It was irregular for a contractor to deliver items after working hours
- iii) The District paid the contractor almost 100% despite the shortfall in the items delivered

#### **Recommendations**

The Committee recommends that;

- i) The Police investigates the Accounting Officer involved in the transaction, the DEO and the responsible staff at the Ministry of Education and Sports for these gross irregularities.
- ii) The Contractor should be held liable for contravening contractual obligations and defrauding government.
- iii) The Accounting Officer should ensure that all items ordered are delivered in line with the specifications of the contract.

#### **Action status**

The PS/ST has written to the Director Criminal Investigations Directorate (CID) to investigate the supply of ICT equipment to Nakwasi Seed Secondary School by M/S Masaka Agricultural Dealers Enterprises (U) Ltd.

## **b) Construction of OPD at Bingo Health Centre II under DDEG**

### **1) Delayed completion of civil works**

The Audit report noted that, after a physical inspection of the civil works carried out on 13<sup>th</sup> September, 2021, it was revealed that;

- i) Fixing of doors, furniture & fittings, painting, water systems & appliances, drainage works, electrical installations, solar power supply and lighting, and fire-fighting equipment had not been done
- ii) The site had been abandoned by the contractor.
- iii) There were no measures in place to protect the site from being accessed by unauthorized persons.
- iv) There was no project sign post describing the nature of works, source of funding, employer, contractor, project manager, and other details.

The Accounting Officer explained that the concerned contractors were called to put right all defects and those who did not comply were arrested. However, the 95% payment was made depending on the certificates issued from the user department.

Inspection was done and the contractor asked to complete all the works. The Accounting Officer further explained that the money was paid to the bank and instructed not to release money until the works done. The contractors were advised to get bank security on condition that they were to be paid upon completion of work.

### **Committee Observations**

The Committee observed that;

The Contractor was paid 95% of the contract sum before completion of the works leaving only 5% as retention to be paid after the defects liability period. This payment was irregular and contrary to procurement laws.



## Recommendations

- i) The Police investigates the officers who were responsible for this project (Accounting Officer, Engineer, Internal Auditor, CFO and DHO) with a view of possible prosecution.
- ii) The Accounting Officer should ensure that the contractor meets his contractual obligations.
- iii) The Accounting Officer should desist from transactions that cause financial loss to government.

## Action status

The PS/ST has written to the Director Criminal Investigations Directorate (CID) to investigate the construction of Out Patients Department building at Bingo Health Centre II.

### **b) (2) Payment for Unexecuted Works**

The Audit report noted that the contractor had been paid a total of UGX 131,969,535 (95%) out of the contract price of UGX 138,915,299, contrary to the conditions of the contract since the works were incomplete. The amount paid was equivalent to the full contract price excluding 5% retention in lieu of the defects liability.

The Accounting Officer explained that the works were implemented towards the end of the Financial Year, thus the fear of money being swept back to the Consolidated Fund. However, there were no certificates against the payment.

A bank guarantee should have been obtained to mitigate the risk of causing financial loss to Government.

### **Committee Observations**

The Committee observed that the contractor had been paid 95% of the contract sum before completion of the works contrary to the requirements of the procurement laws. Payments were made without certificates.

### **Recommendations**

- i) The Accounting Officer and all the officers involved in this project be held personally liable and the Police should carryout investigations with a view of possible prosecution.
- ii) The Accounting Officer should ensure the completion of this project as planned and in-line with the contractual specifications

### **Action status**

The PS/ST has written to the Director Criminal Investigations Directorate (CID) to investigate the construction of Out Patients Department building at Bingo Health Centre II.

#### **c) Construction of a General Ward at Budumba Health Centre III under PHC**

The Audit report noted that the District contracted M/S Petex (U) Ltd to construct a General Ward at Budumba Health Centre III at a contract price of UGX 99,566,040. The works were to be completed on 30<sup>th</sup> April, 2021; the completion date was subsequently extended to 30<sup>th</sup> June, 2021. By the close of the financial year a total of UGX 94, 587,738 had been paid to the contractor. It was found that;

- i) Brick laying was at wall plate level, and installation of ventilation;
- ii) Unexecuted works included roofing, fixing of windows and doors, plastering, floor finishing, ceiling works, furniture and fittings, mechanical

installations, electrical installations, general finishing, and painting works, among others.

- iii) The site had long been abandoned by the contractor.
- iv) There was no project sign-post describing the nature of works, source of funding, employer, contractor, project manager, and other required details.

The Accounting Officer acknowledged the Committee Observations and explained that the circumstances related to those as in query 8.2.2 above, however the works were at beam level.

### **Committee Observations**

The Committee observed that the contractor had been paid 95% of the contract sum before completion of the works contrary to the requirements of the procurement laws. Payments were made without certificates.

### **Recommendations**

- i) The Accounting Officer and all the officers involved in this project be held personally liable and the Police should carry out investigations with a view of possible prosecution.
- ii) The Accounting Officer should ensure the completion of this project as planned and in-line with the contractual specifications

### **Action status**

The PS/ST has written to the Director Criminal Investigations Directorate (CID) to investigate the construction of a General Ward at Budumba Health Centre III.

### **d) Construction of a Two-Classroom Block with an Office and Store at Busolwe Township P/S under SCD**

The Audit report revealed that the District contracted M/S Dalach Investments Ltd, to carry out the construction of a 2-Classroom Block with an Office and Store

at Busolwe Township Primary School at a contract price of UGX 61,891,755. The works commenced on 11<sup>th</sup> January, 2021 with a planned completion date of 30<sup>th</sup> April, 2021. By the close of the financial year a total of UGX 59,227,390 had been paid to the contractor.

A review of the contract file and inspection of the civil works carried out on 10<sup>th</sup> September, 2021 revealed the following;

- Poor quality of windows installed on the building. At least 13 windows could not open/close properly
- Poorly constructed floor and veranda. Sections of the floor and veranda had glaring cracks
- Concrete slabs at the front door were poorly fixed.

The Accounting Officer acknowledged the observation made from the inspection and explained that the circumstances related to those as in query 4.6.8 (b)(2).

### **Committee Observations**

The Committee observed that the situation was related to query 4.6.8 (b)(2) and the works were still not yet complete

### **Recommendations**

- i) The Accounting Officer and all the officers involved in this project be held personally liable and the police should carryout investigations with a view of possible prosecution.
- ii) The Accounting Officer should ensure the completion of this project as planned and in-line with the contractual specifications.

### Action status

The PS/ST has written to the Director Criminal Investigations Directorate (CID) to investigate the construction of a two-Classroom Block with an Office and Store at Busolwe Township P/S.

#### **e) Construction of a 2-Classroom Block with an Office and Store at Busaba Project P/S under SCD**

The District contracted M/S Enve Engineering Consults Ltd, to carry out the construction of a 2-Classroom Block with an Office and Store at Busaba Project Primary School at a contract price of UGX 61,919,390. The works commenced on 18<sup>th</sup> December 2020 with a planned completion date of 30<sup>th</sup> April 2021, which was subsequently extended to 30<sup>th</sup> June 2021.

By the close of the FY UGX 59,200,570 had been paid to the contractor. A review of the contract file and the inspection of the civil works carried out on 13<sup>th</sup> September 2021 revealed the following;

- i) The contractor used iron sheets of gauge-30 instead of Gauge-28 as specified under Section 3(g) of the Bills of Quantities.
- ii) Poorly constructed floor: Glaring cracks were observed in some sections of the floor.
- iii) The veranda was poorly constructed and had started collapsing.

The Auditor General advised the Accounting Officer to ensure that the identified defects are rectified.

### **Committee Observations**

The Committee observed that the situation was related to query 4.6.8 (b)(2) and the works were still not yet complete

### **Recommendations**

- i. The Accounting Officer and all the officers involved in this project be held personally liable and the police should carryout investigations with a view of possible prosecution.
- ii. The Accounting Officer should ensure the completion of this project as planned and in-line with the contractual specifications.

### **Action status**

The PS/ST has written to the Director Criminal Investigations Directorate (CID) to investigate the construction of a 2-Classroom Block with an Office and Store at Busaba Project P/S.

## **2.2.9. Failure to Undertake Maintenance of District Roads**

### **a) Routine Mechanized Maintenance of Butaleja-Suni-Lwamboga Road (5.6 km)**

The Audit report noted that the District undertook routine mechanized maintenance of Butaleja-Suni-Lwamboga Road (5.6 km) at a cost of UGX 15,275,190 during the fourth quarter of the financial year 2020/21. Physical inspections carried out on 19<sup>th</sup> August, 2021 revealed the following:

- i) Lack of mitre drains on the road, which left the side drains flooded on rainy days.

- ii) The floods weaken the road surface and inconvenienced road users.
- iii) The culverts were not installed as planned, and this left the road susceptible to flooding and erosion.

The Auditor General advised the Accounting Officer to ensure effective execution and supervision of the road works.

### **Committee Observations**

The Committee observed that;

- i) The road works were incomplete
- ii) There was generally poor workmanship

### **Recommendations**

The Committee recommends that the Accounting Officer and the officers responsible be held liable for shoddy works

### **Action status**

The mitre drains and culverts were later on installed.

### **b) Routine Mechanized Maintenance of Nabinghande-Leresi Town Council Road (5.5 km)**

The District undertook routine mechanized maintenance of 5.5 km along Nabinghande-Leresi Town Council Road at a cost of UGX 16,156,450 during the fourth quarter of the period under review. Physical inspections of the road project on 19<sup>th</sup> August, 2021 revealed the following:

- i) Gravel was heaped up in some sections of the road.
- ii) Culverts had not been installed on the road as planned. This left the road susceptible to flooding and erosion.

The Auditor General advised the Accounting Officer to ensure effective execution and supervision of road works.

### **Committee Observations**

The Committee observed that;

- i) The road works were incomplete
- ii) There was generally poor workmanship.

### **Recommendations**

The Committee recommends that Accounting Officer and the officers responsible be held liable for shoddy works

### **Action status**

The routine mechanized maintenance of the road was subsequently completed, mitre drains and culverts installed.

#### **c) Routine Mechanized Maintenance of Doho-Namulo Road (4 km)**

The District undertook routine mechanized maintenance of Doho-Namulo Road (4 km) at a cost of UGX 11,750,150 during the fourth quarter of the period under review.

Physical inspections carried out on 1 August, 2021 revealed the following:

- Gravel was heaped up in sections of road than being applied to the road surface.
- Gravel in some sections of the road was loose due to poor application and compacting. The affected areas were left slippery and susceptible to erosion.



- Culverts had not been installed on the road as planned, while the old culvert lines had collapsed and were filled with silt. This left the road susceptible to erosion flooding.

The Auditor General advised the Accounting Officer to ensure effective execution and supervision of road works

### **Committee Observations**

The Committee observed that;

- i) The road works were incomplete
- ii) There was generally poor workmanship.

### **Recommendations**

The Committee recommends that Accounting Officer and the officers responsible be held liable for shoddy works

### **Action status**

The routine mechanized maintenance of the road was subsequently completed, mitre drains and culverts installed.

### **d) Routine Manual Maintenance of Nalusaga Town Council-Kanyenya Road (5.3 km)**

The Audit report revealed that the District undertook routine mechanized maintenance of Nalusaga Town Council Kanyenya Road (5.3 km) at a cost of UGX 446,000,000 during third and fourth quarters of the period under review. Physical inspections carried out on 19<sup>th</sup> August, 2021 revealed the following:

- i) Some culvert lines were filled with silt and could therefore not provide an easy passage for running water on rainy days, as intended, which exposes the road to flooding, erosion, and loss of road edges.
- ii) Some sections of the road sides were engulfed in overgrown bushes. This was an indicator that bush-clearing was not consistently done by the Road Gangs. The overgrown bushes reduced the width of the road.

The Auditor General advised the Accounting Officer to ensure effective execution and supervision of road maintenance works

### **Committee Observations**

The Committee observed that;

- i) There was a clear sign of poor workmanship
- ii) There was negligence and lack of supervision in the execution of the maintenance works

### **Recommendations**

The Committee recommends that Accounting Officer and the officers responsible be held liable for shoddy works.

### **Action status**

The blocked culverts were desilted, the overgrown bushes were slashed by the Road Gangs and the road is functional.

## **2.2.10. Procurement Irregularities**

### **a) Lack of Contract Management Plans and Reports**

A review of ten (10) procurement files for contracts worth UGX 658,614,1057, revealed that the files lacked Contract Management Plans and Contract Management Reports. The Auditor General advised the Accounting Officer to ensure that Contract Managers are appointed and that they play their roles, including preparation of Contract Management Plans and Reports.

#### **Committee Observations**

The Committee noted that the District did not have evidence on their preparedness to comply with the law in the subsequent procurements.

#### **Recommendations**

The Committee recommends that the Accounting Officer should ensure that there is compliance with the requirements of the PPDA Act and guidelines.

#### **Action status**

In the letters appointing/designating Accounting Officers, the PS/ST reminds them of their duty to comply with the PPDA Act among other Acts to enable them control the regularity and proper use of money appropriated to their respective votes.

## **2.4 KOLE DISTRICT LOCAL GOVERNMENT**

### **2.2.1. Unsupported Adjustments**

The Audit Report revealed that in the entity's financial statements, the balance sheet had an adjustment of UGX 192,477,798, and an adjustment in the cash

equivalents of UGX 4,053,659 that were not supported with a journal voucher. The audit therefore considered the financial statements misleading.

### **Committee Observation**

The Committee observed that the Accounting Officer failed to compile and reconcile his books of accounts within the mandatory period as required by Financial and Accounting Regulations, 2007.

### **Recommendations**

The Committee recommends that;

- i) The Accounting Officer should institute disciplinary measures against the officers (CFO and the Finance team for failure to perform their duties as required by the regulations).
- ii) The Accounting Officer should reconcile and balance the books of Accounts and/or recover the amounts in question from the CFO within three months from the time of adoption of this report

### **Action status**

Reconciliations were done on the Financial Statement and all corrections were considered during the preparation of Financial Statement for the year 2021-2022 and an unqualified audit report was issued.

### **2.2.2. Unaccounted for Funds**

The Audit Report noted that a total of UGX 349,542,400 in respect of staff advances and fuel deposits were not accounted for. Consequently, the audit was unable to confirm that the funds were utilized for the intended purpose. Delayed submission of accountability may lead to falsification of documents resulting into loss of public funds.

### **Committee Observation**

The Committee observed that;

- i) The District had failed to submit supporting accountability documents for UGX 349,542,400 in respect to the advances to officers.
- ii) There is laxity on the side of the Accounting Officer in ensuring strict adherence to the provisions of the Financial and Accounting Regulations 2007, which may cause financial loss to Government.

### **Recommendations**

The Committee recommends that;

- i) The PS/ST should hold the Accounting Officer, CFO and the respective Head of Departments who authorised these advances personally liable and reprimand them for contravening the provisions of the law.
- ii) Full recovery be made from the officers who received the cash advances or the Accounting Officer, or the CFO and the respective Heads of Department make good the losses within three months from the time of adoption of this report.
- iii) The Accounting Officer must desist from the practices of giving advances to officers who fail to account for funds disbursed to them.

### **Action status**

Missing accountability documents have been extracted and recovery measures initiated for those without accountabilities.

The PS/ST in the Budget Execution Circulars has reiterated that payments to individual staff personal bank accounts to implement Government activities is irregular. Accounting Officers should engage eligible suppliers and service providers, who should be paid after delivery of the goods/services.

### 2.2.3. Misclassification of Expenditure

The Audit Report noted that UGX 639,463,720 was charged on items which did not reflect the nature of the expenditure. Misclassification of expenditure impacts on the credibility of the financial statements since the figures reported therein may not reflect the true amounts expended on the respective items. It may also impair the appropriateness of future budgets since the reported actual figures are misstated.

The Accounting Officer attributed the misclassification to different account codes from where to charge items. The Accounting Officer was advised by audit that mischarge could arise at the time of budgeting for the entity's activities where such activities are listed under different account codes. Mischarge could as well be done at the time of expenditure from where funds available under certain codes can be reallocated in favour of the item to charge.

#### **Committee observation**

The Committee observed that the Accounting officer did not critically examine the Account codes to be charged at the time of planning and budgeting for the entity.

#### **Recommendations**

The Committee recommends that;

- i) The PS/ST should hold the Accounting Officer personally liable for using wrong codes and contravening the Local Government Financial and Accounting regulations.
- ii) The Accounting Officer should always respect the budget allocations and ceiling under the respective account codes

#### **Action status**

Misclassification of expenditures came about as a result of budgeting on an improper budget code.

The Government Chart of Accounts has been revised to include new item codes and additional explanations where there were ambiguities.

Accounting Officers are routinely guided through the annual Budget Call Circulars to appropriately budget for items.

#### **2.2.4. Wrong Recognition of Deposits received during the year**

The Audit Report noted that the entity received deposits of UGX 269,970,000 in relation to Youth Livelihood Programme (YLP) and Uganda Women Entrepreneurship Project (UWEP). The funds were credited/transferred to the beneficiary groups' accounts directly; hence did not form part of receipts of revenue of the entity instead journals should have been passed to recognize the receivables and payables accordingly. This rendered the financial statements incorrect and misleading to the users.

The Accounting Officer informed the committee that the final adjusted financial statements were prepared capturing necessary adjustments of YLP and UWEP.

#### **Recommendations**

The Committee recommends that the PS/ST should at all times notify Accounting Officers of any cash transfer/disbursements to enable them update their respective financial statements.

#### **Action status**

Reconciliations were done on the Financial Statement and all corrections were considered during the preparation of Financial Statement for the year 2021-2022 and an unqualified audit report was issued.

## 2.2.5. Challenges in Payroll Management

### a) Payment of Salaries, Pension and Gratuity

#### (a) (i) Absorption of Funds

The Audit Report noted that the entity received UGX 17,652,551,879 and spent UGX 17,211,299,357 leading to an unspent balance of UGX 441,252,522.

The Accounting Officer stated the unspent balance of UGX 441,252,522 was a result of failure to recruit Education Assistants occasioned by the outbreak of the COVID-19 pandemic.

### Recommendations

- i) The Accounting Officer should institute measures that will ensure timely declaration of vacant positions to the District Service Commission, appointment and access to the payroll to avoid unspent balances
- ii) The District should intensify its inspection and monitoring on matters of staff including; staff establishment, service functionality and cases of staff discipline.

### Action status

Education Assistants were subsequently recruited.

#### (a) (ii) Over/Underpayment of Salary

The audit revealed there were variances between amounts on the approved payroll and payments to individual employees leading to over and underpayment of salaries amounting to UGX 55,410,913 and UGX 27,922,344 contrary to Section B-a (7) of the Uganda Public Service Standing Orders, 2010.

The Accounting Officer admitted to the audit query, and undertook to take corrective action.



### **Committee observation for over payment**

- i) The Committee observed authorizing of payment for staff salaries over and above their actual salary entitlements was a direct contravention of Section B-a (7) of the Uganda Public Service Standing Orders, 2010.
- ii) For cases where the Accounting Officer did not agree, these matters were referred for reconciliation.

### **Committee observation for underpayment**

- i) The Committee observed that by authorisation for payments of wrong salary amounts, the Accounting Officer was in breach of Section B-a (7) of the Uganda Public Service Standing Orders, 2010
- ii) The under-payments affect service delivery in local governments because it demotivates staff
- iii) There is need for the Accounting Officer to undertake periodic staff training especially for the HR staff, in order to get the staff well versed with these systems

### **Recommendations**

The committee recommends that; (for overpayment)

- i) The Accounting Officer should ensure to adhere to Section B-a (7) of the Uganda Public Service Standing Orders, 2010
- ii) The Accounting Officer should ensure full recovery of the funds as scheduled or make good the loss within three months from the time of approval of this report
- iii) The PS/ST should reprimand the Accounting Officer in question and hold him personally liable for causing financial loss to Government

The Committee recommends that; (for underpayment)

- i) The PS/ST should reprimand the Accounting Officer and hold him personally liable
- ii) The Accounting Officer, should carryout proper reconciliations before any payments are made to avoid such occurrences

iii) Accounting Officer should ensure processing of salary arrears in respect of employees who were underpaid

#### **Action status**

Reconciliations were done against the approved salary structure for the FY 2020-2021, the under payments corrected and the over-payments recovered from subsequent salary payments.

#### **(a) (iii) Over/Under/Non-payment of Pension/Gratuity**

The Audit Report revealed that the entity overpaid pension totalling to UGX 394,283,472 and underpaid pension totalling to UGX 387,036,229, contrary to Article 254(1) and (3) of the 1995 Constitution.

The Accounting Officer denied this is as an underpayment.

#### **Committee Observation**

The Committee observed that there was poor management of pension payroll contrary to Article 254(1) and (3) of the 1995 Constitution.

#### **Recommendations**

The Committee recommends that the Accounting Officer should ensure recovery of overpaid pension amounts from the affected retired staff.

#### **Action status**

Reconciliations were made against the IPPS Payment system and appropriate corrective action taken.

Government has rolled out the Human Capital Management (HCM) system to replace the Integrated Payroll Payment System (IPPS). HCM has automated all

Human Resource functions in Government and business processes from end-to-end.

This will address the internal control weaknesses in the management of the wage, pension and gratuity payrolls. HCM is being rolled out in a phased manner starting with 60 Local and Central Government votes in Financial Year 2022/23, a further 100 votes in Financial Year 2023/24 and the rest in the subsequent years.

**(a) (iv) Payment of Non-existent Pensioners**

The Audit Report noted that the Entity paid UGX 43,200,000 to one purported pensioner that was neither on the IPPS payroll register nor possessed the necessary documentation to support their existence, contrary to Section (L-b) (2) of the Uganda Public Service Standing Orders, 2010.

The Accounting Officer confirmed that the person in question was a former staff of the District Local Government and is on the pension payroll.

**Recommendations**

The Committee recommends that;

- i) The Accounting Officer should reconcile the staff list with the Ministry of Public Service IPPS in order to avoid payments of salaries, pensions and gratuity off the IPPS.
- ii) The Accounting Officer should desist from the practice of paying pension off IPPS without the approval of the line Ministry

**Action status**

This was a payment for death gratuity to the beneficiary estate of the late Nyeko Paul under Kole DLG, and the pensioner is now on IPPS.

**(a) (v) Payment of Salary using Wrong Scales**

The Audit Report revealed that 42 staff were paid salaries using wrong salary scales leading to over and underpayments of UGX 1,519,283 and UGX 1,330,041 respectively, contrary to Section B-a (6) and (7) of Uganda Public Service Standing Orders, 2010.

The Accounting Officer denied that the entity effected salary payment to the 42 staff using wrong salary scales. He indicated that the entity issued preliminary payroll to Ministry of Public Service; and later to Ministry of Finance, Planning and Economic Development for issuance of interface files. The preliminary payroll generated by the Ministry of Public Service are sent to the various Heads of Department for validation.

**Committee Observation**

The Committee observed that payment of employees' salaries by the Accounting Officer without following the right salary scales contravenes Section B-a (6) and (7) of Uganda Public Service Standing Orders, 2010.

**Recommendation****The Committee recommends that;**

- i) The Accounting Officer should recover the overpaid amounts from the affected staff
- ii) The Accounting Officer should always ensure that salary amounts are reconciled to salary scales before payments are made.

**Action status**

Reconciliations were made against the approved salary structure for the FY 2020-2021 and the figures were found to be matching.

Government has rolled out the Human Capital Management (HCM) system to replace the Integrated Payroll Payment System (IPPS). HCM has automated all Human Resource functions in Government and business processes from end-to-end.

This will address the internal control weaknesses in the management of the wage, pension and gratuity payrolls. HCM is being rolled out in a phased manner starting with 60 Local and Central Government votes in Financial Year 2022/23, a further 100 votes in Financial Year 2023/24 and the rest in the subsequent years.

**(a) (vi) Delayed Deletion of Staff from Payroll**

The Audit Report noted that the entity paid UGX 11,070,002 to 10 staff who had either retired, transferred, absconded or died, contrary to Section B-a (12) of the Uganda Public Service Standing Orders, 2010 which requires payment of salary to public officers to be stopped immediately they cease rendering services to Government under whatever circumstances, including death.

The Accounting Officer admitted to the audit query and informed the Committee that no recoveries had since been made.

**Committee Observation**

- i) The Committee observed that there was laxity by the Accounting Officer in ensuring recovery of the said money.
- ii) The Committee observed that the names of the said 10 staff were not deleted from the active payroll in time as required under Section B-a (12) of the Uganda Public Service Standing Orders, 2010.

**Recommendations**

**The Committee recommends that;**

- i) The Accounting Officer should ensure recovery of UGX 11,070,002 illegally paid to the 10 staff within three months from the time of adoption of this report.

- ii) The Accounting Officer should ensure timely deletion of all staff who either retire, resign, die or abscond from duty

### Action status

The affected staff were deleted from payroll. Government has rolled out the Human Capital Management (HCM) system to replace the Integrated Payroll Payment System (IPPS). HCM has automated the transfer of retiring staff from the active payroll to the pension payroll.

### b) Management of Payroll Deductions

#### (b) (i) Over/Under/Non-remittance of Deductions

The Audit Report noted the entity deducted UGX 3,733,774,110 from employees' salaries to be remitted to different beneficiaries, but remitted UGX 3,279,074,484 leading to an over, under and non-remittance of UGX 12,734,176, UGX 458,923,820 and UGX 8,509,982 respectively.

The Accounting Officer contested the audit findings stating that the entity on monthly basis remitted deductions to the different beneficiaries.

#### Committee Observation

The Committee observed that the entity did not remit the right amounts to the different beneficiaries as required under Section B-a (17) of Uganda Public Service Standing Orders, 2010.

### Recommendations

The Committee recommends that the PS/ST should take action to either ensure a refund of the over remitted amounts to URA is handled or recovered to clear this audit query

### Action status

The Minister of Finance, Planning and Economic Development has requested the Auditor General to carry out a special audit on the wage, pension and gratuity management processes to address the persistent budget under absorptions/overruns, over/under payments, delays in recruitment, unauthorised recruitments and promotions, mischarges and illegal deductions, among others.

The special audit report is expected by the 30<sup>th</sup> of June 2023.

Government has rolled out the Human Capital Management (HCM) system to replace the Integrated Payroll Payment System (IPPS)

### **(b) (ii) Un-authorized Loans Deductions**

The Audit Report noted that the entity made unauthorized loan deductions totalling UGX 122,793,571 from 106 employees that neither had letters of undertaking nor existed in the “active deduction” or the “my approval” reports on the PDMS-Payroll Deduction Management System.

The Accounting Officer stated that the entity always issued letters of undertaking to staff who intended to secure loan facilities from credit institutions.

### Recommendations

- i) The Accounting Officer plays a central role in the initiation, processing and approval of all loans.
- ii) The responsibility of loan recovery ceases to be a duty of local governments. The Ministry of Public Service should terminate requirement for the undertakings with lending institutions as a policy measure
- iii) Government should institute more protective measures to curb multiple and over borrowing by employees
- iv) The MoPS and MoFPED in consultations with the Ministry of Local Government should review and come up with guidelines to streamline the staff loans processes

### Action status

The PS/ST has requested the Ministry of Public Service to consider terminating the Service Level Agreement with Uganda Bankers Association/Uganda Consumer Lenders Association.

Staff who require loans should directly engage the respective commercial banks. This will curb multiple and over borrowing by employees. The Human Resource Officers will have more time to concentrate on the core payroll management activities.

### **(b) (iii) Delayed/Non-remittance of PAYE Deductions to URA**

The Audit Report noted that the entity made PAYE deductions of UGX 2,291,724,418 but did not remit UGX 407,791,480 to Uganda Revenue Authority as required under Section 123(1) of the Income Tax Act, 1997 (as amended).

### **Committee Observations**

The Committee observed the following:

- i) Delayed and non-remittance of deductions to URA was a breach of Income Tax Act
- ii) Local Government staff risk being subjected to penalties associated with failure to comply with the Income Tax Act

### Recommendations

The Committee recommends that the Accounting Officer ensures that payments and deductions are done concurrently and promptly.



**Action status**

The Accountant General's Office has put in place procedures to ensure that salaries and deductions can only be processed and paid concurrently.

**(b) (iv) Non-deduction of PAYE from Political Leaders**

The Audit Report noted that the entity did not subject political leaders' gratuity totalling to UGX 28,465,800 to the computation of PAYE in IPPS, leading to an under-deduction of UGX 6,473,220, contrary to Section 19(1)(a) of the income Tax Act (as amended)

**Committee observations****The Committee observed the following;**

- i) That all income earned by private persons and organisations should, in accordance with Section 19(1)(a) of the Income Tax, be subjected to Pay as You Earn (PAYE) tax therefore guidance should have been sought from the line Ministry;
- ii) The non-computation of PAYE on political leaders' gratuity payments was reflective of failure by the Accounting Officers to follow and adhere to Section 19(1)(a) of the Income Tax, 1997 as amended;
- iii) By the time of interaction with the Committee, the system had been updated therefore, subsequent year deductions were effected promptly.

**Recommendations**

The Accounting Officer should ensure recovery of UGX 6,473,220 from the beneficiaries within three months of adoption of this report or make good the loss

**Action status**

PAYE deductions has now been activated for members of the political leadership beginning FY 2021-2022

**c) Access to Payrolls:**

**(c) (i) Delayed Access to Pension Payroll**

The Audit Report noted that the entity delayed to facilitate 14 retired staff to access the pension payroll for a period of up to 44 months;

The Accounting Officer informed the Committee that delays to access the pension payroll originated from Ministry of Public Service where the system sometimes does not automatically delete staff from active salary to pension payroll upon attainment of mandatory retirement age of 60 years.

**Committee Observation**

The Committee observed that the Accounting Officer alluded to adherence or implementation of the Auditor General's recommendation in FY 2022/23.

**Recommendations**

The Committee recommends that the Accounting Officer should constitute payroll management teams that would regularly convene to iron out inconsistencies related to payroll management ranging from salary to pension payments

**Action status**

The delay in accessing the pension payroll was due to mismatch in the bio-data on their files. The affected pensioners have now been captured on the pension payroll.

Ministry of Public Service has initiated the roll-out of the Human Capital Management (HCM) system to replace the Integrated Personnel and Payroll System (IPPS). Under the HCM, retiring staff automatically transition from the active salary payroll to the pension payroll once they clock the retirement age.

**d) Misclassification of Salary, Pension and Gratuity Expenditure.**

The Audit Report noted that the Entity charged UGX 34,062,213 on account codes other than those prescribed for salary, pension and gratuity, contrary to Section 7.10.3 of the Treasury Instructions, 2017 which provides a uniform budget classification and execution using the Chart of Accounts.

The Accounting Officer admitted to the audit query, and undertook to adhere to the Auditor General's advice on ensuring that salary, wage and pension were charged on the appropriate codes.

**Committee Observations**

The Committee observed that mischarge of funds distorts budget performance and monitoring as well as the credibility of the financial statements

**Recommendations**

The Committee recommends that the Accounting Officer should at all times ensure that payments are effected using the right codes

**Action status**

The Government Chart of Accounts has been revised to include new item codes and additional explanations where there were ambiguities.  
Accounting Officers are routinely guided through the annual Budget Call Circulars to appropriately budget for Salaries, Pension and Gratuity as this have first call on the available budget resources.

**e) Payment of Arrears**

**Payment of Unverified Salary, Pension and Gratuity Arrears**

The Audit Report noted that the entity paid UGX 34,062,213 as residual arrears to one staff and two pensioners who had not been verified.

The Accounting Officer explained that the entity conducts monthly verification of payment categories before authorizing for payments to respective bank accounts.

### **Committee Observation**

#### **The Committee observed that;**

- i) The Accounting Officer did not provide sufficient evidence to indicate that the verification was done.
- ii) Non-verification of payment categories could lead to accumulation of arrears and overstatement of domestic arrears paid during the year

### **Recommendations**

#### The Committee recommends that;

- i) The Accounting Officer should desist from paying money to unverified pensioners and staff
- ii) In the event that these persons are not staff or pensioners of the district, the Accounting Officer should ensure recovery of the amounts in question within six months from the time of adoption of this report.

### **Action status**

The UGX 34,062,213 was a bounced payment relating to Mr. Ojan Egit Tommy. The payment was returned on the beneficiaries' instructions. Going forward, a budget provision has been allocated to handle such compensation payment.

#### **f) Internal Control weaknesses**

##### **(f) (i) Monthly Pension and Gratuity Performance Analysis and Remittance of Quarterly Returns to MoPS.**

The Audit Report noted that the Entity did not prepare monthly wage, pension and gratuity performance analysis and thus did not submit quarterly returns on payroll to Ministry of Public Service, contrary to Paragraph 2. 1 of Establishment Notice No.1 of 2020.

**Committee Observations**

The Committee observed that the failure to ensure timely submission of returns on the Payroll to Ministry of Public Service was at the time beyond the control and management of the local governments.

**Recommendations**

The Committee recommends that;

For subsequent Financial Years, Accounting Officers should adhere to Paragraph 2.1 of the Establishment Notice No.7 of 2020 so as to avoid cases of accumulated arrears under absorption of wage, pensions and gratuity budgets

(The Accounting Officer should strengthen internal control measures by submitting quarterly returns in compliance with the Establishment Notices.

**Action status**

The Programme Budgeting System (PBS) has been upgraded and all budget estimates (including estimates for wage, pension and gratuity) are submitted online through the system, within the statutory timelines.

**(f) (ii) Validation of Employees, Pensioners/Beneficiaries off the IPPS against the NIRA Interface**

The audit revealed that verification forms and copies of the verification cards for employees and pensioners/beneficiaries were not on the personal files.

While the Accounting Officer reported to have conducted validation of employees, pensioners/beneficiaries on the IPPS against the NIRA interface, others regretted the anomaly and undertook to improve in this area.

**Committee observation**

The Committee noted negligence on the part of the Accounting Officer in proper record management.

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| <b>Recommendations</b>   |
| The Committee recommends that the Accounting officer should ensure that employees/pensioners/beneficiaries on the IPPS are validated against the NIRA interface and their employee verification forms and copies of the verification cards kept on file.   |
| <b>Action status</b>   |
| Validation of employees and pensioners on IPPS against NIRA interface has been automated under IPPS/Human Capital Management (HCM) system.   |
| <b>g) System Related Challenges</b>  |
| <p><b>(g) (i) Inconsistencies between MoPS and Entity Payroll Registers.</b></p> <p>The Audit Report revealed variances of UGX 13,362,197 between the figures in the Ministry of Public Service IPPS and entity payroll registers. The audit further revealed that there were instances where 8 staff with a net pay amount of UGX 33,662,902 were on the Ministry of Public Service payroll but not on the District IPPS register.</p> <p><b>Committee Observation</b></p> <p>The Committee observed that inaccuracies and inconsistencies between the Ministry of Public Service IPPS and the Entities' Payroll Registers was a recipe for manipulation and abuse to defraud Government employees of their hard-earned salaries.</p> |
| <b>Recommendations</b>   |
| <p><b>The committee recommends that;</b></p> <p>i) The Accounting Officers should conduct regular checks on the two systems/databases to ensure accuracy and consistency</p>   |

- ii) Government should develop an integrated system to cover all functions of HR, finance and other related functions to curb disjointed management systems
- iii) The Accounting Officer should do due diligence
- iv) Training and/or capacity development should be done regularly for Local Governments to remain informed and up to date with new system developments

#### **Action status**

The Ministry of Public Service is rolling out the Human Capital Management (HCM) system to replace the Integrated Payroll Payment System (IPPS) which has more robust features to manage both salary and pensions payrolls.

#### **(g) (ii) Effectiveness and Reliability of the IPPS/NID Interface**

The Audit Report noted that the Entity encountered IPPS/NID interface system operational challenges.

The Accounting Officer admitted to the audit query, and undertook to adhere to the Auditor General's advice.

#### **Committee Observation**

The Committee observed that;

- i) The interface was weak an issue that cuts across all local governments.
- ii) The Ministry of Public Service was frequently introducing new payroll management systems without taking into consideration the capacity of the officers to use the systems

#### **Recommendations**

The Committee recommends that;

- i) The Accounting Officer ensures adequate capacity building plans for payroll management

- ii) The Committee recommends that the Ministry of Public Service develops a user-friendly payroll system and adequate plan for capacity building

#### **Action status**

Validation of employees and pensioners on IPPS against NIRA interface has been automated under IPPS/ Human Capital Management (HCM) system.

#### **2.2.6. Long-outstanding Payables**

The audit report noted that entity had long-outstanding payables amounting to UGX 1,244,267,887, comprising of Sundry Creditors of UGX 114,400,000, Trade Creditors of UGX 58,274,474 and Deposits of UGX 1,017,593,413 by the close of FY 2020/21. The audit revealed that out of the UGX 1,244,267,887 outstanding payables, UGX 25,236,580 related to previous financial years.

The Accounting Officer indicated that the entity still faced challenges of payables relating to UWEP and YLP and that the focal point persons were following up on the matter.

#### **Committee Observations**

The Committee Observed that;

- i) It was irregular and inconsistent with the existing financial regulations for the Accounting Officer to maintain this level of outstanding payables as this could lead to litigation.
- ii) Commitments made by the Accounting Officers to clear the outstanding payables was insufficient compared to the amount of payables due.
- iii) There was minimal effort put in by the responsible Officers, led by the Accounting Officer to follow up and recover funds disbursed under YLP and UWEP.
- iv) The explanation of the COVID-19 pandemic given by the Accounting Officers was rather unsatisfactory



## Recommendations

The Committee recommends that;

- i) Accounting Officer should desist from committing the local government to services they cannot pay for
- ii) The Accounting Officer should ensure that the outstanding balance is budgeted for and cleared to avoid litigation.
- iii) The Accounting Officer should expeditiously clear the outstanding payables
- iv) The Accounting Officer should ensure the development of a more effective recovery mechanism of YLP and UWEP fund
- v) The Ministry of Gender, Labour and Social Development (MoGLSD) should re-examine the implementation of YLP and UWEP in order to save future interventions

## Action status

The bulk of the outstanding payables relates to unrecovered funds from YLP and UWEP groups. MoGLSD provides the technical guidelines, supports capacity building, financing, and overall coordination for YLP and UWEP programmes.

YLP support is provided through Youth Interest Groups (YIGs) of 10-15 persons in form of Revolving Funds (soft loans-with youth friendly terms); while UWEP is support provided through initiative aimed at improving access to financial services for women and equipping them with skills for enterprise growth, value addition and marketing of their products and services.

UWEP and YLP have been characterised by low recovery rates, thus creating long-outstanding payables on the financial statements.

Government through the Ministry of Gender, Labour and Social Development together with the Local Governments has been re-evaluated and implemented the Parish Development Model as an alternative intervention.

### **2.2.7. Long-outstanding Receivables**

The Audit Report noted that entity had long-outstanding receivables (debtors) totalling UGX 1,072,183,415 of which UGX 836,332,393 related to outstanding receivables relating to previous financial years

#### **Committee Observation**

The Committee observed that there was minimal effort put in by the responsible Officers, led by the Accounting Officer to follow up and recover funds disbursed under YLP and UWEP. Additionally, the explanation of the COVID-19 pandemic given by the Accounting Officer was rather unsatisfactory.

#### **Recommendations**

The Committee recommends that the Accounting Officer should ensure the development of a more effective recovery mechanism of YLP and UWEP funds for additional

#### **Action status**

The bulk of the outstanding receivables relates to unrecovered funds from YLP and UWEP groups. MoGLSD provides the technical guidelines, supports capacity building, financing, and overall coordination for YLP and UWEP programmes.

YLP support is provided through Youth Interest Groups (YIGs) of 10-15 persons in form of Revolving Funds (soft loans-with youth friendly terms); while UWEP is support provided through initiative aimed at improving access to financial services

for women and equipping them with skills for enterprise growth, value addition and marketing of their products and services.

UWEP and YLP have been characterised by low recovery rates, thus creating long-receivables on the financial statements.

Government through the Ministry of Gender, Labour and Social Development together with the Local Governments has been re-evaluated and implemented the Parish Development Model as an alternative intervention.

### **2.2.8. Non-quantifiable Contingent Liabilities**

The Audit Report noted that the entity had five Court cases for civil proceedings filed against it; with majority being breach of contracts.

The Accounting Officer indicated that there was laxity by the Attorney General to provide the entity with legal support and guidance in matters to do with representation in courts of law. He further indicated that the entity opted to hire services of a law firm; namely Hallmark Advocates at a monthly retainer fee of UGX 1,000,000

#### **Committee Observations**

The Committee observed;

- i) Incapacity of the entity to deal with legal matters instituted against it without involvement or engagement of the Office of the Attorney General
- ii) The Regional Offices of the Attorney General are under staffed and underfunded rendering them unable to effectively handle all the district court cases

#### **Recommendations**

The Committee recommends that;

- i) The Accounting Officer should adhere to the Auditor General's advice of seeking to engage the Attorney General for legal support
- ii) The Local Governments and the Attorney General's office should adequately budget for legal representation.
- iii) The Office of the Attorney General should carry out adequate staff recruitment to improve effectiveness of the legal representation at regional level

#### **Action status**

The non-contingent liabilities were mainly ongoing court cases that were not yet ruled on.

The recommendations of Parliament have been brought to the attention of the Attorney General.

#### **2.2.9. Un-reconciling Balances**

The Audit Report revealed that the entity's consumption of Property, Plant and Equipment (PPE) was reported at UGX 3,440,304,029 in the Statement of Performance, while in the Cash Flow statement, PPE was reported at UGX 3,488,329,742.

The entity also recorded excess revenue expenditure of UGX 80,905,544 in the Statement of Performance, while it was reported as a deficit of UGX 118,931,257 in the Statement of Changes in Equity.

#### **Committee observation**

The Committee observed that there was laxity on the part of the Accounting Officer to undertake reconciliations in order to harmonize the existing figures.

## Recommendations

The Committee recommends that the PS/ST should hold the Accounting Officer personally liable and reprimand him accordingly

## Action status

Reconciliations of the figures in the financial statements were done and there was significant improvement in the quality of the statements. In the subsequent year 2021/22, the district obtained an unqualified audit opinion on the financial statements.

### 2.2.10. Domestic Arrears Paid during the Year

The Audit report noted that the entity had settled its domestic arrears amounting to UGX 74,024,139, but this figure was missing in the Statement of Performance and Statement of Appropriation.

#### Committee observation

The Committee observed that the entity did not prepare accurate financial statements contrary to the local government Financial and Accounting Regulations, 2007.

## Recommendations

- i) The PS/ST should hold the Accounting Officer personally liable and made to account for the UGX 74,024,139 variances in domestic arrears
- ii) The Committee recommends that deterrent measures should be instituted against the Accounting Officer by the PS/ST and Permanent Secretary, Ministry Local Government

### Action status

The upgraded IFMS now has an added functionality for recording, tracking, aging, and reporting domestic arrears. Only verified and captured domestic arrear invoices can be paid on a First-In-First-Out basis.

### 2.2.11. Implementation of the Approved Budget

#### a) Existence of Strategic Plans that are Aligned to NDP-III

The Audit Report noted that the District did not have an approved strategic plan

The Accounting Officer confirmed availability of a Strategic Plan which he tabled before Council in one of its meetings before forwarding the same to National Planning Authority.

#### Committee Observation

The Committee observed at the time of the interaction with the local governments, many strategic plans were still pending approval by National Planning Authority. However, a few entities like Kagadi DLG, Bulambuli DLG and Arua City had an approved plan by the time of interaction with the Committee.

### Recommendations

The Committee recommends the following;

- i) NPA expedites the process of scrutinizing the strategic plans for different local governments as well as establishing clear/coordination of activities to avoid unnecessary delays that impedes the execution of the plans
- ii) The Ministry of Finance/NPA extends capacity building support on strategic and operation planning to the planning units at local government levels

- iii) There should be establishment of a standard planning unit structure Across all local governments to address the question of capacity and man-power.

### Action status

The Strategic plan aligned to NDP III that was under review by National Planning Authority was approved in September 2021.

### (b) Local Performance

#### (b) (i) Local Revenue Performance

The Audit Report noted that entity budgeted to collect UGX 633,311,460 during the financial year, but collected UGX 137,136,559, leading to revenue shortfalls of UGX 496,174,891.

The Accounting Officer attributed the poor local revenue performance to the COVID-19 lockdown restrictions that resulted in the closure of most revenue sources like markets, gate fees and business licenses. He alluded to the existence of a Revenue Enhancement Committee that would boost the entity's future revenue collections.

### Recommendations

The Committee recommends that;

- i) On Local revenue performance, most district local governments can hardly meet their target thus misleading in the planning and budgeting for services to be provided to the population. Accordingly, Accounting Officers should ensure that the Local Revenue Enhancement Committees are strengthened
- ii) The Local Governments devise effective measures to address the leakages, and hold accountable revenue officers who abuse their powers
- iii) Accounting Officers should ensure that an updated revenue register is in place to track and enhance the revenue performance

- iv) Accounting Officers should ensure that an effective revenue mobilisation and tax education plan is in place

### Action status

- i) The Covid-19 pandemic that led to the lockdown of the economy disrupted the collection of local revenue.
- ii) Government through the Ministry of Local Government has been supporting the Local Governments to build capacity on increasing local revenue sources and its collection through the following;
  - a. The Integrated Revenue Administration System (IRAS) has been rolled out to 64 Local Governments and found to be successful in enhancing revenue information and collections.
  - b. Other Local Governments have engaged Uganda Revenue Authority (URA) to collect their revenues.

These automated revenue management systems have enabled the update of revenue registers, tracking of payments of revenue resulting into enhanced revenue performance.

- iii) Building on the above revenue management systems, the Ministry of Finance, Planning and Economic Development now requires all Local Governments to bank their local revenues in the Consolidated Fund, and thereafter pass a Local Council resolution for the appropriation of the local revenues. This process enhances transparency and accountability in the use of local revenues.
- iv) Automated systems are effective in revenue mobilisation, as revenue registers and databases are always up to date. The Ministry of Local Government and URA continuously offer local revenue and tax education.



**(b) (ii) Transfers from Other Government Units/Other Government Transfers**

The Audit Report noted that the Entity budgeted to receive UGX 6,924,514,000 as transfers from other Government Units; but only received UGX 865,618,285.

On whether or not the Accounting Officer wrote to other Government Units on commitment to transfer some funds to the entity, the Accounting Officer indicated that this was not done.

**Committee Observations**

- i) This entity did not have control over transfers from other Government Units/other Government Transfers
- ii) Some Government Units especially Uganda Road Fund released funds to the entity in last quarter with directives to expend them before the close of the financial year
- iii) Failure to release the budgeted funds affects project implementation

**Recommendations**

**The Committee recommends that;**

- i) The MoFPED should ensure that the funds, as budgeted be sent to the district to ensure proper implementation of planned activities
- ii) The Accounting Officer should develop mechanism to widen their local revenue base to avoid over dependency on external financing

**Action status**

COVID-19 disruptions affected the cash in-flows of Government and Development Partners. As a result, Government suppressed its approved budget including Other Government Transfers, so as to fund emergency activities relating to the pandemic.

### **(b) (iii) Performance of External Financing**

The Audit Report noted that the Entity budgeted to receive UGX 2,350,000,000 as external/ donor financing, out of which only UGX 240,746,929 was received.

The Accounting Officer informed the meeting of written communications he made to UNICEF requesting for support to the entity to enable it carries out planned activities. The Committee advised the Accounting Officer to write to other donor agencies for financial assistance to enable implementation of planned Council activities.

#### **Committee Observations**

- i) This entity did not have control over transfers from other Government Units/other Government Transfers
- ii) Some Government Units especially Uganda Road Fund released funds to the entity in last quarter with directives to expend them before the close of the financial year
- iii) Failure to release the budgeted funds affects project implementation

#### **Recommendations**

##### **The Committee recommends that;**

- i) The MoFPED should ensure that the funds, as budgeted be sent to the district to ensure proper implementation of planned activities
- ii) The Accounting Officer should develop mechanism to widen their local revenue base to avoid over dependency on external financing

#### **Action status**

COVID-19 disruptions affected the cash in-flows of Government and Development Partners. As a result, Government suppressed its approved budget including Other

Government Transfers, so as to fund emergency activities relating to the pandemic.

### **(c) Absorption of Funds**

The audit report noted that entity received UGX 27,524,872,976 out of which UGX 26,429,555,501 was spent leading to an unspent balance of UGX 1,095,317,475.

The Accounting Officer admitted to the audit findings, which he attributed to delays in procurement of projects under UgIFT and non-recruitment teaching staff for primary schools.

### **Committee Observations**

- i) Many Local Governments conceal or ring-fence positions that have fallen vacant by deploying junior staff in acting capacity/ assignment basis beyond the mandatory period of six months.
- ii) This is a ploy to give time to their persons to gain the requisite qualifications during which period they deny deserving person's employment at the expense of service delivery.
- iii) Adequate absorption of Wage budget in Cities, District Local Governments and Municipal Councils during the FY 2020/21 was constrained by factors ranging from non-functionality of District Service Commissions (DSC) to staffing challenges
- iv) The Education Service Commission (ESC) delays to recruit tertiary and secondary school teachers despite releases made and formal requests to the line ministry
- v) The MoFPED made releases to some LGs over and above the requested funds
- vi) Some of the affected Accounting Officers adhered to the provisions under section 17(3) of the PFMA Act 2015, thus monies were re-voted to cater for the initially planned for activities;
- vii) The absence and failure to implement the provisions of the Negotiating, Consultative and Dispute Settlement Machinery Act 2008, resulting into failure to settle labour disputes, leading to under absorption, loss of funds and high cost of dispute resolution

## Recommendations

- i) The Accounting Officer should institute measures that will ensure timely declaration of vacant positions to the DSC, appointment and access to the payroll to avoid return of unspent balances to the Consolidated Fund
- ii) The ESC should ensure strict and timely adherence to their recruitment plans to avoid delays in staff recruitment
- iii) Local Governments should ensure that there are fully constituted DSCs to enable timely recruitment of staff
- iv) The Ministry of Public Service, and Public Service Commission develops guidelines for timeliness on the tenure and approval of the members of the DSC
- v) The Ministry of Local Government should intensify its inspection and monitoring on matters of staff including; staff establishment, service functionality and cases of staff discipline.
- vi) The provisions of the Negotiating, Consultative and Dispute Settlement Machinery Act 2008 should be adhered to
- vii) The Ministry of Finance, Planning and Economic Development should adhere to the entities quarterly work plans with timely release of funds.
- viii) Local Governments should commence on the execution of their work plans upon approval by the councils as they await actual budget releases

## Action status

The PS/ST in the annual Budget Execution Circulars has guided Accounting Officers to initiate the procurement process at the start of the financial year. However, the signing of the contracts should only be done with confirmation of release of funds. This saves time for implementation of the projects and absorption of funds during the financial year.

Similarly, initiation of the recruitment process should be carried out early in the year to ensure that the recruitment is concluded in time.

The unabsorbed funds for UgIFT and wages were re-voted in FY 2021-2022.

#### **(d) Off-budget receipts**

The Audit Report noted that the Entity received UGX 27,329,000 as off-budget support from the Development Initiative for Northern Uganda (DINU) for undertaking some activities, but this was never declared to the Permanent Secretary/Secretary to the Treasury and as such no supplementary appropriation was issued as guided by the Permanent Secretary/ Secretary to the Treasury.

#### **Committee Observation**

The Committee observed that the Accounting Officer did not declare the off-budget support amounting to UGX 27,329,000 that was received from Development Initiative for Northern Uganda (DINU) as required under Paragraph 29 of the Budget Execution Circular for the Financial Year. The non-declaration of the off-budget receipts was a breach of Paragraph 29 of the Budget Execution Circular for the Financial Year 2020/21.

#### **Recommendations**

##### **The Committee recommends that;**

- i) The Accounting Officer should adhere to Paragraph 29 of the Budget Execution Circular for the FY 2020/21;
- ii) The MoFPED should mainstream the disbursement of funds through normal planning and budgeting cycles to avoid off budget receipts.

#### **Action status**

The upgraded Programme Budgeting System (PBS) has features that enable Accounting Officers to declare anticipated donations of cash and assets during the budgeting process. This PBS feature is a mandatory field to be filled in by Accounting Officers, who have been notified not to receive any off-budget donations without prior authorisations by the Minister of Finance.

The above was again communicated in the Budget Call Circular for FY 2022/23. During this Financial year 2022/23 all declared donations were included in the Appropriations bill.

#### **(e) Quantification of Outputs/Activities**

The Audit Report noted the entity had four outputs with a total of 17 activities with expenditure worth UGX 2,200,000,000. Out of the 17 outputs, 3 outputs with six activities worth UGX 1,900,000,000 were fully quantified; and one output with a total of eleven activities was partially quantified.

The Accounting Officer informed the meeting that the entity quantified the standard outputs in the budget for FY 2020/21 while other outputs were classified as non-standard. On an account for non-quantification of outputs, the Accounting Officer stated that the entity had planned to follow up with Contractors to ensure readiness for their implementation.

#### **Recommendations**

The Committee recommends that the Accounting Officer should always embark on implementation of approval work plans and only await for budget releases to effect the contracts so as not to lose out on time.

#### **Action status**

The Programme Budgeting System (PBS) was upgraded to introduce the NDP-III Programme approach. The Programme Implementation Action Plans (PIAPs) form the basis for quantification of outputs which is mandatory.

#### **(f) Implementation of Quantified Outputs**

The Audit Report noted the entity was scheduled to fully implement three (3) quantified outputs with a total of six (6) activities costed at UGX 1,900,000,000.

The entity failed to implement a number of quantified outputs including: completion of the upgrade of Ayer Health Centre III using re-voted funds, construction of General Ward for the upgrade of Okole Health Centre II, supply of

assorted medical equipment at Okole Health Centre II and completion of Okwerodot Seed Secondary School.

The Accounting Officer admitted to the audit query, but indicated that the activities under the supervision of the entity management staff, have since been completed.

#### **Committee observation**

The Committee observed that there was non- implementation of some planned activities.

#### **Recommendations**

The Committee recommends that the Accounting Officer should always embark on implementation of approved work plans and only await for budget releases to effect the contracts so as not to lose out on time.

#### **Action status**

COVID-19 disrupted the implementation of some of the planned activities. The unimplemented activities were identified and included in the subsequent Financial Year work plans.

The upgrade of Ayer Health Centre III, construction of General Ward for the upgrade of Okole Health Centre II, supply of assorted medical equipment at Okole Health Centre II and construction of Okwerodot Seed Secondary School were subsequently completed.

#### **(g) Preparation and Submission of Monitoring Plans and Reports**

The Audit Report noted that;

- The district did not produce and submit the fourth quarter performance plan

- The entity did not prepare and submit the annual monitoring plans to MoFPED, MoLG and NPA as required.
- The entity did not also submit quarterly monitoring reports to the Office of the Prime Minister and MoFPED as required.

The Accounting Officer informed the meeting that the reports were system generated on the Programme Budgeting System (PBS).

### **Committee Observations**

The Committee observed that there was laxity in the preparation and submission of monitoring plans and reports by the local governments which contravened Paragraph 58 of the Budget Execution Circular for 2020/21.

### **Recommendations**

- The PS/ST should hold the Accounting Officer personally liable for contravening Paragraph 58 of the Budget execution Circular for 2020/21
- The Accounting Officer should ensure prompt and timely submission of the monitoring plans and reports

### **Action status**

The Programme Budgeting System (PBS) was upgraded to include a mandatory field for the input of Programme Implementation Action Plans (PIAPs)/Monitoring Plans, and enable the preparation/submission of real-time quarterly electronic reports.

### **(h) Submission of Quarterly Performance Reports**

The Audit Report noted that Management submitted performance reports for Q1, Q2 and Q4 after the deadline.

The Accounting Officer attributed the late submission of Quarterly Performance Reports to late loading of releases on the Programme Budgeting System (PBS) by MoFPED.



### **Committee Observation**

The Committee observed that failure to submit returns leads to accumulation of arrears and under absorption of wage, pension and gratuity.

### **Recommendations**

#### **The Committee recommends that;**

- i) The PS/ST should reprimand the Accounting Officer and hold them personally liable for failure to perform his functions in line with paragraph 2.1 for establishment Notice No.1 of 2020.
- ii) The Accounting Officer (s) should ensure timely submission of reports to the respective ministries.
- iii) Continuous training should be done for user
- iv) The Ministry of Finance, Planning and Economic Development designs quick response mechanism to districts that face system problem.

### **Action status**

The Programme Budgeting System (PBS) was upgraded to include a mandatory field for the input of Programme Implementation Action Plans (PIAPs)/Monitoring Plans, and enable the preparation/submission of real-time quarterly electronic reports.

The Ministry of Finance, Planning and Economic Development has enhanced the capacity of its twelve (12) Regional Treasury Service Centres to support Districts that may have PBS challenges.

#### **(i) Accuracy of Performance Reports Submitted**

Audit noted from a review of the Annual cumulative performance reports (Q4 performance report) and physical inspections/verification of performance cases of inconsistencies between the actual performances against physical inspections as at the year-end.

**Committee Observations**

The Accounting Officers explained that the inconsistencies in the reports were directly linked to system challenges.

**Recommendations**

The Committee recommends that the Accounting Officer should always adhere to provided reporting guidelines and ensure accurate reporting.

**Action status**

Quarterly performance reports are submitted electronically through PBS to MoFPED. Accounting Officers are expected to review the reports for accuracy and submit them to MoFPED.

**2.2.12. Implementation of UgIFT Projects****(a) Delayed Physical Progress of the Works on Construction of Okwerodot Seed Secondary School**

The Audit Report noted that the entity through Ministry of Education and Sports, contracted M/S GOBS Investments Uganda Limited to carry out various construction works on Okwerodot Seed Secondary School at a contract sum of UGX 1,812,850,000. The entity has spent UGX 1,717,875,500 on the project, leaving a balance of UGX 94,974,500 as retention money. The audit revealed incomplete works on the project despite payments made to the contractor.

The Accounting Officer attributed the project delays to the COVID- 19 lockdown restrictions and the contractor's incapacity to handle four similar projects of which contracts were awarded.

**Committee Observation**

The Committee observed that;

- i) The district irregularly made full payment to the contractor contrary to the provisions of the procurement regulations.

- ii) The contractor had limited capacity to handle the project hence the failure to reach completion despite receiving full payment

### Recommendations

#### The Committee recommends that;

- i) The PS/ST should hold the Accounting Officer, District Engineer, CFO, Procurement Officer and the Education Officer individually liable for contravening the procurement laws and regulations
- ii) The Accounting Officer should ensure full recovery of the money irregularly paid
- iii) The PPDA should review the whole hybrid procurement modalities with a view of saving Government from losing funds to contractors who lack capacity
- iv) The PPDA should hold the contractor accountable and institute punitive measures as a deterrent for flouting contractual obligations.

### Action status

The Accountant General's Office is holding stakeholder engagements on hybrid/collaborative procurement approach to obtain the most efficient and effective way of implementing the approach.

The PS/ST has written to the Public Procurement and Disposal of Public Assets Authority to investigate the contractor, with a view to institute punitive measures as a deterrent for flouting contractual obligations

#### **(b) Delayed Progress of the Works or Okole Health Centre III Upgrade.**

The Audit Report noted that Ministry of Health awarded a contract to M/ S Wangi General Enterprises Limited to carry out several civil works on Okole Health Centre III at a contract price of UGX 615,717,632. By close of the FY 2020/21 the contractor had been paid UGX. 576,372,576 leaving a balance of UGX 30,785,881

as retention outstanding. Audit however revealed that UGX 500,000,000 had been budgeted for, with the source of extra funding of UGX 76,372,576 not explained. Audit further revealed incomplete civil works at the Health Centre.

The Accounting Officer attributed the delays to late award of the contract due to late initiation of the procurement process by the Ministry of Health so that works could be expedited.

### **Committee Observation**

#### **The Committee observed that;**

- i) The entity expended funds above what had been budgeted for by UGX 76,372,576 contrary to the Financial and Accounting Regulations, 2007
- ii) The entity irregularly made full payment to the contractor prior to the completion of the project, contrary to the Procurement Regulations and Laws

### **Recommendations**

- i) The PS/ST should hold the PS Ministry of Health personally liable for awarding contracts above the approved budget contrary to the provisions of the Financial and Accounting, 2007
- ii) The PS/ST should hold the Accounting Officer, District Engineer, CFO, Procurement Officer and the District Health Officer personally liable contravening the Procurement laws and regulations.
- iii) The Accounting Officer should ensure full recovery of the money irregularly paid.
- iv) The PPDA should review the whole hybrid procurement modalities with a view of saving Government from losing funds to contractors who lack capacity.
- v) The PPDA should hold the contractor accountable and institute punitive measures as a deterrent for flouting contractual obligations.

## Action status

The Accountant General's Office is holding stakeholder engagements on hybrid/collaborative procurement approach to obtain the most efficient and effective way of implementing the approach.

The PS/ST has written to the Public Procurement and Disposal of Public Assets Authority to investigate the contractor, with a view to institute punitive measures as a deterrent for flouting contractual obligations

### **(c) Delayed Progress of the Works on Ayer Health Centre III Upgrade**

The Audit Report noted that Ministry of Health awarded a contract to M/S KAST Engineering Works Limited to carry out civil works at Ayer Health Centre III at a contract price of UGX 475,000,000 VAT inclusive. The contractor has been paid UGX 451,250,000 leaving UGX 23,750,000 as retention money.

The audit revealed that out of the UGX 451,250,000 paid to the contractor, UGX 30,336,000 had been budgeted for the expansion of Ayer Health Centre III. The source of extra funding of UGX 277,542,878 was not explained. The audit further revealed incomplete civil works on the Health Centre.

The Accounting Officer attributed the delays on the COVID 19 lockdown; and to the Contractor having numerous sites which took toll on capacity.

### **Committee Observations**

#### **The Committee observed that;**

- i) The district irregularly made full payment to the contractor contrary to the provisions of the procurement regulations.
- ii) The contractor had limited capacity to handle the project hence the failure to reach completion despite receiving full payment.
- iii) The entity could not explain the source of the extra UGX 277,542,474 expended on the project which tantamount to diversion of funds.

## Recommendations

### The Committee recommends that;

- i) The PS/ST should hold the Accounting Officer personally liable for awarding contracts above the approved budget contrary to the provisions of the Financial and Accounting Regulations, 2007.
- ii) The PS/ST should hold the Accounting Officer, District Engineer, CFO, Procurement officer and the District Health Officer liable for contravening the Procurement laws and regulations.
- iii) The Accounting Officer should ensure full recovery of the money irregularly paid
- iv) The PPDA should review the whole hybrid procurement modalities with a view of saving Government from losing funds to contractors who lack capacity
- v) The PPDA should hold the contractor accountable and institute punitive measures as a deterrent for flouting contractual obligations

### Action status

The Accountant General's Office is holding stakeholder engagements on hybrid/collaborative procurement approach to obtain the most efficient and effective way of implementing the approach.

The PS/ST has written to the Public Procurement and Disposal of Public Assets Authority to investigate the contractor, with a view to institute punitive measures as a deterrent for flouting contractual obligations

### 2.2.13. Under-staffing

The Audit Report noted that the entity had an approved staff establishment of 1,931 employees, out of which only 1,660 posts were filled leaving a staffing gap of 271.

On the steps and measures taken by the entity to address the staffing shortages, the Accounting Officer stated that he liaised with Ministry of Public Service seeking authority to recruit staff to fill vacant positions.

### **Committee Observations**

#### **The Committee observed that;**

- i) There was laxity on the part of the Accounting Officer in implementing the recruitment plan to fill the vacant positions.
- ii) The understaffing affected service delivery in the district through delayed implementation of planned activities.
- iii) Understaffing in the district was putting extra strain on the few staff leading to loss of morale and under performance.

#### **Action status**

The PS/ST in the Budget Call Circulars has provided wage budget resources and emphasized to local government Accounting Officers to liaise with the Ministry of Public Service and the District Service Commission to fill the critical vacant positions.

#### **2.2.14. Un-accounted for Advances to Staff Personal Accounts**

The Audit Report noted that the entity paid UGX 180,144,884 as advances to staff personal bank accounts to implement several council activities. Out of the UGX 180,144,884, only UGX 72,106,000 was accounted for leaving UGX 108,038,884.

The Accounting Officer informed the meeting that payments of administrative advances to carry out council activities are paid directly to staff personal account numbers which are already captured by the Ministry of Finance, Planning and Economic Development, Persons without supplier numbers or whose supplier numbers are not captured by the Ministry are paid through imprest where the fund they requested for are transferred from Bank of Uganda through imprest accounts to various suppliers who do not have bank accounts.

### **Committee Observations**

The Committee observed that failure to retire outstanding advances within one month from the date of payment contravenes the provisions of the Financial and Accounting Regulations, 2007.

### **Recommendations**

The Committee recommends that;

- i) The PS/ST should hold the Accounting Officer and the implicated staff individually liable for contravening the provision of the Financial and Accounting regulations, 2007
- ii) The Accounting Officer should ensure full recovery of all outstanding advances failure of which, he should make good the loss within three months from the time of adoption of the report

### **Action status**

The upgraded IFMS now has a functionality for recording and tracking advances to staff. However, the PS/ST in the Budget Execution Circulars has reiterated that payments to individual staff personal bank accounts to implement Government activities is irregular. Accounting Officers should engage eligible suppliers and service providers, who should be paid after delivery of the goods/services.

## **2.5 OYAM DISTRICT LOCAL GOVERNMENT**

### **2.2.1. Anomalies in the Management of the District Pension and Salary Payrolls**

The Auditor General noted a number of anomalies during review of the district pension & salary payrolls such as; Failure to submit wage estimates to MoPS, over payment of salaries worth UGX 81,486,802; Underpayment of salaries worth UGX 54,366,065; payment of salaries worth UGX 74,935,902 to thirty-three (33) staffs that was no longer in service. Unpaid salary worth UGX 91, 771,432.



### Action status

The District had capacity gaps in its Human Resource Department. These gaps have been addressed through training carried out by the Ministry of Public Service. This has improved the timely submission of wage estimates, and payments of salaries by the District. Wage estimates for FY 2022/23 and FY 2023/24 were submitted on time.

The capacity issues in the Human Resource department has overtime been built to address the instances of overpayment/underpayment/non-payment of salaries and pensions. The roll-out of Human Capital Management (HCM) system to replace the Integrated Payroll Payment System (IPPS) will enhance the internal control surrounding the payroll.

The special payroll audit by the Office of the Auditor General will inform the policy interventions that need to be carried out in the management of the Government's salary and pensions payroll.

### 2.2.2. Delayed Access to pension and Salary Payrolls

Additionally, it was observed that there was delayed access to payroll by thirteen (13) new employees and sixteen (16) pensioners; failure to utilize wage funds of UGX 0.58 billion; un-deducted PAYE from political leaders' gratuity resulting in unpaid tax of UGX 12, 437,406.

### Action status

- i) Failure to utilise wage funds was due to delays in processing employee supplier numbers. The officers have since accessed the payroll.
- ii) Staff being recruited are encouraged to provide personal data for expeditious upload to the system. Pensioners are prepared early enough (6 months to date of retirement)

iii) The non-deduction of PAYE from political leaders' gratuity was due to capacity gaps in the Human Resource Department. Uganda Revenue Authority has trained Officers on management of income tax/Pay As You Earn.

### **2.2.3. Lack of a Strategic Plan Approved as Aligned to the NDP-III**

The Auditor General noted that the entity had not prepared a strategic plan aligned to the NDP-III at the time of audit.

#### **Action status**

The District prepared a five-year strategic plan and submitted to National Planning Authority for review. National Planning Authority reviewed and made recommendations for improvement to which the district has addressed the comments and has been resubmitted to NPA for final approval. The District is yet to receive the final approval.

### **2.2.4. Non- recognition of Receivables**

The District did not recognize as a receivable an advance payment of UGX 414,149,184 made on 28<sup>th</sup> June 2021 for the supply and installation of medical equipment to 64 Health Centre IIIs under Uganda Intergovernmental Fiscal Transfer Program UGFIT (LOT3)- of which Oyam DLG has two (2) Health Centre IIIs.

#### **Action status**

The District should have recognised the receivables in its financial statements. However, the medical equipment was subsequently supplied and installed in Loro Health Centre III and Iceme Health Centre III, and are operational.

### **2.2.5. Mischarged Expenditure**

The district mischarged expenditure worth UGX 609,529,053 on wrong budget lines.

### **Action status**

The PBS has undergone an upgrade which addressed some of the challenges of selecting the correct accounting codes. A revised Chart of Accounts was used in the budgeting for FY 2022/23 in which most of the challenges were addressed and no mischarges are expected. In-house mentorship has been continually conducted, and internal controls introduced to deal with budget indiscipline, and poor budgetary practices.

### **2.2.6. Over Payments**

Over payments of UGX 1,104,810 respectively of 27 staff arising from the use of wrong salary scales.

### **Action status**

Capacity has been built to carefully analyse the payroll against interface files sent for payment and such anomalies have been addressed

### **2.2.7. Challenges in the Implementation of the Approved Budget**

It was noted that there were a number of issues in the implementation of the approved budget such as; incomplete works; partial and non-implementation of activities; under absorption of funds worth UGX 972,008,324 that was swept back to consolidated fund account; under performance of the donor & releases from other government units worth UGX 1,163,405,949; delayed submission of quarterly monitoring reports to OPM & MoFPED

### **Action status**

i) **Partial and non-implementation of activities;**

The capacity of Heads of Department have been built through in-house training. However, this problem also emanates from late procurement of UGIFT funded projects by the centre that leads to late implementation of the intended outputs.

ii) **Under absorption of funds worth UGX 972,008,324;**

It is true that there was under absorption of funds in the period under review. This arose from the fact that UgIFT funded projects are always awarded late and therefore implementation overlaps the financial year which affects utilisation of the funds involved.

iii) **Under performance of the donor & releases from other government units worth UGX 1,163,405,949;**

COVID-19 disruptions resulted in suppression of GoU and donor budgets. The lockdown disrupted the physical works in many projects leading to under-absorption of the available funds.

iv) **Delayed submission of quarterly monitoring reports to OPM & MoFPED;**

The capacity of the Regional Treasury Service Centres has been built up to support local governments in the submission of work plans and reports on the PBS, and Monitoring and Evaluation (M&E) reports to Office of the Prime Minister. There has been a significant improvement in the submission of the above reports.

### **2.2.8. Charging Wrong Budget Lines**

The district mischarged expenditure worth UGX 275, 847,736 on wrong budget lines.

#### **Action status**

The PBS has undergone an upgrade which addressed some of the challenges of selecting the correct accounting codes. A revised Chart of Accounts was used in the budgeting for FY 2022/23 in which most of the challenges were addressed and no mischarges are expected. In-house mentorship has been continually conducted, and internal controls introduced to deal with budget indiscipline, and poor budgetary practices.

### **2.2.9. Over and Under Payment of Pension**

Over and under payment of pension to pensionaries worth UGX 34, 619,402, and UGX 126,248,570 respectively

**Action status**

The Pension amounts have been reconciled and the salary scales adjusted accordingly.

The Ministry of Public Service is rolling out the Human Capital Management (HCM) system to replace the Integrated Personnel and Payroll System (IPPS) which has more robust features to manage both salary and pensions payrolls.

**2.2.10. Unauthorized Loan Deductions**

It was noted that the District has unauthorized loan deductions worth UGX 178,342,254

**Action status**

The retrieved letters of undertaking from the financial institutions and they are now in one file.

The PS/ST has proposed that Government exits the management of loan deductions. This should be the preserve of commercial banks who possess the capacity of financial intermediation and are regulated by Bank of Uganda.

**2.2.11. Payment of Ineligible Pensioners**

Payment of pension arrears worth UGX 22,125,006 to ineligible pensioners

**Action status**

These were residual arrears verified, budgeted for and correctly paid to identified pensioners for the months missed.

The Ministry of Public Service is rolling out the Human Capital Management (HCM) system to replace the Integrated Personnel and Payroll System (IPPS) which has more robust features to manage both salary and pensions payrolls. The system

automatically transfers retiring officers from the active payroll to pension's payroll and also generates the gratuity and pension payable.

### **2.2.12. Under-staffing**

It was noted that there were 700 vacant staff position at the district that affected service delivery

#### **Action status**

Covid-19 disrupted recruitment of staff. Subsequently, in FY 2021/22, Oyam DLG recruited 46 new staff to fill critical positions. Furthermore, in FY 2022/23 additional 61 staff were recruited in the first quarter and the MoPS cleared for recruitment of 147 new staff and the recruitment process is on-going.

### **2.2.13. Long-outstanding Payables**

The district had outstanding payables worth UGX 2,865,939,536 with overdue payables of UGX 1,128,004,950 which relates to the previous financial years.

#### **Action status**

The District in the subsequent financial year 2021/22, paid pension arrears worth UGX 1,747,903,045 and other domestic arrears worth UGX 264,083,225. However, pensions liabilities continued to increase.

IFMS has been upgraded to include the functionality for recording and tracking of domestic arrears. Only declared and verified domestic arrears can be uploaded and paid under the domestic arrears IFMS functionality on the First in, First Paid basis.

Accounting Officers have been reminded in their appointment letters, and in the Budget Call Circulars not to commit Government beyond the approved budgets

#### **2.2.14. Payment of Contract without Certificates of Works Done**

UGX 590,863,502 paid to the contractor on the 28<sup>th</sup> June 2021 was not supported by certificates of works done.

##### **Action status**

The matter has been brought to the attention of the Criminal Investigations Directorate for investigation and appropriate action.

#### **2.2.15. Unaccounted for Funds**

It was noted that expenditure amounting to UGX 31,252,804 remained unaccounted.

##### **Action status**

Accountability documents were retained by Parliament Local Government Public Accounts Committee and referred to Police for investigation.

#### **2.2.16. Irregular Payments to Individual Staff Personal Bank Accounts**

It was noted that management irregularly paid out UGX 411, 867,050 to individual staff personal bank accounts to purportedly implement several council activities instead of directly paying the eligible suppliers and service providers. In addition, these individuals were neither imprest holders nor cashiers who are mandated to hold cash among other duties.

##### **Action status**

The PS/ST in his circular letter HRM/222/01 dated 9<sup>th</sup> August 2012 and the Accountant General's letter dated 17<sup>th</sup> December 2018 to all Accounting Officers to the effect that all payments for works, supplies and general services should be paid directly to the beneficiary's/suppliers bank accounts through IFMS.

Accounting Officers have been reminded through their appointment letters to adhere.

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| <b>2.6 MASINDI MUNICIPAL COUNCIL</b>  |
| <b>2.2.1. Unsupported Advances Recovered during the year</b>  |
| <p>The Cash Flow Statement on page 13 reported UGX 120,400,000 as advances recovered during the year relating to UWEP and YLP which were not supported by detailed schedules and bank statements to confirm the authenticity of the figures reported in accounts.</p> <p><b>Committee Observations</b></p> <p>The Committee observed that there were irregularities in the Cash Flow Statement because the advances were not supported by detailed schedules and bank statements to confirm the authenticity of the figures reported in accounts.</p> |
| <b>Recommendations</b>  |
| <p>The Accounting Officer should ensure that reconciliation is carried out and up-to-date records of the schedules are made available to ease tracking of Cash Flows/Recoveries</p>   |
| <b>Action status</b>  |
| <p>The Cash Flow Statement and the bank statements have been reconciled. The amount in question was a receipt of funds from Office of the Prime Minister for...(purpose)</p>  |
| <b>2.2.2. Payroll Management</b>  |
| <p><b>a) Budgeting for Salary, Pension and Gratuity</b></p> <p><b>(a) (i) Submission of Wage Estimates</b></p> <p>The Audit Report noted that the Municipal Council did not prepare and submit wage estimates for the Financial Year 2020/21 to MoPs as required.</p>   |



The Accounting Officer informed the Committee that it was an oversight and going forward management committed to improve.

### **Committee Observation**

The Committee observed that the delays in submission of the local governments' budget estimates in line with Paragraph 2.2 of the Establishment Notice No.2 of 2019 were hampered by conditions that were beyond the management and control of local governments.

### **Recommendations**

The Committee recommends that;

- i) The Accounting Officers should, for the subsequent Financial years, ensure to adhere to the timelines prescribed under Paragraph 2.2 of the Establishment Notice No.2 of 2019 on submission of wage estimates by 30<sup>th</sup> September of the Previous year.
- ii) The Committee recommends that the PS/ST should reprimand and hold the Accounting Officers personally liable for failure to perform their mandatory duty.

### **Action status**

The Programme Budgeting System (PBS) has been upgraded and all budget estimates (including estimates for wage, pension and gratuity) are submitted online through the system, within the statutory timelines.

### **(a) (ii) Under-payment of Salary**

The Audit Report revealed variances between amounts on the approved payroll and payments to individual employees, leading to under payment of UGX 1,743,671.

The Accounting Officer explained that;

- i) For the two staff, the underpayment was as a result of missing salary in June, for example Mr Twinamasiko Moses who was later paid and for Ms

Kamanyire Evelyn, management made a submission to the MoFPED requesting for salary arrears.

- ii) For the other two staff, it was due to absenteeism and the under-payment was a disciplinary action against them.

### Recommendations

The Committee recommends that;

- i) The PS/ST should reprimand the Accounting Officers in question and hold them personally liable for contravening Section B-a (7) of the Uganda Public Service Standing Orders, 2010.
- ii) The Accounting Officers going forward, should carryout proper reconciliation before any payments are made to avoid such occurrences
- iii) Accounting Officers should ensure processing of payments of top up salary amounts in respect of employees who were underpaid of their salaries

### Action status

- i) Salaries for two staff (Mr. Twinamatsiko Moses and Ms. Kamanyire Evelyn) who were not on payroll, were later paid their salary arrears in July 2021.
- ii) The salary arrears for the other two officers with disciplinary cases is awaiting conclusion of their cases.
- iii) The special audit on salaries, pensions and gratuity requested by the Ministry of Finance, Planning and Economic Development will inform the policy review on the management of the payroll in Government

### **(a) (iii) Under-payment of Pension and Gratuity**

The Audit Report revealed variances between amounts on the payroll and payments to individual pensioners, leading to underpayments of UGX 310,490,308.

The Accounting Officer explained that this was due to insufficient funds, however, some of the pensioners were since paid except for Ms Kusiima Margaret who was yet to be paid as soon as funds were available.

**Committee observation**

- i) Underpayment of pensioners benefits is a violation of rights which contravenes the provisions of article 254 (1) & (3) of the 1995 Constitution of Uganda (as amended).
- ii) The entity had taken corrective measures although some pensioners had not yet received their salaries

**Recommendations**

The Accounting Officer should ensure compliance with article 254 (1) & (3) of the 1995 Constitution of Uganda (as amended), and make provisions in the subsequent budget for the remaining arrears to be cleared.

**Action status**

The Accounting Officer adjusted the budget provisions for pension and has paid the arrears.

**(a) (iv) Delayed Deletion of Staff from Payroll**

The Audit Report noted that UGX 33,863,477 was paid to 17 staff who had either transferred, retired, absconded or died.

The Accounting Officer explained that this was as a result of the system errors and some secondary school teachers taking long to notify the Accounting Officer about the transfers/death of some teachers.

## Recommendations

The Committee recommends that the Accounting Officer should ensure full recovery of the funds within 3 months from adoption of this report or make good the loss

## Action status

There is a delay for retiring staff names to cross from active payroll to the pension payroll. Some of the staff were secondary school teachers who were transferred by MoES. However, MoES did not route their transfer letters through the Accounting Officer.

The special audit on salaries, pensions and gratuity requested by the Ministry of Finance, Planning and Economic Development will inform the policy review on the management of the payroll in Government

### (a) (v) Over/Under Remittance of Deductions

The Audit Report noted that whereas UGX 1,427,190,853 was deducted from employees' salaries to be remitted to different beneficiaries, UGX 1,149,993,408 was remitted leading to an under remittance amounting to UGX 280,237,640 and over remittance of UGX 3,040,195.

The Accounting Officer explained that the over/under remittance was due to the Ministry of Public Service remitting incomplete files at different times for the same month thus causing such variances.

## Recommendations

- i) The Accounting Officer carries out reconciliations before remitting the said money to beneficiaries to avoid over and under remittances
- ii) The PS/ST should take action to either ensure a refund the over remitted to clear this audit query

## Action status

The Ministry of Public Service (MoPS) is rolling out the Human Capital Management (HCM) system and is conducting training for Human Resource Officers (HRO). During these trainings, MoPS supports HRO on the verification of staff lists and on how to ascertain the right amounts to be deducted in favour of various beneficiaries.

The MoFPED has instituted a policy that the deductions must be paid together with the associated salaries.

### (a) (vi) Un-authorized Loans Deductions

The Audit Report noted that;

- All loan deductions relating to 232 employees did not have evidence of consent by the employees.
- Loan deductions to 24 employees of UGX 24,333,456 were not in the "my approval" reports on the PDMS.
- A net variance of UGX 4,302,704 between loan deduction amounts in payroll and my approval report.
- Loan deductions to 20 employees of UGX 39,834,461 were not in the "active deduction" reports on the PDMS.
- Net variances of UGX 3,991,461 between loan deduction amounts in payroll and my active deduction report.

The Accounting officer explained that before any staff accesses a loan, there is a signed letter of undertaking by the officer him/herself, the Head of Finance and the Accounting Officer and the name of the applicant are registered in the loans register and the signed letter of undertaking is taken to the financial institution.

However, apart from the microfinance institutions the commercial banks do not code loans but deduct at source when management remits salaries to staff

accounts therefore the PDMS does not show details of such loans that are not coded.

### Recommendations

- i) The Accounting Officer/entity plays a central role in the initiation, processing and approval of all loan deductions are backed by adequate documents.
- ii) The responsibility of loan recovery ceases to be a duty of local governments and the Ministry of Public Service terminates the requirement for the undertakings with lending institutions as a policy matter
- iii) Government should institute more protective measures to cap multiple and over borrowing by employees.
- iv) The MoPS, MoFPED in consultations with the Local Governments should review and come up with guidelines to streamline the staff loans processes.

### Action status

The PS/ST has requested the Ministry of Public Service to consider terminating the Service Level Agreement with Uganda Bankers Association/ Uganda Consumer Lenders Association. Staff who require loans should directly engage the respective commercial banks.

#### **(a) (vii) Non-deduction of PAYE from Political Leaders**

The Audit Report noted that the Municipal Council did not subject Political Leaders' gratuity totalling to UGX 11,411,400 in the computation of PAYE in IPPS leading to an under deduction of PAYE of UGX 3,423,420.

The Accounting Officer informed the Committee that this was an oversight but going forward, they would include the gross taxable income while computing PAYE.

## Recommendations

The Committee recommends that;

- i) The Accounting Officer recovers the amount in question from the affected political leaders or make good the loss within three months of the adoption of this report.
- ii) The PS/ST should reprimand and hold the Accounting Officer personally liable for failure to perform the duties in line with section 19(1)(a) of the Income Tax Act

## Action status

The Accounting Officer has since recovered the outstanding PAYE of UGX 3,423,420.

### **b) Access to Payrolls**

#### **(b)(i) Delayed Access to Salary Payroll**

The Audit Report noted that the newly elected politicians, and transferred employees delayed to access payroll, with delays ranging between 1-6 months.

The Accounting Officer explained that the staff delayed to submit their Tax Identification Numbers (TIN). However, they have since accessed the payroll.

#### **Committee observation**

The Committee observed that the delayed payroll access of staff was violation of Section B-a (11) of the Uganda Public Service Standing Orders, 2010.

### Recommendations

The Committee recommends that the Accounting Officer and the Human Resource Officers be held personally liable for failure to have the newly recruited staff access payroll within the mandatory period, contrary to the provision of Section B-a (11) of the Uganda Public Service Standing Orders

### Action status

The newly elected politicians, and transferred employees have accessed the payroll.

### **(b)(ii) Delayed Access to Pension Payroll**

The Audit Report noted that eleven (11) pensioners delayed to access the pension payroll, with delays ranging between 1-3 months.

The Accounting Officer acknowledged the anomaly and promised to improve, however, there were incidences when management processes their retirement benefits early enough but fail to access the payroll due to system challenges.

### Recommendations

The Committee recommends that the Accounting Officer and the Human Resource Officers be held personally liable for failure to have the newly recruited staff access payroll within the mandatory period, contrary to the provision of Section B-a (11) of the Uganda Public Service Standing Orders

### Action status

Government has rolled out the Human Capital Management (HCM) system to replace the Integrated Payroll Payment System (IPPS). HCM has automated the transfer of retiring staff from the active payroll to the pension payroll.



### **(b)(iii) Misclassification of Salary, Pension and Gratuity Expenditure**

The Audit Report noted that funds amounting to UGX 195,443,591 in relation to pension and gratuity were charged on wrong account codes.

The Accounting Officer explained that MC requested for a Supplementary for gratuity but the supplementary was loaded under the pension line item. The MC had to warrant gratuity payments on the line item provided and subsequently that is where the gratuity was charge.

#### **Committee observation**

The Committee observed that mischarge of funds distorts budget performance and monitoring as well as credibility of financial statements

#### **Recommendations**

The Committee recommends that the Accounting Officer should at all times ensure that payments are effected using the right codes

#### **Action status**

The Government Chart of Accounts has been revised to include new item codes and additional explanations where there were ambiguities.

Accounting Officers are routinely guided through the annual Budget Call Circulars to appropriately budget for Salaries, Pension and Gratuity, as these have first call on the available budget resources.

### **c) Payment of Arrears**

The Audit Report noted that UGX 93,862,687 was paid as residual arrears to 5 staff and 4 pensioners. However, these had not been verified and therefore not part of the schedule provided by MoFPED.

The Accounting Officer explained that the money was meant for Ms. Katusabe Faith but since she had already been paid in the previous Financial Year, the money was used to pay salary arrears for other staff.

#### **Committee Observations**

There was diversion of funds since different people (5 staff and 4 pensioners) who were not verified.

#### **Recommendations**

- i) The PS/ST should hold, the Accounting Officer personally liable for acting contrary to the provisions of the Financial and Accounting Regulations, 2007.
- ii) The Accounting Officer should ensure that priority is given to paying arrears of verified staff and pensioners.

#### **Action status**

The Accounting Officer explained that the money was meant for Ms. Katusabe Faith but since she had already been paid in the previous Financial Year. The money earmarked for Ms. Katusabe Faith was utilised to pay other employees with pension arrears.

#### **d) Internal Control Weaknesses**

##### **(d) (i) Monthly Wage, Pension and Gratuity Performance Analysis and Remittance of Quarterly Returns to MoPS**

The Audit Report noted that the Municipal Council did not prepare monthly wage, pension and gratuity performance analysis and thus did not submit quarterly returns on payroll to MoPS.

The Accounting Officer acknowledged the anomaly but promised to improve.

#### **Committee Observations**

The Committee observed that the failure to ensure timely submission of returns on the Payroll to Ministry of Public Service was at the time beyond the control and management of the local governments.

#### **Recommendations**

The Committee recommends that;

- i) For subsequent financial years, Accounting Officers should adhere to Paragraph 2.1 of Establishment Notice No.7 of 2020 so as to avoid possible cases of accumulated arrears and under absorption of wage, pension and gratuity budgets.
- ii) The Accounting Officer should strengthen Internal Control measures by submitting quarterly returns in compliance with Establishment Notices.

#### **Action status**

The Accounting Officer attributed the non-preparation and submission of monthly wage, pension and gratuity performance analysis to Covid-19 lock down.

##### **(d) (ii) Payment of Salaries, Pension and Gratuity off IPPS**

The Audit Report noted that 19 staff and 13 pensioners were paid a total of UGX 315,332,447 off IPPS. The Accounting Officer explained that the 19 staff appeared

on the payroll but not on the interface file but since they were genuine staff, management went ahead to pay them.

### **Committee Observation**

The Committee observed that payments of salaries, pension and gratuity off the IPPS contravened Paragraph 4.5 of Establishment Notice No.2 of 2019; and could lead to abuses and manipulation for private gains.

### **Recommendations**

- i) The Accounting Officers should ensure to reconcile their respective entity staff lists together with the Ministry of Public Service IPPS in order to avoid payment of salaries, pension and gratuity off IPPS.
- ii) The Accounting Officer should desist from the practice and can only take such actions with the approval of the line Ministry.

### **Action status**

Government has rolled out the Human Capital Management (HCM) system to replace the Integrated Payroll Payment System (IPPS). HCM has automated the Human Resource Business Process from end-to-end. This will improve the internal control system in the management of the payroll.

### **(e) System Related Challenges**

#### **(e)(i) Inconsistencies between MoPS and Entity Payroll Registers**

The Audit Report observed that there were variances of UGX 12,155,655 between the figures in the MoPS IPPS and entity payroll registers.

The Accounting Officer stated that the Ministry of Public Service IPPS and the entity IPPS are all generated by the Ministry of Public Service, therefore, the variance between the two are system generated errors at the Ministry of Public Service.

### **Committee Observation**

The Committee observed that inaccuracies and inconsistencies between the Ministry of Public Service IPPS and the Entities' Payroll Registers was a recipe for manipulation and abuse to defraud Government employees of their hard earned salaries.

### **Recommendations**

- i) The Accounting Officers should conduct regular checks on the two systems/databases to ensure accuracy and consistence.
- ii) Government should develop an integrated system to cover all functions of HR, finance and other related functions to curb disjointed management systems
- iii) The Accounting Officer should do due diligence
- iv) Training and/or capacity development should be done regularly for local Governments to remain informed and up to date with new system developments

### **Action status**

Ministry of Public Service has rolled-out of the Human Capital Management (HCM) system to replace the Integrated Personnel and Payroll System (IPPS) in a phased manner starting with 60 Central and Local Government votes in the FY 2022/23. An additional 100 votes will be brought on board in FY 2023/24 and subsequently to all votes.

HCM has more robust features and controls which will address the weaknesses of IPPS. HCM by default requires votes to reconcile their approved establishment structures with Ministry of Public Service.

The phased roll-out of HCM is to incorporate training and capacity building of Human Resource Officers in the votes so as to improve the uptake of the new system.

### 2.2.3. Implementation of Approved Budget

#### a) Existence of Strategic Plans that are aligned to NDP-III

The Audit Report noted that the Municipal Council had not obtained the certification from NPA for approval of the strategic plan.

The Accounting Officer explained that the development plan was submitted to the NPA and was acknowledged but there is no response from NPA.

#### Committee Observation

The Committee observed at the time of the interaction with the local governments, many strategic plans were still pending approval by National Planning Authority. However, a few entities like Kagadi DLG, Bulambuli DLG and Arua City had an approved plan by the time of interaction with the Committee.

#### Recommendations

- i) NPA expedites the process of scrutinizing the strategic Plans for the different Local Governments as well as establishing clear/coordination of duties that avoids unnecessary delays that impede implementation of the plans
- ii) The Ministry of Finance/NPA extends capacity building support on strategic and operation planning to planning units at Local Government levels
- iii) There should be establishment of a standard planning unit structure across local governments to address question of capacity and manpower

#### Action status

National Planning Authority (NPA) has finalized the review of the Strategic Plans and has approved the Strategic Plan for the MC.

NPA has also trained the MC on the NDP-III and its Programme approach to planning, budgeting and reporting.

The MC has a function Planning Unit

## **b) Revenue Performance**

### **(b) (i) Local Revenue Performance**

The Municipal Council budgeted to collect UGX 1,644,758,000 during the year but collected UGX 747,814,816 representing (45%) performance. The shortfalls in Local Revenue collections of UGX 896,943,184 (55%) were recorded in land fees, property related dues, market/gate charges and liquor licenses.

The Accounting Officer explained that;

- i) This was as a result of the outbreak of Covid-19 that affected most of the business activities.
- ii) However, management devised means of enhancing revenue mobilization strategies such as running radio announcements, holding revenue enhancement meetings, radio talk shows, and enforcement.

### **Committee Observations**

- i) Local Governments did not receive the whole appropriated budget therefore failed to implement the planned activities.
- ii) The Local Governments local revenue mobilization were greatly affected by COVID-19 pandemic thus low revenue performance
- iii) There were leakages and spending at source by lower local governments

### **Recommendations**

The Committee recommends that;

- i) The Ministry of Finance, Planning and Economic Development accounts for the under release for the funds to the local government
- ii) Accounting Officers under whose supervision local governments fail to utilise funds released to them be held personally liable

- iii) On Local revenue performance, most district local governments can hardly meet their target thus misleading in the planning and budgeting for services to be provided to the population. Accordingly, Accounting Officers should ensure that the Local Revenue Enhancement Committees are strengthened
- iv) The Local Governments devise effective measures to address the leakages, and hold accountable revenue officers who abuse their powers
- v) Accounting Officers should ensure that an updated revenue register is in place to track and enhance the revenue performance
- vi) Accounting Officers should ensure that an effective revenue mobilisation and tax education plan is in place

### Action status

The low local revenue performance was attributed to;

- i) The effects of Covid-19 outbreak
- ii) Lack of logistical items such as lack of transport equipment to aid in revenue mobilization and enforcement.

Government through the Ministry of Local Government has been supporting the Local Governments to build capacity on increasing local revenue sources and its collection. The reforms include;

- i) The implementation of the Integrated Revenue Administration System (IRAS) has been rolled out to 64 Local Governments and found to be successful in enhancing revenue information and collections.
- ii) Other Local Governments have engaged Uganda Revenue Authority (URA) to collect their revenues.
- iii) Building on the above revenue management systems, the Ministry of Finance, Planning and Economic Development now requires all Local Governments to bank their local revenues in the Consolidated Fund, and thereafter pass a Local Council resolution for the appropriation of the local revenues. This process enhances transparency and accountability in the use of local revenues.



- iv) Automated systems are effective in revenue mobilisation, as revenue registers and databases are always up to date. The Ministry of Local Government and URA continuously offer local revenue and tax education. These automated revenue management systems have enabled the update of revenue registers, tracking of payments of revenue resulting into enhanced revenue performance.

**(b) (ii) Transfers from other Government Units/Other Government Transfers**

The Audit Report revealed that the entity budgeted to receive UGX 1,845,072,000 as transfers from other Government Units. However, only UGX, 1,379,739,392 (75%) was received.

The Accounting Officer explained that;

- i) This was due to budget cuts in other government transfers such as URF, Baylor Uganda, and IDI among others.
- ii) However, management rolled over some of the activities especially those under URF in the FY2021/22 work plan, although management is still experiencing the same challenges of budget cuts in the FY2021/22

The Committee observed that;

- i) The entities did not have control over transfers from other Government Units/other Government Transfers.
- ii) Some Government Units especially Uganda Road Fund released funds to the entity in the last quarter with directives to expend them before the close of the financial year.
- iii) Failure to release the budgeted funds affects project implementation.

**Recommendations**

The Committee recommends that;

- i) The MoFPED should ensure that the funds, as budgeted be sent to the district to ensure proper implementation of planned activities,
- ii) The Accounting Officer should develop mechanisms to widen their local revenue base to avoid over dependency on external financing.

### Action status

- i) During the year, the budget releases were suppressed to cater for essential/emergency activities needed to respond to the COVID-19 pandemic. The Covid-19 pandemic that led to the lockdown of the economy disrupted the implementation of the approved work plans.
- ii) Government through the Ministry of Local Government has been supporting the Local Governments to build capacity on increasing local revenue sources and its collection.
- iii) The Integrated Revenue Administration System (IRAS) has been rolled out to 64 Local Governments and found to be successful in enhancing revenue information and collections. Other Local Governments have engaged Uganda Revenue Authority (URA) to collect their revenues.
- iv) Building on the above revenue management systems, the Ministry of Finance, Planning and Economic Development now requires all Local Governments to bank their local revenues in the Consolidated Fund, and thereafter pass a Local Council resolution for the appropriation of the local revenues. This process enhances transparency and accountability in the use of local revenues.
- v) These automated revenue management systems have enabled the update of revenue registers, tracking of payments of revenue resulting into enhanced revenue performance.
- vi) Automated systems are effective in revenue mobilisation, as revenue registers and databases are always up to date. The Ministry of Local Government and URA continuously offer local revenue and tax education.

### c) Absorption of Funds

The Audit Report revealed that out of the total receipts of UGX 11,691,073,646 for the financial year, UGX 11,408,217,823 (98%) was spent by the entity resulting in an unspent balance of UGX 282,855,823 (2%).

The Accounting Officer explained that;

- i) The Municipal Council had an under absorption of UGX 282,855,823, out of which UGX 30,000,000 had been paid to a group under the PDM but this money bounced because of the errors in the bank details and the money was put back into the system and by the time management realized this, the invoice entry responsibility on the system had been closed since it was at the end of the Financial Year.
- ii) However, management communicated to the Accountant General's Office and this money was remitted to the beneficiary group directly

### **Recommendations**

- i) The Ministry of Finance, planning and Economic Development should adhere to the entities quarterly work plans with timely release of funds
- ii) Local Governments should commence on the execution of their work plans upon approval by the Councils as they await actual budget releases.

### **Action status**

Out of the unspent funds, UGX 273,000,000 was from the Office of the Prime Minister, which remained on the Municipality account at the close of the Financial Year and this was because this money was received late (23rd June, 2021).

### **d) Implementation of Quantified Output**

The audit report noted the following;

- i) Two (02) outputs with a total of four (04) activities worth UGX 0.28 billion were fully implemented. The entity implemented all the four (04) activities (100%) within these outputs.
- ii) Three (03) outputs with a total of eight (08) activities worth UGX 0.46 billion were planned. Out of these (08) activities, four (04) activities (50%) were fully implemented, three (03) (37.5%) were partially implemented while one (01) (12.5%) was not implemented by the time of audit.

The Accounting Officer informed the Committee that the unimplemented activities related to the under-absorption of funds.

**Committee observation**

The Committee observed that there was non-implementation of some planned activities.

**Recommendations**

The Committee recommends that the Accounting Officer should always initiate the implementation of approved work plans and await for budget receipts to sign the contracts so as not to lose out on time.

**Action status**

This was due to the suppression of budgets as a result of COVID-19. This affected Other Government Transfers such as Uganda Road Fund, Baylor Uganda, and Infectious Disease Institute among others.

**e) Submission of Quarterly Performance Reports**

The Audit report noted that the entity submitted performance reports for all quarters after the deadline given for submission of the reports.

The Accounting Officer explained that;

- i) The Municipal Council has made efforts to improve in the FY 2021/22.

- ii) However, sometimes the delays in submission of performance reports are attributed to many factors and among them including;
- Delayed upload of the quarterly releases on the PBS by the Ministry of Finance, Planning and Economic Development
  - Weak PBS server at the Ministry of Finance, Planning and Economic Development
  - Sometimes it is due to poor network, access to the server is slow

### **Committee Observations**

Failure to submit quarterly performance reports contravenes Paragraph 8.12 (4,5&6) of the Treasury Instructions,2017.

### **Recommendations**

- i) The PS/ST should hold the Accounting Officer personally liable for failure to perform his function as stipulated in paragraph 8.12 (4,5&6) of the Treasury Instructions,2017
- ii) The Accounting Officer should ensure strict compliance and submit all reports to the relevant Ministries

### **Action status**

The Programme Budgeting System (PBS) has been upgraded and Quarterly Performance Reports (including reports for wage, pension and gratuity) are submitted online through the system, within the statutory timelines.

The PBS-IFMS interface has also been upgraded and access to the system has significantly improved.

## 5.0 SECTION C: HIGHLIGHTS FROM THE ENGINEERING AUDITS

### 2.2.1. Value for Money Audit of USMID-AF Programme

#### Committee Observations

For the financial year 2020/21, a total of 14 infrastructure projects procured in 2018/2019 under the World Bank funded Uganda Support to Municipal Infrastructure Development-Additional Financing (USMID-AF). The USMID-AF Programme implemented by 22 Municipal Councils was audited and assessment of the performance of these projects across the municipalities was carried out. The participating Municipalities include; Arua, Gulu, Kitgum, Lira, Apac, Soroti, Moroto, Mbale, Tororo, Busia, Kamuli, Jinja, Lugazi, Entebbe, Hoima, Mubende, Fort Portal, Kasese, Mbarara, Ntungamo, Kabale and Masaka.

The audit and performance assessment also included a select sample of non-USMID projects in the participating Municipalities funded under Uganda Road Fund (URF), and Schools Facilities Grant (SFG)/Transitional Development Grant (TDG)/Discretionary Development Equalisation Grant (DDEG). The total contract value of the projects assessed was UGX 192,742,021,942.

Below is a summary of the key findings the details of which are included in the consolidated audit report for the 22 participating Municipal Councils;

- i) Overpayments and irregular expenditure on USMID and Non USMID projects were noted during the audit. This comprised of overpayments of UGX 214,862,488 and UGX 459,323,494 on USMID projects and Non-USMID projects respectively. The audit assessment also revealed various questionable expenditures, irregular payments, and potential financial losses attributable to different contractual irregularities totalling to UGX 817,571,137 on the USMID funded projects in Arua, Jinja and Mbale Municipalities.

- ii) All the municipalities had completed their projects by the time of the audit and the entire infrastructure in the municipalities was in use with the exception of Entebbe whose project was phased. Although the projects were finally completed there were delays in completion of the projects within the stipulated contract timelines.
- iii) During physical inspection of the municipalities of Mbale, Moroto and Lira, major defects were noted such as missing draining/emptying pipes on soaking tanks (leads to poor drainage), Clogged manholes and missing manhole covers, potholes on roads and poor drainage leading to ponding.
- iv) All the participating municipalities implemented environmental protection measures with the exception of Arua Municipality. Further, all the participating municipalities implemented social/safety measures except Soroti and Tororo Municipalities.
- v) Inadequate allocation of funds in the budget for operation and maintenance of USMID infrastructure was noted in the municipalities except for the municipalities of Lira, Hoima, Fort Portal, Masaka and Gulu.

### **Recommendations**

The Auditor General advised the Accounting Officers of the Municipal Councils to ensure that;

- i) All amounts overpaid are recovered by the respective municipalities.
- ii) Contractors should have updated work programs
- iii) Failure to deliver projects within stipulated contract timelines should be penalized by invoking liquidated damages clauses
- iv) Inspections are carried out during the DLP as some defects can only surface while the structure is in use and report on the progress of the structure during the period and have all the identified major defects rectified.
- v) All municipalities should plan, budget and implement operation and maintenance activities to avoid early deterioration of the facilities.

## Conclusion

Owing to the challenges faced by the Municipal Councils during the delivery of USMID-AF Urban infrastructure as highlighted in this report, audit observed that improvements have been noted in planning, cost control enforcement of internal controls for certification, supervision and monitoring, and general contract management for the USMID Infrastructure projects. However, these gains have not been translated to the Non USMID projects as URF, SFG, DDEG accordingly the Town Clerks must ensure that Non USMID projects are equally effectively monitored and supervised to ensure delivery of the works within the planned cost, quality and time requirements.

## Action status

- i) The PS/ST has requested Permanent Secretary Ministry of Lands, Housing and Urban Development as the implementing agency for USMID, to reconcile the alleged overpayments of UGX 214,862,488 and contractual irregularities totalling to UGX 817,571,137 on the USMID funded projects in Arua, Jinja and Mbale Municipalities.
- ii) The PS/ST has requested Uganda Road Fund to reconcile overpayments totalling UGX 459,323,494 on Non-USMID projects in 22 participating Municipal Councils.
- iii) The PS/ST has requested Uganda Road Fund to review the District road maintenance budgets to include replacement of drainage pipes, manhole covers, patching potholes, and unclogging drainages/manholes. In addition, consider a budget for sensitization of the public against theft of road furniture.
- iv) The PS/ST has requested the Accounting Officer of Arua City to implement environmental protection measures such as; planting trees and greeneries along USMID-AF financed roads in the City.
- v) The Accounting Officers of Soroti City and Tororo Municipality have also been requested to implement social/safety measures such as; zebra crossings, and speed bumps along USMID-AF financed roads in the City/Municipality.



## 2.2.2. Value for Money Audit of UgIFT Programme

### Committee Observations

Under the Uganda Intergovernmental Fiscal Transfer (UgIFT) programme, the World Bank committed a total of US\$500m over the period FY 2018/19 to FY 2023/24 to support decentralized services in Education, Health, Water, Environment, and Agriculture (micro-scale irrigation) as well as support interventions in Refugee Host Communities. Government committed to construct Seed Secondary Schools, upgrade Health Centre IIs to IIIs in Sub-Counties, extend rural water to under-served communities including the newly constructed Seed Secondary Schools and upgraded Health Centre IIs; and also provide small scale irrigation equipment to farmers to enhance their productivity.

During financial year 2020/21, a total of 109 infrastructure projects were implemented by 60 Local Governments. These involved the construction of Seed Schools and Health Centre IIIs under the UgIFT Programme. Value for money audit and assessment of the infrastructure projects was undertaken.

The scope of the audit and assessment covered 53 Seed Secondary Schools' construction projects with an overall total contract sum of UGX 111,860,803,846; and 57 Health Centre construction projects with an overall total contract sum of UGX 33,743,610,012.

Below is a summary of the key findings;

- i) In assessing the adequacy of the design process for the buildings, evidence of needs assessment, presence of geotechnical investigations report, design report, drawings and specifications were considered as key requirements, it was observed that detailed design reports were not availed to all local governments by the Ministry of Education.
- ii) Overpayments and irregular expenditures amounting to UGX 3,153,351,606 were noted during payment for construction works for

some of the seed schools. Furthermore, UGX 3,588,640,939 were made without providing the breakdown of work items being certified.

- iii) During physical inspection of the Seed School infrastructure works, the participating LGs with exception of 3 LGs had defects such as honeycombing in concrete, absence of anti-sag rods, cracks in the ceilings, absence of expansion joint in the ICT blocks, exposed steel reinforcement, inadequate painting in the roof structures. The observed defects, if not addressed, will result in increased maintenance costs for the local governments.
- iv) In assessing the adequacy of the design process for the buildings, evidence of needs assessment, presence of geotechnical investigations report, design report, drawings and specifications were considered as key requirements. It was observed that 39 local governments did not carry out needs assessment, geotechnical investigations, produce design reports. In addition, work specifications were also omitted.
- v) Overpayments and irregular expenditure totalling to UGX 920,905,442 were noted during payment for construction works of upgrading Health Centre IIs in LGs and municipalities. Furthermore, UGX 209,175,652 were made without providing the breakdown of work items being certified.
- vi) A review of the status of the contractors' equipment mobilization under construction of Health Centres, revealed that out of 56 local governments, only 4 had evidence that the contractors mobilized all required equipment. Furthermore, out of the 56 local governments, only 13 had evidence that the contractors mobilized all required equipment under the construction of Seed Schools.
- vii) Review of land ownership revealed that 7 local governments did not avail any evidence of acquisition or ownership of the land on which the Seed schools and health centres were constructed.

### **Recommendations**

The Auditor General advised the Accounting Officers of the local governments to ensure that;

- i) Prior to implementation of any infrastructural projects of similar nature; all due design procedures such as needs assessment, geotechnical investigations are undertaken and documented by the local governments to facilitate adequate designs.
- ii) Overpayments in respect of quantities certified in excess of the actual works executed worth UGX 3,153,351,606 in the Education Sector and UGX 920,905,442 in the Health Sector should be recovered. In addition, the technical officers should review the other items that were not part of the audit sample and have additional checks in the certification process to minimise the errors in quantification.
- iii) Investigate the basis of payment of the questionable amounts totalling to UGX 3,588,640,939 in the Education Sector and UGX 209,175,652 in the Health Sector and take appropriate action.
- iv) Enforce the requirement for contractors to fully mobilize adequate equipment to undertake the works. In addition, any demobilization during contract implementation should be with the written approval of the project manager/supervisor.
- v) All the defects/omissions observed should be corrected. Furthermore, additional inspection of the contractor's works should be undertaken and any defects identified remedied immediately.
- vi) Fast track the process of obtaining formal ownership of the land on which the infrastructure is being constructed. Going forward, Accounting Officers should ensure that projects of similar nature are constructed on land that is formally owned by the respective local government.

### **Conclusion**

Owing to the challenges faced by the various local governments during the delivery of UgIFT infrastructure projects in the education and health sectors as highlighted in this report, audit observed that these challenges are a result of gaps/weaknesses in the planning and costing of works, enforcement of internal controls for certification, supervision and monitoring, and general contract management.

Accordingly, the relevant stakeholders should enhance the capacities of the local governments through involvement of local governments in the planning for future projects of similar nature, organizing tailor made trainings for technical staff, review of the staff structure in the engineering department and ensure that it is adequate and appropriately staffed. The relevant ministries should develop standardized guidelines for costing of civil works and strengthen the monitoring and supervision role in local governments.

#### Action status

- i) The PS/ST has requested Permanent Secretary Ministry of Health and Permanent Secretary Ministry of Education to ensure that all design procedures such as needs assessment; geotechnical investigations are undertaken to facilitate adequate designs.
- ii) The PS/ST has written a circular letter to all local governments Accounting Officers to;
  - a) Ensure that UgIFT projects are constructed on land that is formally owned by the respective local government. Where there are no land titles, the process of obtaining formal ownership of the land should be fast tracked.
  - b) Enforce the requirement for contractors to fully mobilize equipment to undertake the works. In addition, any demobilization during contract implementation should be with the written approval of the project manager/supervisor
  - c) Technical officers should review and carry out additional checks in the certification process to minimise errors in quantification of certified works
  - d) Reconcile and immediately recover any overpayments in respect of certified works in excess of the actual works executed, from the subsequent certificates of works
  - e) Carry out additional inspection of the contractor's works and any defects/omissions identified, be remedied immediately.









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