



PARLIAMENT OF THE REPUBLIC OF UGANDA

**EXECUTIVE SUMMARY OF A REPORT OF THE COMMITTEE ON PUBLIC
ACCOUNTS (LOCAL GOVERNMENT) ON THE REPORT OF THE AUDITOR
GENERAL ON DISTRICT LOCAL GOVERNMENTS AND MUNICIPAL
COUNCILS FOR FINANCIAL YEAR 2016/17**

DECEMBER 2018

EXECUTIVE SUMMARY OF A REPORT OF THE COMMITTEE ON PUBLIC ACCOUNTS (LOCAL GOVERNMENT) ON THE REPORT OF THE AUDITOR GENERAL ON DISTRICT LOCAL GOVERNMENTS AND MUNICIPAL COUNCILS FOR FINANCIAL YEAR 2016/17

Rt. Hon Speaker and Hon. Members, Rule 179 of the Rules of Procedure of Parliament mandates the Committee of Public Account (Local Government) to examine the audited accounts in relations to the report laid before Parliament by the Minister of Local Government under Section 88(8) of the Local Government Act Cap 243.

The Committee considered the detailed Audit Reports of 115 District Local Governments, 41 Municipal Councils and 63 Town Councils (213 entities in total). The Committee interacted with the Audit entities in the Audit Regions of Arua, Gulu, Fortportal, Kampala and Masaka, while the Audit Regions of Mbarara, Mbale, Soroti and Jinja were considered from within the precincts of Parliament. The Committee also conducted site visits to some of the selected infrastructure projects, mainly in the Municipalities.

Rt. Hon. Speaker and Hon. Members, the Committee now presents its findings.

The Overall approved National budget for the Financial Year 2016/17 was 26 trillion 360 billion and for Local Government, 2 trillion 596 billion for the Financial Year 2016/17 out of the approved budget of 2 trillion, 537 billion was released representing a performance of 98% of the total approved budget. This budget allocation showed an increment of 235 billion (10%) in comparison to the financial year 2015/16. This is in norminal terms. However in terms of percentage share of Local Government grants to National budget it was the same for both financial years at 9.85%.

3.1 Conditionality of Local Government Transfers

Observation

The Committee observed that out of the funds released in the Financial Year 2016/17, 65.89% was towards wages, 22.60% towards Non-Wage and only 11.51% towards Development. Therefore 88.5% of the local government transfers are towards recurrent expenditure leaving very meager resources for development.

Recommendation

The Committee recommends that the Ministry of Finance Planning and Economic Development should adjust the budget ceiling for Local Governments to allow for more funds to be allocated to the development component of the budget with a view to improving the levels of service delivery.

3.2 Budget Overview

Observations

The Committee observed that:

- i. Out of the 213 entities the Auditor general isolated 67 Local Government Entities and established that although Parliament approved funding totaling to UGX 1,013.95 billion, the Ministry of Finance Planning and Economic Development released UGX 862.52 billion leading to a shortfall of UGX 147.82 billion.
- ii. Failure to implement budget as approved by Parliament hampers service delivery and subsequently hinders the attainment of virtually all sustainable development goals. Furthermore, it is difficult to attain international targets (SDGS) if local/national targets are not met.

Recommendation

The Committee recommends that the Ministry of Finance Planning and Economic Development should ensure that all funds appropriated to the Local Governments are released in a timely manner to ensure service delivery.

3.3 Overall Revenue Performance

Observations

The Committee notes that:

- i. low domestic revenue collection could hinder the achievement of SDG 2 (“zero hunger”). A strategic review by the Economic Policy Research Center in 2017 indicated that four out of ten Ugandans are unable to meet the required daily dietary intake. Uganda’s inability to meet the targets set out in SDG 2 shows that suitable financing for implementation is still lacking.
- ii. The Central Government has continued to interfere in matters of local revenue management. This is especially in the transport industry and in markets where it has prescribed the levy to be charged as park fees and directly influenced allocation of market stalls in selected Municipal Councils, thus directly affecting the amount of local revenue collected.
- iii. Just like in its previous report, the Committee found a number of districts exuded laxity in the collection of debts contrary to Section 2.3.2.3 of Local Governments Financial and Accounting Manual 2007, leading to accumulation of receivables.
- iv. Many local governments have entrusted the task of compelling individuals to meet their financial obligations to Council to Law enforcement Officers who have on many occasions exuded errant behavior including protecting defaulters at a fee.
- v. Revenue assessment should be done annually but many local governments are using results of outdated revenue assessment exercises

and others do not even have revenue registers or updated property valuation lists.

- vi. Districts like Moroto, Namayingo, Kabale, Isingiro and Buhweju that would otherwise benefit from Royalties from minerals are not certain of how much money in royalties is due to them. This arises from the incapacity of the line Ministry of Energy and Mineral Development to know the type and quantity of minerals being mined either out of deliberate negligence or outright corruption.
- vii. The committee noted that whereas the Divisions are administratively equated to Sub-Counties, Divisions do not contribute revenue to the District Local Governments yet sub counties do.

Recommendations

The Committee recommends that:

- i. The Central Government should desist from interfering in areas of local revenue collection in the local Governments that are otherwise decentralized
- ii. The Ministry of Local Government should procure an independent company to conduct local revenue assessment in the local governments. This however calls for a review of the Local Government Act.
- iii. The Ministry of Public Service should in the restructuring exercise, provide for enforcement officers in the District establishment.
- iv. Accounting Officers together with Finance Officers should ensure that all debts are collected in a timely manner, and that where debtors fail to pay, court redress is sought.
- v. There is need to revisit the Tax tendering system and adopt the centralized receipt system as has been adopted in neighboring countries like Rwanda and Tanzania.
- vi. The Ministry of Energy and Mineral Development should share information on all licensed mines and make sure they share Royalties as per the law and within predictable time lines.

- vii. The Ministry of Energy and Mineral Development should install weigh bridges on roads exiting the mines so that the quantities of minerals can be established.
- viii. Districts and Municipal authorities should in collaboration with Uganda Revenue Authority conduct tax sensitization workshops/seminars among local communities with the view to enhancing revenue collections.
- ix. Government should streamline the financial relationship between the District Local Governments and Municipal Councils, as well as between Municipal Councils and Division Councils by amending the existing law regulating the sharing on revenues; in the alternative; Government should consider granting Municipal councils total autonomy to enable them cater for their own Councillors and the members of statutory bodies such as the land Board, Procurement Unit, and the Service Commission.

3.4 Financial payment systems used by the Ministry of Finance, Planning and Economic Development

Observations

- i. The system has gaps that cause delays.
- ii. In the local governments a number of staff are not conversant with the IFMIS
- iii. some entities are not properly equipped with requisite necessities like internet and reliable electricity the IFMS

Recommendations

The Committee recommends that:

- i. The Ministry of Finance Planning and Economic Development should carryout capacity building of the system end users and effectively communicate on the upgrades to the system.

- ii. The Ministry of Finance Planning and Economic Development, in collaboration with the Ministry of Public Service, should expedite the rollout of the both the IFMS and Integrated Payroll Payment System (IPPS) in the Local Governments.
- iii. The Ministry of Finance, Planning and Economic Development should expedite the process of equipping the local governments with the necessary accessories to run the system.

3.5 Health Sector

3.5.1 Health Service Delivery Minimum Standards

Observations

The Committee observed that:

- i. Most Health Units in Local Governments are insufficiently equipped in terms of the requisite machinery needed to provide the services expected of them.
- ii. some of the poor infrastructure in the Health sector arose from the recentralization of the Primary Health Care Development grant which further limited the capacity of the districts to do even minor repairs in the health facilities as the funds are now hardly felt in the Local Governments.
- iii. more than 2/3 of Districts in Uganda do not have district hospitals. The Committee was further concerned that a number of Health Centre IVs functioned like Highway Hospitals yet they still get supplies meant for Health Centre IVs.
- iv. Some District on the borders of Uganda with South Sudan and Democratic Republic of Congo are hosting a high number of refugees from the said Countries, an aspect that has caused a strain in the health care services. The Health Centers near these camps have experienced a huge influx in the number of patients without a corresponding increment in medical of supplies.
- v. Many local governments do not have ambulances to transport patients to and between health units.
- vi. All the above conditions compromise Uganda's ability to achieve Sustainable Development Goal 3 which urges States to "Ensure healthy lives and promote

well-being for all at all ages”.

Recommendations

The Committee recommends that:

- i. Ministry of Health should provide sufficient funds to the District Local Governments and Municipal Councils with a view to improving infrastructure, staffing and equipment in all health centers to meet the set standards. Special attention should be given to unique situations like high way hospitals, health centers serving as District Hospitals and health centers in refugee-hosting districts.
- ii. Additional resources should be allocated to cater for emergencies in Highway health facilities.

3.5.2 Utilization of Medicines and Health Supplies

3.5.2.1 Lack of Accountability of Medicines

Observations

The Committee observes that:

- i. there have been numerous reports of embossed medicines from Uganda being found in drug shops in some of our neighboring Countries. The Committee notes that poor record keeping could be the deliberate loophole that is being used by individuals in the health facilities to channel medicines away from the intended beneficiaries.
- ii. lack of medicines and medical supplies accountability may lead to stock outs which in turn denies the population service delivery.
- iii. lack of medicines and medical supplies accountability may also lead to the buildup of expired drugs in health facilities.

Recommendation

The Committee recommends that:

- i. Accounting Officers should ensure that all necessary records for items are properly maintained, monitored and any variances investigated and where deliberate mismanagement is confirmed, the culprits are prosecuted.
- ii. the Ministry of Health should put in place a clear mechanism of tracking medicines from the National Medical Stores to the Health Facility then finally to the final consumer. This will help in tracing fictitious consumption of the medicines and medical supplies.

3.5.2.2 Stock Out of Medicines

The Committee observed that:

- i. there were discrepancies and delays in drug supplies by NMS against the entities requisitions.
- ii. sometimes the requisitions from the Health facilities were not properly done.
- iii. There are instances where the drug stock outs arose from the fact that some health units had insufficient funds at NMS.
- iv. Some Drugs at NMS are overpriced in comparison to the market price of the same drugs from the same manufacturers. For example, Paracetamol costs between UGX. 3000 to UGX. 6000 depending brand but NMS supplies it at a cost of UGX. 8000; a tin of 1000 capsules of Amoxylin costs UGX. 20,000 on the market while NMS supplies it at UGX. 25,000 and Ciprofloxacin costs UGX. 4000 for a blister pack of 10 on the market while NMS charges UGX. 6000 for the same quantity.

Recommendations

The committee recommends that:

- i. There should be a review of the MOU between Government of Uganda and NMS with a view to reversing the monopoly by NMS;

- ii. NMS should ensure that health units are supplied with the exact drugs they requisition for and at the right time in line with the last mile delivery requirement.
- iii. The cost of drugs at NMS should at no time be more than the market price of the same drug from the same manufacturer.
- iv. The Accounting Officer should ensure reconciliation of drug orders and drug deliveries at the time of drug deliveries to the Health units.
- v. The Accounting Officer should ensure that the requisitions for drugs are properly done.
- vi. The Accounting Officer should ensure that drug stock cards are properly kept.

3.5.2.3 Non Disposal of Expired Medicines

The committee observed that:

- i. NMS uses the Push system for supply of medicines to Health Centers IIIs and IIs, which results into supply of unwanted drugs hence expiry of medicines with shorter shelf life.
- ii. Some of the expired medicines were donations to the health units outside their requisition and some in-charges requisition for wrong medicines.
- iii. The mandate of NMS should be amended to include the disposal of expired drugs since the entity already has the infrastructure to carry out the activity. Currently the trucks that deliver medicines return to NMS empty.
- iv. M/s Green Label that was contracted by the Ministry of Health to collect and dispose off expired medicines from the Health units does not have the capacity to efficiently collect expired medicines.

Recommendations

The committee recommends that:

- i. NMS should stop using the Push System but rather supply according to the established requirements of the different health units.
- ii. Health units should not accept donations of medicines that they do not need.
- iii. The mandate of NMS should be amended to include disposal of expired medicines since the entity already has the infrastructure to carry out this activity.

3.5.2.4 Sustainable Development Goal 3

Sustainable Development Goal 3 strives to “Ensure healthy lives and promote well-being for all at all ages”.

Observation

The Committee observes that all the above weaknesses in the health sector compromises Uganda’s ability to achieve Sustainable Development Goal 3 that strives to “Ensure healthy lives and promote well-being for all at all ages”.

Recommendation

The Committee recommends that Government should sensitize all the stakeholders in the health sector about the need to effectively execute their roles if Uganda is to achieve SDG 3 by 2030

3.6 Understaffing

Observations

The Committee found that:

- i. Understaffing in Local Governments constrains Service Delivery.

- ii. the Ministry of Public Service in a restructuring exercise, came up with new staffing structures for Local Governments to address the problem of understaffing. However the problem persists.
- iii. Districts have failed to attract some cadres due to low remunerations and yet higher qualifications were required specifically the posts of District Engineer, District Health officers and Chief Finance Officer.
- iv. The Committee noted that there is a practice of ring-fencing some jobs for the individuals born in that District.

Recommendations

The Committee recommends that:

- i. The Ministry of Public Service, Ministry of Local Government and Ministry of Finance Planning and Economic Development should set clear staffing standards and finance them appropriately.
- ii. The Ministry of Public Service should come up with guidelines aimed at equalising the staffing levels among local governments by halting recruitments of non-vital staff in entities that are above average and using the resources to bring the local governments that are below average to the average level. This should be done progressively from year to year and when all entities are at averagely the same level, the Ministry should work towards ensuring that staffing levels in all local governments reach 100%.
- iii. The Ministry of Public Service and Ministry of Finance should make known to Office of the Auditor General the expected levels of recruitment in a financial year with a view to having queries raised on only entities that failed to recruit for the available vacancies against the wage bill for that Financial Year.
- iv. Ministry of Local Government should work with the Ministry of Public Service to waive some non-critical requirements for a position like District Engineer which has continuously failed to attract candidates and

also increase the remuneration of District Engineers so as to synchronize the pay with that offered by other competitive Government bodies.

- v. Ministry of Local Government, in collaboration with the Ministry of Public Service, intensifies its supervision of local Governments in regard to staffing.

3.7 Low Recovery and mismanagement of Youth Livelihood Project (YLP) Funds

Observations

The Committee observes that:

- i. The program was highly politicized especially with it being introduced during an electioneering period. The politicians influenced the choice of Youth Interest Groups in many districts and in some instances even gave a false impression to the beneficiaries that the funds were not recoverable.
- ii. ghost groups have been formed by some Community Development Officers (CDOs), with the intention of defrauding the Fund;
- iii. The program document is good but with politicians involved in the implementation it is bound to fail. Technocrats need to be given a free hand in choosing the beneficiaries.
- iv. Non-compliant beneficiaries of the fund should be arrested to ensure that the groups make all efforts to recover the funds.

Recommendations

The Committee recommends that: -

- i. Government should sanction recovery of funds from persons implicated in mismanaging the Fund
- ii. Government should review the structural objectives and guidelines of the Youth Livelihood Program with the view to realizing value for money and creating decent employment for the unemployed youth pursuant to SDG

8 which advocates for promotion of sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

3.8 Lack of Land Titles

Observations

The Committee observed that:

- i. the Local governments do not have the financial capacity to have all their land titled.
- ii. The Committee noted that government institutions in some of the Districts and Municipalities in Buganda and Bunyoro regions are sitting on cultural land.
- iii. Most cultural institutions are unwilling to allow local governments process freehold land titles for the land they are sitting on. This has made it difficult for the Local Governments to process land titles for their facilities.
- iv. There is an urgent need for the Central Government to facilitate Local Governments Country wide to secure land over which they can operate.
- v. A number of districts have not demarcated the boundaries of their land.

Recommendations

- i. The Committee recommends that:
- ii. Government takes up the responsibility of securing Land Titles for its lands country wide.
- iii. Government should provide land for service delivery in its entities that are located on cultural lands.
- iv. Districts and Municipal Council authorities should, in the meantime, institute measures of demarcating government land within their jurisdiction.

3.9 Inadequate Controls surrounding management of domestic arrears

Observations

The Committee observed that:

- i. the Accounting Officers in a number of cases over-committed Government thereby violating commitment Control System.
- ii. Accounting officers are required to return unspent funds at the close of a financial year as per the law, regardless of whether there are any ongoing activities. This builds domestic Arrears
- iii. In a number of instances Government does not fully release the amounts of funds appropriated to Local Governments. This too builds domestic Arrears
- iv. Delays to settle outstanding commitments may lead to litigation and costs.

Recommendations

The Committee recommends that:

- i. Accounting Officers who violated the Commitment Control System [CCS] should be held responsible.
- ii. The Public Finance Management Act (PFMA) 2015, should be amended specifically to address the challenge caused by the requirement to return unspent balances at the close of a Financial Year.
- iii. Government should release all funds appropriated to a particular Local Government.

3.10 Education

Observations

The Committee observed that;

- i. The Ministry of Education and Sports has failed to facilitate the attainment of the above standards.
- ii. The budgeted capitation grant UGX.7,100 per child per year that is provided for UPE aided schools is inadequate and it is often not fully released.
- iii. Some classes were housed in overcrowded and condemned structures, learners

use filled up pit latrines, which are a high risk to both the learners and the teachers.

- iv. The above scenarios are compounded by lack of a functional School inspection system which does not provide feedback to policy makers.
- v. Cases of lack of pupils' and teachers' attendance registers were rampant.
- vi. The transition rates for pupils was only 10% for all the children who enrolled in Primary One. 90% of the learners dropped out because completing Primary Seven (P7).
- vii. Schools in refugee hosting districts were heavily congested. The affected Districts include Kiryandongo, Adjumani and Koboko among others.
- viii. From the Committee's interaction with the Districts, it established that a number of Government aided Secondary Schools and tertiary institutions receive a lot of public funding, including donor funds, yet they have not been audited over time.
- ix. the current situation of the Education sector in Uganda hinders the attainment of Sustainable Development Goal 4, that requires Countries to ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.

Recommendations

The Committee recommends that:

- i. Education (Pre-primary, Primary and Post Primary) Act 2008, should be implemented in its totality with all the stakeholders meeting their stipulated obligations. This will lead Uganda towards the attainment of Sustainable Development Goal 4.
- ii. the budgeted capitation grant UGX.7,100 per child per year be increased and released in a timely manner.
- iii. the Office of the Auditor General should carry out a special audit on all the government aided secondary schools and tertiary institutions that received donor funding
- iv. The Auditor General should audit Government aided Secondary schools as

required by law.

3.11 Non-Compliance with the Procurement Laws

Observations

The Committee observed that:

- i. A number of Local Governments breached the procurement laws with impunity, which curtails achievement of value for money and affects service delivery to the public.
- ii. grounded vehicles in local governments belong to Government bodies at the Center notably, Ministry of Health and Ministry of Works and Transport. The Center gives Local Governments vehicles but they retain the log books and necessary documentation.

The above practice denies the local Governments the authority to dispose off vehicles whose documentation is with the Central Government.

- iii. The local governments foot the bills of the Chief Government Valuer and the Chief Mechanical Engineer in instances where Valuation of assets in the Local Governments is required. The Committee noted that the practice is not proper.

Recommendations

The Committee recommends that:

- i. Accounting Officers together with Procurement Officers be held responsible for non-compliance with procurement regulations.
- ii. Local Governments should be allowed to dispose off grounded vehicles and other assets without recourse to the Log Books.
- iii. The Central Government should own up responsibility of Valuing all Government Assets, be it used by Central Government or Local Government.

3.12 Non Compliance with Statutory Obligations

Non-deduction and remittance of pay as you earn tax (PAYE), Local Service Tax and Withholding Tax.

Observations

The committee observed that:

- i. Non-compliance with the tax law attracts fines and penalties.
- ii. It is negligent of accounting officers not to remit tax after the deduction.
- iii. The practice is a result of weakness in Internal Audit units in the districts which would have otherwise detected flaws in the systems.

Recommendations

The committee recommends that:

- i. Accounting officers should remit the tax deductions promptly on a monthly basis.
- ii. The accounting officers should be held liable for non-deduction and remittance of taxes.
- iii. URA should routinely interact with the tax entities for regular updates on their obligations.

3.13 Road Fund

Observations

The Committee observed that:

- i. some Districts, like Kole, did not have functional District Roads Committees which are responsible for the planning and allocation of Road Funds.
- ii. the allocation of road funds to the local governments is said to be premised on the length of road network. However this criteria is disregarded as evidenced in the table above that shows a comparison of district local governments allocations. It is clearly seen that there is unfair disparity in Road Fund

allocations to districts with similar conditions.

Recommendations

The Committee recommends that:

- i. Any district found not to have a functional district roads Committee should not access the Road Fund.
- ii. The Road Fund should be distributed equitably.

3.14 Theft through electronic money transfers from the Ministry of Finance, Planning and Economic Development to some local governments

Observation

The Committee observed that the issue of unauthorized transfers of public funds from the Ministry of Finance, Planning and Economic Development to officials in Apac district and to Duhaga Secondary School bypassing approved channels points to fraud.

Recommendation

The Committee recommends that the matter be referred to the Criminal Investigations Department for further investigations with a view to prosecution.

3.15 Pension Management

Observation

The Committee observes that delayed payment of Pensions contravenes Article 254 of the Constitution.

Recommendation

The Committee recommends that the Ministry of Public Service should effect automatic transmission of results from the active payroll to the pension payroll and immediate payment of gratuity upon retirement.