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PART “A”

GENERAL OBSERVATIONS ON LOCAL AUTHORITIES

1.0 INTRODUCTION

The Office of the Auditor General is established by Article 163 of the Constitution of Uganda. Article 163 (3) of the Constitution as amplified by the National Audit Act 2008 and also Section 88 of the Local Government Act (2007) and other various Acts of Parliament that establish Commissions and State Corporations, give the Auditor General the mandate to audit all the public accounts of Uganda and make an annual report on them to Parliament.

Article 163(3), (4) and (7) as further amplified by Section 13 of the National Audit Act 2008 specifically provide respectively that, the Auditor General shall audit and report on the public accounts of Uganda and of all Public offices including the Courts, the Central and Local Government Administrations, Universities and Public Institutions of like nature and any public corporation or other bodies or organizations established by an Act of Parliament; the Auditor General shall conduct financial and Value for Money audits in respect of any project involving public funds; and the president shall require the Auditor General to audit the accounts of any body or organization envisaged; and the Auditor General shall submit to Parliament annually a report of the accounts audited for the financial year immediately preceding. My responsibility in case of audits of Local Authorities is further amplified in Sections 16 and 19 of the National Audit Act 2008.
2.0 **SCOPE OF AUDITOR GENERAL’S FINANCIAL AUDITS AND SPECIAL INVESTIGATIONS WITH REFERENCE TO LOCAL AUTHORITIES**

2.1 **Number of Audit Entities and Status of Completion**

The Directorate of Audit of Local Authorities of the Office of the Auditor General (DA LA) is responsible for conducting financial audits into all the LocalAuthorities and Regional Referral Hospitals. For the Financial year 2008/2009, I was required to audit and report on a total of 2,010 accounts of Local Authorities and Hospitals, and 35 special audits. I am pleased to report that my office was able to audit and complete all the 206 Higher Local Governments (HLGs), Town Councils and Hospitals within the statutory time frame of 31st March 2010. Sub-country audits for the financial years 2007/2008 and 2008/2009 and some special audits are on going. The table below shows the number of entities and the audit completion status.

<table>
<thead>
<tr>
<th>Audited Entity/ category</th>
<th>Year</th>
<th>Number of Accounts</th>
<th>Accounts Audited</th>
<th>Audits under Progress</th>
</tr>
</thead>
<tbody>
<tr>
<td>Districts</td>
<td>2008/2009</td>
<td>80</td>
<td>80</td>
<td>-</td>
</tr>
<tr>
<td>Municipal Councils</td>
<td>2008/2009</td>
<td>18</td>
<td>18</td>
<td>-</td>
</tr>
<tr>
<td>Town Councils</td>
<td>2008/2009</td>
<td>97</td>
<td>97</td>
<td>-</td>
</tr>
<tr>
<td>Regional Referral Hospitals</td>
<td>2008/2009</td>
<td>11</td>
<td>11</td>
<td>-</td>
</tr>
<tr>
<td>Sub Counties and Divisions</td>
<td>2008/2009</td>
<td>902</td>
<td>-</td>
<td>902</td>
</tr>
<tr>
<td>Sub-counties and Divisions Arrears</td>
<td>2007/2008</td>
<td>902</td>
<td>-</td>
<td>902</td>
</tr>
<tr>
<td></td>
<td>2006/2007</td>
<td>898</td>
<td>-</td>
<td>898</td>
</tr>
<tr>
<td></td>
<td>2005/2006</td>
<td>497</td>
<td>497</td>
<td></td>
</tr>
<tr>
<td>Special Audits</td>
<td>35</td>
<td>14</td>
<td>21</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>3,440</td>
<td>1,615</td>
<td>1,825</td>
<td></td>
</tr>
</tbody>
</table>
2.2 **Scope of Financial Audits**

The scope of the Auditor General’s work in conducting financial audits is to (i) audit and report to Parliament by expressing an independent opinion as to whether or not the financial statements of the audited entities fairly present in all material respects the financial position as at the financial year end and (ii) the results of the operations and cash flows for the year then ended comply in all material respects with generally accepted Accounting Practice as well as comply with the relevant laws and regulations applicable to those entities.

An opinion will be expressed on the financial statements certifying whether:-

- The financial statements contained no material misstatements or errors and therefore an unqualified opinion was issued or
- The financial statements contained material misstatements or errors and therefore a qualified opinion was issued in the following form:-
  
  (i) Qualified except for; where the material misstatements or errors are not pervasive and “except for” those misstatements or errors being adjusted for, the rest of the financial statements fairly present in all material respects the financial position of the entity.

  (ii) Disclaimer; where the financial statements contain material misstatements based on limitations on the scope of the audit work to the extent that there is uncertainty on the fairness and truthfulness of the financial statements and therefore an audit opinion cannot be given because of the gravity of the uncertainty.

  (iii) Adverse; where the financial statements contain material misstatements or errors and there is disagreement with management to the extent that it is concluded that the financial statements do not represent a fair presentation of the financial position of the entity as at the financial year end.

The basis of opinion provides guidance on each particular opinion issued. These issues should be discussed by the oversight committees of Parliament so as to enable improvement of the accountability issues in those institutions.
2.3 **Responsibilities for the Financial Statements**

In conducting the audits on Local Authorities, the Chief Administrative Officers, Town Clerks, Assistant Town Clerks of Divisions and Sub-county Chiefs (called Accounting Officers) and the Auditor General’s responsibilities are clearly set out in the Local Governments’ Act 1997 as amended, and the regulations thereof and the National Audit Act 2008.

2.4 **Representation by Management/Accounting Officers**

As part of the audit, the Auditors request management of the audited Local Authorities to provide written confirmations of their oral representations or assertions that they received from the management during the audit about the accounts and financial statements of the local authorities. The management representations are addressed to the Auditor.

3.0 **SUMMARY OF AUDIT OPINIONS ISSUED**

For the reports I issued on Local Authorities accounts for the financial year 2007/08, a summary of the opinions is as in table 4.1 below:

<table>
<thead>
<tr>
<th>Type of Council</th>
<th>Total Audit Units</th>
<th>Unqualified opinion</th>
<th>Qualified Opinion</th>
<th>Adverse</th>
<th>Disclaimer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Districts and Town Councils, Regional Referral Hospitals* and KCC Divisions</td>
<td>206</td>
<td>53</td>
<td>153</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Percentage</td>
<td>100</td>
<td>25.7</td>
<td>74.3</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

* The detailed reports of Regional Referral Hospitals are given in Volume 2 of the Auditor General’s report.

**See Appendix I** for details of types of opinions issued for each Local Authority.
4.0 STATUS OF AUDIT REPORTS CONSIDERED BY OVERSIGHT COMMITTEES

The Audit reports of local authorities are considered by two oversight bodies namely; Parliamentary Local Government Public Accounts Committee in accordance with Article 164(3) of the Constitution and the District Public Accounts Committees in accordance with Section 88(7) of the Local Governments’ Act.

As reported last year, the update on the status of consideration of the Auditor General’s reports by the DPACs continues to be a major challenge. This is due to the fact that the Districts PACs rarely, call the staff of the Auditor General’s Office participate in their discussions. Sensitization of the DPACs under the Millennium Challenge Corporation Project funded by USAID was held in 30 Higher Local Governments with a view of enhancing skills in their oversight role. The outcome of this effort is awaited.

The Parliamentary Local Government Public Accounts Committee (LGPAC) has involved my staff in the discussion of the audit reports and during the year reports for 2004/05 – 2007/08 for 50 Districts and Municipalities were considered.

5.0 CROSS CUTTING ISSUES IN LOCAL AUTHORITIES

The issues under this sub-heading reflect common findings across local governments. These may require a generalized nationwide approach to handle them including designing appropriate policy or reforms targeting the cause of the problems. Below are the key findings:

5.1 Need for Updating the Local Government Financial and Accounting Manual

The following are some of the issues pertaining to the Manual:-
(i)  **Presentation of Financial Statements**

The International Accounting Standards (IAS1) provide a format presentation of financial statements beginning with the balance sheet/statement of financial position, followed by Statement of financial performance/income and expenditure statement and the cash flow as primary statements. However, section 7.1.4 the Local Government Financial and Accounting Manual, 2007 provides a different format of presentation of financial statements which is inconsistent with the above standards. This section requires financial statements of a Local Government to be presented with a Trial Balance followed by Income and Expenditure Statement, Balance Sheet and Cash Flow Statement.

(ii)  **Incomplete Format of Cashflow Statement**

Whereas accounting standards require the disclosure of cash and cash equivalents brought forward from the previous year and also the disclosure of cash and cash equivalents carried forward to the subsequent year, the format of the cash flow statement prescribed by the LGFAM, 2007 does not provide those disclosures. It only provides for net increase in cash and cash equivalents. This leads to concealment of cash and cash equivalents at the start of close of the financial year and hence users of financial statements are not provided with sufficient information in regard to the cash flow.

(iii)  **Depreciation Rates**

Section 6.4.2.24 of the Local Government Financial and Accounting Manual, 2007 provides for depreciation of fixed assets as follows:-

(a) Computer and data handling equipment at 40%.
(b) Automobiles, buses and mini buses with capacity of less than 7 tones, construction and earthmoving equipment – 35%.
(c) Buses with seating capacity of 30 or more people, goods vehicles of more than 7 tones, specialized trucks, tractors, trawlers and trailer containers and plant and machinery used in farming at 30%.
These rates are applicable on investments for tax allowances in accordance with the Income Tax Act Cap 340. These rates are inappropriate for purposes of recognising diminution in value of an asset so that a charge representing its use, is reflected in the financial statements. There is a need to revise the Manual so that appropriate depreciation rates are determined for accounting for diminution of assets values.

5.2 **Revenue Collection**

5.2.1 **Under Collection of Local Revenues**

According to regulation 32 of Local Governments Financial and Accounting Regulations, 2007, a Council should ensure, through the Head of Finance, that all revenue budgeted for by Council is promptly collected in the approved manner and banked intact.

However, during the year under review a number of Councils under collected local revenue amounting to Shs.24,896,380,501 as reflected in the schedule in Appendix II.

The shortfalls in revenue collection are attributed to (i) inadequate awareness of the new local service tax and hotel tax (ii) inadequate revenue mobilization by both technocrats and Council leaders arising from over dependency on Central Government Grants and donor contributions and (iii) unrealistic revenue estimates coupled with a narrow local revenue base.

The Council budgets are linked to national development goals and therefore under collections of revenue impair the implementation of the planned service delivery activities and impact upon the attainment of agreed Council objectives and targets as reflected in their budgets.

Accounting Officers should undertake greater effort in sensitizing the population about the new taxes and putting in place mechanisms to enhance revenue mobilization and collection; revenue collection mechanisms should be reviewed with an aim of strengthening the controls to mitigate losses. Revenue collectors
at Sub County or Division level and all revenue collection centre’s should be adequately supervised, and accountable stationery like receipts checked regularly.

5.2.2 Arrears of Local Revenue

Section 4.8 of Local Governments’ Financial and Accounting Manual 2007, requires the Head of Finance to consolidate a final list of arrears of revenue returns and submit it to the executive committee for action.

In the financial year 2008/09 a number of Local Councils did not prepare and submit to the executive committee arrears of revenue returns amounting to Shs.10,265,953,009. (Details are as in Appendix III).

This may be due to laxity by the Heads of the various Departments to provide the arrears of revenue information to the head of finance and Council. It may also be due to lack of awareness of financial regulations by the relevant authorities.

Inadequate revenue information by the enforcing department may lead to potential loss of such revenues.

Money owed to Council represents an asset that is idle as it denies the Council the opportunity of using the money to provide the services promptly. Any debt not collected is a serious matter and may represent a loss to Council.

Accounting Officers should vigorously monitor/follow up debtors/arrears of revenue on a regular basis. Legal redress should be sought in cases of long outstanding collections.

5.3 Excess Expenditure without Authority

It is a requirement under regulation 44(1) of the Local Government Finance and Accounting Regulations 2007 that expenditure is not incurred in excess of
approved estimates or as may be amended by properly authorized virement and supplementary estimates. During the financial year however a number of Councils incurred excess expenditures without authority amounting to Shs.3,004,019,063 (Details are as in Appendix IV).

We did not observe the imposition of surcharges against defaulting officers and the absence of these punitive actions coupled with lack of awareness could possibly explain the cause for this lapse. Deliberate intention to defeat Council controls over the budget management as well as inability to provide oversight scrutiny by Council Leaders may also be another cause for this lapse. Accounting Officers should always spend within approved budgets to ensure sound expenditure control. In case of need to revise estimates procedures set out in section 3.12 of the Local Government Financial and Accounting Manual, 2007 should be followed.

5.4 Administrative Advances Unaccounted for by the End of the Financial Year

Regulation 43(2) of Local Government Financial and Accounting Regulations 2007 requires that administrative advances be authorized by the chief executive and be accounted for within a month.

During the financial year 2008/2009 funds advanced to the officials of Council that remained un-accounted for amounted to Shs 7,034,462,428. (Details are as in Appendix V).

This was noted to arise from a number of factors being (i) Chief Executive authorizing advances to those who have not yet accounted for previous advances and (ii) absence of a monitoring and enforcement/recovery mechanism. It may also be deliberate intention to defraud Council funds or laxity in enforcing punitive measures against responsible officers.
This significant accumulation of funds being tied up in unaccounted for advances impinges upon Council having monies available to implement programme activities. The unaccounted for advances also pose a risk of loss of funds as a result of delayed or poor accountabilities being rendered or falsified documents presented.

Advance accounts should be properly managed and closed off at the end of each financial year. Management should ensure that the recording of advance accounts is done in a systematic and timely manner. Accurate records can aid management in production of timely financial statements, which can be relied upon by all stakeholders.

5.5 **Unvouched Expenditure**

Local Government Financial and Accounting Regulations 2007 regulation 42 requires that all disbursement of public monies be properly vouched on payment vouchers prescribed in the Accounting Manual.

However, it was noted that expenditures totaling to Shs.3,111,307,228 were not supported by payment vouchers as detailed in Appendix VI. In such circumstances, the genuineness and purpose of such expenditure could not be established as it was not verifiable. This could be as a result of poor filing system or deliberate misuse of funds.

The unvouched expenditures are significant when consolidated. This reflects poorly on the consolidated position because such amounts cannot be tagged to any particular service or activity with certainty of such service having been delivered. Such doubtful expenditures are prone to fraud and misrepresentation of services provided to the citizens.

Proper filing and safe custody of vouchers should be strictly adhered to as required by financial regulations. Such an action will significantly assist in tracing some accountabilities where they may exist. Measures should be undertaken to
obtain genuine supporting documentation where payment vouchers have been misplaced in order to support spent funds.

5.6  **Inadequate Supporting Documentation to Expenditures**

Section 5.4.6 and 5.4.8 of the Local Governments’ Financial and Accounting Manual, 2007 requires that relevant supporting documents must be attached to payment vouchers.

It was noted that a number of Local Authorities did not provide adequate supporting documentation for payments totaling to Shs. 2,268,424,244. In the absence of such supporting documentation the funds remain unaccounted for. **Details are as in Appendix VII.**

This could be as a result of poor filing systems, lack of capacity, staff incompetence or deliberate intention to misuse funds.

When funds are spent on unplanned activities, it is not possible to evaluate the performance of those funds against planned predetermined targets. The genuineness of such expenditures is doubtful and such expenditures are prone to fraud. Often there is a risk of double payment through presenting the same supporting documents more than once.

- Accounting Officers should ensure that before any payment is made, relevant supporting documents are attached and are duly checked for rates, quantities and authorization.
- All supporting documents should be properly kept and availed whenever required for reference.

5.7  **Irregular Procurement of Goods and Services**

According to the Public Procurement and Disposal of Public Assets Act 2003 (PPDA Act), and the Local Government PPDA regulations 2006, all public procurement of goods, services and works should comply with PPDA Regulations. However, a number of Local Authorities procured items and services worth
Shs.14,519,848,480 without complying with Public Procurement Regulations. (Details are as in Appendix VIII).

Cases of this nature are due to a number of reasons which include inter alia, lack of technical capacity, delays by the District Procurement and Disposal Units/Contracts Committees to handle procurements and also deliberate action by the responsible officers to circumvent procurement procedures.

As a result, Council may not get good value for money.

All procurement of goods and/or services should be undertaken in a timely manner in accordance with approved work plans and should comply with Procurement Regulations to avoid unauthorized expenditure. Proper controls regarding procurement of goods and/or services should be adhered to if the existing systems are to be relied upon.

5.8 Non-remittance of Taxes to Uganda Revenue Authority (URA)

According to Section 124(1) of Income Tax Act 1997, a withholding agent should effect the requisite payment to Uganda Revenue Authority of taxes withheld within 15 days after the end of the month in which the taxes were withheld.

During the financial year, a number of Councils deducted Shs.696,215,434 as tax but the amount were not remitted as required by the Act. Details are in Appendix IX. Failure by management to remit the Taxes and obtain acknowledgment receipts from Uganda Revenue Authority (URA) attracts fines and penalties from Uganda Revenue Authority (URA). Such fines and penalties represent nugatory expenditures which could have been avoided.

Taxes should be deducted and remitted to URA and all receipts for payments collected and attached to the relevant payment documents or filed to confirm payments. Tax laws should be complied with and monies remitted by due dates to avoid evasion, diversion and the subsequent tax penalties and surcharges.
5.9 **Non-remittance of Unspent Conditional Grants to the Consolidated Fund**

Section 19(1) of the Public Finance and Accountability Act 2003 (PFAA) requires that all un-spent balances of monies withdrawn from the consolidated fund shall be repaid back to the same account at the closure of the financial year. Similarly, the Local Governments’ Financial and Accounting Manual, 2007 section 6.6.5.3 requires all account balances in respect of conditional or other grants from central government to be returned immediately after the year end and in any case not later than 25th September following the end of the financial year.

It was, however, noted that most of the Local Councils were not remitting the unspent balances of the Conditional Grants to the Consolidated Fund. A sum of Shs.10,333,710,080 in respect of unspent conditional grant at the end of year by various Councils was not returned as required. There was also no authority from the Secretary to the Treasury to retain the funds as required (details are as in Appendix X).

The risk of the retained money being spent on unauthorized activities is high.

- Accounting Officers should ensure that activities are promptly implemented as planned to avoid the reoccurrence of such phenomenon.
- Unused balances of funds should always be returned to the Treasury or authority sought to have them spent in the preceding year.
- Payments should be made in time as and when services have been rendered and claims or invoices have been received for a given quantity of services rendered to the Council, after confirmation from the technical staff that the quality of the services is according to specifications or orders made.
5.10 **Diversion of Funds**

According to the Local Government Financial and Accounting Regulations 2007 regulation 37(2), Conditional Grants from Central Government shall be planned for, recorded and accounted for according to the grant conditions and guidelines.

During the financial year under review it was observed that a sum of Shs.321,340,406 was diverted by some Councils for activities other than those intended. *(Details are as in Appendix XI).*

These in most cases are Council actions arising from disregard to grant guidelines and conditions.

This may result in penalties with the effect of denying Council further funding; the intended service is finally not received by the beneficiary community thus hampering government in the attainment of national goals.

Accounting Officers should always ensure that funds are applied to planned and budgeted for activities in accordance with grant guidelines. The diverted funds should be refunded to facilitate intended programmes as provided for.

5.11 **Depreciation of Fixed Assets in Urban Authorities**

Section 2.3.1.6 of the Local Governments Financial and Accounting Manual provides that Local Councils using accrual basis of accounting shall depreciate their fixed assets according to the policy guidelines issued by the minister.

A number of the Urban Authorities did not depreciate their fixed assets. Therefore Shs.1,232,513,244 shown as fixed assets in various balance sheets of various Urban Councils was an overstatement. In the case of assets depreciated the rates were inconsistent with the Local Government and Accounting Manual. *(Details are as in Appendix XII).*
The likely causes of failure to comply with the laid down procedures were noted to be due to (i) lack of competent and capable Accounts staff, (ii) insufficient supervision of finance staff and (iii) lack of awareness on the requirements of the new financial and accounting regulations.

Inconsistencies in the application of an appropriate depreciation rate or the absence of applying any depreciation charge undermines the value at which those assets are reflected in the financial statements. Such values therefore are inappropriate for use in determining replacement, maintenance or disposal policies.

- The policy adopted on capitalization, valuation and depreciation or expensing of fixed assets should be clearly spelt out.
- Depreciation rates to be used annually should be realistic and agreed upon and presented to Council for approval.
- Where reported asset values no longer represent the true or realizable values of the assets because of continued use without depreciation, the assets should be revalued before depreciation rates are applied to them.

5.12 Wasteful Expenditure

Regulation 9(b) of the Local Governments Financial and Accounting Regulations, 2007 requires the chief executive to ensure that the public moneys, property and resources for which he/she is responsible as Accounting Officer are properly managed and safeguarded.

However, in a number of Councils, it was noted that expenditure amounting to Shs.1,781,940,597 was utilized for activities that were neither budgeted for nor beneficial to the Council and was therefore wasteful. Details are as in Appendix XIII.

This was as a result of (i) lack of feasibility studies being undertaken to determine the adequacy of projects, (ii) absence of cash flow statements to manage the flow of funds and (iii) management failure to observe best practices
in the management of those funds. The funds were not used in the most productive manner in delivering services. Council agreed objectives and targets were therefore either not achieved or the funds were wasted.

Accounting officers should always ensure that proper assessment of the needs of the Council in relation to its available resources is carried out. Expenditure should be incurred in an economical, efficient and effective manner. Responsible officers should be made accountable for the wasteful expenditure.

5.13 Over Commitment of Councils

Regulation 11 of the Local Government Financial and Accounting Regulations, 2007 requires the Head of Finance to ensure that commitments are not approved unless there is sufficient and committed balance available in the quarter’s commitments item.

A number of Accounting Officers in the year under review failed to adhere to the commitment control system which has resulted in committing Councils beyond their financial resources leading to creating liabilities reflected in outstanding creditors and domestic arrears amounting to Shs.3,849,910,394 as per details in Appendix XIV.

Under collection of local revenue, lack of financial discipline by the Heads of Finance, pressure from the Council leaders on Accounting Officers, insufficient funds to pay statutory obligations such as salaries and pensions are some of the causes that lead to over commitment of Councils and hence creation of outstanding creditors and domestic arrears.

This denies Council of working capital and negatively affects development of private sector business which in turn hinders poverty eradication efforts. It also exposes errant Councils to litigation costs and legal suits by creditors.
Accounting Officers should increase their controls on creditors to minimize accumulation of debts. Commitments should be entered into based on funds available to minimize the creditors’ position.

A commitment control system should be complied with and officers who commit Council beyond, available resources be held personally liable.

5.14 **Pension Liabilities**

Regulation 54(2) and (3) of Local Government Financial and Accounting Regulations, 2007 stipulates that all employees’ salaries and pensions shall be due and payable on the last date of each month and all Local Governments shall be up-to-date with salary and pension payments and that the Chairperson of the Council and the Chief Executive Officer shall be held responsible for any contravention of the regulations.

Contrary to the above, regulation, a number of Accounting Officers failed to adhere to the above regulation leading to accumulation of liabilities, for example, Rakai District (Shs.572,122,295), Gulu Municipal Council (Shs.229,043,016) and Kabale District (Shs.51,088,468).

There is a risk of litigation due to indebtedness, which can further increase the costs to the Council.

The Local Councils should liaise with the Ministry of Public Service and make immediate arrangements to have the outstanding amounts settled before more obligations arise in form of legal costs. Management should devise means of ensuring settlement of obligations as they fall due.

5.15 **Suspected Transactions**

Regulation 9(b) of the Local Governments Financial and Accounting Regulations, 2007 requires the chief executive to ensure that the public moneys, property and
resources for which he/she is responsible as Accounting Officer are properly managed and safe guarded.

It was noted that a number of Local Councils had transactions suspected of fraud amounting to Shs.400,641,553. Details are as in Appendix XV. Public funds were lost and planned activities were not implemented. The Accounting Officers should investigate and take action on the culprits.

5.16 **Land Titles**

According to the Local Government Finance and Accounting Regulations, 2007 particularly regulation 9 (j) an Accounting Officer is required to ensure safe custody of all assets of Council. It was however noted that various entities lacked land titles for their Land. In some cases even the Headquarter premises did not have titles. Some of the affected entities include:

<table>
<thead>
<tr>
<th>Mubende Town Council</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kiboga District</td>
</tr>
<tr>
<td>Lira Municipal Council</td>
</tr>
<tr>
<td>Koboko District</td>
</tr>
<tr>
<td>Nkokojeru Town Council</td>
</tr>
<tr>
<td>Mbarara District</td>
</tr>
<tr>
<td>Bundibugyo town Council</td>
</tr>
<tr>
<td>Kasese District(Bwera hospital)</td>
</tr>
<tr>
<td>Kyenjonjo Town Council</td>
</tr>
<tr>
<td>Nyahuka Town Council</td>
</tr>
</tbody>
</table>

There is a risk of encroachment on the properties.

I advised the affected entities to liaise with Ministry of Lands to obtain title deeds.

5.17 **Staffing Shortages**

Review of the staffing situation in a number of Local Government Councils revealed serious staff shortages. Out of the sample of 24 entities examined, it was revealed that staff establishment was 6,141 and the filled posts were only
3,147 indicating staffing gaps of 2,994 (49%). Staff shortages were attributed to non functional District Service Commissions, strict experience requirements during the recruitment process and poor working environments in distant Districts. Staff shortages hinder implementation of planned activities, impair segregation of duties and result into staff fatigue.

I advised the Councils to utilize the District Service Commissions of neighboring Districts where feasible so as to recruit the necessary staff.

5.18 **Shared Local Revenue**

According to the Local Government Act 1997 Part 5(15) distribution of grants by sub-county Councils to other administrative Council 35% of the retained local revenue should be distributed as follows:-

5% to the county Councils
5% to the parishes
25% to the village Councils.

Many Lower Councils lacked work plans, bank accounts and accounting records namely; cash books, revenue register ledgers, vote books and registers of tax payers contrary to regulation 60 of Local Government Financial and Accounting Regulations, 2007. This regulation also requires these administrative units to make returns to the sub-county, which requirement was also not being complied with. In the circumstances, the units are denied the opportunity to participate in the implementation and accounting for funds allocated to them.

There is need to sensitise the administrative units on the accountability requirement and actively involve them in the implementation of Government programmes at their levels. The sensitization should be followed by issuance of guidelines on accountability of funds and regular follow up.
5.19 **Primary Teachers’ Files and Supervision**

It was observed that the personal files for Primary School teachers on the payrolls were poorly maintained. Vital information like appointment letters, promotional instructions, pay change reports, banking accounts, posting instructions, certified academic credentials and personal passport photographs were not filed.

It was further observed that systematic monitoring of teachers attendance is lacking and this may partly explain the performance standards in schools. In the circumstances, verification of teachers’ records and review of individual teacher performances is impaired. Examples of these inadequacies were noted in Kamuli, Masaka, Rakai, Kiboga, Mityana and Butaleja Districts.

The District Management together with the Education officers should ensure that all original files of teachers are updated and filed appropriately. Teacher performances should be regularly monitored and reported through inspection reports.

6.0 **OPINIONS AND DETAILS OF FINDINGS**

The various opinions issued to the entities and details of issues that formed the basis of my opinion are given in Part B of this report. The Appendices are shown in Part C.
PART “B”

DETAILED REPORT OF LOCAL AUTHORITIES

ARUA BRANCH

7.0  **ADJUMANI DISTRICT**

7.1 **Opinion**

Qualified-Except for.

7.2 **Excess Expenditure**

During the period under review, the District’s approved budget for Administration vote was Shs.445,576,728. However, Shs.1,582,654,484 was incurred resulting into excess expenditure of Shs.1,137,077,756. Management did not avail retrospective authority, supplementary budgets or re-allocation warrants for audit verification as required by Regulation 25 of Local Government Financial and Accounting Regulation 2007.

It would appear that the vote controller did not monitor the expenditure levels before incurring the expenditure.

**Recommendation**

Management should ensure that voted amounts are closely monitored and reconciled to avoid over expenditure. Meanwhile necessary authority and adjustments be submitted.

7.3 **Outstanding Commitments**
The outstanding commitments of Shs.393,965,318 include pension liability of Shs.28,257,194 School Facility Grant (SFG) liabilities of Shs.62,309,330 and various service providers. Accumulation of liabilities contravenes the Budget Act 2001 Section 14 which prescribes that commitments should be supported with availability of funds.

Management attributed the accumulation of School Facility Grant liabilities to inadequate cash releases from the Central Government.

**Recommendation**

Management should liaise with the Ministry of Finance and Education to settle SFG liabilities. Commitments should be incurred when funds are available to avoid accumulating liabilities.

**7.4 Unaccounted for Funds**

Shs.362,705,116 advanced to various staff for official activities remained outstanding contrary to Local Government Financial and Accounting Regulations 43 which requires accountability to be made within one month.

Management stated that concerned staff would be required to Account and on failure, recoveries would be made from the salaries.

**Recommendation**

Necessary accountability should be submitted. In the alternative the funds are recovered.

**7.5 Unspent Balances**

Unspent conditional grants of Shs.170,291,138 remained on the council accounts contrary to the Public Finance and Accountability Act 2003 section 19 which requires refunds to the consolidated fund. Besides no authority was sought for the retention. Management stated that the funds had been committed to borehole drilling, renovations and procurement of equipment.
Recommendation

The funds should be returned to the Consolidated Fund. In the alternative, necessary authority be submitted for verification.

7.6 Missing Vouchers

Payment vouchers for Shs.23,805,885 were not availed for audit verification contrary to Local Government Financial and Accountability Regulations 2007 Section 42, there by rendering the genuineness of expenditure doubtful.

Management stated that concerned staff would be required to account and on failure recoveries would be made from their salaries.

Recommendation

Necessary accountability should be submitted. In the alternative the funds are recoverable.

7.7 Revenue Shortfall

Out of the budgeted Local Revenue of Shs.102,324,000, only Shs.87,504,209 was realized indicating a shortfall of Shs.14,819,791 and this affected service delivery negatively.

Recommendation

Outstanding revenue should be recovered in accordance with Local Government Financial and Accounting Regulation 2007 regulation 101.

7.8 Expired drugs

Drugs worth Shs.16,658,727 procured from National Medical Stores expired before disbursement to patients. Expiry of drugs denies the population access to essential services.
**Recommendation**

Management should determine an average rate of utilization of drugs and make appropriate orders so as to minimize expiry.

7.9 **Nugatory Expenditure**

Shs.15, 897,052 paid to Uganda Revenue Authority as penalty for late submission of Pay as You Earn is considered wasteful as it could have been avoided if proper arrangements were made to settle the Tax obligation in time. Management attributed the anomaly to shortage in cash releases from Ministry of Finance.

**Recommendation**

The responsible staff and/or institution should be held accountable.

7.10 **Non-remittance of Local Service Tax**

Shs.11,503,500 in respect of Local Service Tax deducted from the District staff pay roll by Ministry of Finance was not remitted to the District.

Management stated that a request to Ministry of Finance for the remittance was not responded to.

**Recommendation**

The District should liaise with Ministry of finance to recover the funds.

7.11 **Incompletely Vouched Expenditure**

Shs.7,153,500 incurred on travel abroad by an officer was not supported with a letter of invitation, air ticket coupon and back-to office report rendering the expenditure incompletely vouched.
Management pledged to avail the documents but this was not done by the time of writing this report.

**Recommendation**

The officer should avail relevant accountability documents related to this payment for audit verification.

### 7.12 Lack of Updated Inventory List

The District does not have an up to date inventory list of all motorcycles owned by the District. Contrary to Local Government Financial and Accounting Regulation 2007 part VIII Section 86 which required the heads of departments to ensure the maintenance of inventories of items in use in their departments.

As a result of the above weakness, five (5) motorcycles and 16 pieces of solar panels issued to various officials in the departments of health, probation, fisheries, community services and engineering got lost without any trace. Neither police reports nor loss forms were completed. Loss of Government assets hinders proper implementation of Government programs.

Management stated that these cases have been reported to police but no evidence was availed.

**Recommendation**

Management should avail police reports and loss forms for verification and should take necessary action on officers found to be negligent. Meanwhile, proper security controls should be put in place to avoid future losses.
8.0 **ADJUMANI TOWN COUNCIL**

8.1 **Opinion:** Qualified-Except for.

8.2 **Incomplete Road Works**

A construction contract worth Shs.273,220,500 of which Shs.81,966,150 was paid is behind schedule by more than 2 years and the corresponding performance bond has expired. In the circumstances expected benefits of the road works were not achieved and the council is exposed to risk of loss of funds incase of contract failure.

Management stated that efforts to renew the performance bond are underway.

**Recommendation**

Management should ensure the performance bond is renewed and works are completed.

8.3 **Unspent balances**

Unspent Conditional Grants of Shs.118,925,679 remained in the accounts without authority of retention from Treasury. Unauthorized retention of funds may result into extra budgetary expenditure.

Management stated that Shs.116,910,985 had been committed for road works.

**Recommendation**

Unspent conditional grants should be transferred to the Consolidated Fund as required by financial regulations. In the alternative authority for retention be submitted for verification.

8.4 **Breach of Contract**

The private operator of Adjumani Town Water Supply failed to remit Shs.10,030,870 to the Town Council contrary to Section 13 of the management
contract. In the circumstances, Council was denied revenue for implementation of planned activities.

Management stated that the funds would be recovered from the private operator.

**Recommendation**

The outstanding revenue should be recovered in accordance with the management contract.

8.5 **Withholding Taxes not Remitted to URA**

Contrary to Section 119(1) of the Income Tax Act Cap 340 that requires government institutions to deduct withholding tax on payments exceeding Shs.1,000,000, an amount of Shs.1,070,544 was not deducted from eligible taxpayers. The Town Council is exposed to risk of penalties from Uganda Revenue Authority for this anomaly.

Management stated that arrangements to remit the funds are under way.

**Recommendation**

The Withholding Tax liability should be settled to avoid penalties.

9.0 **ARUA DISTRICT**

9.1 **Opinion:** Qualified-Except for.

9.2 **Violation of Procurement Procedures**

Expenditure of Shs.1,102,271,484 on procurement of Public works and a motor vehicle was not supported with Solicitor General’s endorsement, performance guarantees and completion certificates where applicable thereby violating procurement regulations. Without legal endorsement from Solicitor General, performance guarantees and completion certificates there is a risk of loss of public funds through inadequate works and safe guards.
**Recommendation**

Management is advised to observe all necessary procurement regulations to obtain value for money and avoid loss of Public funds.

9.3 **Loss of Motorcycles and computers**

It was discovered during audit that the council has in the past five years lost 22 Motorcycles and two computers. However, contrary to regulation 115 of the Local Government Financial and Accounting Regulation, 2007 there was no evidence that the losses were reported to the Executive Committee. Besides Police reports were also not produced for audit. The fate of these losses is not known.

**Recommendation**

The losses be reported to the executive committee and an investigation be made to establish the fate of the losses.

9.4 **Unaccounted for funds**

Shs.2,928,000 paid to various staff for official activities remained unaccounted for contrary to the Local Government Finance and Accounting Regulations 2007, Section 43 (2) which requires accountability to be done within one month. Delayed accountability may result into falsification of documents.

**Recommendation**

The funds should be accounted for. In the alternative recovery procedures should be enforced.

9.5 **Missing Vouchers**

Payment vouchers for Shs.1,064,000 were not availed for verification rendering the authenticity of the expenditure doubtful.
Management stated that the vouchers were available but they were not presented for verification.

**Recommendation**

The payment vouchers should be availed for verification or funds be recovered.

### 10.0 ARUA MUNICIPAL COUNCIL

#### 10.1 Opinion: Qualified-Except for.

#### 10.2 Non-remittance of Unspent Balances of Conditional Grants

Conditional Grants of Shs.84,685,939 that remained on the Council Accounts at end of the financial year were not remitted to the Consolidated Fund as required by Section 19(1) of the Public Finance and Accountability Act, 2003.

Management explained that a request for retention was made to the Secretary to the Treasury but no reply was received.

**Recommendation**

The Conditional Grants should be refunded to the Consolidated Fund in accordance with the regulations.

#### 10.3 Understatement of Payables

The reported payables balance of Shs.362,176,183 excluded the liability of Shs.62,302,812 in respect of a private contractor.

Management pledged to restate the balance but this was not done.

**Recommendation**

Payables balances should be restated to include the obligations to the private firm.
10.4 **Unaccounted for Funds**

A sum of Shs.61,887,688 paid to various staff and firms for official activities lacked accountability rendering the expenditure doubtful.

**Recommendation**

Proper and timely interventions should be stepped up by the Council officials to ensure that progress reports are in place each time monitoring is done and funds are accounted for at the end of completion of an activity. Periodic reviews of these reports will help the Council in making timely decisions and interventions in cases of errant officers who may not operate according to set guidelines, laws and regulations.

10.5 **Over Statement of Bank and Cash equivalents.**

Where as Bank balances on specified accounts was Shs.129,952,978, the reconciled accounts total Shs.90,424,919 indicating an overstatement of Shs.38,698,527 in the financial statements. The table below refers:

<table>
<thead>
<tr>
<th>Account Name</th>
<th>Account Number</th>
<th>Reported balance</th>
<th>Reconciled balance</th>
<th>Difference</th>
</tr>
</thead>
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<tr>
<td>Salary Account</td>
<td>0140092420801</td>
<td>4,043,411</td>
<td>(269,766)</td>
<td>3,773,645</td>
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<tr>
<td>Administration</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Account</td>
<td>0140092420901</td>
<td>34,497,096</td>
<td>5,184,375</td>
<td>29,312,721</td>
</tr>
<tr>
<td>Health Account</td>
<td>Oil2575208800</td>
<td>375,954</td>
<td>3,797,380</td>
<td>(3,421,426)</td>
</tr>
<tr>
<td>Education Account</td>
<td>Oil2575209400</td>
<td>80,589,578</td>
<td>80,850,687</td>
<td>(261,109)</td>
</tr>
<tr>
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<td>Oil2575774000</td>
<td>10,246,939</td>
<td>952,243</td>
<td>9,294,696</td>
</tr>
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<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>129,952,978</td>
<td></td>
<td></td>
<td>38,698,527</td>
</tr>
</tbody>
</table>

**Recommendation**

Management should restate the cash and bank balances to reflect the reconciled position.
10.6 **Unsupported Cash Balances**

A sum of Shs.13,946,506 reported as cash balance in the statements of cash and bank balances was not reflected in the Board of survey report rendering its existence doubtful.

The explanation that the cash was utilized on 30\textsuperscript{th} June 2009 could not be verified in the absence of payment vouchers and supporting documents.

**Recommendation**

Management should investigate the status of the cash balances.

10.7 **Procurement Without Consent of Solicitor General**

Contracts worth Shs.131,495,749 were awarded to two private firms for construction of 4 classroom blocks at Arua Hill Primary and Arua Primary Schools from 16/03/09 to 15/07/09, but this award was done without reference to the Solicitor General contrary to regulation 86(1)(f) of the Local Government Public Procurement and Disposal of Public Assets Regulations 2006. Without endorsement of the Solicitor General the council risks incurring losses in case of litigation.

**Recommendation**

The Solicitor General’s endorsement should be sought.

10.8 **Local Revenue Shortfall**

Out of the budgeted Local Revenue of Shs.724,427,768 only Shs.544,106,997 was realised indicating a shortfall of Shs.180,320,771. Under collection of revenue hinders implementation of planned activities and is contrary to regulation 32 of the Local Government Financial and Accounting Regulation, 2007 that require all revenue budgeted by Council to be collected in the approved manner.

Management stated that the budgeting was unrealistic and would be revised.
**Recommendation**

Management is advised to make realistic budgets and monitor performance so as to be able to revise it in accordance with financial regulations.

10.9  **Un-banked Revenue**

A sum of Shs.55,053,514 in Local Revenue was collected by the Council and utilized at source. Contrary to regulation 32 of the Local Government Financial and Accounting Regulations (LGFAR), 2007 which require collected revenue to be banked intact. Besides, accountability was not rendered.

Management stated that the funds were used to meet urgent Council matters and that accountability would be submitted.

**Recommendation**

All supporting documents for the expenditure should be submitted for verification. In future, such malpractice should be avoided.

10.10  **Revenue not Posted to the General Fund Cash Book**

A sum of Shs.29,788,512 was not posted in the General Fund cash book contrary to financial regulations which require daily posting and regular reconciliation of the books under the supervision of the Town Treasurer. Management promised to update the records but this was not done.

**Recommendation**

The cash book should be posted on daily basis. The reconciliations should also be made and reviewed regularly by the Town Treasurer or any other person assigned for that purpose.
10.11 **Excess Expenditure**

During the period under review, the Municipality spent Shs.143,135,946 over and above its budget on various Programmes contrary to regulation 44(1) of the Local Government Financial and Accounting Regulation, 2007.

Without approved virements and re-allocation warrants the expenditure is considered irregular.

Management promised to submit the authority for re-allocation but this was not provided.

**Recommendation**

Necessary approval documents be submitted for verification.

10.12 **Missing Vouchers**

Payment vouchers of Shs.729,087,051 were found missing thereby contravening Regulation 42 of the Local Government and Accounting Regulations. The authenticity of the expenditure is doubted.

Management stated that the documents had been taken by Uganda Revenue Authority internal audit department for tax audit.

**Recommendation**

Necessary payment vouchers should be availed for verification.

10.13 **Legal Expenses**

A sum of Shs.6,772,000 was paid to two individuals as damages arising from termination of duties without necessary resolution of the Council and failure to hand over bought property.
The expenditure is considered wasteful as it could have been avoided with proper adherence to regulations.

**Recommendation**

Necessary management action be taken against the culprits.

10.14 **Irregular Payments**

It was noted that payment vouchers for Shs.29,422,110 were supported by requisitions but were not approved by the Chief Executive contrary to Treasury Accounting Instructions 1991 part 1- First paragraph 685 which states that “The signature of the certifying officer on a voucher confirms the accuracy of every detail on it. The payments would appear irregular and could be due to lack of adequate internal controls.

Management promised to review and endorse the payment vouchers but this was not done.

**Recommendation**

The Chief Executive should investigate the authenticity of the payments.

11.0 **KOBOKO DISTRICT**

11.1 **Opinion:** Qualified-Except for.

11.2 **Management of District Drugs**

Primary Health Care (PHC) guidelines prescribe that 50% of funds received under PHC non-wage item be applied on procurement of drugs.

Out of Shs.201,785,406 received during the year on Primary Health Care, only Shs.63,030,32 was applied on drugs instead of Shs.100,892,703 occasioning a variance of Shs.37,862,171 that was not explained. Besides the drugs were
procured from other sources without certificate of non-availability from National Medical Stores (NMS). It was further noted that procured drugs worth Shs.265,704,039 were not supported with stores records rendering the authenticity of receipts, storage and disbursement uncertain.

**Recommendation**

All relevant stores records and certificate be availed for verification. An explanation for deviation from Primary Health Care guidelines is required.

11.3 **Over expenditure on Council Allowances**

Contrary to regulation 4, first schedule of the Local Government Act 2006(As amended) that limits Council allowances to 20% of the previous years local revenue collections, an excess of Shs.43,635,394 was paid to the councilors.

Management attributed the anomaly to the volume of work carried out by the Councilors.

**Recommendation**

The excess expenditure is recoverable.

11.4 **Outstanding Administrative Advances**

Administrative advances of Shs.20,955,200 remained outstanding contrary to regulation 43 of the Local Government Financial and Accounting Regulation, 2007 which requires accountability within one month.

Management stated that the accountability would be traced and availed but this was not done.

**Recommendation**

The funds should be accounted for. In the alternative recovery measures be enforced.
11.5 **Local Revenue Shortfall**

Out of the budgeted Local Revenue of Shs.78,569,929 only Shs.68,439,373 was realized indicating a shortfall of Shs.10,130,556 and this affected service delivery. Under collection of revenue is contrary to regulation 32 of Local Government Financial and Accounting Regulations that require all budgeted revenue to be collected.

Management attributed the shortfall to long drought and weakness in the collections at sub-county levels.

**Recommendation**

Revenue mobilization at sub-county level be enhanced and compliance with regulations observed.

11.6 **Award of contracts without the Solicitor General’s Approval**

Various contracts worth Shs.1,253,075,578 were awarded without approval of the Solicitor General contrary to Local Government Public Procurement and Disposal of Assets regulation 86(2) (f). The council is exposed to litigation without adequate legal protection.

Management stated that a request to the Solicitor General’s office was not responded to.

**Recommendation**

Management should comply with regulations.

11.7 **Lack of Land Titles**

The District does not have a title for its land.

Management stated that steps are under way to acquire the title deeds.

**Recommendation**

District land should be secured with land titles.
12.0 **KOBOKO TOWN COUNCIL**

12.1 **Opinion:** Qualified-Except for.

12.2 **Irregular Procurement of Contract**

A road construction contract worth Shs.314,864,500 was irregularly procured as it lacked endorsement of the Solicitor General, contrary to regulation 86(f) of the Local Governments Public Procurements and Disposal of Public Assets Regulations, 2006. The Advance payments of Shs.144,459,530 made were also not supported with advance payment guarantees. Besides specific completion dates were not indicated.

An inspection carried out on 13/01/2010 revealed incomplete works. Furthermore, the Council did not maintain a contract register to track the status of works and payments.

Management stated that the contract was awarded by the Ministry of Works and further liaison with the Ministry is required to provide more information.

**Recommendation**

The Council should liaise with Ministry of Works to address loopholes in the contract and ensure adequate supervision.

12.3 **Local Revenue Shortfall**

According to regulation 32 of the Local Governments Financial and Accounting Regulation, 2007 a Council should ensure that all revenue budgeted for is promptly collected in the approved manner.
Contrary to this regulation, however, out of the budgeted Local Revenue of Shs.447,863,373 only Shs.322,235,211 was realized indicating a shortfall of Shs.125,628,162 and this adversely affected service delivery.

Management attributed the shortfall to the failure by a private contractor to collect property Tax.

**Recommendation**

There is need for sensitization of tax payers regarding property tax.

12.4 **Outstanding Debtors**

Debtors of Shs.18,053,000 in respect of Arua District Local Government have been outstanding since financial year 2007/08, thereby adversely affecting the cash flow position of the Council. The amount comprises of un-remitted deductions of Graduated Tax that the District owed the Town Council before abolition of the Tax.

Management stated that a committee has been set up to follow up the debt.

**Recommendation**

Management should liaise with Arua District Council to ensure the debt is settled.

13.0 **MARACH TEREKO DISTRICT**

13.1 **Opinion:** Qualified-Except for.

13.2 **Unaccounted for Funds**

A sum of Shs.380,664,443 was paid to several officials for carrying out various activities. However, the funds have not been accounted for contrary to regulation 43 of Local Government financial and Accounting Regulation, 2007.
**Recommendation**
The Accounting Officer should ensure that the responsible officials account for the funds. In the alternative the funds are recoverable.

13.3 **Irregular Procurements**
It was observed that the District spent Shs.131,353,912 on carrying out construction works and Shs.37,111,866 on furniture. However, the said procurements were not advertised and tendered out contrary to Sections 26(d) of the Public Procurement and Disposal of Assets Act 2003 which requires the Accounting Officer to ensure that bid opportunities are advertised and procurement conducted in a manner which promotes transparency, accountability and fairness.

**Recommendation**
Relevant procurement documents be availed for verification.

13.4 **Irregular Variation of Contract**
It was observed that the Council contracted a private firm to construct bore holes at a cost of Shs.90,873,000. However, the contract sum was raised to Shs.106,274,000 causing a price variation of Shs.15,401,000 (17% of the original price) without approval of the Contracts Committee and Public Procurement and Disposal of Public Assets Authority.

**Recommendation**
The Accounting Officer should provide the authority to support the variation.

13.5 **Unaccounted for Fuel Purchase**
During the course of the financial year, Shs.14,630,000 was spent to purchase fuel. However, the funds have not been accounted for, with relevant documents such as fuel consumption statements and fuel orders.
**Recommendation**

The management of the District should ensure that these funds are accounted for or else recoveries made from the concerned staff.

14.0 **MOYO DISTRICT**

14.1 **Opinion:** Qualified-Except for.

14.2 **Unspent Balances**

Unspent conditional grants of Shs.802,512,607 were not returned to the consolidated fund contrary to the Public Financial and Accountability Act 2003 Section 19. Besides the authority for retention was not submitted for verification.

Management stated that authority was obtained from Ministry of Finance but this was not submitted for verification.

**Recommendation**

The Authority from Treasury should be availed for verification.

14.3 **Missing Payment Vouchers**

Examination of cash books revealed that Shs.138,386,304 was spent on various activities. However, no payment vouchers were availed to support the expenditure in contravention of Reg.42 of the Local Government Financial and Accounting Regulation 2007.

Management stated that the vouchers would be availed for verification but this was not the case.

**Recommendation**

Management should avail the payment vouchers for verification and ensure that the custody of documents is streamlined.

14.4 **Un-tendered Procurements**

Shs.125,297,451 was paid to private firms for periodic maintenance of roads, drilling and rehabilitation of boreholes, consultancies, construction of houses and
other supplies under conditional grants. However, the work plans, procurements files and contracts agreements were not availed for verification.

Management stated that these projects were competitively awarded and the contract agreements were available but these were not submitted for audit.

**Recommendation**
Management should avail the said documents for audit.

### 14.5 Advances
Shs.95,917,733 was reflected in the accounts as advances for the year of which Shs.83,223,153 represented balances brought forward from the previous year. Long standing advances contravenes Local Government Financial and Accounting Regulation 43 which requires accountability in one month.

Management stated that recoveries are being made from staff salaries and others have been served with letters to make good their obligations.

**Recommendation**
Management should submit evidence of the recoveries for review.

### 14.6 Irregular Contracts
Contracts above Shs.50,000,000 each totalling Shs.283,515,500 were not submitted for approval of the Solicitor General contrary to regulation 86(2)(f) of Public Procurement and Disposal of Assets Regulations.

**Recommendation**
Management should seek clearance of the Solicitor General to obtain sufficient legal safeguards.

### 14.7 Local revenue Shortfall
Out of Shs.212,745,000 budgeted as local revenue only Shs.173,599,969 was realised indicating a shortfall of Shs.39,145,031.
Management attributed the shortfall to a number of factors such as poor harvest, floods and unrealistic revenue projection.

**Recommendation**
Management should make realistic revenue targets and have periodic review so as to revise budgets appropriately.

14.8 **Doubtful Tax Remittance**
Shs.22,678,716 purportedly remitted to Uganda Revenue Authority (URA) in respect of Withholding Tax (WHT) during the year under review lacked acknowledgement receipts.

Management stated that efforts were made to obtain the receipts from Uganda Revenue Authority were futile.

**Recommendation**
Management should obtain all these receipts from Uganda Revenue Authority for proper accountability.

14.9 **Improper Purchase of Drugs**
Shs.20,009,000 incurred on drugs from private pharmacies was not supported with certificates of non-availability of drugs from National Medical Stores as required by Primary Health care guidelines. Besides, there were no delivery notes and the items were not taken on charge.

Management stated that relevant documents were available but these were not submitted for verification.

**Recommendation**
Management should follow the set out procedures for the purchase of drugs.

14.10 **Diversion of Funds**
During the year Shs.12,219,341 was diverted from works account, Education account, Local Government Development Programme Account, Capacity Building Account, Hospital account and Finance and Planning and spent on operational

Management stated that these were internal borrowings and were refunded, while some funds were transfers to other programs, however there was no evidence of the refunds.

**Recommendation**

Management should ensure that the funds are recovered and used for prescribed activities.

14.11 **Fixed Assets Management**

It was noted that council did not maintain an assets register in the prescribed format. Details such as values, dates of requisitions additions, write offs and reference numbers were not included. The assets were not engraved. Besides land titles for council properties were not submitted for verification.

**Recommendation**

The Accounting Officer should maintain a fixed assets register and update it regularly in the prescribed format. Council land should be titled. All other assets should be engraved.

14.12 **Over payment of Works**

A private firm was awarded a contract for drilling, construction and installation of Hand Pump Bore Holes (10) and production Bore Holes (2) at a sum of 201,000,000. However, Council paid Shs.205,064,405 resulting into excess payment of Shs.4,064,405. Besides, no completion certificates of work done were availed.

**Recommendation**

The Accounting Officer should explain the excess payment and avail the certificates for verification.
14.13 **Settlement of Creditors**
Shs.6,107,292 paid in respect of cleaning services at the Hospital and construction of teachers house was not supported by relevant documentation.

**Recommendation**
Management should avail documents upon which the expenditure was based.

15.0 **MOYO TOWN COUNCIL**

15.1 **Opinion:** Qualified-Except for.

15.2 **Lack of Creditors Ledgers**
In the final accounts, creditors balance is stated at Shs.89,879,339. However, there is no creditors’ ledger to support this figure.

Management stated that proper records will be put in place to address the anomaly.

**Recommendation**
Management is advised to ensure that proper records are kept to authenticate the balance.

15.3 **Debtors**
Included in the debtors of Shs.66,754,556 is a sum of Shs.59,716,920 attributed to Uganda Land Commission that has been outstanding for more than twelve months. Debtors represent idle assets and hinder effective delivery of services to the population.

**Recommendation**
Necessary steps should be taken to recover the debts in accordance with regulations.

15.4 **Non-remittance of Local Revenue**
Council realized Shs.163,365,860 as Local Revenue, Examination of records however, showed that 25% of the revenue was not transferred to the Lower Councils as required by the Local Government act 1997.
Management stated that the funds were used to finance co-funding and other Council Programmes.

**Recommendation**

Funds should be availed and given to the Lower Local Councils as required by Law to enable them implement their activities.

15.5 **Diversion of Funds**

A sum of Shs.13,416,500 was diverted from Urban Road Account (Shs.19,466,500) Local Government Development Programme account (Shs.2,830,000) and ESCROW Account (Shs.950,00) on operational activities without necessary authority contrary to Section 84(3) of Local Government Act 1997 as amended in 2001. However, only Shs.9,830,000 was refunded leaving a balance of Shs.13,416,500.

Management stated that funds would be made accordingly.

**Recommendation**

Council should ensure that these funds are recovered and put to proper use.

15.6 **Advances**

Council had a balance of outstanding advances of Shs.33,866,825 at the year end contrary to the regulation 43(2) of Local Government Financial and Accountability Regulations which requires accountability to be made within one month.

Management stated that a proposal to write-off is before the executive committee.

**Recommendation**

Evidence of recovery efforts is required.
15.7 **Deposits**

Included in the deposits of Shs.14,220,773 is a sum of Shs.10,452,923 in respect of withholding tax that has not been remitted to Uganda Revenue Authority, there is a risk of penalties.

**Recommendation**

Council should ensure that tax deposits are remitted to Uganda Revenue Authority to avoid penalties.

15.8 **Local Revenue Shortfall**

Out of Shs.280,814,000 budgeted as local revenue only Shs.163,365,860 was realized indicating a shortfall of Shs.117,448,140 (42%).

Management attributed the shortfall to inadequate awareness of the public about the Local service tax and hotel tax.

**Recommendation**

Management should ensure that budgeted revenue is mobilized and properly collected to enhance service delivery.

15.9 **Irregular variations**

A private firm was contracted to build VIP Latrines at a cost of Shs.7,548,047. However, council paid additional Shs.2,114,853 without justification.

Management stated that the District committee approved the additional variation however evidence was not provided for verification.

**Recommendation**

Management should avail the Contracts Committee minute for audit verification.

15.10 **Missing Payment Vouchers**

Payment vouchers for Shs.4,266,775 were not availed for verification contrary to Local Government Financial and Accounting Regulation 42 rendering the genuineness of the expenditure doubtful.
Management stated that the vouchers would be traced and availed.

**Recommendation**
The Accounting Officer is advised to avail the missing payment vouchers for verification.

16.0 **NEBBI DISTRICT**

16.1 **Opinion:** Qualified-Except for.

16.2 **Unaccounted for Funds**
Contrary to Section 43 of the Local Government Financial and Accounting Regulation, 2007 that requires accountability for administrative advances within one month, Shs.68,187,124 paid to various staff for official activities remained unaccounted for at year end.

Management stated that defaulters have been warned and recovery of the funds would be enforced.

**Recommendation**
All the advances should be accounted for or recovered in accordance with the regulations.

16.3 **Medical Supplies Credit Line**
Medical supplies from National Medical Stores worth Shs.46,685,170 were not disbursed to Nebbi Hospital despite orders made during the year, and this affected proper operation of the hospital.

Management stated that National Medical Stores had not delivered supplies despite earlier orders.

**Recommendation**
Management should enhance liaison with National Medical Stores to address the shortages.
16.4 **Unremitted Tax**

Withholding Tax of Shs.3,963,321 deducted from eligible tax payers was not remitted to Uganda Revenue Authority contrary to the Income Tax Act 1997 Section 123 and this may result into penalties.

**Recommendation**

The Tax liability should be settled to avoid penalties.

16.5 **Missing Vouchers**

Payment vouchers for Shs.995,000 were not availed for verification rendering genuineness of the expenditure doubtful.

Management stated that the vouchers would be submitted but this was not the case.

**Recommendation**

All the payment vouchers should be availed for verification.

16.6 **Un-remitted Graduated Tax Compensation Transfers**

Section 85 sub-sections 4 of the Local Government Act allows a District council to collect revenue on behalf of sub-county councils and remit 65% of the said revenue collected to the sub-county. However out of Shs.312,111,878 received only Shs.190,008,391 was transferred instead of Shs.202,872,720 indicating a shortfall of Shs.12,864,329.

**Recommendation**

The outstanding sum of Shs.12,864,329 should be remitted. In the alternative, valid explanation is required.

17.0 **NEBBI TOWN COUNCIL**

17.1 **Opinion:** Qualified-Except for.

17.2 **Unspent Balances**

A total of Shs.17,676,373 remained unspent at the end of the financial year and was not returned to Treasury contrary to the Public finance and Accountability
Act 2003 Section 19. Besides, evidence to show that funds were committed was not provided for audit.

Management did not provide explanations for the anomalies.

**Recommendation**
Unspent balances of funds obtained from the Consolidated Fund should be returned to the Treasury or Authority sought to have them spent in the subsequent year.

17.3 **Creditors**
It was observed that the outstanding creditors at year end amounted to Shs.19,533,984. Accumulation of creditors contravenes the provisions of the Budget Act 2001 Section 14 and may result into litigation or confiscation of Council assets if not settled appropriately.

**Recommendation**
Management should ensure that it settles its creditors as they fall due to avoid accumulating bills.

17.4 **Debtors**
It was observed that debtors outstanding in the books of the Council at year end amounted to Shs.18,081,300. Debtors represent idle assets and hinder implementation of planned activities.

**Recommendation**
Management should ensure that proper controls are put in place to help monitor and track debtors so as to realize all budgeted revenue for Council activities.

17.5 **Irregular Variations of Road Works**
Management approved extra works totaling to Shs.38,611,837, without the authority of the contracts committee contrary to Local Government Procurement Regulation 120(2). By the time of audit Shs.22,043,584 had been paid through the feeder roads account.
Management stated that documentation for the approved variation is available however, this was not provided for verification.

**Recommendation**

Approved variation documents should be availed for verification.

17.6 **Non-deduction of Withholding Tax**

The Council did not deduct and remit withholding tax of Shs.3,937,617 from a private firm contrary to the Income Tax Act 1997 Section 119, there by exposing the entity to risk of penalties.

Management stated that the Tax would be settled as soon as possible.

**Recommendation**

The tax liability should be settled to avoid penalties.

17.7 **Conditional Grants Transferred to a Private Firm**

Shs.8,800,000 was transferred from the Water and Sanitation account to a private firm to carry out water works on behalf of the Town Council. However, in the absence of bills of quantities and performance reports, the implementation of the activities is doubted.

**Recommendation**

Supporting documents for works done should be availed for verification.

17.8 **Construction of Office Block**

Council contracted a private firm to construct an office block and Shs.69,039,250 was advanced to the contractor for the purpose. However by the time of audit the contractor had abandoned the work.

Management stated that the contractor had pledged to resume the works urgently.
**Recommendation**

Management should supervise the contractor closely to ensure contract performance.

17.9 **Deposits**

There was no detailed schedule availed to support the deposits figure of Shs.57,630,731 presented in the final accounts.

Management stated that the schedules are available for verification. However, this was not the case.

**Recommendation**

Management should attach detailed schedules of deposits to the financial statements to enable verification.

18.0 **PAIDHA TOWN COUNCIL**

18.1 **Opinion:** Qualified-Except for.

18.2 **Incomplete Road Works**

Urban road construction contract implemented by a private firm worth Shs.278,501,500 for which an advance payment of Shs.83,550,450 was made, was behind schedule by more than 18 months. The works appeared abandoned. Expected benefits to the population were not achieved.

**Recommendation**

Management should take action including seeking liquidated damages as per contract agreement to ensure completion of works.

18.3 **Non remittance of Unspent balances of Conditional Grants to the Consolidated Fund**

Out of unspent conditional grants of Shs.122,674,363, Shs.98.829,606 was not remitted to the consolidated fund as required by section 19(1) of the Public Finance and Accountability Act, 2003 but instead retained without authority. Besides although the balance of Shs.23,844,757 had authority for retention there was no evidence that the funds were revoted by council in accordance with
Section 6.6.5.5(3) of the Local Government Financial and Accounting Manual, 2007.

Management stated that funds were retained because of outstanding commitments.

**Recommendation**

Authority to retain Shs.98,829,606 should be obtained otherwise the amount should be transferred to the Consolidated Fund. Meanwhile the authorised sum of Shs.23,844,757 should be re-voted.

18.4 **Debtors**

Review of the statement of financial position revealed that out of a total of Shs.33,168,436 that was outstanding at the beginning of the financial year, only Shs.5,017,000 was recovered leaving a balance of Shs.28,151,436. Outstanding debtors represent idle assets and hinder implementation of council activities. In any case this is contrary to Section 2.3.2.3 of Local Government Financial and Accounting Manual, 2007 that require debtors to be collected promptly.

Management stated that debt recovery has been taken over by the Council lawyer. The outcome is therefore, awaited.

**Recommendation**

Management should follow up the recovery.

18.5 **Staff Advances**

Analysis of the schedule of advances in the financial statements revealed that, Shs.13,181,000 was recovered from staff during the year under review. However, the recoveries were neither receipted nor deposited in the general account rendering the recovery doubtful.

Management claimed that the recovered funds were posted in the cashbook and a general receipt was issued but this was not the case.
Recommendation
Management should provide evidence of recoveries of these funds and all relevant banking.

19.0 PAKWACH TOWN COUNCIL

19.1 Opinion: Qualified-Except for.

19.2 Incomplete Road Works in Pakwach Town Council
A road construction contract worth Shs.204,815,000 that was scheduled for completion by December 2008 and of which Shs.141,055,090 has been paid remained incomplete twelve months later. Management stated that the contractor has been asked to expedite the work.

Recommendation
Management should seek liquidated damages for the delays in completion of work and ensure the contract is completed.

19.3 Doubtful Expenditure
The capitation grants of Shs.17,00,000 paid to a private firm for connection of water facilities to consumers was not supported with bills of quantities, scope of work, invoices and acknowledgement receipts rendering the expenditure doubtful.

Management stated that the funds were used to connect consumers but the evidence was lacking

Recommendation
Necessary supporting documents for the expenditure should be availed for verification.
20.0 **YUMBE DISTRICT**

20.1 **Opinion:** Qualified-Except for.

20.2 **Non remittance of unspent balances of Conditional Grants to the Consolidated Fund**

Unspent balances of conditional grants of Shs.15,895,802 were not returned to the Consolidated Fund contrary to Section 19 of the Public Financial and Accountability Act 2003. Besides the authority for retention was not submitted for verification.

**Recommendation**
The funds should be returned to the Consolidated Fund in accordance with regulations. In the alternative the authority for retention be submitted for verification.

20.3 **Revenue Shortfall**

Out of the budgeted Local Revenue of Shs.223,300,000, only Shs.114,437,965 was realized indicating a shortfall of Shs.108,863,035. Under collection of budgeted revenue contravenes regulation 32 of the Local Government Financial and Accounting Regulation 2007 and hinder implementation of planned activities.

**Recommendation**
Revenue mobilization efforts should be enhanced.

20.4 **Staff Shortages**

Out of staff establishment of 64 only 10 positions are filled leaving 54 vacancies. Among the vacant positions are; Senior Procurement Officer, Internal Auditor, Senior Education Officer and Executive Engineer. Implementation of key activities therefore is hindered.

Management attributed the staff shortages to inaccessibility of the District and stated that other staffs have been assigned activities on acting basis.
**Recommendation**
Management should liaise with the District service commission to have the vacancies filled.

21.0 **YUMBE TOWN COUNCIL**

21.1 **Opinion:** Qualified-Except for.

21.2 **Outstanding Debtors**
Out of the total debtors of Shs.138,770,621 reported in the accounts, Shs.133,585,621 comprises of un-remitted funds from Yumbe District Local Government of which Shs.65,880,757 relates to previous financial years. It was also noted that supporting documents for the debts were missing. Non remittance of funds to the Town Council adversely affects service delivery.

Management stated that supporting documents for debts would be submitted and that efforts for recovery of the funds are under way.

**Recommendation**
Necessary supporting documents should be availed for verification.

21.3 **Outstanding Personal Advances**
The Government of Uganda Standing orders Chapter one Section B-e sub section 1 states that advances will be limited to the amount of one month’s gross salary recoverable in three equal monthly installments commencing in the month following that in which the advance is made.

Analysis of the Personal Advances schedule however, revealed that out of the total balance of Shs.30,079,992, a sum of Shs.26,467,253 was attributable to only two officers and has been outstanding since financial year 2007/08.

Management stated that a process of recovery would be implemented. No evidence was availed for recovery.

**Recommendation**
Management should recover the funds in accordance with the regulation.
21.4 **Irregular Retention of Unspent Balances**
Section (19)(1) of the Public Finance and Accountability Act (PFAA) 2003 required transfer of unexpected balances to the Consolidated Fund immediately after year end and not later than 25th of September following the year end. Local Government financial and Accounting Manual 2007 Section 6.6.5.4 emphasizes the need to refund the funds whether the funds have been committed or not except if permission has been granted by the Secretary to Treasury.

Contrary to the above regulations a sum of Shs.16,213,350 in respect of Local Government Development Programme and National Agricultural Advisory Services Funds was retained without necessary authority.

Management stated that permission for retention had been requested but no response had been received.

**Recommendation**
Unexpended Balances should be refunded to the Consolidated Fund in accordance with financial regulations or authority for retention sought.

21.5 **Domestic Arrears**
The Council accumulated domestic arrears of Shs.40,548,201 at the year end. Accumulation of liabilities contravenes the overall government policy on commitment control and may result into litigation.

**Recommendation**
Management should incur expenditure within available resources to avoid accumulation of debt.

21.6 **Outstanding Taxes**
Out of the outstanding Tax obligation at the end of the financial year of Shs.16,252,997, acknowledgement receipts for Shs.10,170,836 were availed, leaving a balance of Shs.6,082,161. Non-payment of statutory taxes exposes the council to risk of penalties from Uganda Revenue Authority.
Recommendation
The outstanding taxes should be paid to Uganda Revenue Authority to avoid penalties and interest charges.

FORT PORTAL BRANCH

22.0 BULIISA DISTRICT

22.1 Opinion: Qualified-Except for

22.2 Procurement Irregularities

A sample of seven (7) major construction contracts worth Shs.759,287,999 was examined for compliance with the Local Government Public Procurement (LGPPDA) regulations. The following anomalies were observed:

22.2.1 Contrary to regulation 86(2)(f) of Local Government Public Procurement (LGPPDA) three contracts totaling Shs.629,260,657 each one of them exceeding the threshold of Shs.50,000,000 were awarded without the approval of the Solicitor General.

22.2.2 In all cases there was no evidence of appointment of contract managers, implementation plans, performance reports for the contracts and formal requisition from the user department contrary to regulation 119 and 65 of the Local Government Public Procurement (LGPPDA).

Improper contract initiation and management may result into loss of Public funds.

In a written response, management accepted the anomalies and promised to address them.

Recommendation
Management should take corrective action so that the necessary requisitions, contract management procedures, performance reports and solicitor General’s approval of contracts are in place to comply with the regulations.
22.3 **Outstanding Administrative Advances**
A sum of SSHs.53,507,300 paid to various officers to purchase various items and to facilitate official activities remained unaccounted for contrary to regulation 43 of the Local Government Financial and Accounting Regulations 2007. Besides one officer was advanced additional funds before accounting for the previous sums thereby violating regulation 43(3).

In response management stated that stringent measures will be taken against the staff.

**Recommendation**
Accountability for the funds be submitted for verification. In the alternative the funds are recoverable.

22.4 **Missing Vouchers**
Payment vouchers for SSHs.68,865,381 in respect of various District officials and private firms were found missing, rendering the genuineness of the expenditure doubtful.

Missing vouchers are a potential source of fraud. Management explained that limitation of office space impacted on records management system negatively.

**Recommendation**
Proper filing system and safe custody of payment vouchers should be implemented and adhered to as required by financial regulations. Meanwhile the missing vouchers be availed for audit.

22.5 **Non-remittance of Withholding Tax**
Contrary to the Income Tax Act 1997 Section 124 which requires prompt deduction and remittance of withholding Tax, SSHs.11,112,323 was neither deducted nor remitted to Uganda Revenue Authority. Management explained that efforts are being made to remit the funds.
**Recommendations**

The Tax amount should be remitted to Uganda Revenue Authority to avoid incurring penalties that may be imposed for non compliance.

22.6 **Examination of Teacher’s Payroll**

Out of a sample of 22 Primary Teachers on the payroll, 15 individuals did not have personal files, 3 individuals had duplicate files, and 4 files did not have sufficient documentation to warrant the salary scales indicated. It was also noted that the District does not maintain any documentation on secondary and tertiary institution teachers yet it manages the payroll. Inadequate records may imply irregular salary payments and a wrong charge on public funds.

In response, management availed only 3 files, which however, lacked necessary details.

**Recommendation**

Fully documented personal files of the affected individuals should be availed for verification. Meanwhile, management should investigate the existence of the mentioned staff.

22.7 **Fuel Deposits not Accounted For**

Fuel deposits amounting to Shs.36,047,950 were not supported with vehicle movement log books and fuel order forms rendering the genuineness of the expenditure doubtful.

In response management stated that the fuel order forms and log books were available but at the time of the audit report the documents could not be submitted.

**Recommendation**

Fuel order forms, vehicle movement log books and fuel consumption statements should be submitted for verification.
22.8 **Un-retired Imprest**

Retirement of an imprest requires balancing of the cash book, completion of a retirement voucher summarizing all transactions and vote codes and submitting them to the Head of finance with all supporting documents. Any cash balance shall be paid in and a receipt issued in the name of the imprest holder in accordance with Local Government Regulations 2007 (LGFAR 2007 S52(2). Contrary to the above regulations a sum of Shs.5,845,000 paid as imprest to various imprest holders was not retired and remains unaccounted for. Delays in retirement of imprest may lead to fictitious accountability.

In response, management pledged to retire the imprest but did not.

**Recommendation**

Imprest should be retired and details of accountability be availed for verification.

22.9 **Doubtful Expenditure**

Before any voucher payment is passed for payment the head of finance shall ensure that the voucher and any supporting documents such as the invoice, LPO, receipts in all relevant particulars are attached. (LGFAM 5.4.6).

Contrary to the above provisions Shs.5,644,000 was refunded to the Chief Administrative Officer for fuel that was presumably consumed. The refund was however, not supported with fuel invoice, fuel receipts and consumption statements as required by the Local Government Finance and Accounting manual Section 5.4.6.

In response management explained that the officer would be contacted for explanation.

**Recommendation**

Necessary documents be availed for verification. Alternatively the funds are recoverable.
23.0 **BULIISA TOWN COUNCIL**

23.1 **Opinion:** Qualified-Except for.

23.2 **Doubtful Domestic Arrears**

Review of the cash flow statement revealed payment of Shs.7,693,600 in respect of domestic arrears while the creditors schedule reflected payments of Shs.3,635,190 indicating a variance of Shs.4,058,410 which was not explained. Unsupported expenditure is a potential source of fraud.

**Recommendation**

Supporting documents for the expenditure should be availed for verification and necessary adjustments in the creditor’s schedules are required.

23.3 **Payables**

Included in the payables of Shs.7,590,000 is a sum of Shs.2,900,000 that has been outstanding for more than twelve months. Besides accumulation of payables contravenes the budget act 2001 section 14 which requires commitments to be based on availability of funds.

**Recommendation**

Management should settle the liability promptly to avoid further accumulation.

24.0 **BUNDIBUGYO DISTRICT**

24.1 **Opinion:**-Qualified-Except for.

24.2 **Liabilities**

Regulation II (ad) of the Local Government Finance and Accounting Regulation, 2007 requires that commitments are not approved unless there are sufficient funds available. However contrary to this regulation, liabilities at the year end amounted to Shs.2,184,774,068 out of which 800,000,000 related to pension claims. Furthermore, an amount of Shs.303,944,627 in respect of tax arrears was omitted consequently understating the liabilities.
Management stated that negotiations involving URA, Ministry of Finance, Planning and Economic Development are underway to enable the District settle the liabilities.

**Recommendation**
Management should ensure that all liabilities are disclosed and subsequently settled. The matter of Pension liabilities should be appropriately addressed as the Local Government appears to lack the capacity to pay them.

24.3 **Outstanding Administrative Advances**
A review of the balance sheet of the District accounts revealed that there were administrative advances of Shs.143,433,034 which remained unaccounted for at the year end contrary to regulation 43 of the Local Government Financial and Accounting Regulations which require Administrative Advances to be accounted for in one month.

**Recommendation**
The funds should be accounted for. In the alternative the funds are recoverable.

24.4 **Unexplained Direct Debits**
Out of the direct debits of Shs.310,579,153 presented in the balance sheet as assets, Shs.169,579,153 lacked supporting documents and explanation. These unexplained direct debits are potentially fraudulent.

Management in response indicated that the direct debits of Shs. 169,579,153 in the final accounts relate to previous years and could not be explained properly.

**Recommendation**
Management is advised to present detailed analysis of these direct debits or institute procedures for write off.

24.5 **Unauthorised Retention of Unspent Bank Balances**
Section 19(2) of the Public Financial Accounting Act 2003 requires unspent balances of Conditional Grants from the Central Government at the year end to be returned to the Consolidated Fund.
Contrary to the above provisions the District had unspent balances of conditional grants of Shs.75,007,000 which were not remitted to the Consolidated Fund and were consequently used in the following financial year (2009/2010), without express approval from the Ministry of Finance, Planning and Economic development.

Management stated that a request for retention made to Treasury had not been responded to.

**Recommendation**

Necessary approvals should be followed up or funds refunded to the Treasury.

**24.6 Audit Inspection**

Audit inspection of various projects in the District revealed the following anomalies.

<table>
<thead>
<tr>
<th>Project Name</th>
<th>Remarks</th>
</tr>
</thead>
</table>
| **a.** Construction of two classrooms at Ngamba Primary School | • The (2) two classrooms had developed two deep cracks in the walls.  
• Floor screed in classrooms and veranda had developed cracks.  
• Hand over of the classrooms had not officially been done.  
• Pit latrine structures had collapsed. |
| **b.** Rwebinyonyi Primary School | • Pit latrine has collapsed.  
• Water stands had been destroyed.  
• Pupils were exposed to risk of disease due to lack of Public convenience. |
<p>| <strong>c.</strong> Construction of (8) Eight | • All classrooms had developed |</p>
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<th></th>
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</thead>
</table>
| classrooms at Ntoroko, Bumbwende and Mwribudo Primary School in financial year financial year 2005/2006 at Shs. 26,408,980. | deep cracks in the wall.  
- The cement screed appeared weak. |
| **d.** Nduguto Gravity Flow Scheme (Shs. 102,272,004) | The project was incomplete and construction works had stopped. |
| **e.** Bindinyama Gravity Flow Scheme | There was a blockage in the system and water was not flowing to consumers. |
| **f.** Kikyo Gravity Flow Scheme  
(Shs. 847,652,804)  
Phase I - Shs. 416,047,057  
Phase II – Shs. 431,605,747 | Phase I (one) was not properly executed and defects pointed out by management not rectified.  
- Phase II had not started.  
- Site had been abandoned. |
| **g.** PHC Projects  
i) Kisuba Health Centre – Shs 101,725,558  
ii) Doctors house at Rwebisengo (Shs 299,653,312) | Kisuba Health Centre  
- Lacked soak pit  
- Was not painted  
- Had weak water tank stands  
- Lightening provisions were not fixed.  
- Iron sheets had different colours.  
- The structure was at wall plate  
- Also noted was incomplete construction of Theatre.  
- Site had been abandoned |
| **h.** Rehabilitation of Hakitara – Hakitegya Feeder road (Shs. 149,845,740) 8Km | Construction work started in August 2008  
- The road was not being maintained as bush had grown along the entire stretch. |

It appears supervision of the mentioned public works was inadequate.
**Recommendation**
The District should investigate and address the specific anomalies mentioned above. Contract management should also be improved to attain durable works.

### 24.7 Diversion of Funds

In the year under review, the District transferred Shs.45,223,000 from Works department to other departments for operational activities without necessary approval. It was noted that Shs.17,000,000 has since been refunded leaving a balance of Shs.28,223,000 outstanding.

**Recommendation**
All the outstanding funds should be refunded to the works department.

### 24.8 Nugatory Expenditure

The District incurred a cost of Shs. 8,050,000 on legal proceedings and related costs as a result of a court case regarding land disputes that arose because the pieces of land in question were allocated by Council staff without following proper procedures prompting the aggrieved parties to seek legal redress. The costs would have been avoided if proper procedures were followed.

Management agreed to the observation and stated that staff who was involved would be penalised.

**Recommendation**
Staff who caused the nugatory expenditure should be penalised.

### 25.0 BUNDIBUGYO TOWN COUNCIL

#### 25.1 Opinion:
-Qualified-Except for.

#### 25.2 Local Revenue Shortfall

Contrary to regulation 32 of the Local Government Financial and Accounting Regulation 2007 which require all budgeted revenue to be collected, out of the budgeted local revenue of Shs.143,973,240, Shs.91,197,481 was realized indicating shortfall of Shs.52,775,759. The shortfall was attributed to
inadequate revenue management systems characterized for example by lack of registers and ledgers for rateable properties and hotels.

**Recommendation**
Management should put in place and monitor the registers for operating Businesses, hotels and retable properties to improve on revenue collection.

25.3 **Sundry Creditors**
Included in the sundry creditors of Shs.30,342,381 is a sum of Shs.13,315,216 that has been outstanding for more than twelve months accumulation of creditors contravenes government policy on commitment control and delays in settlement of obligations may result into litigation.

**Recommendation**
Goods and services should be procured on the basis of available cash avoid accumulation of creditors and to comply with the commitment control system being implemented by Government.

25.4 **Lack of Land Titles for Council Property**
Council has acquired land over the years. In the year under review Shs.3,000,000 was also incurred on purchase of land. However, in all cases land titles were not availed for verification.

**Recommendation**
Management should acquire all necessary land titles in order to safe guard its land from encroachment and other disputes that may exist.

25.5 **FORT-PORTAL MUNICIPAL**

25.1 **Opinion:**-Qualified-Except for.

25.2 **Under Collection of Local Revenue**
Analysis of the budget performance of Local Revenue sources revealed under collection of local revenue on some sources amounting to Shs.120,012,117 as detailed below:-

68
<table>
<thead>
<tr>
<th>Revenue Source</th>
<th>Budgeted Shs.</th>
<th>Actual Shs.</th>
<th>Shortfall</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local Service Tax</td>
<td>49,000,000</td>
<td>37,689,143</td>
<td>11,310,857</td>
</tr>
<tr>
<td>Application Fees</td>
<td>12,050,000</td>
<td>8,726,800</td>
<td>3,323,200</td>
</tr>
<tr>
<td>Business License</td>
<td>156,931,000</td>
<td>118,951,659</td>
<td>31,979,341</td>
</tr>
<tr>
<td>Legal License</td>
<td>3,852,000</td>
<td>2,150,000</td>
<td>1,702,000</td>
</tr>
<tr>
<td>Ground rent</td>
<td>4,505,000</td>
<td>-</td>
<td>4,505,000</td>
</tr>
<tr>
<td>Rent/Rates</td>
<td>120,620,000</td>
<td>115,788,500</td>
<td>4,831,500</td>
</tr>
<tr>
<td>Arrears of rates</td>
<td>14,208,000</td>
<td>624,000</td>
<td>13,584,000</td>
</tr>
<tr>
<td>Rates</td>
<td>88,000,000</td>
<td>63,002,000</td>
<td>24,997,624</td>
</tr>
<tr>
<td>Parks fees</td>
<td>489,578,400</td>
<td>477,115,000</td>
<td>12,463,400</td>
</tr>
<tr>
<td>Building Plan fees</td>
<td>25,379,000</td>
<td>18,621,805</td>
<td>6,727,195</td>
</tr>
<tr>
<td>Occupation permits</td>
<td>7,530,000</td>
<td>2,972,000</td>
<td>4,558,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>120,012,117</strong></td>
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Management in response indicated that the Local service tax guidelines were not availed in time resulting into shortfall and that more effort would be undertaken to improve on revenue performance.

**Recommendation**

Revenue mobilization efforts should be enhanced.

25.3 **Delayed Payment of Sundry Creditors**

Included in the current liabilities of Shs.69,199,651 are utility bills of Shs.18,277,162 attributable to Uganda Telecoms Ltd and National Water and Sewerage Corporation which have been outstanding since June 2008. Delayed payment of utility bills may result into disconnection of services and litigation.

**Recommendation**

Management should prioritize settlement of utility bills to avoid disconnection of services.

25.4 **Unretired Receivables**

The receivable balances increased from Shs.17,497,275 in 2007/08 to Shs.48,839,421 in 2008/09 implying 180% increment. Management indicated that the receivables related to Council rates which were halted as a result of a
directive from the District security committee. However the District security committee directive was not availed for verification.

**Recommendation**

Management should avail documentary evidence of suspension of the revenue collection.

### 25.5 Incomplete Road Works

The contract for tarmacking Kahinju-Moldina road at Shs.349,711,800 for which an advance payment of Shs.104,913,540 was made to a private construction firm is behind schedule by more 12 months. Besides the site of works appeared abandoned.

Management stated that the contract was procured by the Ministry of Works and efforts are being made to demand completion of works.

**Recommendation**

The council should liaise with Ministry of Works to demand liquidated damages for delayed works.

### 26.0 HIMA TOWN COUNCIL

#### 26.1 Opinion: Qualified-Except for.

#### 26.2 Undisclosed Previous Bills

Every local government council chief executive is required by regulations 68 of the Local Government Financial and Accounting Regulation (LGFAR), 2007 to produce financial statements accompanied with details of expenditure and schedules of various items including debtors and creditors.

Contrary to the above requirement, management presented Shs.136,034,668 in the Trial Balance under Previous Bills without disclosing the details in the analysis of expenditure or supporting schedule. No proper explanation was given for the omission.
**Recommendation**
All supporting documents for the previous bills should be submitted for verification.

26.3 **Sundry Creditors**
Although the balance for sundry creditors reduced from Shs 161,902,048 to Shs 113,353,180 at the end of the current year, the remaining sum is still significant and may result into litigation if not settled. Besides accumulation of sundry creditors contravenes the government commitment control system.

Management responded that it had contracted works which were incomplete at year end but funds were available on account to clear Shs.60,950,592 owed to a contractor and that only Shs.52,402,588 is unfunded.

**Recommendation**
A commitment control system should be put in place to ensure that accumulation of debt is minimized.

26.4 **Delayed Tarmacking of Kalema – Mukurasi Road (0.3 kms)**
It was observed that a private firm was contracted to tarmac Kalema - Mukurasi road (0.3 KMS) at a contract sum of Shs 150,127,170. The contract was duly signed on 27/6/2008 and stipulated to commence in June 2008 and get completed by 30/12/2008 (six months). However the contractor failed to complete the works within the contract period inspite of the advance payment of Shs.89,276,151 constituting 59% of the contract sum.

Besides at the time of inspection the contractor had abandoned the site.

Management explained that the contractor was procured by the Ministry of works and despite reports to the Ministry about poor performance no action had been taken.

**Recommendation**
The Council should liaise with the Ministry responsible for works to demand liquidated damages for delayed works and to ensure continuation of the works.
26.5 **Unsecured Advances for Contracted Works**

The Local Governments Financial and Accounting Regulation (LGFAR), 2007 43(4) requires that any advance payment to a firm for execution of works be authorized against production of a valid bank guarantee

Contrary to the above provision a total of Shs.4,522,276 was paid to various firms as advance payments without any guarantee thereby exposing the council to the risk of loss of funds in the event of contract failure. No explanation was given for this anomaly.

**Recommendation**

Management should always ensure that bank guarantees are obtained before advancing any money to contractors. Meanwhile explanation should be given for this anomaly.

26.6 **Doubtful Purchase of Drugs**

A sum of Shs.4,105,000 was paid to the in charge of Hima Health Centre for purchase of Medical drugs. However, payment lacked delivery notes receipts and local purchase orders rendering the expenditure doubtful.

**Recommendation**

The necessary documents to support the expenditure be availed for audit.

26.7 **Non-deduction of 6% Withholding Tax**

A sum of Shs.45,399,250 was paid to various firms upon supply of goods and services; however Shs.2,723,955 was not deducted in respect of 6% withholding tax for onward remittance to Uganda Revenue Authority. Failure to deduct statutory taxes from suppliers, service providers or contractors upon payments of amounts equalling or more than one million shillings is in contravention of the Income Tax Act 1997 and may attract penalties and fines from Uganda Revenue Authority.

Management pledged to rectify the anomaly. However, evidence of remittance of the Taxes is yet to be seen.
**Recommendation**
Management should ensure that statutory taxes from suppliers, service providers/contractors are duly deducted in compliance with the Income Tax Act 1997.

26.8 **Irregular Payments of Cash to a Contractor**

Whereas Regulation 49(3) of the Local Government Financial and Accounting Regulations 2007 requires payments to service providers to be by crossed cheque an amount of Shs 10,376,590 was drawn by the Council cashier and paid to a private firm in cash. Holding huge cash sums in the office may result into theft. In any case acknowledgement receipts for the payment was not availed for audit.

Management stated that cash was drawn after a request by the firm.

**Recommendation**
I have informed the Accounting Officer that in future such payments be made by crossed cheque to comply with the regulations.

27.0 **HOIMA DISTRICT**

27.1 **Opinion:** Qualified-Except for

27.2 **Outstanding Administrative advances**

Contrary to regulation 43(2) of the Local Government Finance and Accounting Regulations (LGFAR) 2007 that requires all official advances to be authorized by Chief Executive and accounted for within a month, Shs.24,883,718 remained outstanding at year end. Included in the advances is a sum of Shs.23,217,485 that was outstanding for more than twelve months.

Management indicated that bulk of the outstanding advances relate to prior years and had been recommended for write off but this was not effected.
**Recommendation**
Evidence of recovery efforts be availed.

27.3 **Fuel Deposits not Accounted**
Shs.17,459,000 was deposited for fuel to various fuel stations for Council activities however, the funds remained unaccounted for. Unaccounted for fuel may imply that the planned activities were not undertaken and the fuel expenditure is recoverable.

Management claimed that supporting documents were available but they were not submitted for verification.

**Recommendation**
All supporting documents such as deposit slips, fuel consumption statements, fuel order forms and vehicle movement log books be availed for verification.

27.4 **Doubtful Procurements**
Shs.7,575,287 incurred on stationery and instructional materials was not supported with delivery notes and stores records rendering the expenditure doubtful.

Management claimed that supporting documents were available but they were not submitted for verification.

**Recommendation**
All supporting documents and stores records be availed for verification.

27.5 **Unauthorised Diversion of Funds**
Re-allocation of approved funds between items under different programmes of expenditure should occur with prior approval of the executive committee in accordance with regulation 25(1) (b) of the Local Government Financial and Accounting Regulation, 2007. Contrary to the above provisions, Shs.10,000,000 was however, diverted from the education department to the District general
fund account without necessary authority. Diversion of funds affects implementation of activities planned under the affected programme.

In response management indicated that funds were refunded to the Education account, however there was no evidence that this was done.

**Recommendation**

I have advised the Accounting Officer that Shs.10,000,000 should be refunded to the education account or approval of diversion be availed.

27.6 **Board of Survey Report**

The Board of Survey report was not submitted for verification contrary to regulation 102 of Local Government Financial and Accounting Regulations. In the circumstances the cash, bank balances and assets were not independently reconciled with the accounts records.

Management in response claimed that the Board of Survey report was available but was not produced for verification.

**Recommendation**

The board of survey report should be attached.

27.0 **HOIMA TOWN COUNCIL**

27.1 **Opinion:**-Qualified-Except for.

27.2 **Revenue receivables**

Section 2.3.2.3 of Local Government Financial and Accounting Manual require receivables to be collected promptly. However, contrary to this regulation revenue receivables at the year end amounted to Shs.838,222,735 including a sum of Shs.605,644,234 relating to previous financial years of which recovery efforts have been minimal. Outstanding receivables represent idle assets which can not be utilized to provide services. Besides the council did not prepare an aging schedule to facilitate detailed analysis of the age of the debtors to enable instituting debt recovery strategy.
In response management stated that defaulters would be pursued in courts of Law.

**Recommendation**

Management should submit detailed aging schedules and evidence of efforts implemented to recover the funds and in future comply with the regulation to minimize occurrence of receivables.

27.3 **Outstanding Advances**

Contrary to Regulation 43(2) of the Local Government Financial and Accounting Regulations that require official advances to be accounted for within one month, a sum of Shs.33,281,236 remained outstanding at end of the financial year. Further analysis revealed that out of the above amount advances of Shs.5,722,100 have been outstanding for more than twelve months.

Management in their response indicated that former staff and councilors, have not made any efforts to account and demand notes are to be issued to all concerned individuals. The outcome of this action is awaited.

**Recommendation**

Accountabilities should be submitted or recoveries be made and the regulations complied with.

27.4 **Diversion of Funds**

A sum of Shs.24,794,599 was drawn on the roads account to settle VAT liability of the District. The diversion of funds affected adversely planned road works. Besides the Tax liability was not supported with VAT returns as required by the VAT Act.

In response, management stated that refunds to the Roads account would be made.
**Recommendation**
Evidence of refunds to the roads account and documentation to support the tax liability be availed for audit.

27.5 **Missing Vouchers**
According to Regulation 42 of Local Government Financial and Accounting Regulations, all disbursements of the public money shall be properly vouched. It was however, observed that payment vouchers for Shs.7,551,503 were not submitted for verification. Missing vouchers are a potential source of fraud.

Management in their response claimed that the vouchers were available, however, they were not submitted for verification

**Recommendation**
All payment vouchers should be availed for verification.

27.6 **Un-authorized Contract Variation**
A contract variation of Shs.4,595,100 for power extension to Mandela and Tayari Road was undertaken without the authority of the contracts committee contrary to local government public procurement and disposal of assets authority regulations 120(1) and (2).

Management in response explained that a request would be made to the contracts committee for ratification.

**Recommendation**
Management should avail evidence of contracts committee approval of the variation.

27.7 **Under Staffing**
Out of an approved staff establishment of 67, a total of 51 posts are filled leaving 16 vacancies which include the post of chief Township officer. In the circumstances implementation of Council activities is impaired. Management stated that plans were underway to fill the vacant posts, but no documented evidence of the plans was availed for verification.
**Recommendation**
Vacant posts should be filled appropriately.

28.0 **KABAROLE DISTRICT**

28.1 **Opinion:**-Qualified-Except for.

28.2 **Unaccounted for Funds**
Administrative advances to council employees amounting to Shs 267,440,704 were not accounted for contrary to regulation 43 (2) of the Local Government Finance and Accounting Regulation which requires accountability within a month.

Management stated that recovery measures would be implemented.

**Recommendation**
The funds should be accounted for. In the alternative evidence of recovery be submitted.

28.3 **Diversion of Funds**
Contrary to regulation 25 and 26 of the Local Government Finance and Accountability Regulations 2007 which bars re-allocations between items under different programmes of expenditure without appropriate approval, a sum of Shs 150,070,467 was diverted from several accounts by the District including the Local Government Development Programme and the District headquarters construction account without approval.

Management explained that authority for Shs.52,000,000 drawn from the District construction account was given by Council and that a reimbursement of Shs. 98,070,467 would be made. However, the authority and re-imbursement were not provided and submitted respectively.

**Recommendation**
Evidence for both council authority and re-imbursement should be availed.
28.4 **Unspent Bank Balances not Remitted**
Contrary to Public Finance and Accountability Act 2003 Section 19 unspent Conditional Grants of Shs.126,615,067 remained on the District education account without necessary authority from Treasury.
Management submitted that retrospective authority had been requested but no response was received. There is risk of extra budgetary funding.

**Recommendation**
Retrospective authority should be sought and evidence of re-voting the funds is required.

28.5 **Excess Expenditure on Council Emoluments and Allowances**
Contrary to Local Government Act Cap 243 which prohibits expenditure of emoluments and allowances of Council, beyond 20% of previous years’ total local revenue, the District spent an excess of Shs 49,485,597 over the prescribed amount.

Management did not submit a response.

**Recommendation**
An explanation is awaited from the Accounting Officer.

28.6 **Local revenue Performance Shortfall**
Out of budgeted local revenue of Shs.347,284,292 only Shs.217,583,160 was realized indicating a shortfall of Shs.131,701,132 and this affected service delivery negatively.

Management attributed the shortfall to unremitted royalties from Central Government and Uganda Wild Life Authority.

**Recommendation**
Management should demand for the funds from the defaulters in accordance with financial regulations.
28.7 **Unaccounted for Funds**
Shs.16,986,000 was withdrawn from the UNICEF Account and utilized for unspecified activities without submitting accountability. Though the District refunded the funds to UNICEF accountability is required.

**Recommendation**
Management should submit accountability for the funds or seek recovery from the defaulter.

28.8 **Un-explained Direct Debits**
Payments of Shs.5,099,068 were debited directly from several bank accounts without any documentation, rendering genuineness of the expenditure doubtful.

Management stated that the Bank was requested to provide explanations.

**Recommendation**
Management should ensure that funds are recovered or proper explanation is submitted.

28.9 **Non-Compliance with the Procurement Cycle**
Out of 18 contracts examined only one had complied with the procurement cycle. Examples of improper procurement revealed were:

- Bwanika Primary school under School Facility Grant which had not been in the work plan was substituted for Ntanda Primary School without documenting the changes.
- Procurements amounting to Shs 599,389,658 did not have approved requisition forms.

Cases where funds were released to individual officers to carry out activities without justification of force account include:-

Construction of domestic rain water harvesting tanks valued at Shs.32,500,000, Culvert installation valued at Shs.5,300,000 advanced to the District Engineer, Grading of Rwaihamba – Kasenda road at Shs.8,474,950, training of water source committees at Shs.30,000,000 paid out to rural growth initiatives without
evidence of competitive bidding. This same organization had not been pre-
qualified.

**Recommendation**

Management should ensure that all procurement procedures are documented 
and submitted for verification.

28.10 **Missing Personal Files**

Personal files for 23 officials were not made available for audit management 
could not explain how they effected changes for the 23 people without the 
personal files and how these individuals accessed the payroll without files. The 
basis against which the District determined salary scale, period of service e.t.c. 
remained questionable.

**Recommendation**

The 23 files should be availed for verification.

29.0 **KAGADI TOWN COUNCIL**

29.1 **Opinion:**-Qualified-Except for.

29.2 **Unauthorized Excess Expenditure**

A sum of Shs.50,461,833 was spent over and above the approved budget 
estimates on various codes in the year under review without approved virements, 
warrants or supplementary budgets contrary to Regulations 44(1) of the Local 
Governments Financial and Accounting Regulation(LGFAR), 2007. Excess 
expenditure contravenes budgetary controls.

Management in response indicated that the adjustments have been made in the 
ledgers and the final accounts and that necessary approvals would be availed. The 
approval and adjustments were, however, not submitted.

**Recommendation**

Necessary approval and adjustments should be submitted. In the alternative, 
unauthorized excesses may be surcharged against the officers responsible in
accordance with regulation 30(3) of the Local Government Financial and Accounting Regulations, 2007.

29.3 **Irregular Payment of Domestic Arrears**
During the year under review management paid domestic arrears of Shs.6,166,172, which had not been previously declared as outstanding creditors. Besides no statement of outstanding commitments was prepared to show the adjustment of these arrears. In the absence of supporting documents the genuineness of the expenditure is doubted.

Management in response admitted the omission of arrears in the ledgers and stated that adjustment had been made which was not the case.

**Recommendation**
Management should consider recovering Shs.6,166,172 from concerned officers purported to be creditors who could not be confirmed.

29.4 **Staff Shortages**
Section 65 of the Local Government Act 1997 prescribes appointment of relevant staff in a town council. Review of the staffing structure of Kagadi Town Council revealed the following vacant positions; Town Clerk, Town Engineer, Education Officer, Senior Assistant Town Clerk, Personnel Officer an Examiner of Accounts in audit department.

In the circumstances, service delivery may be impaired due to understaffing.

Management indicated that the recruitment process was on going. However, at the time of verification only the post of Town Clerk had been filled.

**Recommendation**
Vacant posts should be filled to enhance services to the population.

29.5 **Funds not Accounted For**
It is a requirement under regulation 43(2) of Local Government Financial and Accounting Regulation 2007 that all advances to Local Council employees shall be
authorized by Chief Executive and shall be accounted for within a month. However, funds amounting to Shs.3,486,611 advanced to council staff to implement various activities during the financial year remained unaccounted for.

Management in response indicated that the accountabilities would be submitted for verification, but the documents were not availed.

**Recommendation**

All supporting documents should be availed. In the alternative the funds are recoverable.

### 30.0 KAMWENGE DISTRICT

**30.1 Opinion:** Qualified-Except for.

**30.2 Salaries and Wages paid Without Personal Files**

Regulations 53(1) of Local Governments Financial and Accounting Regulations (LGFAR), 2007 states that each Head of Department shall be responsible for maintenance of an establishment register recording full personal details and rates of pay of all established staff in the department and the register shall be kept up to date in accordance with the approved respective local government structure, to agree with the central personnel records, pay records kept by the head of finance and the nominal rolls upon which the approved estimates are based.

Contrary to the above provision, salary payments amounting to Shs.731,747,524 released by the centre to the District in financial year 2008/09 in respect of secondary and tertiary teachers were not supported by personal files. There is risk of financial loss to government if payments are based on un-authentic information.

Management later submitted 90 files yet the teachers on the pay roll are 139. Besides, the submitted files lacked copies of pay change reports and passport photographs of the beneficiaries.
**Recommendations**

Personal files should be opened up for all secondary & tertiary teachers paid by the District for ease of verification.

30.3 **Lack of Proper records for drugs**

Audit of the medical department revealed that drugs worth Shs. 115,114,016 delivered to 2 health centres namely Rukunyu and Ntara Health centre IVs from the National Medical Stores and other suppliers were not witnessed by the internal auditors, thus flouting the internal control procedures for purchase and receipt of drugs.

Audit inspection of the two health centres further revealed lack of proper records to track the receipt, issue of drugs and subsequent consumption of drugs by patients.

Management explained that records at the Health Centres are being streamlined to ensure that drug receipt and issues are monitored.

**Recommendations**

Management should avail documentation to account for drugs worth Shs.115,114,016.

30.4 **Outstanding Administrative Advances**

30.4.1 **Ex-employees Advances**

A sum of Shs 56,825,825 paid to various individuals remains unaccounted for and the recovery is doubted as they have since left service of the District due to dismissal, abscondment and other reasons. Besides no practical steps have been taken to recover the funds.

Management stated that recovery is still a challenge to date.

**Recommendations**

The advances be followed up and recovered.
30.4.2 **Staff Advances**

Regulation 43(2),(3) of the Local Government Financial Accounting Regulations, 2007 states that Administrative Advances to Council employees shall be authorized by the Chief Executive and shall be accounted for within a month and the Chief Executive Officer shall not authorize any advance to a council employee who has not accounted for any of the previous advances.

Contrary to the above, audit has revealed that various officials of the council were paid advances of Shs.19,110,000 from the UNICEF account to execute various obligations of the council but had not accounted for funds at the close of the Financial Year.

The Accounting Officer stated that management had tried to ensure that advances are accounted for within a month of receipt but in vain.

**Recommendations**

Funds should be recovered from the beneficiaries and regulations regarding operation of advances should be adhered to.

30.5 **Outstanding URA Obligations**

It was observed that out of total tax obligations of Shs.253,050,412 due to URA, the District settled Shs.87,464,599 leaving Shs.165,585,813 outstanding. Delays in settling Tax obligations attracts interest charges and penalties.

Management explained that efforts are being made to settle the tax obligation with the help of the Ministry responsible for finance.

**Recommendation**

All necessary measures be taken to settle Tax obligation to avoid penalties and interest charges.

30.6 **Nugatory Expenditure**

During the year under review, management did not deduct taxes amounting to Shs 199,134,767 which comprised of Shs 55,191,495 and Shs 143,943,272 for PAYE and Withholding tax respectively. This attracted a total interest of Shs
92,640,762 of which of Shs 26,892,552 was for PAYE and Shs 65,748,210 for Withholding Tax as per Tax investigations covering the period July 2003-June 2006 which was carried out by the Uganda Revenue Authority. The interest charge is considered wasteful as it would have been avoided if Tax deductions and prompt payments were made in accordance with the Income Tax Act 1997.

**Recommendation**
The responsible officers should be held accountable in accordance with the Income Tax Act 1997.

30.7 **Unaccounted for Funds**
According to the Local Government Finance and Accounting Regulations Section 43, Advances to council employees shall be authorized by the Chief Executive (CAO) and shall be accounted for within a month. The Chief Executive (CAO) shall not authorize any advance to a council employee who has not accounted for any of the previous advances.

Contrary to the above provisions, one officer was paid council funds cumulatively amounting to Shs.24,666,000 from various departments in form of advances for official activities and the accountability has not been submitted.

Management explained that duties performed were cross cutting in nature and that the officer will be required to account.

**Recommendation**
Funds should be accounted for or recovered.

30.8 **Universal Primary Education (UPE) Schools**
A number of Primary Schools were inspected for purposes of ascertaining the infrastructure and the study environment of the pupils and accountability of UPE funds. These were; Ikamiro Primary School, Kakinga Primary School, St. Pio Primary School, Kyabenda Primary School and Rwenjaza Primary School. The following weaknesses were noted;
- UPE funds were not being properly accounted for as no cash books or vouchers were in use.
- The School was inadequately staffed
- Schools had inadequate and poor infrastructure resulting into sharing of class rooms by different classes.
- In some schools, pupils enrolment is very low.

**Recommendation**
School infrastructure and staffing should be prioritized to enable pupils attain learning objectives and cash books and vouchers should be put in place to account for the UPE funds.

30.9 **Road Works-Routine Maintenance**
The following roads that were repaired in July 2008 – March 2009 at a cost of Shs.15,400,000 were found impassable; Kiyagara-Bunoga, Kyabandara-Muongoro, Bisozi-Bihanga and Kanara-Rwenshama.

Management explained that lack of funding prohibited regular maintenance

**Recommendation**
Management should liaise with the Ministry responsible for Finance to increase on funding. The quality of works done should also be monitored adequately.

31.0 **KAMWENGE TOWN COUNCIL**
31.1 **Opinion:** Qualified-Except for.

31.2 **Official Advances not Accounted For**
Contrary to regulations 43(2) of the Local Government Financial and Accounting Regulations 2007 that requires official advances to be accounted for within a month, Shs.25,585,857 remained outstanding. Inclusive is Shs.6,357,857 that was brought forward from the previous financial year.

**Recommendation**
The funds should be accounted for or recoveries be made. In future regulations be complied with.
31.3 **Irregular Allowances**
The Council paid Shs.8,290,000 to the Chairperson LC III in form of consolidated allowances comprising of mileage, airtime and cost of living allowance. However, there was no evidence of car ownership and authority to pay the allowances. In addition council staff drew monthly allowances referred to as staff welfare totaling Shs.8,696,000 without necessary council resolution or authority from the Ministry of Public Service which is responsible for giving guidance on allowance in the service.

Management explained that necessary authority would be sought. The authorities are awaited.

**Recommendation**
Necessary authority be submitted for verification.

31.4 **Local Revenue Shortfall**
Contrary to regulation 32 of the Local Government Financial and Accounting Regulation 2007 that require all budgeted revenue to be collected, out of the budgeted Local Revenue of Shs.148,376,300 only Shs.88,267,225 was realized indicating a shortfall of Shs.60,109,075 (41%) and this affected service delivery adversely. Management attributed the shortfall to delays in instituting the District Land Board and contract awards to private revenue collectors.

**Recommendation**
Management should recover outstanding revenue and improve on administration of revenue collection.

31.5 **Incomplete Construction Works**
Review of the contract performance regarding the construction of Town Council offices by a private firm at a cost of Shs.56,000,000 revealed the following irregularities:

- The contract completion time line of (5th December 2007) has been exceeded by more than 24 months.
- The floor screed had developed cracks.
- The ceiling was sagging.
• Various doors were poorly fixed and could not lock.
• The wall paint appeared inadequate.

Management explained that the contractor had been reminded of his obligations and contract termination was being considered. The outcome of these actions are awaited.

**Recommendation**

Management should seek liquidated damages for delayed works as per contract agreement and address the defects identified above.

31.6 **Staff Shortages**

Out of an approved staff establishment of 62, only 18 positions were filled leaving a shortage of 44 staff. Besides 4 positions are being held in acting capacity and these include Town Clerk, Senior Finance officer, Town Engineer and Accountant. In the circumstances segregation of duties is impaired and service delivery is compromised.

**Recommendation**

Vacant posts should be filled appropriately to facilitate service delivery.

32.0 **KASESE DISTRICT**

32.1 **Opinion:** Qualified-Except for.

32.2 **Unspent Balances**

Unspent conditional grants of Shs.50,200,884 were retained on the Council accounts without necessary approval contrary to Public Finance and Accountability Act 2003 section 19(1). There is a risk of extra budgetary funding.

**Recommendation**

The funds ought to be refunded to Treasury or relevant authority be availed for the retention.

32.3 **Administrative Advances**

Contrary to regulation 43(2) of Local Government Finance and Accounting Regulations 2007 which requires accountability in one month, Administrative
advances of Shs.182,226,401 remained outstanding for more than 24 months. There is no evidence to show that efforts were made to recover or have the funds accounted for by the individuals.

Management stated that recovery efforts are under way.

**Recommendation**
The funds should be recovered from the defaulters.

### 32.4 Irregular Payment of Arrears
A sum of Shs.61,042,915 was paid to various firms and individuals arising from undisclosed payables. It was further observed that Shs.123,754,315 was reflected as outstanding domestic arrears without supporting documents for the year 2008/09.

Management responded that previous disclosures are in place, however, there was no evidence to this effect.

**Recommendation**
All supporting documents and necessary adjustments be availed for verification.

### 32.5 Wasteful Expenditure
Shs.54,824,815 was awarded to service providers by courts of law due to the District’s failure to pay liabilities of Shs.150,513,595 in time. The legal costs of Shs.54,824,815 are considered wasteful as they would have been avoided with proper planning.

Management attributed the delays in payment of liabilities to under performance of local revenue. The Accounting Officer further stated that the obligation arose due to unbudgeted taxes charged to the District in respect of Donor Funded Projects.
**Recommendations**
I advised the Accounting Officer to liaise with Ministry of Finance Planning and Economic Development to ensure proper budgeting for taxes of Donor Funded Project for purposes of meeting tax obligations promptly.

32.6 **Lack of Hospital Land Title**
Bwera Hospital land lacks a land title. No information was available regarding ownership, size and value of land occupied by the hospital. The hospital land is exposed to risk of encroachment.

Management stated that a final payment for the land is to be made before acquisition of land title.

**Recommendation**
Survey documents and sales agreement should be availed for verification.

32.7 **Unbanked Revenue**
Out of cash collections of Shs.35,77,900 only Shs.27,082,500 was banked indicating that Shs.8,675,400 was utilized at source contrary to financial regulations.

Management stated that the funds were incurred on special services of Radiographers and refunds would be made.

**Recommendation**
Refunds be made and in future all cash collections should be banked intact.

33.0 **KASESE TOWN COUNCIL**

33.1 **Opinion:** Qualified-Except for.

33.2 **Tax Deposits not Remitted to URA**
A sum of Shs.18,851,844 comprising of Shs.18,187,733 (VAT) and Shs.664,111 (PAYE) were not remitted there by exposing the Council to risk of penalties and interest charges.
Delayed payment of taxes is contrary to tax regulation that require remittance of tax to be made within 15 days following the month to which the remittance relates.

Management stated that the funds would be settled in the financial year 2009/2010.

**Recommendation**
Tax liabilities should be settled in accordance with the regulations to avoid penalties.

33.3 **Irregular Payment of Outstanding Bills**
A sum of Shs.11,723,850 was paid to various individuals and firms purportedly for previous outstanding bills. However, it was noted that the expenditure was incurred without necessary supporting documents such as commitment registers, tender award notification letters, contract agreements, receipts from the firms and certificates of performance rendering the expenditure doubtful.

Disbursement of public funds without proper vouching is in contravention of regulation 42 of the Local Governments Financial and Accounting Regulation, 2007.

**Recommendation**
All supporting documents should be submitted for verification. In the alternative the funds are recoverable.

33.4 **Outstanding Administrative Advances**
Advances paid out to individuals are required to be accounted for within a month. In accordance with Local Government Finance and Accountability regulation 207, Section 43 contrary to the regulation Shs.18,964,240 advanced to various staff for official activities remained outstanding.
Management in their response indicated that a substantial amount of advances had been accounted for; however, no documentations provided for audit.

**Recommendation**

The funds should be accounted for or recovered.

33.5 **Sundry Creditors**

Included in sundry creditors at the year end of to Shs.89,761,944 was Shs.3,491,000 that has been outstanding since the previous year. Over due creditors may attract litigation. In any case, accumulation of liabilities contravenes government policy of the commitments control system.

Management attributed the accumulation of liabilities to shortfalls in funding from Central Government.

**Recommendation**

Goods and services should be procured on the basis of available resources to comply with the commitment control system instituted by government.

33.6 **Un-remitted Funds by Contracted Revenue Collectors**

According to regulation 32 of the Local Government Financial and Accounting Regulations, 2007, the Head of Finance is responsible for ensuring revenue collectors carry out their duties properly to ensure that all revenue due to council is promptly collected in the approved manner and banked intact. It was however, noted that out of Shs.425,596,169 of the total contracted out local revenue only Shs.415,113,982 was realized leaving a balance of Shs.10,482,187 outstanding from private revenue collectors. Failure to collect revenue due to Council constrains service delivery to the population.

Management explained that reminders have been issued to the contractors.
**Recommendation**

Management should explore all ways and means of ensuring that the outstanding revenues are recovered from the private contractors.

33.7 **Delayed Construction Works**

Review of performance of the contract for construction of Speke I Square II and Alexander roads by a private firm revealed the following anomalies:-

- The completion date (November 2008) has been exceeded by more than 12 months now.
- Although Shs.315,994,456 (68%) has been paid out of the contract sum of Shs.466,091,000, inspection of sites indicated that works have been abandoned.
- Performance reports were not availed to confirm quality and quantity of works done.

**Recommendation**

Management should consider demanding liquidated damages for delayed works. Performance reports for completed works should be availed for verification.

33.8 **Un-collected Sundry Debtors**

Included in the sundry debtors of Shs.26,372,172 is a sum of Shs.18,692,492 that has been outstanding since 30\textsuperscript{th} June 2008 implying that no effort were made to recover the funds. It is observed that funds owed to Council represent an Asset that is idle.

**Recommendation**

Management should follow up debtors on a regular basis and seek legal redress in case of long outstanding debts.
34.0 KATWE-KABATORO TOWN COUNCIL

34.1 Opinion:- Qualified-Except for

34.2 Un collected Debtors
A sum of Shs.206,714,045 remained uncollected during the year under review with no evidence that management sent reminders for collection. Management responded that they were in the process of recovering the fund through courts of Law.

Recommendation
Recovery of the debts should be implemented in accordance with Local Government Financial and Accounting Regulations.

34.3 Outstanding Administrative Advances
Administrative advances amounting to Shs.105,576,778 remained outstanding under the year under review contrary to Local Government Financial and Accounting Regulation 43 which requires submission of accountability within one month. Of the above sum Shs.63,896,405 had been outstanding for more than one year.

In response management stated that accountability was available but this was not availed for verification.

Recommendation
Outstanding advances should be accounted for promptly. In the alternative funds should be recovered.

34.4 Unauthorized Excess Expenditure
A sum of Shs.94,395,098 was spent in excess of the approved budget estimates on various codes in the year under review. No warrants to evidence virements, or re-allocation of funds were availed for verification contrary to Local Government Finance and Accounting Regulation 30. Excess expenditure contravenes budgetary controls and may hinder execution of planned activities.
Management in response indicated that virements were made and approved by the relevant authorities but no evidence was availed for verification.

**Recommendation**
All relevant documents for the authorization should be submitted for verification.

34.5 **Incompletely Vouched Expenditure**
Payments for civil works and chairperson’s travel abroad amounting to Shs.42,462,532 lacked the necessary supporting documents making the expenditure incompletely vouched. The civil works lacked contract agreements and completion certificates while the travel abroad was not supported with Air ticket coupons, boarding passes and back-to-office reports. Management stated that the documents would be traced and submitted for verification.

**Recommendation**
All supporting documents should be submitted for verification.

34.6 **Sundry Creditors**
Included in the sundry creditors of Shs.29,189,897 is a sum of Shs.7,210,098 relating to previous years. Accumulation of creditors contravenes the Budget Act 2001 Section 14 which requires commitments to be based on availability of funds. Besides longstanding creditors may result into litigation.

**Recommendation**
Management should ensure commitments are based on availability of funds.

34.7 **Stores not Taken on Charge**
The council purchased goods worth Shs.10,799,010 from various firms. The procurements were however, not supported by stores records such as delivery notes, goods received notes and store ledgers thereby contravening the Section 4.4.1 of the Local Government Financial and Accounting Manual. I could therefore not confirm that the goods were received.
**Recommendation**
Management should avail necessary supporting documents for verification.

34.8 **Internal Control Weakness**
The Town Council has a fully fledged internal audit unit headed by the senior internal auditor who is required to ensure that council risks are managed effectively and economically and in accordance with Local Government Financial and Accounting Regulations 104 and 106.

It was observed that there were no quarterly audit reports that had been produced for the last two financial years rendering internal audit unit ineffective.

Management had no response to this anomaly.

**Recommendation**
The Internal Audit unit should prepare the quarterly audit reports to enhance internal controls in the Council.

35.0 **KIBAALE DISTRICT**

35.1 **Opinion:**-Qualified-Except for.

35.2 **Administrative Advances Unaccounted For**
Administrative advances of SHs.27,909,996 discovered during audit were not accounted for contrary to regulation 43(2) of Local Government Financial and Accounting Regulations, 2007 that require accountability to be rendered within a month.

**Recommendation**
All accountabilities should be submitted for verification. In the alternative funds are recoverable.
35.3 **Missing Vouchers**
 Payment vouchers of Shs.3,223,944 were not produced for audit contrary to regulation 42 of the Local Government Financial and Accounting Regulations, 2007 which require payments to be properly vouched. The vouchers are considered missing.

**Recommendation**

The missing vouchers be produce for audit.

36.0 **KIBAALE TOWN COUNCIL**

36.1 **Opinion:** Qualified-Except for.

36.2 **Unaccounted for Fuel Deposits**

Shs.18,020,950 advanced to various individuals and a fuel station for fuel to cater for Council activities lacked supporting documents such as consumption statements and fuel orders forms rendering the expenditure doubtful.

Management claimed that the accountability was available but was not submitted for verification.

**Recommendation**

All necessary supporting documents should be availed for verification.

36.3 **Undisclosed Domestic Arrears Paid**

During the year under review, management paid domestic arrears of Shs.11,273,310. However, domestic arrears of only Shs.1,006,539 were disclosed in the previous year. The balance of Shs.10,266,774 lacked supporting documents and explanations.

**Recommendation**

All supporting documents for the arrears should be availed for verification.
36.4 **Unaccounted for Advance**
A total of Shs.3,336,000 advanced to staff for official activities remained unretired. It was also noted that some officers were advanced more funds without first accounting for previous advances as required by Local Government Finance and Accounting Regulation 43(2) and (3).

Management in response claimed that all documents were available, however, these were not submitted for verification.

**Recommendation**
Accountabilities should be submitted for verification or funds be recovered.

37.1 **Non-deduction of Withholding Taxes**
Withholding tax of Shs.1,085,085 was not deducted from eligible tax payers contrary to the Income Tax Act 1997 Section 124 thereby exposing Council to the risk of penalties from Uganda Revenue Authority.

**Recommendation**
Management should ensure that the Taxes are recovered and paid to Uganda Revenue Authority to avoid penalties and other sanctions.

37.0 **KIGOROBYA TOWN COUNCIL**

37.1 **Opinion:** Qualified-Except for.

37.2 **Outstanding Debtors**
Section 2.3.2.3 of the Local Government Financial and Accounting Manual 2007 requires debtors to be promptly collected. However, included in the debtors of Shs.61,939,973 is a sum of Shs.57,129,084 that has been outstanding for more than twelve months. Debtors represent idle assets that hinder availability of cash for service delivery.

Management stated that some of the debtors are irrecoverable and would be written off after due process.
**Recommendation**
Management should ensure recovery of outstanding debts to enable council provide necessary services or institute write off procedures.

37.3 **Irregular Accountabilities**
A total of Shs.7,700,000 paid to various contractors and companies did not have original supporting documents. Instead photocopies were provided rendering the accountability doubtful. Management reported that the payments were submitted to Inspectorate of Government (IGG) but no acknowledgment receipt was availed to support this assertion.

I could not rely on photocopies to audit the expenditure in question.

**Recommendation**
Original documents should be submitted for verification.

37.4 **Unauthorized Retention of unexpended balances**
Whereas Section 19(1) of the Public Finance and Accountability Act, 2003 (PFAA) provides that all unexpended balance of Conditional moneys withdrawn from the Consolidated Fund shall be repaid back to the same account at the closure of the financial year, Shs.4,502,070 comprising of Local Government Development Programme and National Agricultural and Advisory Services remained on the Council accounts without necessary authority.

In response, management stated that the funds were committed to capital works.

**Recommendation**
The fund should be returned to Treasury in accordance with regulations or permission for retention be sought.
38.0 **KYENJOJO DISTRICT**

38.1 **Opinion:** Qualified-Except for.

38.2 **Local Revenue Performance Shortfall**

Out of the budgeted local revenue of Shs.308,083,696 on specific items only Shs.222,992,417 was realized indicating a shortfall of Shs.85,091,229, which represented 28% under performance. Under collection of revenue on specified items may imply inadequate budgeting process or weakness in revenue collection.

Management in response indicated that the District had revised its budget downwards in a supplementary budget presented to the Council on 10th June 2009 in accordance with regulation 28 of the LGFAR 2007, and that sources such as property tax could not be collected without authority of the Hon Minister of Local Government.

**Recommendation**

Appropriate budgeting mechanism should be instituted. In addition, revenue control procedures such as regular supervision of revenue staff and accountability for revenue stationery be enhanced.

38.3 **Outstanding Administrative Advances**

It is a requirement under regulation 43(2) of LGFAR 2007 that all advances to local council employees shall be authorized by Chief Executive and shall be accounted for within a month. It was however noted that Administrative advances of Shs.18,194,314 remained outstanding at the end of the year, of which Shs.9,321,914 was brought forward from the previous year.

Management in response indicated that it has instituted strict policies on recovery of advances such as publicizing the names of defaulters on the public notice boards, turning administrative advances into personal advances and deducting it from their salary. Instituting legal proceedings against the defaulters through the solicitor general would also be effected.
Recommendation
Management should follow up the recovery of outstanding advances to avoid incurring losses to the council.

38.4 Staff Loans
Staff loans amounting to Shs.18,130,600 remained outstanding and recovery may be hampered by the new straight through salary payments procedure introduced by the Ministry of Public Service. It was further noted that granting loans to District officials from funds meant for provision of services to the local population affects service delivery.

The Chief Administrative Officer explained that a request had been made to the Ministry of Public Service to effect deductions for the outstanding sum of Shs.18,130,600, but the deductions had not been effected.

Recommendations
Evidence of recovery of the funds should be availed.

38.5 Outstanding Domestic Commitments
Outstanding commitments of Shs.16,395,253 remained unsettled at the end of the financial year contrary to the government commitment control policy. Besides the commitments were not reported in the notes to the accounts as required by the local Government Accounting Manual 2007 Section 6.6.5.6. Accumulation of arrears contravenes budgetary controls and may result into litigation.

Recommendation
Management should ensure that all expenditures are incurred in accordance with the approved budget to avoid the situation of accumulation.
39.0 **KYENJOJO TOWN COUNCIL**

39.1 **Opinion:**-Qualified-Except for.

39.2 **Failure to Depreciate Fixed Assets**

Fixed assets were presented at the gross value of Shs.649,126,779 in the balance sheet without depreciation contrary to accrual principles resulting into an overstatement of the assets.

Management explained that fixed assets were not depreciated due to absence of an approved depreciation policy.

**Recommendation**

Necessary adjustments should be made to present the assets in accordance with accrual principles.

39.3 **Non-remittance of Revenue**

A private revenue collector contracted by the Town Council failed to remit Shs.24,265,679 in respect of local taxes and fees received on behalf of the Council. Besides the same contractor failed to collect Shs.20,923,112 in respect of water charges on behalf of the Town Council.

Management stated that reminders have been sent to the contractor to adhere to the contract terms.

**Recommendation**

Effective recovery procedures should be enforced to obtain the funds.

39.4 **Irregular Purchase of Land**

Shs.7,500,000 incurred on purchase of land was not supported with a land title, negotiation minutes, valuation estimates and ownership documents rendering the genuineness of the expenditure doubtful.
**Recommendation**
All relevant documents be availed for verification.

39.5 **Administrative Advance**
Shs.4,693,000 paid to a council staff for supply and distribution of security lights and connection fees for five(5) meter boxes lacked relevant supporting documents such as delivery notes and acknowledgement receipts rendering the expenditure doubtful. Besides, the items were not taken on charge.

**Recommendation**
All relevant documents be availed for verification.

40.0 **MASINDI DISTRICT**

40.1 **Opinion:**-Qualified-Except for

40.2 **Outstanding Administrative Advances**
Regulation 43 of the Local Government Finance and Accounting Regulations (LGFA) 2007 requires advances to be accounted for within a month. Employees who have not retired any of the previous advances should not access fresh advances. Contrary to regulations, outstanding administrative advances at the year end amounted to Shs 78,681,616. Delayed accountability may result into falsification of documents.

Management explained that efforts were being made to account or recover the funds.

**Recommendation**
Evidence of accountability or recovery of the funds should be availed for verification.

40.3 **Unauthorised retention of Unspent Conditional Grants**
Contrary to the Local Governments Financial and Accounting Manual Section 6.6.5.3 which requires refund of conditional grant unspent balances to the Consolidated Fund, unexpended balances amounting to Shs.20,501,338 had
neither proof of remittance to the Treasury nor authority to spend the money. Unauthorised retention of conditional grants contravenes financial regulations.

**Recommendation**

Evidence of remittance of the funds or authority for retention be availed for verification.

40.4 **Unjustified Use of Force Account**

During the year 2008/2009, Masindi District Local Government used Force Account to rehabilitate Kigumba – Apodorwa – Mboira road at Shs 60,010,280. The works commenced in April 2009 and had been scheduled for completion by 30th June 2009. However, by the time of writing this report which was 6 months later the works had not been completed as evidenced in the photograph below:-

Grass covering Mboira – Apodorwa – Kigumba road.
Besides there was no evidence justifying use of force account as the equipment used did not belong to the Procurement and Disposal Entity. The works were neither minor nor scattered in remote places and there were no emergencies that needed prompt attention as required by guidelines regarding use of Force Account method.

No records of the works inputs under Force Account were availed for audit save for fuel statements and there was no certificate of no objection from PPDA casting doubt on whether PPDA’s consent was sought.

In the circumstances, the regulations were not adhered to and complete accountability is lacking.

Management responded that use of funds under force account was authorized by District Contracts Committee and that there was a mechanical breakdown of the grader leading to failure to complete planned activities on the road works. I informed the accounting officer that the contract committee approval was irregular.

**Recommendation**

Proper procedures should be followed when using force account and complete accountability be tendered for the funds spent.

40.5 **Failure to Co-fund LGDP**

Local Government Development Programme (LGDP) guidelines require all local governments to make co-funding to this programme equivalent to 10% of the central releases per quarter. However, during the fourth quarter (April-June)2009, Masindi District Local Government received Shs 375,000,000 to run Local Government Development Programme (LGDP) projects and only provided Shs.10,500,000 implying a short fall of Shs 27,000,000.

Management attributed the anomaly to low local revenue collections and pledged to prioritize the obligation.
**Recommendation**

The District should adhere to the guidelines to avoid the risk of withholding of funds.

40.6 **Unaccounted for Fuel**

During the year under review a total of Shs.23,426,220 was allocated to various departments for fuel consumption but remained unaccounted for. In the absence of consumption statements, fuel receipts and movement log books the genuineness of the expenditure is doubted.

**Recommendation**

The necessary supporting documents should be availed for verification.

40.7 **Unvouched Expenditures**

Payments of Shs.11,102,150 made by the entity were not supported with expenditure vouchers contrary to LGFAR 2007, regulation 42. The genuineness of the expenditure could not be ascertained. Missing payment vouchers are a potential source of fraud. Management promised to trace and avail the vouchers for verification. Submission is availed.

**Recommendations**

All the vouchers should be traced and availed for audit verification.

40.8 **Nugatory Expenditure**

Court awarded Shs.8,146,000 to a Grade III teacher for irregular termination of salary arising out of negligence of responsibility by the District management. Loss of funds due to negligence of duty is considered wasteful expenditure.

**Recommendation**

The Chief Administrative Officer should take disciplinary action against the officers who caused the financial loss.

40.9 **Fraudulent Payment**

A sum of Shs.14,480,000 was paid out of the Masindi District Local Government District Livelihood Support Programme (DLSP) account in respect of eighty(80)
road master bicycles purchased from a private firm. Physical Inspection of bicycles parked at the District yard revealed that only fifty-five (55) bicycles were delivered recorded and issued to the beneficiaries leaving twenty-five (25) bicycles unaccounted for. It is likely that the twenty-five (25) bicycles were not delivered leading to a loss of Shs. 4,525,000 [181,000 per bicycle].

Management responded that it is investigating the matter through the established arms of Government and whoever will be found to have misappropriated the bicycles will be required to make good the loss. The outcome of the investigation was not availed.

Recommendation
The investigation be expedited and action taken on the results of the investigation.

40.10 Masindi District Hospital

40.10.1 Staffing
Only 55% of established posts are filled leaving a gap of 45%. The cause of shortage is lack of schemes for attracting and retaining staff.

40.10.2 Hospital Motor Vehicles
The Hospital has 3 motor vehicles which are in Dangerous Mechanical Condition (DMC) among which is an ambulance that breaks down from time to time and are overdue for boarding off.

40.10.3 Inadequate Budget Allocation on Utilities
The Hospital has a budget provision of 12,000,000 per annum (or Shs.1,000,000 per month) but on average monthly bill is of Shs.1,777,227. This implies that on average, the hospital accrues electricity bills of Shs.1,777,227 per month.

Similarly the budget provision of Shs.10,000,000 per annum for water bills (Shs.833,334 per month) appears low as actual consumption also supersedes this amount.
40.10.4 Accommodation of Staffs

The Hospital houses only 20% of her staffs. The rest of the staff reside outside Hospital premises and this affects adversely service delivery.

40.10.5 Plant and Equipment

Physical Inspection revealed that most equipments and plants are old and obsolete and accordingly may be very expensive to maintain. There is need for new ones.

**Recommendation**

There is need for the Accounting Officer to lobby for funds from the Central Government so that these problems are addressed. Similarly concerted effort should be made to address the issue of under staffing.

40.10.6 Audit of Teachers’ Payroll

Out of the sample of ninety-five (95) Primary Teachers on the District payroll twenty-five (25) did not have personal files. In addition several individuals had different account numbers on file from those on the Uganda Computer Services payroll. However, the personnel officer asserted that it was a result of mistakes made by the staff of Uganda Computer Services during data entry process.

Management promised to trace the missing files for verification.

**Recommendation**

All Staff records should be regularly and consistently maintained to ensure payments are made to only bonafide individuals. Meanwhile the missing files should be availed for verification and correct account numbers fed to the Uganda Computer Services payroll.
41.0 MASINDI TOWN COUNCIL

41.1 **Opinion:-** Qualified-Except for.

41.2 **Outstanding Administrative Advances**
It is a requirement under regulation 43(2) & 43(3) of Local Governments (Financial and Accounting) Regulations 2007 that all advances to local council employees shall be authorized by Chief Executive and be accounted for within a month and that the chief Executive shall not authorize any advances to a council employee who has not accounted for any of the previous advances respectively. It was however noted that Shs.44,948,563 advanced to various staff for official activities remained unaccounted for at the year end.

**Recommendation**
The funds should be accounted for or recovered from the officers.

41.3 **Outstanding VAT and NSSF Deductions**
A sum of Shs.22,661,204 comprising VAT liabilities of Shs.21,735,348 and NSSF deposits of Shs.925,825 was not remitted to Uganda Revenue Authority and National Social Security fund respectively contrary to the regulations. The Town Council is exposed to the risk of penalties and interest charges that may be levied by these agencies.

Management responded that both amounts will be cleared in installments.

**Recommendation**
The funds should be remitted to the respective authorities to avoid interest charges and penalties that may arise.

41.4 **Un vouched Expenditure**
During the year under review Shs.15,854,342 was paid to sundry persons to carry out various official activities without raising vouchers contrary to regulation of the Local Government Financial and Accounting Regulations (LGFAR) 2007. Missing vouchers may be a source of fraud.
**Recommendation**

The vouchers should be availed for verification.

### 41.5 **Revenue Shortfall**

Analysis of budgeted local revenue and actual performance of some revenue sources revealed a shortfall of Shs.69,997,917 thereby affecting service delivery adversely as outlined below:

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Business Licenses</td>
<td>101,020,000</td>
<td>98,374,400</td>
<td>2,645,600</td>
</tr>
<tr>
<td>Other Licenses</td>
<td>36,119,104</td>
<td>26,045,568</td>
<td>10,073,536</td>
</tr>
<tr>
<td>Property income</td>
<td>27,230,000</td>
<td>25,859,859</td>
<td>1,370,141</td>
</tr>
<tr>
<td>Rent produced assets</td>
<td>50,892,325</td>
<td>42,559,936</td>
<td>8,332,389</td>
</tr>
<tr>
<td>Land fees</td>
<td>75,908,000</td>
<td>40,154,479</td>
<td>35,753,521</td>
</tr>
<tr>
<td>Advertisements</td>
<td>10,600,000</td>
<td>9,041,100</td>
<td>1,558,900</td>
</tr>
<tr>
<td>Market dues</td>
<td>33,685,452</td>
<td>25,683,982</td>
<td>8,001,470</td>
</tr>
<tr>
<td>Local Service Tax</td>
<td>16,000,000</td>
<td>13,738,240</td>
<td>2,261,760</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>351,454,881</td>
<td>281,457,564</td>
<td><strong>69,997,917</strong></td>
</tr>
</tbody>
</table>

Management explained that sensitization of tax payers and establishment of revenue Task forces shall be implemented to improve on revenue collection.

**Recommendation**

Management should intensify supervision and monitoring of the entire revenue collection system.

### 41.6 **Unsatisfactory Civil Works**

There were various irregularities in construction of drainage systems of Tongue, Parse and Market street in Masindi Town Council which were valued at Shs.92,992,935 as follows:

**Documentation**

- The Bill of Quantities (B.O.Qs) did not specify the dimensions of the slabs to be fitted by the contractor.
There was no materials register to record materials supplied on site. I could not confirm quality and quantity of the materials that were used during construction.

a) **Field Inspection**

- As the Bills of Quantities (B.O.Q) was silent on the dimensions of the culverts to be supplied by the contractor, varying sizes were supplied i.e. thin and long, thick and long and short and thick.
- Some parts of the drainage were left with gaps unfilled with the required material.
- The fixing of the culverts was randomly done with no clear procedure taken while fixing them. By the time of audit, some were facing north, others west, east etc. and majority were already broken.
- The B.O.Qs further did not specify the size of the reinforcing iron bars to use. As a result some culverts had very thin iron bars yet others had fairly reasonable iron bars.
- The ratio of cement to sand used for mixing appeared inadequate as completed works easily broke.
- There was accumulation of debris in drainage channels as a result of poor workmanship.

**Recommendation**

The contractor should be called upon to make good the inadequate works.

41.7 **Staffing Levels**

Module II Town Councils under which Masindi falls are meant to have a total staffing level of 89 employees as per organizational structure. At the time of audit, the Town had only 43 posts filled, leaving 46 posts vacant. As a result, efficient service delivery remained a challenge to council.

Top management explained that some key posts had been submitted to the District service commission for advertisement.
**Recommendation**

All key positions should be filled to facilitate service delivery.

**Un remitted Withholding Tax**

A withholding agent is required to pay to the Commissioner General any tax that has been withheld within fifteen days after the end of the month in which the payment subject to withholding tax was made by the withholding agent [Income tax act 1997, Section 124.(1)] refers. Contrary to the above provision a sum of Shs.1,205,070 was deducted from several suppliers’ expenditure vouchers as 6% withholding tax but there was no evidence that the tax was remitted to the Uganda Revenue Authority.

The council is exposed to risk of penalties and interest charges that may be levied by the authority.

**Recommendation**

The funds should be remitted to the tax authority and receipts availed for verification.

There was a revenue shortfall of Shs.289,121,482 (44%) which affected service delivery negatively. Fixed assets of Shs.558,218,741 shown in the balance sheet, were not depreciated thereby overstating them. A sum of Shs.27,279,536 remained outstanding in debtors locking up funds that would finance service delivery.

**42.0 MPONDWE-LHUBIRIHA TOWN COUNCIL**

**42.1 Opinion:**- Qualified-Except for.

**42.2 Outstanding Advances**

Whereas regulation 43(2) of the Local Government Financial and Accounting Regulations 2007, requires official advances to be accounted for within a month and personal advances be recovered in three months in accordance with Public Service standing orders, contrary to these regulations Shs.15,926,200 and Shs.34,969,900 in respect of official and personal advances respectively remained outstanding at end of financial year.
Management promised to take action and ensure accountability or recovery.

**Recommendation**

Accountability or recovery be followed up.

42.3 **Irregular Purchase of Computers and Accessories**

Contrary to Local Government Public Procurement and Disposal of Assets a sum of Shs.6,880,000 was paid to a private firm in respect of purchase of a lap top computer, desk top computer, printer and UPS without competitive bidding. Besides physical verification revealed that the computers and the accessories were stored in a dusty store and this could result into malfunction.

Management agreed to the anomaly and explained that the procurement of the items was urgent and the matter was forwarded to the contract committee for ratification.

**Recommendation**

The contracts committee should review and ensure regularization of the procurement.

42.4 **Irregular Purchase of Land**

Shs.6,500,000 incurred on purchase of land was not supported with valuation report, sales agreement and land title. The contracts committee did not approve the purchase of land of Shs.6,560,000 contrary to regulation 28 of the Local Government Public Procurement and disposal of Assets (LGPPDA) 2006. It is not clear whether the Council obtained fair value for the expenditure.

**Recommendation**

The sales agreement, land title and government valuer’s report should be submitted for verification.
43.0 NYAHUKA TOWN COUNCIL

43.1 Opinion:- Qualified-Except for.

43.2 Sundry Creditors

Sundry creditors of Shs.7,584,709 remained outstanding at the end of the year and this could result into litigation or attachment of Council Assets. Besides accumulation of creditors is contrary to the government policy of the commitment control system.

Recommendation

Procurement of goods and services should be based on available resources to avoid accumulation of liabilities. The commitment control system as instituted by government be complied with.

43.3 Lack of Land Titles

Land valued at Shs.5,500,000 acquired during the year lacked a land title. Besides the purchase price was not independently determined by a competent valuer.

In response management indicated that consultations with the District Land Board were under way in order to acquire the land title.

Recommendation

The Town Council land should be titled to safeguard it from encroachment.

43.4 Non Remittance of Shared Revenue Collections by Local Governments

Regulation 39(2) of the Local Government Financial and Accounting Regulation, 2007 states that the chief executive of a higher Local Government shall ensure revenue collected by the higher local governments is remitted to lower local governments.

Contrary to this regulation Shs.6,038,512 in respect of shared revenue due to its lower councils was not remitted to them.

In response management attributed non-remittance of the funds to failure by Lower Councils to develop work plans.
**Recommendation**
The funds should be remitted in accordance with the regulations and the Lower Councils should be trained to develop and implement work plans.

43.5 **Un-collected Sundry Debtors/Receivables**
Contrary to Section 2.3.2.3 of the Local Government Financial and Accounting Manual, 2007 that require prompt recollection of debtors, debtors amounting to Shs.2,607,791 were uncollected at the end of the year. There was no evidence of recovery efforts made. Outstanding debtors represent idle assets and they negatively affect service delivery.

In response management indicated that the council had resolved to sue the defaulters.

**Recommendation**
Management should monitor and follow up the revenue receivables and ensure that the legal redress is concluded.

43.6 **Unaccounted for Administrative Advances**
According to Local Government Financial and Accounting Regulations 43 Administrative advances to council employees shall be authorized by the chief executive and shall be accounted for with in a month. During the year administration advances amounting to Shs.1,594,000 remained unaccounted for.

Management claimed that the accountabilities were available but were not produced for audit.

**Recommendation**
The funds should be accounted for or recovered in accordance with financial regulations.
GULU BRANCH

44.0 AMURU DISTRICT

44.1 Opinion – Unqualified.

44.2 Unaccounted for Funds
A sum of Shs.172,623,987 paid to District officials for implementing activities in various Sectors were not accounted for thereby contravening regulation 43 (2) which requires that administrative advances to council employees are accounted for within a month.

Recommendation
Management should render the accountability.

44.3 Excess expenditure on Council Emoluments and Allowances
Council incurred Shs.46,968,551 in excess of the 20% statutory requirement set out in the first schedule, Regulation 4 of the Local Government (Amendment) Act, 2008. The excess of 46,968,551 arose because the actual expenditure incurred was 67,870,000 whereas the allowable amount was Shs. 20,901,449.

Recommendation
Regulations should be complied with.

44.4 Salary Advance
A sum of Shs.35,000,000 was paid to the LC V Chairman, in respect of salary advance. The terms and condition under which such a huge salary advance was given was not established. Besides to date, he has refunded only Shs.13,000,000 leaving a balance of Shs.22,000,000 outstanding.

Recommendation
The terms and condition of the advance be provided for audit and recovery followed up.
44.5 **Missing Vouchers**
During examination of the accounts, it was noted that payments for a total of Shs.9,801,500 had no payment vouchers contrary to Regulation 66 of the Local Government Financial and Accounting Regulation 2007. Missing vouchers are potentially fraudulent.

**Recommendation**
The missing vouchers should be traced and submitted for audit verification.

44.6 **Incompletely Vouched Expenditure**
A sum of Shs.3,926,000 purportedly spent in respect of various Council activities during the year lacked appropriate supporting documents at the time of audit contrary to Regulation 42 of the Local Government Financial and Accounting Regulation 2007.

**Recommendation**
The supporting documents should be availed for verification and regulations complied with.

45.0 **AMURU TOWN COUNCIL**

45.1 **Opinion** - Qualified - Except for.

45.2 **Local Revenue Shortfall**
Regulation 32 of the Local Government and Financial Accounting Regulations 2007 requires the Head of Finance to ensure proper and prompt collection of all local budgeted revenue. However, out of the Town Councils’ approved estimate of local budgeted revenue of Shs.50,000,000, only Shs.880,000 was realized leaving a shortfall of Shs.49,120,000. Revenue shortfalls undermine service delivery.

Management regretted the under collection and explained that it was due to the fact that people were just settling from the insurgency.
**Recommendation**
Management should always comprehensively assess the revenue potential so that realistic revenue forecasts are done. Where collectibility is doubtful budget revision should be caused in accordance with the regulations.

45.3 **Un approved Contract price variation**
Regulation 120 (12) of the Local Government Public Procurement and Disposal of Public Assets Regulations, 2006 requires individual contract amendments in excess of 15% of the original contract price to be approved by the Public Procurement and Disposal of Assets Authority. Contrary to this regulation a contract price of Shs.22,332,339 representing 20% of the original contract price was made on a building construction contract without the Authority’s approval.

**Recommendation**
Management should follow Public Procurement and Disposal of Assets regulations. Meanwhile authority for the variation be availed.

46.0 **APAC DISTRICT**

46.1 **Opinion – Qualified – Except for.**

46.2 **Outstanding Administrative Advances**
No attempt was made by management to recover the previous year’s advances totaling Shs. 619,985,965 contrary to Regulation 43 of the Local Government Financial and Accounting Regulations 2007 and 6.6.3.4 of the Local Government Financial and Accounting Manual 2007.

Management in their response stated that advances to the tune of Shs.301,000,000 were tabled before the Executive Committee for approval of write off. However, it was noted that this action was taken in financial year 2009/2010.

**Recommendation**
Management should explain the difficulty in causing accountability.
46.3 Irregular Expenditure on Council Emoluments and Allowances
Council incurred Shs.94,691,884 in excess of the 20% statutory requirement set out in the first schedule, Regulation 4 of the Local Government Act, 2006 as amended. The excess expenditure occurred because the actual expenditure was Shs.186,250,000 whereas the statutory provision was of Shs. 91,558,116.

**Recommendation**
An explanation be rendered and the regulation be complied with.

46.4 Non remittance of Unexpended Balances of Conditional Grant to the Consolidated Fund
Section 19(2) of the Public Financial Accounting Act 2003 and Section 6.6.5.3 of the Local Government Financial and Accounting Manual 2007 requires all unexpended balances in respect of conditional or other grants from Government to be returned immediately after the year end and not later than 25th of September following the end of the financial year. Contrary to this, unspent balances of Conditional Grant Shs.27,057,961 in respect of school construction programme were not remitted to the consolidated fund but instead retained without authority.

**Recommendation**
The unexpended balances should be returned to treasury or authority to retain them be sought from the Secretary to Treasury.

46.5 Unaccounted for Funds
Shs.4,682,700 was advanced to various officers to undertake various Council activities during the year under review. However, the funds had not been accounted for by the time of audit contrary to Regulation 43(2) of the Local Government Financial and Accounting Regulation 2007 that require accountability to be rendered within a month.
**Recommendation**

Management should produce the accountability documents for audit verification, otherwise the funds are recoverable from the affected officers.

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### 47.0 APAC TOWN COUNCIL

#### 47.1 Opinion: Qualified – Except for.

#### 47.2 Advances not Accounted For

Shs.10,071,500 was advanced to various council officials to implement activities under the NAADs programme. However, the funds had not been accounted for by the time of audit contrary to Regulation 43(2) of the Local Government Financial and Accounting Regulations 2007.

Management availed the accountability documents for audit verification. The audit team verified payments amounting to Shs.3,345,000 of the amount earlier reported in the management letter leaving a balance of Shs.10,071,500 unaccounted for.

**Recommendation**

Management should avail accountability documents for audit verification. Otherwise the funds are recoverable.

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#### 47.3 Diverted Funds not Refunded

A sum of Shs.3,000,000 was transferred from the Urban Roads A/c to the Operations A/c to finance Council activities contrary to Regulation 37(2) of the LGFAR 2007.

Management responded that it is true that the above sum of money was borrowed to be repaid but not diverted.

**Recommendation**

The funds should be restored to the Urban Roads A/C or refunded to Treasury.
48.0  **DOKOLO DISTRICT**

48.1  **Opinion** — Unqualified.

48.2  **Revenue Shortfall**
Contrary to regulation 32 that require all budgeted revenue to be collected, out of the budgeted local revenue of Shs. 60,505,100, Shs. 53,726,405 was realized leaving a shortfall of Shs. 6,778,695 (11%) of the budget. Revenue shortfalls undermine service delivery. Besides there was no documentary proof that the arrears of revenue returns were submitted to District Executive Committee as required by section 4.8 of the Local Government Financial and Accounting Manual 2007.

**Recommendation**
Management should be vigilant in collecting local revenue and ensure that arrears of revenue returns are submitted to the executive committee as required by the regulations.

48.3  **Incompletely Vouched Expenditure**
A sum of Shs. 9,210,700 was spent on various activities. However, the payment vouchers lacked appropriate supporting documents contrary to regulation 43 (2) and Section 2.2.1 and 5.4.6 of the Local Government Financial and Accounting Regulations and Local Government Financial and Accounting Manual 2007 respectively.

**Recommendation**
Supporting documents for the payments be availed for audit.

48.4  **Unaccounted for Funds**
A sum of Shs. 1,250,000 advanced to a facilitator to conduct training of the newly recruited Staff of the District lacked accountability.

**Recommendation**
Accountability should be rendered otherwise the amount is recoverable.
48.5 **Lack of Primary Teachers Personal Files**

A review of the registry, revealed that personal files of twenty Primary Teachers whose monthly salaries amounted to Shs. 5,855,970 were not availed for audit. There is a risk that the teachers may not be existing.

**Recommendation**

Management should establish the personal files in question and ensure that the teachers do exist.

49.0 **DOKOLO TOWN COUNCIL**

49.1 **Opinion** – Unqualified.

49.2 **NAADS Account- Irregular Payment**

Contrary to circular standing instruction No.2 of 2005 issued by Public Service, a sum of Shs.2,148,000 was paid as night allowance for workshops/meetings which were organized at Dokolo District Headquarters, a walkable distance from the Town Council.

**Recommendation**

The amount should be recovered from the officers.

49.3 **LGDP Account**

49.3.1 **Purchase of Garbage Skips**

Shs.4.800,000 was paid to a local firm for purchase of 20 garbage Skips. However, records pertaining to the procurement process such as the bidding process, the award Letter and contract agreement were not availed for audit contrary to Regulation 46 of the Local Government Public Procurement and Disposal of Assets Regulations (LGPPDAR) 2006.

Furthermore, the receipt of funds was not acknowledged by the payee contrary to section 2.2.1 of the Local Government Financial and Accounting Manual (LGFAM) 2007.
**Recommendation**
A file containing the procurement proceedings should be availed in accordance with Regulation 46 of the Local Government Public Procurement and Disposal of Assets Regulation 2006 for audit.

49.3.2 **Construction of Pit Latrine**
Shs.4,868,623 was paid to a private firm for construction of a four-door pit latrine located at the unfinished office block. A physical inspection of the works revealed the following:

- Doors were made out of unseasoned timber and had warped.
- 2 doors were hanging and were not properly shutting.
- Fascia board were not properly made and not painted.

This scenario is attributable to neglect of duty by the contract supervisor.

**Recommendation**
- The contractor should rectify the defects.
  Management should always supervise construction projects to avoid shoddy work.

50.0 **GULU DISTRICT**

50.1 **Opinion**-Qualified – Except for.

50.2 **Un recovered Personal Advances**
Contrary to standing orders that require recovery of personal advances to be recovered with (3) three months, Shs 6,904,864 remained outstanding at the year end.

Management’s response was that the recovery effort was being undertaken.

**Recommendation**
Management should follow up and have the funds recovered.
50.3 **Un-vouched Expenditure**

Section 42 of the Local Government Financial and Accounting Regulations 2007 requires all disbursements of public moneys to be properly vouched on payment vouchers. Contrary to the regulation, expenditure amounting to Shs.2,698,500 was not supported by payment vouchers.

I could not confirm whether the funds were used for the intended purpose.

**Recommendations**

Management should avail the vouchers for audit.

51.0 **GULU MUNICIPAL COUNCIL**

51.1 **Opinion** – Qualified – Except for.

51.2 **Procurement Irregularities**

A contract sum of Shs. 120,000,000 awarded to JICA II Project to rehabilitate a road was varied to Shs. 298,383,190. However, the contract price variation of Shs.178,283,190 (over 100%) lacked authority from PPDA as required by regulation 120 (12) of the LGPPDA, 2006.

Besides, there was no evidence that the contract was competitively awarded. Finally although the whole amount was paid, the work was still incomplete by the time of audit. The procurement appears irregular.

**Recommendation**

Management should ensure compliance with Local Government Public Procurement and Disposal of Assets regulations in future.

51.3 **Creditors**

Contrary to Local Government Financial and Accounting Regulations, 2007 section 11 (ad) and the Local Government Financial and Accounting Manual, 2007 paragraph 5.2.1 which require that commitments be entered into on the basis of available funds, creditors totaling to Shs. 327,995,845 remained outstanding at the end of the year. This may attract litigation.
**Recommendation**
Council should expedite the payment of creditors to avoid eminent penalties and fines.

51.4 **Legal Costs**
Council paid legal costs totaling to Shs 76,930,131 as a result of court action by third parties and Shs 246,021,485 was still outstanding.
Out of the outstanding legal costs Shs. 229,043,016 relates to award of pension and gratuity arrears to former employees of Council. However, details of computation were not availed for audit.

**Recommendation**
Outstanding legal costs should be settled as a matter of priority to avoid further penalties that may arise. Meanwhile legal costs be minimized as they are a burden to Council.

51.5 **Debtors/ Receivables**
Contrary to Section 2.3.2.3 of the LGFAM, 2007 which requires debtors to be recovered promptly, Shs.185,264,458 remained outstanding. Failure to recover these debtors exposes Council to loss arising out of bad debts.

**Recommendation**
Management should expedite the recovery of these debts.

51.6 **Diversion of LGDP II Funds**
A sum of Shs. 58,000,000 was diverted from the LGDP II account to pay for the VAT arrears contrary to regulation that require conditional grants to be used on the objectives of the grant. Besides, no refund has been effected.

Further more acknowledgement receipt(s) in respect of VAT paid were not available for audit verification.
Management responded that, the diversion was due to conditions beyond their control, because Gulu Municipal Council accounts had been attached by court orders and Uganda Revenue Authority enforcement action.

**Recommendations**

- The funds diverted should be recovered and be put to use for the intended purpose and management should desist from diversion of conditional grants.

51.7 **Incompletely Vouched Expenditure**

A sum of Shs.56,292,292 incurred on various activities lacked supporting documents contrary to regulation 42 of LGFAR, 2007. This renders the expenditure incompletely vouched.

**Recommendation**

All the documents should be availed for audit verification or funds be refunded.

51.8 **Outstanding Administrative Advances**

Section 43(2) of the Local Government Financial and Accounting Regulations 2007 requires administrative advances paid to Council staff to be accounted for within a month. However, administrative advances totaling to Shs 52,816,681 have remained outstanding despite the previous years’ recommendation to Council, to have all the outstanding advances recovered.

The Council management appears to be reluctant to enforce recovery of these advances.

Management explained that the advances are being followed up with a view of recovery.

**Recommendation**

The funds should be recovered or accounted for as required by the Local Government Financial and Accounting Regulations.
51.9 **Inadequate Staffing**

Out of the approved established posts of 238, only 115 were filled leaving 123 (52%) vacancies.

The understaffing makes it difficult for Council to effectively achieve its vision, mission and strategic objectives.

Management in their response indicated that the core vacant posts have been advertised and shall soon be filled by the District Service Commission.

**Recommendation**

Management should follow up the matter and ensure that the vacancies are filled to enable effective and efficient service delivery.

51.10 **Local Revenue Shortfall**

Regulation 32 of the Local Government Finance and Accounting Regulations 2007 requires that all budgeted revenue be collected. However, out of the approved estimate of local revenue of Shs. 1,025,613,436, Shs 622,377,213 was realized leaving a short fall of Shs. 403,236,223 (39.3%).

With shortage of revenue, Council cannot adequately implement the planned activities.

According to management, the revenue shortfall arose due to Council’s failure to attract a buyer for the old refuse fill.

**Recommendation**

Management should put in place rigorous measures in revenue collection in order to avoid such shortfalls. Where it is established that revenue cannot be collected the budget should be revised accordingly following established regulations.
53.11 **Over Payment of Advance to Finance Road Works**

An overpayment of advance of Shs. 31,655,000 was occasioned on opening up of 1.85 Km road. Besides, the advance payment lacked a bank guarantee as required by regulation 116(2) of the LGPPDA, 2006.

**Recommendation**

Management should ensure full recovery of the advance as the work proceeds and management should also obtain a bank guarantee for the full amount advanced.

51.12 **Excess Expenditure on Council Emoluments and Allowances**


The extra amount of money spent on Council emoluments and allowances suffocated other planned activities.

**Recommendation**

Regulations be complied with.

51.13 **Missing Vouchers**

Expenditure vouchers totaling to Shs. 8,540,000 were missing and hence could not be rendered for audit.

**Recommendation**

Management should avail the missing vouchers for audit verification.

51.14 **Unacknowledged tax deductions**

Tax deductions totaling to Shs. 1,700,105 allegedly remitted to URA were not supported by acknowledgement receipts.
**Recommendation**
Evidence of remittance of the taxes to URA should be availed for audit verification.

52.0 **KALONGO TOWN COUNCIL**

52.1 **Opinion**—Qualified – Except for.

52.2 **Funds Not Accounted For**
A sum of Shs.11,996,085 was advanced to an individual for rehabilitation of pokor road and other Town Council roads. However the advance has not been accounted for. Management responded that accountability documents were now available. However, they were not rendered for audit.

**Recommendation**
Management should produce accountability, otherwise the funds are recoverable.

52.3 **Non Remittance of Unexpended Balances of Conditional Grants**
Section 19(1) of the Public Finance and Accountability Act, (PFAA) 2003 and Section 6.6.5.3 of the Local Government Financial and Accounting Manual (LGFAM) 2007 require that all unexpended balances in respect of conditional grants from Government be returned immediately after the year end and not later than 25th of September following the end of the financial year. However, there was no documentary proof that conditional grants of Shs.63,018,961 were returned to the Treasury, nor was authority for their retention availed for audit.

**Recommendation**
All unexpended balances in respect of conditional grants should be returned to Treasury or authority to retain be obtained from the Secretary to the Treasury.

52.4 **Local Revenue Shortfall**
Regulation 32 of the Local Government Financial Accounting Regulations, 2007 requires that all budgeted revenue is promptly collected. However, contrary to this regulation out of the local revenue budget of Shs.39,741,770 on several
revenue items, only Shs.14,910,971 was realized leaving a shortfall of shs.25,330,799.

Management in their response indicated that the Council experienced a revenue shortfall due to several factors such as difficult economic conditions, inaccurate estimates in some revenue sources, inadequate staff for revenue collection, and delay in the procurement process.

**Recommendation**

Management should ensure that the factors hindering full realization of the local revenue budget are brought to the Executive Committee with a view of budget revision. Management should also be vigilant in collecting local revenue.

53.0 **KITGUM DISTRICT**

53.1 **Opinion** – Unqualified.

53.2 **Excess expenditure**

Regulation 44 (1) of the Local Governments Financial and Accounting Regulations, 2007 prohibits excess expenditure unless properly authorized. However, contrary to this regulation the District incurred excess expenditures on various programmes totaling to Shs.217,472,181 without approval of the Council.

**Recommendation**

Management should obtain relevant authority and comply with regulations in future.

53.3 **Violation of the Public Procurement and Disposal of Assets Regulations**

Under the Public Procurement and Disposal of Assets Regulations, any supply of goods or services above the threshold of Shs. 1,000,000 should be subjected to competitive bidding and must have the approval of the Contracts Committee of the District. It was observed that the District incurred expenditure amounting to Shs.48,261,879 without competitive bidding and contract committee approval.
This anomaly was not explained.

**Recommendation**
Management should explain why procurement procedures were not followed and in future regulations should be complied with.

53.4 **Doubtful Expenditure**
A sum of Shs.22,173,000 was paid to various beneficiaries to enable them monitor implementation of Projects. However monitoring reports were not availed for audit rendering the expenditure doubtful.

**Recommendation**
Management should render the reports for audit.

53.5 **Reimbursable Expenses not accounted for**
A sum of Shs.1,835,760 released to a contractor to cater for supervision, site meetings and HIV, environmental awareness while constructing Mucwini-Kitgum Matidi road lacked accountability.

Management in their response promised to recover the money.

**Recommendation**
The amounts paid totaling to Shs.1,835,760 is recoverable from the company.

55.6 **Loss of Motorised Engine Pump at Mucwini IDP Camps**
Contrary to regulation 115 of LGFAR 2007, the loss of a general motorized engine pump at Mucwini IDP camp was not reported to the District Executive Committee for action.

It was not explained why the regulation was not complied with.
**Recommendation**
Management should explain the anomaly and ensure that it is reported to the Executive Committee.

53.7 **Unaccounted for Salary Payments**
The Administration is assisted by an NGO operating in the District. The organization pays money to the District to assist in paying workers who have not been absorbed on the District payroll. The money is deposited in the District Health account from where it is drawn and paid to the workers. During examination, it was noted that Shs.1,965,600 received from the NGO for payment of salaries was not accounted for.

**Recommendation**
Accountability should be rendered.

54.0 **KITGUM TOWN COUNCIL**

54.1 **Opinion** – Qualified – Except for.

54.2 **Unaccounted for Funds**
A total of Shs.16,503,000 advanced to several officers and councilors of the Council remained unaccounted for at the time of audit examination contrary to Section 43(2) of the Local Governments Financial and Accounting Regulations, 2007 which require that administrative advances must be accounted for within one month. Delayed accountability may lead to misuse of funds.

**Recommendation**
The officers should produce accountability of funds or the amount be recovered from them.

54.3 **Loss of Council Funds**
In the Bank Reconciliation Statements submitted with the accounts, it was noted that Council incurred losses amounting to Shs.6, 112,186 as a result of failure to bank collection as required and a direct debit on Council’s accounts. Details of
funds allegedly sent to the Bank but not reflected and the amount drawn but not reflected in the books are attached as appendix 2 to the report.

In their response Management accepted the issues raised and promised to take up the issues with the bank and individuals concerned.

**Recommendation**
The officers concerned should be traced and necessary action taken to recover the amount.

54.4 **Un-authorised Payment of mileage allowance to Chairman Urban Council III**

According to Section 2 (3) of the First Schedule of the Local Government Act Cap 243 of 2007, the Chairperson of any Local Council can opt for monetization of his/her benefits and allowances and such funds can be paid to him at the rate approved by that Council. In that regard, Kitgum Town Council in their budget approved a consolidated allowance of Shs 800,000/= to be paid to the Chairman on a monthly basis. This allowance was meant to cater for all the benefits that would accrue to him in the course of his duties with the Council. It was however observed during the examination of the accounts of the Council that the Chairman LC III drew a monthly mileage allowance of Shs 150,000 during the year on top of the consolidated allowance. The total payment for the year amounted to Shs 1,800,000.

Management admitted that double payment was made to the Chairman L.C111, and promised to recover from his salary.

**Recommendation**
Management should recover the amount wrongly paid to the Chairman as mileage.

54.5 **Withholding Tax Deduction**

A total of Shs.1, 200,000 was paid in the names of Mr. Charles B Nawagaba of Makerere University, Department of Civil Engineering as consultancy fees to carry
out Environmental Impact Assessment on the proposed de- gazetting of forest reserve A & B and the proposed gazetting of site on Kitgum Matidi road. All the payments were banked on account No. 0140022044901 in the names of SSWARS Stanbic bank Makerere Branch.

According to available documents, it was noted that the services were advertised by the Ministry but none applied for the contract. The Contract Committee then allowed the Town clerk to outsource the contractor. According to the availed documents, it was also agreed by the Committee that part of the work should be done by the employees in the Council’ Department and those officers should be paid at Government rates. Furthermore, the Town Clerk was to avail the Contract Committee with the results of the activity.

It was however noted that the amount of the consultancy services was banked direct to the account of the contractor and no document shows that the recommendation of the Contract Committee to employ the staff of the Council was heeded. Up to the time of the audit the Town Clerk had not furnished the Contract Committee with the result of the activity for their approval. All the payments for the contract were made without making statutory deduction of Withholding Tax as required by law.

Management agreed that they did not make the statutory deduction of withholding tax, they promised to recover from the consultant.

**Recommendation**

Management should explain why the employees in the relevant department of the Council were not engaged in the exercise that could have boosted their morale. The taxes should be recovered and remitted to URA.

**Unspent Funds for the Financial Year 2007/2008**

Under Section 19(1) of the Public Finance and Accountability Act, 2003 every appropriation of moneys for a financial year lapses at the end of the financial year. The unspent funds for that year are supposed to be returned to the consolidated funds unless specific authority has been given for its utilization by
the Treasury. The Council retained a total of Shs 125,480,872 from the grants for the previous year and utilized the amounts to execute projects without seeking authority from the Ministry of Finance as no evidence of authority was produced at the time of the audit.

Management submitted that there was an oversight that for the year in question they did not seek permission to retain and spend the shs.125,480,872. Management also submitted that there was no intention to flout the law as spelt in the Act. The audit team still maintained that the money was spent illegally.

**Recommendation**
Management should explain why the procedures as spelt out in the Act were not followed.

54.7 **Payments to M/S Mukalazi Technical Services Shs.232,298,390**
The Council through the Ministry of Works, Transport and Communication contracted M/S Mukalazi Technical Services to tarmack the road from Palabek Road junction to the Catholic Mission near St. Joseph Hospital at a contract sum of Shs.376,652,000 on 30th October, 2008. The contract was not in the Council work plan and it was not advertised for competitive bidding as required by the Public Procurement and Disposal of Assets Regulations. The company was paid an advance of Shs.112,995,600 and an insurance bond from Leads insurance company was provided to secure the deal.

At the time of the audit, this contract had already been extended three times but the contractor had abandoned the site without informing Council. Under the conditions of the Insurance Bond, the Insurance Company was supposed to reimburse the amount advanced for the work after the expiry of the contract without any reasonable excuses.

It was also noted that during the execution of the project, payments had already been made including items which had gone beyond the amounts specified in the Bills of Quantity. Some items for a total of Shs. 107,200,000 which had not been
specified in the originals were inserted by the contractor, approved and paid for contrary to the provisions in the agreement which stipulated that the consultant shall seek approval for any variation from the employer. It was also observed that the increases in the volume of work and the amount paid on the certificates had no blessing from the Contracts Committee or the Council as required under the agreement or the Procurement Regulations. Details of the increase in the volume of work and amount involved that was paid is shown in appendix III.

Management in their response agreed that it is true that there was no authority as the contract was awarded in 2007/08 but was extended to cover 2008/09 when the work was carried out and the payment made. The anomaly is regretted.

**Recommendation**

The Supervising Engineer should explain why he authorized the excess expenditures on the above listed items without seeking authority from Council or the Procurement Committee or justify why the excess expenditure should not be recovered from his personal emoluments.

54.8 **Missing Vouchers**

According to Section 42 of the Local Government Financial and Accounting Regulations, 2007 all disbursements of public moneys shall be properly vouched on payment vouchers prescribed in the Accounting Manual.

Shs.10,467,426 listed in appendix IV were made without vouchers as the vouchers were missing at the time of audit.

**Recommendation**

Management should provide sufficient explanation or avail the vouchers for verification.
55.0 **LIRA DISTRICT**

55.1 **Opinion – Unqualified.**

55.2 **Outstanding Administrative Advances**
Contrary to Regulation 43 of the Local Government Financial and Accounting Regulations 2007 and 6.6.3.4 of the Local Government Financial and Accounting Manual 2007, which require administrative advances to be accounted for within a month, Shs.52,824,842 remained outstanding at the year end. Management promised recovery or institution of procedures for write off.

**Recommendation**
Management should ensure that the advances are recovered or written off in accordance with the regulations.

55.3 **Non remittance of Conditional Grants to the Consolidated Fund**
Section 19 (2) of the Public Finance and Accountability Act 2003 and Regulation 6.6.5.3 of the Local Government Financial and Accounting Manual (LGFAM) 2007 require all unexpended balances in respect of conditional or other grants from Government to be returned immediately after the year end and not later than 25th of September following the end of the financial year or authority to retain sought from the Secretary to Treasury. However contrary to this regulation unexpended balance of Shs.41,340,420 only Shs.11,000,000 had evidence of authority for retention leaving Shs.30,059,410 whose retention was not authorized as detailed below:-

<table>
<thead>
<tr>
<th>A/c Title</th>
<th>Unexpended (Ugx)</th>
<th>Committed Funds (Ugx)</th>
<th>Un refunded (Ugx)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capacity Building</td>
<td>11,236,480</td>
<td>Nil</td>
<td>11,236,480</td>
</tr>
<tr>
<td>NAADS</td>
<td>11,464,021</td>
<td>Nil</td>
<td>11,464,021</td>
</tr>
<tr>
<td>LGDP</td>
<td>18,358,909</td>
<td>11,000,000</td>
<td>7,358,909</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>41,059,410</strong></td>
<td><strong>11,000,000</strong></td>
<td><strong>30,059,410</strong></td>
</tr>
</tbody>
</table>
**Recommendation**
These unexpended balances be returned to Treasury.

55.4 **Unaccounted For Funds**
A sum of Shs.10,490,000 was advanced to Council employees to execute various activities during the year. However, the funds had not been adequately accounted for by the time of audit contrary to Regulation 43(2) of the Local Government Financial and Accounting Regulations 2007.

In the absence of accountability documents, the genuineness of the expenditure could not be established.

**Recommendations**
The funds should be accounted for or recovered.

55.5 **Double Payments on Workshops**
A sum of Shs.7,372,500 was paid out in allowances to various officers to attend various meetings/workshops. However, it was noted that these meetings and workshops had been funded by the hosts.

The expenditure constitutes double payments.
Management responded that the recovery will be made from concerned officers’ salaries.

**Recommendation**
Management should ensure recovery of the funds.

55.6 **Non-availability of personnel records**
A review of the teacher’s payroll revealed that monthly salary of Shs.7,270,420 was incurred in respect of 23 teachers. However, their personal files were not availed for audit. There is a possibility that these teachers do not exist.
**Recommendation**
Management should ascertain the existence of the teachers and ensure that their personal files are compiled and availed for audit.

56.0 **LIRA MUNICIPALITY**

56.1 **Opinion** – Qualified- Except for.

56.2 **Construction of Kwania Road**
In June 2008 a private firm was contracted to construct 1.5km of Kwania Road, within 6 months at a contract sum of Shs. 578,408,000. However by the time of audit (July 2009), the work had not been completed and the contractor had abandoned the site, yet payment of Shs.448,380,681 had been made. There is a risk, that value may not be achieved for the amount spent.

Although management claimed during discussion that the contractor had resumed work and that 80% had been completed, a revisit at the site (February 2010) revealed that the contractor had not resumed work.

**Recommendation**
Management should ensure that the contract is completed.

56.3 **Non-Current Assets**

56.3.1 **Deprecation of Assets**
Council did not depreciate her assets as required by section 6.4.2.24 of the Local Government Financial and Accounting Manual 2007. Accordingly the fixed assets amount of Shs.1,808,784,526 shown in the balance sheet was overstated.

Management responded that Council had not depreciated her assets because ascertaining the historical cost of the assets acquired many years ago was difficult. Attempt to engage a qualified valuer had also failed.
**Recommendation**
Action should be taken to have the assets valued, depreciated and properly reported in the financial statements.

56.3.2 **Land & Buildings**

Included in the non-current assets balance is a sum of Shs. 1,508,966,899 in respect of land, buildings and other structures. Ownership of these structures could not be verified due to non-availability of land titles.

Management in their response accepted the anomaly but stated that though the Council lacks land titles’, processing of land titles for some of the assets was going on. However, this assertion could not be confirmed by audit by the time of writing this report.

**Recommendation**
Land titles should be obtained to secure ownership.

56.4 **Personal Advances**

Personal advances of Shs.74,447,102 were not recovered contrary to the Standing Orders.

Management responded that, recovery of personal advances was poor because most advances were given several years ago and the source documents could not be traced.

**Recommendation**
Action be taken for recovery or procedures for write off be instituted.

56.5 **Funds not Accounted For**

A sum of Shs.24,463,600 advanced to various staff to execute various activities during the period under review remained outstanding contrary to regulation 43(2) of the Local Government Financial and Accounting Regulations 2007.

**Recommendation**
Accountability should be availed for verification or recovery measures be made.
56.6 **Doubtful payments**

A sum of Shs.1,965,000 was paid to a member of staff to enable him attend different workshops at Ministry of Local Government and Uganda Management Institute (UMI) in Kampala. However, accountability for the advance was not rendered contrary to regulation 42 (2) of the Local Government Financial and Accounting regulations 2007 rendering the expenditure doubtful.

**Recommendation**

Management should provide accountability or recover the amount involved.

56.7 **Late procurement planning**

Although procurement plans are expected to be prepared along side the budget in any case not later than 1st July (beginning of the Financial Year), it was observed that the procurement plan for 2008/2009 was prepared in January 2009 (3rd quarter). Delayed procurement planning leads to non implementation of approved activities.

Management responded that the late procurement planning was as a result of late approval of the budget and also delays in the divisions to present work plans.

**Recommendation**

Procurement planning should be done at the start of the year to enable implementation of the approved budget.

57.0 **OYAM DISTRICT**

57.0 **Opinion**-Qualified-Except for.

57.1 **Annual Audit for the Financial Year Ended 30th June 2009**

57.1.1 **Unauthorized Expenditure**

Shs.306,296,320 was spent on Administration and Finance Programme in excess of the approved estimates without authority. This is contrary to regulation 44 (1)
of Local Government Financial and Accounting Regulation, 2007 which prohibits excess expenditure unless properly authorized.

**Recommendation**
The authority for the excess expenditure be provided for audit.

57.2 **Special Audit**
This special audit conducted in the months of September to November 2009, covered two financial years; 2007/08 and 2008/09 and revealed the following;

57.2.1 **Primary Teachers Payroll - Shs.109,046,152**
- The above sum of money was paid to persons whose names appeared on the primary school teachers’ payroll in respect of salaries during the period July 2007 to October 2008. However, it was noted that in most cases, Oyam District did not maintain personal files for the Officers.
- In addition, the District paid salary to teachers whose services were rendered to Apac District during the period under review. A case in point is Obong Santo who taught in Awila Primary School in Apac District but was paid as a teacher of Aungu Primary in Oyam District.
- There were 11 cases of officers whose names continued to appear on the Oyam teachers’ payroll although they were dead contrary to Regulation 126(1) of the LGFAR 2007. Efforts to access their personal files proved futile.
- It was also noted that in order to improve efficiency in the salary payment process, Government introduced the Straight Through Processing (STP) of salaries with effect from 1st November 2008. The system is such that Salaries of Public Officers are paid directly to their individual bank accounts using the EFT arrangement.

The following records pertaining to the period November 2008 to June 2009 were however not availed for examination contrary to STP guidelines attached.
- Soft Copies of the Preliminary payrolls.
Signed hard copies of the Payroll Exceptions Reports submitted to the Accountant General after effecting adjustments to the preliminary payrolls.

Monthly bank statements.

**Recommendations**

- Up-to-date personal files for the teachers mentioned above, including those who died during the period July 2007 to June 2009 should be availed for audit.
- STP records mentioned above should be availed for audit.
- Record keeping in the Education department should be strengthened.

57.2.2  **Procurement**

57.2.2.1  **Post Flood Procurement of Seeds and Planting Materials-Shs.366,061,238**

During the period Sept-Nov. 2007, the Districts of Northern and Eastern Uganda experienced unusually heavy rains resulting into floods that destroyed crops and food stuffs leaving many households at the brink of starvation.

Consequently, in December 2007, Government of Uganda came up with an emergency intervention response and injected through Ministry of Agriculture and Fisheries Shs.48 billion to the region. Oyam District received Shs.366,061,238 to assist the flood victims in the acquisition of seeds and planting materials for quick maturing crops. The following observations were made:-

57.2.2.2  **Procurement Irregularities**

I was not provided with sufficient information to enable me complete an audit of the procurement. For example the following standard procurement forms were not provided for audit:-

- LGPP form 6 – showing records of issue of bid documents as in PPDA regulation 66(4)
- LGPP form 9 – to show record of receipt of bids as required by regulation 70 (5)
LGPP form 10 – to show a record of bid opening in accordance with Regulation 71(11),(12) and (13)

LGPP form 13 – showing submission of the evaluation report to contracts committee [Regulation 81(1)].

However despite the above, from the scanty information available, I noted the following;
The contracts committee approved competitive national bidding as the method of procurement for the seeds and planting materials and three firms applied i.e.
- Kawanda Nakyesaya Agro Input Dealers
- Onapa JS Enterprise
- POLGA Co. Ltd

It was noted however that only one firm responded in time and later the District requested guidance from PPDA on use of selective bidding or sole provider method. The PPDA guided that the District could go ahead and apply Reg 166 on use of a sole provider provided that the evaluation committee indicates that the bid offers value for money. They further guided that the District could utilize the pre-qualified list of firms for seeds and planting materials from Ministry of Agriculture, Animal Industry and Fisheries.

However, the District disregarded the PPDA guidance and solicited other bids using selective bidding without consulting the Ministry, in contravention of regulations.

The contracts were awarded to:-

<table>
<thead>
<tr>
<th>Company</th>
<th>Item to supply</th>
<th>Amount in Shs</th>
</tr>
</thead>
<tbody>
<tr>
<td>M/s Onek can Agro-Input Dealers</td>
<td>22,500kg bean seeds</td>
<td>56,250,000.</td>
</tr>
<tr>
<td>Ms/ Onek can Agro-Input Dealers</td>
<td>27,500kgs of maize</td>
<td>45,000,000.</td>
</tr>
<tr>
<td>M/s GEOSHED Ltd</td>
<td>22,500kg of bean</td>
<td>56,250,000.</td>
</tr>
</tbody>
</table>

Given the above, I could not ascertain whether the principles of transparency, fairness and value for money were achieved in the procurement process.
57.2.2.3 **Delayed Implementation of the Program**

Consequent to the delays in the procurement process, it was not until May 2008, 6 months after the release and receipt of funds, that tenders were awarded. Furthermore it was noted that some of the companies contracted like M/S Onekcan Agro input dealers which was to supply maize and bean seeds within 3 weeks of award of the contracts, made their final delivery in April 2009 (1 ½ years after the floods).

There was therefore delayed implementation of the program such that the targeted population (the flood victims) did not get the required attention at the right time.

57.2.2.4 **Doubtful Delivery of Seeds and Planting Materials**

The scrutiny of records indicated that the District purchased 68,015 kgs of maize seeds, 45,000kgs of beans, 9,000 bags of potatoes vines, 400 bags of cassava cuttings for the flood affected persons in all sub-counties. However, there was no documentary evidence of receipt of the items by the beneficiaries.

In the absence of an authentic distribution list I could not confirm that the seeds and planting materials were received by the intended persons.

57.2.2.5 **Failure to Pass a Supplementary Budget**

The management of the District did not present to council a supplementary budget request to accommodate the Shs.366,061,238 which had not been anticipated. Regulations 24 and 28(3) of the LGFAR 2007 were contravened. This resulted into the funds being spent without requisite authority.

57.2.2.6 **Poorly kept Accounting Records**

It was observed that the funds for the emergency response on floods were put on production and marketing operations account. However the payment vouchers had not been recorded in the cash book. This is contrary to regulation 59 and 6.4.21 of the LGFAR and LGFAM respectively.
57.2.2.7 **Doubtful Tax Remittances-Shs.21,761,801**

A total of Shs.21,761,801 was paid to Uganda Revenue Authority (URA) as 6% withholding tax deductions from various companies. However, official receipts from URA were not appended to the payment vouchers at the time of audit and I could therefore not confirm that the amount was received by URA.

**Recommendation**

- The anomalies mentioned in the procurement process and the apparent delay caused need to be explained otherwise the officers need to be held accountable.
- The necessary documentation for procurement, distribution, acknowledgement of receipt need to be provided for verification otherwise necessary disciplinary action be taken on the officers responsible.

57.2.3.2 **Acaba S S Staff House Construction**

M/s Agweng construction was contracted by NUSAF – Oyam to construct a staff house at Acaba SS at cost of Shs.17 million. However the following anomalies were noted:

- The documents to evidence the procurement process were not provided for audit. I could therefore not verify whether proper procedures were followed.
- The said company signed a contract of 17 million. However the District paid the company a total of Shs.25 million thus causing an over payment of Shs.8 million.
- All the building materials were bought and arranged for by the District including building blocks, cement, materials, labour (from trainees) etc. The company however also again charged the District for the same materials in their Bills of Quantities. A case in point is where interlocking bricks were costed at Shs.4,804,000 and yet they were made by the hydraform trainees.
- It was noted that the Director of the company is a teacher of the same school and a wife to the chairman LCV.
**Recommendation**

- The documentation for the procurement procedure should be provided for audit.
- Quantification of amounts double charged needs to be made and the amount recovered from the firm in question.

57.2.2.4 **Procurement of 5 Hydra Form Machines-Shs. 375,600,000**

57.2.2.4.1 **Procurement Irregularities**

Shs.375,600,000 (US$ 166,500) was spent by the District on the procurement of 5 Hydra Form Machines during the 1st and 2nd quarters of the financial year 2007/08 under the NUSAF programme. The machines were to benefit six community sub-projects in the provision of low-cost housing. The following observations were made in respect of the procurement:

- The 5 sub-project files were not availed for audit to enable me ascertain community involvement in the selection of the projects. I could not ascertain that the necessary community committees had deliberated on the projects.
- Documentary evidence of desk and field appraisal of the sub – projects were lacking.
- Minutes of the DTPC and DEC or National Steering Committee (NSC) meetings approving the sub-projects were not availed.
- The supplier was not sourced using international open bidding procurement method contrary to Reg.37 of the LGPPDAR 2006.
- A sum of Shs.8,984,520 was spent on handling and storage of the machines. Of this amount a sum of Shs.7,136,640 was for storage of the machines for 2 days. This indicates a nugatory expenditure which could have been avoided.

The risk of not involving the community at the project selection and preliminary preparation process has affected implementation thereby defeating the objectives of community empowerment.

57.3 **Physical Inspection of the Hydraform Machines**

Oyam District purchased the 5 Hydraform machines in October 2007, however the following anomalies were noted:-.
The District has no policy and guidelines in place for the usage of these machines.

Although these machines were meant to help the various vulnerable communities to afford reasonable housing at a low cost, it was noted that there was no evidence of work done using the machines, under the circumstances, financial resources were misallocated.

It was also noted that the machines were not kept under shelter thereby exposing them to harsh weather conditions.

The Machines were not engraved.

The machines were not recorded in the District assets register.

The machine accessories such as; block cutters, block testers that were supposed to be supplied with the machines could not be traced at the time of the audit.

**Recommendations**

- The project files containing all necessary documentation for project analysis, application and approval should be availed for verification.
- Shs.7,136,640 is recoverable from management unless a proper explanation is provided.
- Guidelines need to be put in place for 1) sensitization of the population on the existence and 2) usage of the machines.
- Proper storage, recording and recording of the machines must be done.
- Management should ascertain the whereabouts of the spares.

**57.4 Purchase of an Executive Desk, a Laptop and 100 plastic chairs**

Shs.2,700,000 was spent on the purchase of laptop and an unknown sum of money was spent on the procurement of CAO's desk and 100 plastic chairs for the council hall. However, it was observed that records pertaining to the procurement were not availed by the PDU contrary to Regulation 46(2) of the LGPPDAR 2006 and guideline No.9/2008 of the LGPPDA Guidelines of 2008. I could therefore not ascertain whether the procurements were competitive and that value for money was realized.
**Recommendation**
Payment vouchers and a file containing the records in respect of the procurement should be availed for verification.

57.5 **Renovation of Anyeke HC IV**
Shs.21,468,668 was spent out of the Capital Development A/c vide chq No.005037; Vr.No. 1/10/08 (Shs.10,548,668) and Chq. 005041(Shs.10,920,000); Vr.No.005041 on the renovation of Anyeke Health Centre IV during the Year ended 30th June 2008. However, it was observed that records pertaining to the procurement were not availed by the PDU contrary to Regulation 46(2) of the LGPPDAR 2006 and guideline No.9/2008 of the LGPPDA Guidelines of 2008.

In addition, it was observed that the cheques were cashed in favour of the vote controller contrary to Regulation 48 of the LGFAR 2007.

**Recommendation**
The procurement file should be availed for verification.

57.2.2.6 **Tochi Bridge Construction – Shs. 417,999,100**

**Procurement Irregularities**
The above sum of money was released from NUSAF Management Unit (NUMU) and subsequently spent in respect of Torchi bridge works. The bridge construction works were executed by Minimax Enterprises in five sub contracts worth Shs.382,000,000 and Lira Cyclist Cooperative Society Ltd (Shs.35,999,100).

Five (5) sub projects were purportedly formed for the purpose of constructing the bridge. The following observations were made:-

- There was no documentary evidence to the effect that the communities were involved in the identification and approval of the project for application of assistance from NUSAF.
- The community also appears not to have been involved in the election of community project management committees (CPMC). A case in point is
where Council employees were the CPMC members of the Diversion Stage subproject as detailed below:

<table>
<thead>
<tr>
<th>Name</th>
<th>CPMC Responsibility</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>Obua Michael</td>
<td>Chairman</td>
<td>Personnel officer</td>
</tr>
<tr>
<td>Adimo Wallace</td>
<td>Secretary</td>
<td>Senior officer road inspector</td>
</tr>
<tr>
<td>Aduche Moses</td>
<td>Treasurer</td>
<td>District cashier</td>
</tr>
<tr>
<td>Akidi Evelyne</td>
<td>Member</td>
<td>Office attendant</td>
</tr>
</tbody>
</table>

- There was no evidence to confirm that the sub projects were approved by the NSC since the threshold of US $ 20,000 (Shs.37,500,000) for approval by DEC was exceeded. Therefore para. 1.1.1 of Chapter 1 of the NUSAF Community Based Procurement and Stores Manual 2007 was ignored.
- The tender was advertised in the New Vision of 8th November 2007. The CAO in her letter of 28th November 2007 (ref. CR/105/2), indicated that four (4) firms submitted their bids for the works. However, there was no documentary proof of approval of the bid document by the District contracts committee, receipt and evaluation of the bids, and subsequent award.
- Payments made were not certified but instead funds would be advanced to the Company for works to be executed or materials (like cement and iron bars) to be procured. The supervision of the contract appears to have been poor. Therefore, a sum of Shs.11,000,000 spent on items D and E of the BOQ appears nugatory.
- No documentary evidence was also provided to support payment of items G and F (HIV/AIDS awareness and a total of Shs.6,000,000 spent needs to be explained).
- At a certain stage, Minimax abandoned the works after full payment of the contract sum and Lira Cyclist Cooperative Society took over at a cost of Shs.35,999,100. This extra cost was not explained since the original contractor was engaged to execute the works to completion.

**Recommendations**

- The subprojects files should be availed for verification.
• The documents detailing the procurement process used to obtain Minimax needs to be provided for audit.

• A sum of Shs.18,087,800 is for works not done is recoverable from management.

• Documentary evidence of circumstances that led to the abandonment of the works by Minimax and the subsequent identification of Lira Cyclist Cooperative Society should be availed.

• A sum Shs.35,999,100 drawn by Lira Cyclist Cooperative Society (as per their BOQ) is recoverable from Minimax for onward remittance to NUMU.

57.7 **Physical Inspection of the Bridge Works: Nugatory expenditure.**

A copy of the BOQs filled out by Minimax Enterprises Ltd indicated that the company was supposed to carry out periodic road maintenance works (12km) for a sum of Shs.148,443,773 However, physical inspection revealed that no such works appear to have been executed.

**Recommendation**

Necessary documentation in the form of certificates of work done should be provided for audit otherwise the funds are recoverable from the contractor

57.9 **NAADS and Water Accounts**

57.9.1 **Water Account - Drilling of 24 Deep Wells – 2008/09**

During the year 2008/2009 Oyam District awarded a contract to drill 24 deep wells to M/s Ngai one Investment Ltd at a contract sum of Shs.407,856,000 to be funded from the water account. However, procurement appears not to have been properly awarded as the evaluation appears to have been tampered with.

The evaluation committee at its sitting on 19th December 2008 evaluated 11 bids and recommended 3 best evaluated bidders for award by contracts committee. The evaluation committee had recommended that the work be distributed among the firms. The firms had bid as follows:

<table>
<thead>
<tr>
<th>Company</th>
<th>Cost per deep well</th>
<th>Cost of 24 deep wells</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ngai one Investment</td>
<td>16,994,000</td>
<td>407,856,000</td>
</tr>
</tbody>
</table>
Royal Techno. Industries 15,435,000 370,440,000
Sumadhura technologies 14,714,000 353,136,000

However, on submission to contracts committee, the report reflected Ngai one investment as the only company eligible for award. There was an apparent tampering of the evaluation report to the advantage of only one firm. The contracts committee in their sitting of 20th December, 2008 under Minute 5/42/08 awarded the contract to Ngai One Investments only, the company accepted and the contract was subsequently signed.

In addition, a list of the best evaluated bidders was not displayed and neither was this notice sent to all bidders as required by the procurement laws.

**Recommendation**

Necessary action be taken on the officers who acted irregularly.

57.10 **NAADS-FY 2007/2008**

(a) Establishment of Mother Gardens and Nurseries

M/s Mid North Private Sector Development Co. was awarded a contract for Shs.38,303,125 to provide advisory services to farmers on fruit tree technology development by establishing 10 mother gardens and 10 community nurseries among others. However the following anomalies were observed;

- Although the 10 mother gardens existed, only about 60% of the seedlings planted were alive as the rest had failed due to various reasons including poor handling, bad weather, and destruction by animals.

- Although the contractor was supposed to have replaced them, he had not done so by the time of audit.

- Besides all the 10 gardens were supposed to be fenced off, but only 7 were fenced while the other 3 were not thus leaving them vulnerable and yet money was paid for this purpose.

- All the 10 gardens were supposed to have signposts but none of them had them.
5 of the 10 community nurseries were well established while the others had not been done to completion.

From the above analysis work which has not been executed on the mother and nursery gardens amounts to Shs.6,110,000.

**Non performance of set activities**

Similarly, other activities that were not done according to contract amount to Shs.22,308,125. Details are shown below:-

<table>
<thead>
<tr>
<th>Activity</th>
<th>Amount</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Farmers exposure visits to Soroti</td>
<td>6,000,000</td>
<td>Activity not done</td>
</tr>
<tr>
<td>Professional fees</td>
<td>9,000,000</td>
<td>not done satisfactorily</td>
</tr>
<tr>
<td>Mileage</td>
<td>3,008,125</td>
<td>Farmers not regularly visited</td>
</tr>
<tr>
<td>Trainings for farmers</td>
<td>800,000</td>
<td>2 trainings not done</td>
</tr>
<tr>
<td>Field days</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10 sites @ 200,000</td>
<td>2,000,000</td>
<td>Not done</td>
</tr>
<tr>
<td>Stakeholders workshop</td>
<td>1,500,000</td>
<td>Review workshop not done.</td>
</tr>
<tr>
<td><strong>Grand total</strong></td>
<td><strong>Shs.22,308,125</strong></td>
<td></td>
</tr>
</tbody>
</table>

57.11 **District NAADS 2008/09**

(a) **Doubtful supply of assorted hardware items**

Shs.25,539,800 was paid on Vr. No. 20/08/08 in favour of M/s Nazareth Investment Ltd for completion of supplies to Oyam District. However the letter of award and signed contract were not presented for audit. In addition, the items allegedly supplied such as 24 rolls of barbed wire, 40m of perimeter sheets and 4 wheelbarrows had not been taken on stores charge. Furthermore, the distribution of those materials could not be traced.

In the absence of proper documents such as stores records and distribution schedules for those materials the expenditure remains doubtful.

**Recommendation**

The relevant documents should be provided for audit.
(b) **Deficit Co-funding of the NAADS Programme**

Examination of the District NAADS records for 2008/2009 revealed that most participating entities failed to pay for the matching grant totaling to shs.44,014,418 as required by section 7.7 of the NAADS guidelines. See table below for details;

<table>
<thead>
<tr>
<th>Participating entity</th>
<th>Amount due</th>
<th>Amount paid</th>
<th>Deficit</th>
</tr>
</thead>
<tbody>
<tr>
<td>District H/q</td>
<td>7,443,076</td>
<td>1,748,000</td>
<td>5,695,076</td>
</tr>
<tr>
<td>Minakulu S/cty</td>
<td>7,566,020</td>
<td>3,690,000</td>
<td>3,876,020</td>
</tr>
<tr>
<td>Ngai S/cty</td>
<td>7,837,130</td>
<td>3,715,000</td>
<td>4,122,130</td>
</tr>
<tr>
<td>Otwal S/cty</td>
<td>7,620,270</td>
<td>2,565,000</td>
<td>5,055,270</td>
</tr>
<tr>
<td>Aber S/cty</td>
<td>7,980,070</td>
<td>2,620,000</td>
<td>5,360,070</td>
</tr>
<tr>
<td>Acaba S/cty</td>
<td>7,900,410</td>
<td>1,280,000</td>
<td>6,620,410</td>
</tr>
<tr>
<td>Iceme S/cty</td>
<td>7,830,270</td>
<td>1,825,000</td>
<td>6,005,270</td>
</tr>
<tr>
<td>Loro S/cty</td>
<td>7,674,030</td>
<td>2,085,000</td>
<td>5,589,030</td>
</tr>
<tr>
<td>Oyam town council</td>
<td>3,150,140</td>
<td>980,000</td>
<td>2,170,140</td>
</tr>
</tbody>
</table>

**Total**  

| Amount due | 44,493,416 |

This resulted into suffocation of planned activities and the District risks being penalized for non-compliance with the guidelines.

**Recommendation**

There is need to improve on the participation of the District on the NAADS activities.

(c) **Aber Sub-county**

**Doubtful payments**

- A sum of Shs.6,550,000 was paid on Vr. NO. 24/10/08 to M/s Onapa JS enterprises for supply of improved goats under goat rearing technology development. However the contract documents and letter of award of contract were not provided for verification. Besides there was no evidence of delivery of the said goats by way of goods received note or certification by a sector specialist.
Shs.5,940,000 was paid on voucher No. 025/10/08 to Mr. Felix Ogong for supply of apiary technology development equipments. However no contract documents and letter of award of contract was produced for audit. Besides no evidence of delivery of the said equipment was produced for audit.

Shs.1,957,000 was paid on voucher No. 038/10/08 to M/s Mid North Private Sector Development Co. for training farmers on bee keeping technology. However there was no evidence of any training activity presented such as attendance register, training report and so on.

In all the 3 cases above, in the absence of authentic evidence to support the occurrence of the alleged activities the payments remain doubtful.

**Recommendation**
The documents should be availed for verification.

(d) **Iceme Sub-county – NAADS 2008/2009**

**Doubtful payments**
During the year 2008/2009, Iceme sub-county management made various doubtful payments as described below:-

- Shs.1,750,000 was paid on voucher No. 49/02/09 to a one Akona Michael for training and advisory services on beans. However the particulars of the trained farmers, the purpose and duration of the training the venue of the training were not established.

- Shs.8,400,000 was paid on voucher N. 70/2/09 to M/s Onapa Ent. Allegedly for supply of 21 boar goats. However evidence of delivery and distribution of these 21 boar goats was not provided for audit.

- Shs.3,600,000 was paid for M/s Nathan Agro Mixed Farm Investment on voucher No. 89/04/09 for supply of citrus and fencing poles. However proof of supply and distribution of those materials was not provided for audit. The genuineness of the payments could not be ascertained.
**Recommendation**
The documents should be availed for audit.

(e) **Ngai Sub County**
**Poorly Executed Contract**
During the year 2008/2009, Ngai sub county contracted Oyuku Samuel to supply 2 billy goats and 60 she-goats plus other related materials at Shs.11,673,800 and subsequently Shs.11,673,800 was paid on voucher No. 039. However it was noted that not all the items indicated in the contract were delivered and a total of Shs.2,283,600 has not been accounted for.

**Recommendation**
The firm needs to make good the short supply or a recovery of Shs.2,283,600 be made.

57.12 **Irregular And Erroneous Appointments By District Service Commission**
During the year 2007/2008 (January, 2008) Oyam District Service Commission made several appointments for various Jobs. However it was noted that some of them did not meet the minimum standards prescribed for the job thus rendering the appointments erroneous and irregular. The details are as follows:-

<table>
<thead>
<tr>
<th>Sn</th>
<th>Name</th>
<th>Appointment</th>
<th>Monthly Salary</th>
<th>Error Condition</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Anang Judith</td>
<td>Principal Internal Auditor U2</td>
<td>959,145</td>
<td>She was interviewed in error, did not posses relevant post graduate qualification</td>
</tr>
<tr>
<td>2</td>
<td>Gira Chris Otim</td>
<td>District Comm. Development Officer U1</td>
<td>1,215,417</td>
<td>He was interviewed in error, he is still in U3</td>
</tr>
<tr>
<td>3</td>
<td>Okiror Francis Ojur</td>
<td>District Engineer U1</td>
<td>1,248,841</td>
<td>He was interviewed in error ,was still in U4</td>
</tr>
<tr>
<td>4</td>
<td>Okello Norman</td>
<td>District Education</td>
<td>1,215,417</td>
<td>Do</td>
</tr>
<tr>
<td>Name</td>
<td>Position</td>
<td>Salary</td>
<td>Notes</td>
<td></td>
</tr>
<tr>
<td>--------------</td>
<td>-----------------------------------------------</td>
<td>----------------</td>
<td>--------------------------------------------</td>
<td></td>
</tr>
<tr>
<td>Oduka</td>
<td>Officer U1</td>
<td></td>
<td>Do</td>
<td></td>
</tr>
<tr>
<td>Otike Fabious</td>
<td>District Natural Resources Officer U1</td>
<td>1,248,841</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Okao Ton Rashid</td>
<td>Senior Procurement Officer U3</td>
<td>732,873</td>
<td>He was short listed and interviewed in error he was in UP 7</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>6,620,534</td>
<td>(6,620,534 x 12) = 79,446,408</td>
<td></td>
</tr>
</tbody>
</table>

Various correspondences were made on these irregular appointments.

Arising from various complaints, the Public Service Commission reviewed the appointments and ordered that the appointments be rescinded. However, it was noted that the District did not take the advice but instead retained the officers in their wrong appointments thereby irregularly paying out Shs.79,446,408 (Seventy nine million four hundred thousand forty six four hundred eight shillings only) being salary wrongly drawn by these officers from the time of appointment to the time of writing this report.

**Recommendations**

The officers responsible for the anomaly need to be held accountable.

57.13 **Other Observations**

57.13.1 **Doubtful Purchase Of Seedlings-Shs.27,000,000**

The above sum of money was paid to one Okallo George on Vr No 11/05/08 under LGDP, allegedly for purchasing seedlings for planting and distributing to various agencies in the District. However the following anomalies were noted:-

- The direct method of procurement used for this purchase was contrary to regulations.
- There was no evidence of purchase of the seedlings by the District.
- There was no stores record to evidence receipt and no distribution list for the said seedlings was presented for audit.
I could not confirm that the seedlings were delivered, distributed and utilized as intended.

**Recommendation**
There is need for a proper explanation on recovery of the amount in question.

57.14 **NUSAF**

**Failure to Submit Documents for Audit**

During the Audit exercise the audit team requested for accounting records for some sub-Projects under NUSAF but which were however not availed as detailed below:

- Bed Jo Restocking Project.
- Maginalised Youth Restocking Project.
- Mon Mito Note Mixed Restocking Project.
- Mon Mito Note Restocking Project.
- Can Wang Restocking Project.
- Bil Kuu Mixed Restocking.
- Tic Anwo Women Animal Traction.
- Can Dagkun Restocking Project.
- Abot Pit Animal Traction.
- Can Oyabo Wango Goat Rearing

I therefore cannot comment on the activities in relation to these projects.

**Recommendation**
There is need to have the documents presented for audit.

58.0 **OYAM TOWN COUNCIL**

58.1 **Opinion** – Qualified – Except for.

58.2 **Non Remittance of Unexpended Balances of Conditional Grants**

Section 19(1) the Public Finance and Accountability Act 2003, and Section 6.6.5.3 of the Local Government Financial and Accounting Manual require all unexpended balances in respect of conditional grants to be returned to the
consolidated fund immediately after the year end and not later than 25\textsuperscript{th} of September following the end of the financial year. However, there was no documentary proof of remittance of unexpended balances of conditional grants of Shs.50,401,760 to the Treasury.

Management in their response said that at the close of the financial year, these funds were committed since they were for settling on going contracts. They asserted that they wrote to the Ministry of Finance, Planning and Economic Development seeking authority to retain and use those balances however, no response had been received yet.

**Recommendation**

All unexpended balances in respect of conditional grants should be returned to Treasury or authority from the Secretary to the Treasury to retain them be obtained.

58.3 **Previous Cash And Cash Equivalents**

The cash and cash equivalents balance of Shs.39,199,690 at the end of the previous year was not brought forward in the current year. The funds may have been misused under the circumstances.

**Recommendation**

Management should account for the funds in accordance with Financial Regulations.

58.4 **Local Revenue Shortfall**

Council registered a significant shortfall in local revenue to the tune of Shs.16,919,000 (39.3\%) of the local revenue budget on some revenue items as detailed below.

<table>
<thead>
<tr>
<th>Item</th>
<th>Approved (Shs)</th>
<th>Actual (Shs)</th>
<th>Shortfall (Shs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land Fees(Premium)</td>
<td>28,500,000</td>
<td>16,600,000</td>
<td>11,900,000</td>
</tr>
<tr>
<td>Rent &amp; Rates(Non-produced Assets)</td>
<td>9,000,000</td>
<td>5,800,000</td>
<td>3,200,000</td>
</tr>
</tbody>
</table>
Refuse Collection charges   | 819,000 | 0  | 819,000
Property-related duties    | 150,000 | 0  | 150,000
Adverts/Bill boards        | 1,500,000 | 900,000 | 600,000
Inspection fees            | 3,000,000 | 2,750,000 | 250,000
**Total**                  | **42,969,000** | **26,050,000** | **16,919,000**

Management explained that the shortage was due to a number of reasons beyond their control. The first reason was that the District land board, which is charged with allocation of land, was constituted late and therefore began their operation towards the close of the financial year. This affected the land related revenue. Secondly all the properties are not valued and therefore could not fairly charge the property related dues. Thirdly the community was not sufficiently sensitized about tax compliance. However, Council has planned for sensitization of the community.

**Recommendation**

Management should be vigilant in collecting local revenue. However, where factors hindering realization of all the budgeted local revenue are beyond management control, then, these should be brought to the attention of the Executive Committee and Council for budget revision.

**Unauthorized Expenditures**

It was observed that a sum of Shs.16,003,870 was spent in excess of the approved estimates for the year under review without authority contrary to regulation 25 of the Local Government Financial Accounting Manual, 2007 which require appropriate authority to be sought. Details of the excess expenditure is as follows:

<table>
<thead>
<tr>
<th>Program</th>
<th>Approved (Shs)</th>
<th>Actual (Shs)</th>
<th>Over (Shs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administration &amp; Internal Audit</td>
<td>36,400,000</td>
<td>46,487,960</td>
<td>10,087,960</td>
</tr>
<tr>
<td>Finance &amp; Planning</td>
<td>21,500,000</td>
<td>25,013,410</td>
<td>3,513,410</td>
</tr>
</tbody>
</table>

161
<table>
<thead>
<tr>
<th></th>
<th>3,500,000</th>
<th>5,000,000</th>
<th>1,500,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Statutory</td>
<td>3,500,000</td>
<td>5,000,000</td>
<td>1,500,000</td>
</tr>
<tr>
<td>Health &amp; Environment</td>
<td>3,500,000</td>
<td>4,053,000</td>
<td>553,000</td>
</tr>
<tr>
<td>Education &amp; Sports</td>
<td>100,000</td>
<td>279,500</td>
<td>179,500</td>
</tr>
<tr>
<td>Gender &amp; Community</td>
<td>220,000</td>
<td>390,000</td>
<td>170,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>65,220,000</strong></td>
<td><strong>81,223,870</strong></td>
<td><strong>16,003,870</strong></td>
</tr>
</tbody>
</table>

Although management claimed that authority for the excess expenditure existed it was not produced for audit.

**Recommendation**

The authority be availed for verification.

58.6 **Presentation Of Financial Statements**

Management did not prepare the cash flow statement as required by the Local Government Financial and Accounting Regulations and Accounting Manual 2007. Other requisite statements and schedules like receivables, liabilities and deposits were also not presented. The financial statements were therefore incomplete and inconsistent with the Financial Regulations; and hence were improperly presented.

**Recommendations**

Management is advised to prepare financial statements in compliance with financial and Accounting Regulations.

59.0 **PADER DISTRICT**

59.1 **Opinion – Qualified** – Except for

59.2 **Non remittance of Unexpended Balances of Conditional Grants to the Consolidated fund**

Section 19 of the Public Finance and Accountability Act 2003 and, Paragraph 6.6.5.3 of the Local Government Financial and Accounting Manual (LGFAM) 2007 require all unexpended balances in respect of conditional grants from Government to be returned immediately after the year end and not later than
25th of September following the end of the financial year. However contrary to these provisions unspent balances of conditional grants of Shs.1,532,998,204 at the year end were not returned to Treasury.

**Recommendation**
All unexpended balances in respect of conditional grants should be returned to the consolidated fund or authority to retain be sought from the Secretary to Treasury.

59.3 **Unaccounted for Administrative Advances**
A sum of Shs.250,915,133 in respect of administrative advances; Shs. 139,822,020 for the current year and Shs.110,093,113 relating to previous years was not accounted for. This was contrary to Regulation 43(2) of the Local Government Financial and Accounting Regulations (LGFAR) 2007 which require accountability to be rendered within a month. Besides, the advances paid out during the year were not recognized in the financial statements.

In the absence of accountability documents, the genuineness of the expenditure could not be confirmed.

**Recommendations**
Accountability be rendered or recovery procedures be instituted.

59.4 **Missing Payment Vouchers**
Regulation 42 of Local Government Finance and Accounting Regulation 2007, require all expenditure to be properly vouched. Contrary to this regulation Payment vouchers for a sum of Shs.241,789,436 were found missing during the time of audit.

The authenticity of the expenditure could therefore not be ascertained. Missing vouchers are potentially fraudulent.
**Recommendation**
Management should avail the missing vouchers for Audit verification or recover the amount involved.

59.5 **Depreciation**
Contrary to the cash basis of accounting Shs.191,901,487 in respect of the consumption of Council non-current assets (depreciation) was charged in the statement of income and expenditure thereby understating reserves. Management in their response regretted the error but did not adjust the financial statement accordingly.

**Recommendation**
Corrective action should be taken.

5 9.6 **Local Revenue Shortfall**
Regulation 32 of Local Government Finance and Accounting Regulations requires that all budgeted revenue is collected. Contrary to this regulation out of the budgeted local revenue of Shs.295,236,000, Shs.204,502,784 was realized leaving a shortfall of Shs.90,733,216 (31% of the local revenue budget). Revenue shortfalls undermine service delivery.

**Recommendation**
Management should enhance efforts on collection of all revenue.

59.7 **Abandoned Contract**
A contract awarded to a private firm to construct a road at Shs.197,929,200 for which Shs.64,698,000 was paid was abandoned.
Management agreed to the observation and explained that the matter was referred to The District Lawyer for legal follow-up. The outcome is awaited.

**Recommendation**
Management should follow up the matter for appropriate remedy.
59.8 **Irregular Transfer of Funds**
A sum of Shs.30,162,300 was transferred from the Salaries Account to the General Fund Account. The amount transferred was in respect of Union dues, unclaimed salaries, unidentified receipts, salary advance recovery and excess releases among others. However supporting schedules and details were not availed for audit. Diversion of funds could not be ruled out.

**Recommendation**
Supporting schedules should be availed for audit.

59.9 **Non-preparation of other Financial Statements**
Section 7.5.1 of the Local Government Finance and Accounting Manual, 2007 require preparation and presentation of other financial statements. Contrary to this provision the statement of arrears of revenue, statement of outstanding commitments and statements of disposal of physical assets during the year were not prepared and submitted for audit rendering the financial information disclosed incomplete.

**Recommendation**
The Head of Finance should produce these statements and in future ensure that all the financial statements as required by regulation are produced and presented for audit.

59.10 **Overpayments**
An overpayment Shs.14,472,168 was occasioned on LGDP A/c in favor of a private firm. The overpayment was as a result of an item in the Bills of Quantities costed at Shs.800,000 being paid at Shs.2,720,000 and temporary works and a billboard paid for at Shs 800,000 when they were not done. This overpayment is recoverable.

**Recommendation**
The amounts should be recovered from the firm.
60.0 **PADER TOWN COUNCIL**

60.1 **Opinion – Qualified – Except for**

60.2 **Abandoned Contract**

An award for construction of a tarmac road (0.3 Km) for Shs.130,525,000 was granted to a private firm by the Ministry of Works Housing and Urban development. The contract duration was (6) six months effective 30\textsuperscript{th} June 2008.

An advance payment of Shs.39,750,500 was made in August 2008 but by March 2009, the road works had not commenced. In June 2009 an additional payment to the tune of Shs.38,000,000 was made in respect of murring and compactions of the road. However by the end of October 2009 the contractor abandoned the site.

It was further observed that there were no contract agreement, award letter and bills of quantities for verification.

Management explained that they have liaised with the Ministry of Works and Transport to ensure that documents are availed and the contract completed.

**Recommendation**

Management should ensure that the work is completed and the above documents availed for audit.

60.3 **Revenue Shortfall**

Contrary to regulation 32 of Local Government Financial and Accounting Regulations 2007, which require all budgeted revenue to be collected. Out of the budgeted local revenue of Shs.108,099,000, Shs.56,085,066 was realized leaving a shortfall of Shs.52,013,934. Revenue shortfall undermines service delivery.

**Recommendation**

Management should be vigilant in collecting local revenue so as to ensure proper service delivery.
60.4 **Unauthorized Expenditure**
Regulation 44 of Local Government Financial and Accounting Regulation 2007 prohibits excess expenditure unless properly authorized. Contrary to this regulation a sum of Shs.32,223,235 was spent on various items in excess of the approved estimates.

**Recommendation**
Authority for the excess expenditure should be availed for verification, and in future regulations be complied with.

**JINJA BRANCH**

61.0 **BUGEMBE TOWN COUNCIL**

61.1 **Opinion:**-Qualified-Except for

61.2 **Valuation of Council Property**
When the Town Council was created in the year under review, it inherited property from the District which required valuation. However, contrary to existing regulations valuation was not done by the Government Valuer or a competent person in valuation. Instead it was carried out by the Town Engineer who fixed the value of the inherited property to Shs.331,183,000. Accordingly, the value is unreliable.

**Recommendation**
Management should ensure that assets are professionally valued.

61.2 **Unauthorised Excess Expenditure**
The Town Council incurred Shs.6,756,755 in excess of budgeted expenditure on various items. There was no evidence of an approved supplementary budget and/or virement. Excess expenditure distorts budgetary controls.
**Recommendation**

Necessary approvals for excess expenditure should be submitted for verification.

62.0 **BUGIRI DISTRICT**

62.1 **Opinion:**-Qualified-Except for

62.2 **Irregular Variation of Contracts**

Regulation 120(12) of the Local Government Public Procurement and Disposal of Assets Regulations, 2006 states that an individual contract amendment shall not increase the total contract price by more than 15% of the original contract price without the approval of the Authority. However, the contract for cabling a generator was varied from Shs.36,290,014 to Shs.45,449,175 implying an increment of Shs.9,159,160 (25.2%) without necessary approval as required by the Regulations.

**Recommendation**

The necessary approval by Public Procurement and Disposal of Public Assets Authority should be availed for verification.

62.3 **Irregular Payment of Allowances**

Regulation 42(1) of Local Government Financial and Accounting Regulation 2007 requires that all disbursements of Public moneys shall be properly vouched. A sum of Shs.61,784,900 was however paid to the various members of boards and commissions as sitting allowances without supporting documents such as attendance registers and minutes of meetings rendering the genuineness of the expenditure doubtful. Besides the rates of allowances lacked council approval.

Management claimed that all supporting documents were available but they were not presented for verification.

**Recommendation**

The minutes for the various meetings and attendance registers should be availed for audit verification. In addition, the council approval for the rates of allowance should also be submitted for audit.
62.4 **Bugiri Hospital**

62.4.1 **Vacant Posts**

Out of staff establishment of 109 staff only 65 positions are filled implying staff shortage of 44 as detailed below. Staff shortages adversely affect health service delivery.

<table>
<thead>
<tr>
<th>Post</th>
<th>Approved</th>
<th>Filled</th>
<th>Vacant</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medical Officers</td>
<td>4</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>Senior Nursing Officer</td>
<td>5</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>Senior Radiographers</td>
<td>2</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Senior Orthopedic Officers</td>
<td>2</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Public Health Dental Officers</td>
<td>2</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Nursing Officers</td>
<td>20</td>
<td>19</td>
<td>1</td>
</tr>
<tr>
<td>Enrolled Mid Wife’s</td>
<td>25</td>
<td>12</td>
<td>13</td>
</tr>
<tr>
<td>Enrolled Nurses</td>
<td>46</td>
<td>27</td>
<td>19</td>
</tr>
<tr>
<td>Cooks</td>
<td>3</td>
<td>2</td>
<td>2</td>
</tr>
</tbody>
</table>

| Total                       | 109      | 65     | 44     |

Management attributed staffing shortages to lack of incentives and inadequate remuneration for medical personnel.

**Recommendation**

Management should liaise with the relevant stakeholders in the health and finance sector on the need for pay incentives that will attract and retain medical staff in the Health Sector. Meanwhile efforts to fill the vacancies be made.

62.4.2 **Lack of Title for Hospital Land**

Bugiri hospital lacks a land title. It was further noted that the hospital cementery has already been encroached upon. In the circumstances, the land is threatened by further encroachment.

In response management stated that efforts to secure a land title are under way.
**Recommendation**

The hospital management should acquire land titles and should reclaim the lost pieces.

62.4.3 Waste Management

The hospital incinerator currently in use was reported inadequate to handle the volume of waste generated. It was noted that the practice of open burning of waste undertaken by the hospital is a health hazard to the community and may result into litigation.

Management explained that financial constraints have limited the capacity to acquire a desired incinerator.

**Recommendation**

The hospital should have plans to acquire a suitable incinerator to manage its waste. It is also important that management liaises with Ministry of Health to guide on proper disposal methods.

63.0 **BUGIRI TOWN COUNCIL**

63.1 **Opinion:**
- Qualified-Except for

63.2 **Non-remittance of Funds to Lower Governments**

The Town Council received Shs.151,700,220 as Local revenue, of which Shs.53,095,077 (35%) was due to Lower Councils. However only Shs.3,292,075 was remitted leaving a balance of Shs.49,803,002 unaccounted for. This is contrary to Section 15 A of the fifth schedule of Local Government Act 1997 as amended.

**Recommendation**

The outstanding balance should be remitted in accordance with the Local Government Act 1997.

63.3 **Abandoned Contracts**

Tarmacking of Trikundas road (0.4km) within the Town Council was awarded to a private firm by the contracts committee of the Ministry of Works and Transport at
a contract sum of Shs.164,033,040. The works were scheduled for completion by October 2008. However, despite advance payment of Shs.49,209,912, physical inspection (November 2009) revealed abandoned works and no explanation was provided.

**Recommendation**

Management should liaise with the line Ministry to ensure that the contract is completed.

63.4 **Revenue Shortfall**

Contrary to Regulation 32 of the Local Government Financial and Accounting Regulations, 2007 which requires that all budgeted revenue is collected, out of Shs.150,628,652 budgeted as local revenue, only Shs.111,921,100 was realized indicating a shortfall of Shs.38,707,552 and this affected service delivery negatively.

Management attributed the shortfall to negative altitude of the community towards tax payment.

**Recommendation**

Management should sensitize the tax payers to enhance revenue collection.

63.5 **Vacant Positions**

Out of 69 approved positions in the establishment 30 were filled leaving 39 vacancies. Some of the key vacant positions are Senior Assistant, Town Clerk, Statistician, Accounts Assistant, Town Engineer and Assistant Engineering Officer.

Management explained that the filling of the posts is to be phased on priority basis.

**Recommendation**

The Town Council management in conjunction with the District Service Commission should fill the vacant positions as appropriate to enhance effective delivery of service.
64.0 **BUSEMBATIA TOWN COUNCIL**

64.1 **Opinion:**—Qualified-Except for.

64.2 **Irregular Retention of Unspent Balances**

Section 19(1) of the Public Finance and Accountability Act, 2003 provides that all unexpended balance of moneys withdrawn from the Consolidated Fund shall be refunded at the closure of the financial year. Where there is need for retention, application would be made to the Permanent Secretary/Secretary to Treasury by 25th of July following the end of the financial year to which they relate. Contrary to the above regulations the Council retained Shs.33,978,869 without necessary approval.

Management stated that the funds were retained because of earlier commitments.

**Recommendation**

Necessary approval from Treasury for retention is required. In the alternative funds should be refunded to the Consolidated Fund.

64.3 **Non Remittance of Funds**

The fifth schedule, section 15 A of the Local Government Act 1997, requires urban councils to share funds collected with the village councils and parish councils in the ratio of 25% and 10% respectively.

During the year, a total Shs.62,046,273 was realized as local revenue of which Shs.15,511,568 being 25% was due to Local Council 1(Village Councils) and Shs.6,204,628 being 10% was due to Local Council 11(Parishes). However, the total sum of Shs.21,716,196 attributed to Lower Councils was not remitted accordingly. Non remittance of funds to Lower Councils contravenes the Law and adversely affects service delivery at the grass roots.
Management explained that remittances would be made in the financial year 2009/2010. However, this obligation was not reflected in the financial statements.

**Recommendation**
The liability of Shs.21,716,196 should be recorded in the accounts and remitted in accordance with the law.

**64.4 Underperformance of Local Revenue**
Out of budgeted local revenue of Shs.84,527,643 only Shs.62,046,273 was realized indicating a shortfall of Shs.22,481,370. Under performance of local revenue affects negatively implementation of planned activities and contravenes regulation 32 of the Local Government Financial and Accounting Regulation, 2007 which require that all revenue budgeted is promptly collected and banked intact.

Management attributed the underperformance to resistance by tax payers towards the newly introduced Local Service Tax.

**Recommendation**
Management should sensitize tax payers about the Local Service Tax so as to improve on the performance.

**64.5 Lack of Board of Survey Report**
Regulation 102 of the Local Government Financial and Accounting Regulations requires the Chief Executive to appoint boards of survey on the last day of the financial year to verify the cash balances and security arrangements at the main cash office, all sub-offices and other administration establishments holding cash or items of value, as well as inspect and verify all goods on charge and belonging to the administration. Contrary to this regulation there was no Board of Survey report.
In the circumstances, the cash and asset balances were not independently confirmed. Management acknowledged the anomaly and pledged to carry out the board of survey for financial year 2009/2010.

**Recommendation**

In future financial regulations should be complied with to ensure accuracy of status of cash and asset balances at the year end.

**Vacant Positions**

Analysis of the staffing positions revealed that out of the establishment of 48 positions only 17 are filled indicating shortage of 31 staff. Staff limitations affect segregation of duties which may result into weaknesses in internal controls.

<table>
<thead>
<tr>
<th>Position</th>
<th>Number Required</th>
<th>Salary Scale</th>
<th>Actual Staff</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Town Clerk</td>
<td>1</td>
<td>U2</td>
<td>Nil</td>
<td>1</td>
</tr>
<tr>
<td>Senior ASST/Clerk</td>
<td>1</td>
<td>U3</td>
<td>1</td>
<td>-</td>
</tr>
<tr>
<td>Senior Comm. Dev’t Officer</td>
<td>1</td>
<td>U3</td>
<td>Nil</td>
<td>1</td>
</tr>
<tr>
<td>Senior Fin. Officer</td>
<td>1</td>
<td>U3</td>
<td>1</td>
<td>-</td>
</tr>
<tr>
<td>Senior Comm. Officer</td>
<td>1</td>
<td>U3</td>
<td>1</td>
<td>-</td>
</tr>
<tr>
<td>Senior Engineer</td>
<td>1</td>
<td>U3</td>
<td>Nil</td>
<td>1</td>
</tr>
<tr>
<td>Principal Health Inspector</td>
<td>1</td>
<td>U3</td>
<td>Nil</td>
<td>1</td>
</tr>
<tr>
<td>Senior Internal Auditor</td>
<td>1</td>
<td>U3</td>
<td>Nil</td>
<td>1</td>
</tr>
<tr>
<td>Clerk Asst</td>
<td>1</td>
<td>U4</td>
<td>1</td>
<td>-</td>
</tr>
<tr>
<td>Personnel Officer</td>
<td>1</td>
<td>U5</td>
<td>Nil</td>
<td>1</td>
</tr>
<tr>
<td>Senior Law Enforcement Officer</td>
<td>1</td>
<td>U5</td>
<td>Nil</td>
<td>1</td>
</tr>
<tr>
<td>Asst Records Officer</td>
<td>1</td>
<td>U5</td>
<td>1</td>
<td>-</td>
</tr>
<tr>
<td>Office supervisor</td>
<td>1</td>
<td>U6</td>
<td>1</td>
<td>-</td>
</tr>
<tr>
<td>Law Enforcement Asst</td>
<td>1</td>
<td>U8</td>
<td>2</td>
<td>-</td>
</tr>
<tr>
<td>Town Agent</td>
<td>2</td>
<td>U7</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Senior Accts Asst</td>
<td>5</td>
<td>U5</td>
<td>1</td>
<td>-</td>
</tr>
<tr>
<td>Asst Statistical Officer</td>
<td>1</td>
<td>U5</td>
<td>Nil</td>
<td>1</td>
</tr>
<tr>
<td>Stores Asst</td>
<td>1</td>
<td>U7</td>
<td>Nil</td>
<td>1</td>
</tr>
</tbody>
</table>
Management explained that a recruitment process is underway.

**Recommendation**
Management should prioritize recruitments in key positions.

**65.0 BUWENGE TOWN COUNCIL**

**65.1 Opinion:** Qualified-Except for.

**65.2 Delays in Tarmacking Road**
In May 2008, the Ministry of Works and Transport awarded a tender for the construction of Lubanyi Road in Buwenge Town Council to a private firm at a cost of Shs.177,832,224 of which Shs. 70,847,594 has been paid to date. A site
inspection carried out in September 2009 however, revealed that the road works which were scheduled for completion by January 2009 remained incomplete and appeared abandoned. The dust generated is an inconvenience to the public.

Management explained that the matter had been raised with Ministry of Works and Transport.

**Recommendation**

Management should consider invoking the penalty clause on liquidation damages stipulated in the agreement so as to compel the contractor to speed up the works.

### Vacant Posts

Where as the Ministry of Public Service approved organizational staffing structure for which the Town Council was to base recruitments, the following key posts were found vacant:-

- Commercial Officer
- Health Inspector
- Internal Auditor
- Water Officer
- Physical Planner
- Health Inspector

In the absence of key Council Personnel, the delivery of services is greatly impaired in the Town Council.

Management explained that the Council’s ability to sustain staff is limited.

**Recommendation**

Management should fill key posts to ensure improvement in service delivery.
66.0 IGANGA DISTRICT

66.1 Opinion:- Unqualified.

66.2 Under Collection of Local Revenue

Analysis of performance of Local Revenue on some items indicated that out of budgeted local revenue of Shs.109,214,577, only Shs.56,034,900 was realized indicating shortfall of Shs.53,179,677. Under collection of revenue contravenes Local Government Financial and Accounting Regulations (LGFAR) Section 32 and undermines service delivery.

Management attributed under performance on some items to general economic down turn and negative attitude of tax payers. It was explained that tax education would be undertaken to reverse the trend.

Recommendation

Combined efforts in tax education and revenue mobilization should be undertaken and where necessary budget revision be made appropriately.

66.3 Inadequate staffing

A review of the Council structure and establishment revealed that 44 key posts comprising of U4 scale and above were not substantively filled. Absence of key staff hampers service delivery in the District. The table below refers;

<table>
<thead>
<tr>
<th>Post Title</th>
<th>Approved Posts</th>
<th>Vacant</th>
<th>Salary Scale</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal Secretary - CAO</td>
<td>1</td>
<td>1</td>
<td>U4L</td>
</tr>
<tr>
<td>ACAO/SAS</td>
<td>3</td>
<td>1</td>
<td>U3L</td>
</tr>
<tr>
<td>Senior records Officer</td>
<td>1</td>
<td>1</td>
<td>U3L</td>
</tr>
<tr>
<td>Senior Personnel Officer</td>
<td>1</td>
<td>1</td>
<td>U3L</td>
</tr>
<tr>
<td>Inspector of Schools</td>
<td>3</td>
<td>1</td>
<td>U4L</td>
</tr>
<tr>
<td>Education Officer</td>
<td>1</td>
<td>1</td>
<td>U4L</td>
</tr>
<tr>
<td>Senior Finance Officer</td>
<td>1</td>
<td>1</td>
<td>U3</td>
</tr>
<tr>
<td>Accountant</td>
<td>1</td>
<td>1</td>
<td>U4</td>
</tr>
<tr>
<td>Senior Planner</td>
<td>1</td>
<td>1</td>
<td>U3U</td>
</tr>
</tbody>
</table>
Management attributed staff shortages to insufficient funding and lack of a District Service Commission.

**Recommendation**
Management is advised to seek services of the District Service Commission of neighboring Districts to undertake recruitment.

66.4 **Lack of Performance Bonds**
All contracts awarded for works had a provision for execution of a performance security equivalent to either 10% Bank guarantee or 25% insurance bond. However, contracts worth Shs.562,944,437 lacked the said securities. In the circumstances the District is exposed to risk of loss in the event of non-performance of the contracts.
Management regretted the omission of the guarantee requirements but explained that no loss was incurred.

**Recommendation**

In future contracts, there should be clear requirement for performance bonds to safeguard public funds.

66.5 **Disbursement of Drugs from National Medical Stores**

National Medical Stores Supplied Iganga District with drugs worth Shs.491,938,248 for which delivery at Health Centres was confirmed. However, various weaknesses were noted in the utilization of the drugs at the Health Centres;

(i) There is no system of accountability for drugs by the health centres in terms of returns to the District.

(ii) Utilization of drugs in the wards is not supported with formal requisitions.

(iii) There is no reconciliation of the out patients register with stock cards to ascertain stock utilization and balances.

In the circumstances the record of utilization of drugs at the health centres is inadequate.

**Recommendations**

(i) There should be formal requisitions from Hospital wards to the stores/pharmacy.

(ii) Returns of utilization of drugs should be submitted to the District medical officer regularly to enable planning of procurements.

(iii) Reconciliations of patient registers and stock cards should be regularly carried out to ensure accountability for the drugs.
67.0 **IGANGA TOWN COUNCIL**

67.1 **Opinion:** Qualified-Except for.

67.2 **Under Collection of Local Revenue**

According to section 32 of LGFAR, Council should ensure that all revenue budgeted for is promptly collected in the approved manner and banked intact. Out of Shs.837,803,663 budgeted as local revenue, only shs.374,983,853 was realised leading to a shortfall of Shs.462,819,810 (60%) and this affected service delivery.

**Recommendation**
The Accounting Officer should ensure that budgeted revenue is collected promptly.

67.3 **Arrears of Revenue**

A total of Shs.241,660,857 in local revenue contracted out to revenue collectors was not reflected in the financial statements resulting into understatement of debtors.

**Recommendation**
Management is advised to adjust the accounts to take account of the understatement.

67.4 **Non Remittance of Revenue to Lower Administration Units**

Total revenue collections for the year amounted to Shs.374,983,853 implying that villages and parishes were entitled to Shs.74,996,770 (20%) and Shs.18,749,193 (5%) respectively totalling to Shs.93,745,963. However, only Shs.5,850,000 was transferred to lower administrative units leaving a balance of Shs.87,895,963 unremitted. This is contrary to regulation 15A of the fifth schedule of the Local Governments Act 1997 as amended.

Management explained that non-remittance was due to lack of work plans and accountability from the Lower Administrative Units.
**Recommendation**
Funds should be remitted to the Lower Councils as prescribed in the regulations and Lower Councils should be trained to develop work plans.

67.5 **Unvouched Expenditure**
It was noted that expenditure totaling to Shs.38,301,822 was not supported by payment vouchers. The genuineness and purpose of the expenditure could not be verified.

Management explained that the said payment vouchers were available, but they were not submitted for verification.

**Recommendation**
The Accounting Officer should trace and avail the payment vouchers for verification.

67.6 **Land Ownership**
Ownership of ten plots (10) of land by the Town Council in various locations was not supported with land titles. The pieces of land were; Freedom Square, Kasokoso Primary School, Taxi Park, Central Market, Bus Park and Water Supply Plot.

Management indicated that the process of acquiring land titles was in advanced stages.

**Recommendation**
Management is urged to follow up the land titles, so that its land is safe guarded.

67.7 **Construction of Administration Building**
Shs.26,341,434 was deposited in the Works account and later incurred on completion of the Administration building without Council authority. Besides, supporting documents for the expenditure such as interim completion certificates were not submitted for verification.
**Recommendation**
The necessary Council authority, interim completion certificates and all relevant documents should be submitted for verification.

68.0 **JINJA DISTRICT**

68.1 **Opinion:**- Unqualified.

68.2 **Local Tax Consultancy Costs**
The District made payments totalling Shs.25,680,000 to a consultant in respect of consultancy services for preparation of a valuation roll and tax assessment. The valuation roll and the report on tax assessment report have not been approved by the Minister and hence their implementations are yet to be seen.

Management stated that Council wrote to the Minister of Local Government seeking approval of the valuation however, no response has been received.

**Recommendation**
Management should follow up the matter with the Ministry to ensure that the valuation roll and the tax assessment report are approved and implemented.

69.0 **JINJA MUNICIPAL COUNCIL**

69.1 **Opinion:**-Qualified-Except for.

69.2 **Under Payment of Revenue by a Private Firm**
A private firm was contracted to collect revenue from the taxi park at a rate of Shs. 67,243,220 per month from 1st March 2008 to 30th June 2009. Out of the contracted amount of Shs.1,008,648,300, only Shs.792,810,930 was paid to Jinja Central Division leaving a balance of Shs.215,837,370 outstanding.

Management stated that legal measures have been taken against the contractor but no recovery was evident.

**Recommendation**
Unremitted funds should be recovered from the contractor.
69.3 **Unremitted Taxes**
A review of the financial statements revealed that the Council owes Shs.89,581,574 and Shs.10,955,199 in Pay as You Earn and VAT respectively to Uganda Revenue Authority. Non remittance of the taxes may attract penalties.

**Recommendation**
Management is advised to remit all the taxes to avoid penalties.

69.4 **Lack of Solicitor General’s Endorsement for Contracts**
Five contracts worth a total of Shs.653,111,000 each of which exceeded Shs.50,000,000 lacked endorsement of Solicitor General contrary to guidelines thereby exposing the Council to risk of inadequate legal support. Besides additional works were awarded to same contractors before completion of earlier commitments.

No explanation for omission of Solicitor General’s approval was provided.

**Recommendation**
Solicitor General’s approval should be sought.

69.5 **Vacant Positions**
It was noted that nine (9) posts in various departments have remained vacant. Details are shown below;

<table>
<thead>
<tr>
<th>Post</th>
<th>Department</th>
<th>No of Vacant Posts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senior Committee Clerk</td>
<td>Administration</td>
<td>1</td>
</tr>
<tr>
<td>Senior Assistant</td>
<td>Works and Technical Services</td>
<td>1</td>
</tr>
<tr>
<td>Engineering Officer</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Assistant physical planner</td>
<td>Works and Technical Services</td>
<td>1</td>
</tr>
<tr>
<td>Assistant physical planner</td>
<td>Finance and Administration</td>
<td>1</td>
</tr>
<tr>
<td>Position</td>
<td>Education</td>
<td></td>
</tr>
<tr>
<td>-------------------------------</td>
<td>----------------</td>
<td>---</td>
</tr>
<tr>
<td>Senior Accountant</td>
<td>Education</td>
<td>1</td>
</tr>
<tr>
<td>Education Officer</td>
<td>Public Health Officer</td>
<td>1</td>
</tr>
<tr>
<td>Principal Health Officers</td>
<td>&quot;</td>
<td>1</td>
</tr>
<tr>
<td>Senior Health Officers</td>
<td>&quot;</td>
<td>2</td>
</tr>
<tr>
<td>Senior Nursing Officer</td>
<td>&quot;</td>
<td>1</td>
</tr>
</tbody>
</table>

Total: 9

Failure to fill critical posts with suitable staff affects timely implementation of council activities which in turn impairs service delivery to the community.

Management attributed staff shortages to lack of financial resources and explained that recruitments were planned for next financial year.

**Recommendation**

The council should fill the key positions appropriately.

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**70.0 KAKIRA TOWN COUNCIL**

**70.1 Opinion:** Qualified-Except for

**70.2 Revenue Shortfall**

Contrary to regulation 32 of the Local Government Financial and Accounting Regulations, 2007 that require all budgeted revenue to be collected, out of the budgeted local revenue of Shs.125,610,000, only Shs.37,675,738 was realised indicating a shortfall of Shs.87,934,262 (70%).

Management attributed the shortfall to understaffing in the Finance Department and delays in payment of local service tax by Kakira Sugar Works Ltd.

**Recommendation**

Management should ensure proper staffing for the Finance Department and ensure recovery of the shortfall.
70.3 **Unspent Balances of Conditional Grants not Remitted to the Consolidated Fund**

Unspent Conditional Grants of Shs.11,636,604 remained on the accounts at the end of the financial year were not remitted to the Consolidated Fund contrary to section 19(1) of the Public Finance and Accountability Act, 2003 that require remittance to the Treasury.

Management stated that a request for retention of the funds was submitted to the Treasury but no response has been received.

**Recommendation**

Unutilised Conditional Grants should be refunded to the Consolidated Fund in accordance with financial regulations.

70.4 **Lack of Board of Survey Report**

Contrary to section 69(a) of the Local Government Financial and Accounting Regulations 2007, the Town Council did not submit the Board of Survey report for verification. The cash and cash equivalents and stores were not independently ascertained.

Management stated that the Board of Survey was carried out but no report was availed.

**Recommendation**

The Board of Survey report should be submitted for verification.

70.5 **Lack of Land Titles**

**The Town Council Land**

Kakira Town Council has no land title. There is risk of encroachment.

Management stated that efforts to identify a Surveyor and process a title is underway.
**Recommendation**

The Town Council should follow up the matter and ensure that the land title is secured.

**71.0 KALIRO DISTRICT**

71.1 **Opinion:**-Qualified-Except for.

71.2 **Irregular Allowance**

Chapter 1 E-L of the Standing Orders of Public Service Section 2 (a) states that “an officer to qualify for disturbance allowance he or she must be compulsorily transferred from one station to another, whether during a period of work or on work or on return from leave, and as a result has to, or is directed to move from his or her living quarters”. Contrary to this provision, payments of Shs.4,995,335 were made to an official of the District Health as disturbance allowance on her first appointment to the District. In the circumstances, the disturbance allowance did not apply and hence is irregular.

In a written reply, the Accounting Officer regretted the anomaly and promised to effect recovery.

**Recommendation**

The Accounting Officer should ensure recovery of the said funds.

**72.0 KALIRO TOWN COUNCIL**

72.1 **Opinion:**-Qualified-Except for.

72.2 **Unspent Balances**

The Town Council did not remit unspent balances of Conditional Grants of Shs.20,991,845 at the year end but instead retained them without necessary authority contrary to Section 19(1) of the Public Finance and Accountability Act 2003.

Management explained that the unspent balances were retained to settle outstanding commitments.
**Recommendation**

Necessary authority from the Treasury to retain the funds should be availed.

72.3 **Under Collection of Revenue**

Regulation 32 of the Local Government Financial and Accounting Regulation, 2007 which require all budgeted revenue to be collected promptly, out of the budgeted local revenue of Shs.125,104,794 only Shs.81,408,196 was realized indicating a shortfall of Shs.43,696,598.

Management attributed the shortfall to inadequate staffing.

**Recommendation**

Management should address the issue of understaffing in the revenue section so that all the revenue could be mobilised and collected.

72.4 **Utilization of Cash Collections at Source**

Contrary to regulation 32 of the Local Government Financial and Accounting Regulation, 2007 that require all budgeted revenue to be collected and banked intact, revenue cash collections of Shs.8,034,437 were used at source of which Shs.3,170,697 has been recovered and banked leaving balance of Shs.4,863,740 unaccounted for.

Management stated that recovery from the individuals concerned is underway.

**Recommendation**

The funds should be recovered and banked.

73.0 **KAMULI DISTRICT**

73.1 **Opinion:**-Unqualified-Except for.

73.2 **Personal Advances**

Out of personal advances of Shs.53,621,029 only Shs.13,433,950 was recovered leaving a balance of Shs.40,187,079 outstanding contrary to Standing Orders which require recovery within three months.
Recommendation
The Accounting Officer is advised to take appropriate steps to recover the funds.

73.3 Excess Expenditure on Salary Account
It was observed that the District transferred Shs.860,402,906 from the General Fund Account to cater for all staff salaries. However, council also paid Shs.893,700,500 from the salary account resulting into excess salary expenditure of Shs.33,297,594.

Management explained that they erroneously paid shs.33, 297,594 to pensioners from unspent conditional grants and the District is committed to make a refund.

Recommendation
The Accounting Officer is advised to refund the said funds accordingly.

73.4 Non-Delivery of Drugs
Inspection of stores of Kamuli Hospital revealed that drugs worth Shs.12,807,800 from National Medical Stores were never received. These drugs had been paid for under the Uganda Global Fund, ordered for on 20\textsuperscript{th}/10/2008, dispatched on 3\textsuperscript{rd}/11/2008 and purported to have been delivered on 7\textsuperscript{th}/11/08. However, on inspection it was found out that;

- There were no delivery records at the stores.
- The stores ledgers had not been updated to include the purported consignments as it had not been received.

The medical superintendent stated that the hospital neither received nor ordered for the drugs.

Recommendation
The undelivered consignment should be investigated further with a view of remedial action.
73.5 **Delayed Disbursement of UPE Funds**

The Universal Primary Education (UPE) Capitation Grant Planning and Implementation guidelines for District and urban councils section 5.3 paragraph (d) states that the District/Municipal Local Government should release the UPE grant to schools within the first week of receipt of funds.

It was however, noted that disbursements of UPE funds worth Shs.798,912,467 were not remitted within the first week of receipt of funds from the center as illustrated by the schedule below;

- Funds received on July/16 were disbursed on 04/08/08 - Shs.99,953,620
- Funds received on 11/08 were disbursed on 3/09/08 - Shs.77,719,720
- Funds receive in November and January were disbursed in February - 242,398,650
- Funds received in March and April were disbursed in May & June 2009 – Shs.378,840,447

Delays in remitting funds timely affects implementation of the activities for which the funds are meant.

**Recommendation**

An explanation is required for this anomaly. Meanwhile, the District should release the UPE grants to schools within the first week of receipt funds in future as prescribed in the guidelines.

73.6 **Under staffing**

Out of 1,118 positions approved in the structure, only 508 posts have been filled leaving a balance of 610 vacancies as analyzed below;

<table>
<thead>
<tr>
<th>Sector</th>
<th>Approved</th>
<th>Filled</th>
<th>Vacant</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finance</td>
<td>32</td>
<td>12</td>
<td>20</td>
</tr>
<tr>
<td>Administration</td>
<td>7</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>Human Resource</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Service Area</td>
<td>Posts 1</td>
<td>Posts 2</td>
<td>Posts 3</td>
</tr>
<tr>
<td>-----------------------</td>
<td>---------</td>
<td>---------</td>
<td>---------</td>
</tr>
<tr>
<td>County Administration</td>
<td>260</td>
<td>123</td>
<td>137</td>
</tr>
<tr>
<td>Information</td>
<td>3</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Office support</td>
<td>3</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Records management</td>
<td>7</td>
<td>2</td>
<td>5</td>
</tr>
<tr>
<td>Statutory bodies</td>
<td>13</td>
<td>9</td>
<td>4</td>
</tr>
<tr>
<td>Health</td>
<td>634</td>
<td>266</td>
<td>368</td>
</tr>
<tr>
<td>Production</td>
<td>41</td>
<td>28</td>
<td>13</td>
</tr>
<tr>
<td>Education</td>
<td>24</td>
<td>12</td>
<td>12</td>
</tr>
<tr>
<td>Community</td>
<td>14</td>
<td>3</td>
<td>11</td>
</tr>
<tr>
<td>Works</td>
<td>34</td>
<td>23</td>
<td>11</td>
</tr>
<tr>
<td>Natural Resources</td>
<td>25</td>
<td>13</td>
<td>12</td>
</tr>
<tr>
<td>Planning</td>
<td>9</td>
<td>3</td>
<td>6</td>
</tr>
<tr>
<td>Internal Audit.</td>
<td>9</td>
<td>7</td>
<td>2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,118</strong></td>
<td><strong>508</strong></td>
<td><strong>610</strong></td>
</tr>
</tbody>
</table>

Management stated that the posts have been advertised by the District Service Commission.

**Recommendation**

The District Service Commission should endeavour to fill key positions to enhance service delivery.

74.0 **KAMULI TOWN COUNCIL**

74.1 **Opinion**: Qualified-Except for.

74.2 **Under Collection of Local Revenue**

According to Regulation 32 of the Local Governments Financial and Accounting Regulations, 2007 all revenue budgeted by Council should be promptly collected in the approved manner and banked intact. However, contrary to this regulation it was observed that out of the budgeted Local Revenue of Shs.451,262,746, Shs.307,978,291 was collected occasioning an under collection of Shs.143,284,455 representing 32% of the Local Revenue budget.
Recommendation
In future efforts be made to realize all the Local Revenue as such shortfalls adversely affect service delivery.

74.3 Abandoned Contract
A private firm was awarded a contract by Ministry of Works and Transport on 16th June 2008 to tarmac Adams Road (0.3km) in Kamuli Town Council within a period of six months at a contract price of Shs.125,850,967.

Payments of Shs.64,085,775 were made to the firm but by the time of audit (October 2009), the contractor had abandoned the site without completing the works and the preliminary work done had been wasted away.

Management explained that the contract was terminated but no recoveries have been made.

Recommendation
Management should liaise with Ministry of Works and the Attorney General to recover liquidated damages in accordance with the terms and conditions of the contract.

74.4 Non remittance of Unspent Conditional Grants
Section 19(2) of the Public Finance and Accountability Act, 2003 and Section 15.6.5.3 of the Local Government Finance and Accounting Manual 2007 state that all unexpected balances of Conditional Grants must be returned to the consolidated fund immediately after the year end in any case not later than 25th of September following the end of the financial year.

However, contrary to the above regulations, a sum of Shs.62,137,356 as detailed below was not remitted and instead was retained without authority. Application to retain funds on one of the accounts (urban road-PAF) was made on 10th September 2009 and by the time of audit (November 2009), authority had not been granted. Application to retain the funds on the other account (Local Government Development Grant) was not made at all.
<table>
<thead>
<tr>
<th>Grant</th>
<th>Account Number</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>PAF-Roads</td>
<td>0140037864401</td>
<td>37,628,568</td>
</tr>
<tr>
<td>LDGP</td>
<td>0140037761910</td>
<td>24,508,788</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td><strong>62,137,356</strong></td>
</tr>
</tbody>
</table>

**Recommendation**

Management should refund the money to the Consolidated Fund in accordance with the regulations.

**75.0 KAYUNGA DISTRICT**

**75.1 Opinion:** Qualified-Except for

**75.2 Administrative Advances**

A total of Shs.7,946,000 advanced to various District staff for execution of council activities remained unaccounted for contrary to regulation 43(2) of the Local Government Financial and Accounting Regulation 2007 which requires accountability to be submitted within one month.

Although management promised to avail accountability documents, they were not produced for audit.

**Recommendation**

Management should account for the funds or recovery measures be undertaken.

**75.3 Uncertified Works**

It was noted that Shs.18,017,301 was paid to a private firm in respect of retention for rehabilitation of Kyerima Nakaseta-Lukonda road. The above amount was not provided for in the Local Government Development Plan work plan. It was further noted that no certificate of contract performance and proof of quality of performance was issued by the engineer as required by regulation 107 of the Local Government Public Procurement and Disposal of Assets Regulation 2006.
**Recommendation**

Management should avail the completion certificates for verification and explain why it was not included in the development work plan.

75.4 **Doubtful Remittances of with Holding Tax**

A test check revealed that a total of Shs.1,664,131 purportedly remitted by the Council in respect of 6% withholding tax from various contractors lacked acknowledgement receipts from Uganda Revenue Authority.

Management stated that efforts to obtain acknowledgement receipts from Uganda Revenue Authority have been futile.

**Recommendation**

Management should ensure that acknowledgement receipts are obtained from Uganda Revenue Authority.

76.0 **KAYUNGA TOWN COUNCIL**

76.1 **Opinion:**-Qualified-Except for.

76.2 **Debtors**

Included in the debtors of Shs.30,550,885 is a sum of Shs.20,370,885 which has been outstanding for more than twelve months. Delays in settlement of debts constrains the cash position and hinders implementation of planned activities. Management stated that court action shall be taken against long outstanding debtors.

**Recommendation**

Effective recovery measures should be undertaken.

76.3 **Payables**

Included in the payables of Shs.13,891,014 is a sum of Shs.3,139,514 attributable to Umeme Ltd. There is a risk of disconnection and litigation in case of long standing electricity bills.
Management stated that the obligations are to be reduced in the subsequent period.

**Recommendation**
Management should prioritise settlement of utility bills and other major obligations to avoid penalties.

76.4 **Revenue Shortfall**
Out of the budgeted local revenue of Shs.171,286,238 only Shs.114,277,443 was realised indicating a shortfall of Shs.57,008,795 and this affected service delivery negatively.

Management attributed the shortfall to lack of awareness about the taxes and negative attitude of tax payers.

**Recommendation**
Management should sensitise tax payers on all the various taxes and improve on revenue mobilisation.

76.5 **Incomplete Road Works**
Out of a contract sum of Shs.136,351,139, a contractor was paid Shs.64,209,030 implying 47% settlement and yet only 30% of the works have been done as evidenced by the progress report of the consultant.

In addition, while the completion date was 30th December 2008, at the time of audit reporting, the works were incomplete and layers of gravel had been washed away by surface water.

Management stated that the completion date was extended and scope of work changed by the Ministry of Works.

**Recommendation**
Management in consultation with the Ministry of Works should review the performance of the contract to enhance service delivery to the population.
77.0 **LUGAZI TOWN COUNCIL**

77.1 **Opinion:** Unqualified.

77.2 **Under Collection of Local Revenue**
Out of the budgeted local revenue of Shs.417,512,103 a sum of Shs.333,637,767 was realised indicating a shortfall of Shs.83,874,336

Management attributed the shortfall to negative attitudes and poor record keeping by tax payers. It was explained that reminder notices have been issued to the defaulters.

**Recommendation**
Management should enhance sensitisation of tax payers regarding tax compliance and tax record keeping. Meanwhile, recovery of the shortfall be followed up.

78.0 **MAYUGE DISTRICT**

78.1 **Opinion:** Qualified-Except for

78.2 **Outstanding Commitments**
Outstanding commitments of Shs.168,532,048 were not supported with contract registers and supporting documents rendering the authenticity of the balances doubtful.

Management stated that the bills accumulated due to delays in the procurement process and pledged to submit the supporting documents. The supporting of documents were yet to be submitted.

**Recommendation**
Supporting documents for the outstanding bills be submitted for verification.

78.3 **Under Remittance of Funds to Sub-counties**
Out of mandatory remittance to sub-counties of Shs.170,811,775 only Shs.153,683,858 was transferred indicating a balance of Shs.17,127,599.
Under remittance of funds to lower governments contravenes Regulation 15A of the fifth schedule of the local government Act 1997 and constrains service delivery at grass roots.

Management stated that the difference of Shs.17,127,599 was incurred on stationery supplied to the sub-counties but this assertion lacked documentary evidence.

**Recommendation**

Documentary evidence for the expenditure is required. In the alternative, the funds should be transferred in accordance with the regulations.

### 78.4 Vacant Posts

Section 56 (4) of the Local Government Act 2007 require that the District Council makes submissions to the District Service Commission in relation to filling vacant posts. It was however, noted that the various key positions remained vacant and the absence of key personnel affects service delivery. The vacant positions were:

- District Production Officer
- District works Engineer
- District Community Development Officer
- District Planner
- Supervisor of works
- District Accountant
- Deputy Chief Administrative Officer

Management attributed staff shortages to budget constraints and failure to attract suitable candidates.

**Recommendation**

Management should prioritize recruitment of key staff to enhance service delivery.
79.0 MAYUGE TOWN COUNCIL

79.1 Opinion:-Qualified-Except for

79.2 Non-remittance of Revenue
Out of the locally generated revenue of Shs.70,041,201, the Town Council was required to remit Shs.17,570,300 (25%) to villages and Shs.7,004,120 (10%) to wards and parishes for implementation of activities at the grass roots in accordance with regulation 15A in the fifth schedule of the Local Government Act 1997 as amended -. It was however noted that the remittances to villages, wards and parishes amounting to Shs.24,514,420 were not disbursed to them.

Management stated that the funds were retained to settle tax liabilities with Uganda Revenue Authority.

Recommendation
Remittances to the other Councils should be made in accordance with the law.

79.3 Non-remittance of Withholding Tax
A sum of Shs.2,394,665 in respect of withholding tax was not remitted to Uganda Revenue Authority contrary to section 119 of the Income Tax Act 1997. This anomaly may result into penalties and interest charges.

Management indicated the taxes would be settled.

Recommendation
The tax liability should be settled to avoid penalties.

79.4 Under Collection of Local Revenue
Out of the budgeted local revenue of Shs.71,617,246 only Shs.40,856,920 was realised implying a short fall of Shs.30,760,327 and this affected service delivery. Besides, the Council did not maintain revenue registers contrary to the Local Government Financial and Accounting Manual, 2007, section 4.3.
Management attributed the shortfall to delays in award of revenue collection tenders by the Contracts Committee.

**Recommendation**
Outstanding revenue should be collected to fund Council activities. In future tender awards should be issued promptly.

79.5 **Incompletely Vouched Expenditure**
Contrary to regulation 42 of LGFAR, 2007, Shs.11,646,000 incurred on various Council activities lacked supporting documents rendering the expenditure doubtful.

Management stated that supporting documents were available but these were not submitted for verification. In addition, a sum of Shs.4,860,000 paid to various officers as sitting allowances was not supported with minutes and attendance register.

**Recommendation**
All supporting documents for the expenditure should be availed for verification. In the alternative, the funds are recoverable.

80.0 **NAMUTUMBA DISTRICT**

80.1 **Opinion**: Unqualified.

80.2 **Understaffing**
Out of 35 of positions approved in the structure only 105 posts have been filled leaving 252 vacant as detailed below:

<table>
<thead>
<tr>
<th>Sector</th>
<th>Approved</th>
<th>Filled</th>
<th>Vacant</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administration</td>
<td>100</td>
<td>10</td>
<td>90</td>
</tr>
<tr>
<td>Finance</td>
<td>15</td>
<td>9</td>
<td>6</td>
</tr>
<tr>
<td>Works</td>
<td>15</td>
<td>5</td>
<td>10</td>
</tr>
<tr>
<td>Education</td>
<td>9</td>
<td>1</td>
<td>8</td>
</tr>
<tr>
<td>Community</td>
<td>9</td>
<td>3</td>
<td>6</td>
</tr>
<tr>
<td>Statutory Bodies</td>
<td>7</td>
<td>1</td>
<td>6</td>
</tr>
<tr>
<td>-------------------------</td>
<td>------</td>
<td>------</td>
<td>------</td>
</tr>
<tr>
<td>Production</td>
<td>3</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td>Planning</td>
<td>6</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>Internal Audit</td>
<td>6</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Health</td>
<td>173</td>
<td>68</td>
<td>105</td>
</tr>
<tr>
<td>Natural Resources</td>
<td>14</td>
<td>3</td>
<td>11</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>357</strong></td>
<td><strong>105</strong></td>
<td><strong>252</strong></td>
</tr>
</tbody>
</table>

Under staffing under mines service delivery.

**Recommendation**
Vacant positions should be filled as appropriate to enhance service delivery.

**81.0 NAMUTUMBA TOWN COUNCIL**

81.1 **Opinion:**-Qualified-Except for.

81.2 **Irregular Compensation**
The Town Council paid Shs.20,000,000 to Namutumba Sub county Local Council as compensation for the immovable property that were taken over without proper valuation of the assets rendering the basis and amount of compensation unsupported. In the circumstances, the compensation is irregular.

In response, management stated that the value was fixed by the Interim Town Council Executive.

**Recommendation**
A proper valuation report for the immovable property should be availed for verification.

80.3 **Non-tendered Works**
During the year under review Shs.6,080,000 was incurred on routine road maintenance in the Town Council without tendering. The maintenance was carried out using the Council’s staff and equipment (force account) without following PPDA guidelines.
Management explained that it failed to attract a bidder for road maintenance and hence the use of force account. However, no proof of invitation for bidders was submitted for verification and also accountability for the funds was lacking.

**Recommendation**
The accountability for the expenditure be submitted for audit and compliance with PPDA guidelines regarding force account be adhered to.

80.4 **Unaccounted For Administrative Advances**
Regulation 42 and 43 (2) of the Local Governments Financial and Accounting Regulations, 2007 and section 5.4.6 of the Local Government Financial and Accounting Manual, 2007 require accountability of any administrative advances be made within a month.

It was however observed that Shs.2,000,000 paid to an Engineering Assistant for power extension to the Town Council administration building remained unaccounted for. Besides, the scope of work and Bills of Quantities were not submitted for verification.

**Recommendation**
The Bills of Quantities, invoices and acknowledgment receipts be availed for verification.

80.5 **Under Collection of Local Revenue**
Out of the budgeted local revenue of Shs.20,891,000 only Shs.15,061,000 was realized, indicating shortfall of Shs.5,830,000. Management attributed the shortfall to lack of revenue staff and the negative attitude of taxpayers. It was stated that more staff have now been recruited.

**Recommendation**
Additional measures such as sensitization of the population and improvement of revenue records be put in place.
81.0 **NJERU TOWN COUNCIL**

81.1 **Opinion:** Qualified-Except for.

81.2 **Outstanding Debtors**

Contrary to the Local Government Financial and Accounting Manual section 2.3.2.3 that requires collection of debts in a timely and systematic manner, Shs.518,790,823 remained outstanding at the end of the year. Included in the debtors is a sum of Shs.423,875,000 that has been outstanding for more than twelve months. Debtors represent idle assets that hinder availability of funds for Council activities.

Management stated that concerted efforts are being made to recover the funds and that court action would be taken against long standing debtors.

**Recommendation**

The outstanding debts should be recovered to facilitate implementation of Council activities.

81.3 **Non-remittance of Local Revenue**

Out of locally generated revenue of Shs.507,349,040 the Council failed to remit Shs.101,469,808 (20%) to the villages and Shs.25,367,452 (5%) to the parishes thereby contravening section 39(2) of the Local Government Financial and Accounting Regulations, 2007 and hindering service delivery at the grass roots.

**Recommendation**

The funds should be remitted in accordance with regulations.

81.4 **Unspent Balance**

Contrary to section 19(11) of Public Finance and Accountability Act, 2003, unspent Conditional Grants of Shs.122,942,557 were retained by the Council without necessary authority from the Treasury.

Management stated that the request to the Treasury for retention has not been responded to.
**Recommendation**
The Accounting Officer is advised to seek authority from the Permanent Secretary/Secretary to the Treasury to utilize the unspent balances.

**81.5 Missing Vouchers**
Payment vouchers for Shs.5,336,200 were not availed for audit rendering the genuineness of the expenditure doubtful. Besides, the practice contravenes Local Government Financial and Accounting Regulations, 2007 section 66.

Management stated that documents were available but these were not submitted for verification.

**Recommendation**
All the payment vouchers should be availed for verification.

**KAMPALA BRANCH**

**82.0 NAKASONGOLA DISTRICT**

**82.1 Opinion:** Unqualified.

**82.2 Unfilled Posts**
A review of the approved organization structure revealed that only 59% of the posts in the District were filled, leaving 41% vacancies.

Failure by the District to have all posts filled according to the approved structure reduces the staff strength and consequently affects the delivery of services.

In response, management stated that Central Government has not fully developed capacity to fund 100% recruitment of staff to fill the District structures. However, the District recruits staff according to budgetary provision provided by Ministry of Finance, Planning and Economic Development each year.

**Recommendation**
Efforts be made to fill vacancies as appropriate.
82.3 **Incomplete Recording of District Assets**

Verification of the Assets Register revealed incompleteness in the recording as most particulars pertaining to the assets were lacking rendering the information regarding assets insufficient.

In response, management explained that the information for recording particulars pertaining to the assets was lacking because some of them could not be traced from the donors. However, Management through Works Department had updated information for recording the assets register.

**Recommendation**

The assets register should be updated.

82.4 **Lack of Land Titles**

Land occupied by various Administrative units of the District did not have certificates of title. The District cannot have legal claim of ownership of land where the various District buildings are located.

Management in response stated that efforts had been made and letters were sent to all Lower Local Governments to submit information relating to land, stating ownership, location and structure or facility. Some land titles were secured and effort was being done to obtain others.

**Recommendation**

Management should put mechanisms in place to ensure that land titles are secured for all the land belonging to the District.

82.5 **Old Motor Vehicles**

The District has 7 Motor vehicles that have been grounded for a long time due to old age. Continued grounding of these motor vehicles without being boarded off leads to further depreciation and deterioration in value.

Management explained that the Board of Survey had been approved for the exercise.
**Recommendation**

The District Council should ensure that the Board of Survey is constituted with a view of boarding off the grounded vehicles to avoid further deterioration.

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### 82.6 Loss of Motor Cycles

A review of the Internal Audit report for the 3rd quarter revealed that Four Motor Cycles of the District were stolen from the various officials of the District under unclear circumstances. Besides, these Losses have neither been reported to Police nor Audit contrary to regulation 114 of the Local Government Financial and Accounting Regulations, 2007, nor reported in the statement of losses in the final accounts.

In response, management stated that the concerned officers informed the Head of Department and statements were made at the Police station. He further stated that there was an oversight in making loss reports as required by Local Government Financial and Accounting Regulations, 2007 and the statements were being prepared by concerned officers. These statements were not availed.

**Recommendation**

The circumstances that led to the loss be ascertained and where officers are found responsible they should be held accountable for the stolen motor cycles and the statement of loss of stores and assets be submitted for audit.

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### 82.7 Outstanding Administrative Advances

A sum of shs.7,102,020 advanced for activities to various officers remained unaccounted at the year end. It was also noted that these advances have remained outstanding for a number of years.

In response, management stated that the above sum of money were advances which were made to District officials in the 1999/2000 financial year and had not been recovered. Management wrote to the Chairperson District Executive Committee to forward the matter to Council so that procedures of writing off the
debts could be followed. A Council minute pertaining to the write off had not been got. The Council minute is awaited.

**Recommendation**

All procedures of write off should be followed.

83.0 **NAKASONGOLA TOWN COUNCIL**

83.1 **Opinion:** Qualified – Except for.

83.2 **Remittance of Shared Revenue to Lower Government Units**

Contrary to regulation 39 of the Local Government Financial and Accounting Regulations, 2007 the Town Council did not remit Shs.24,425,437 of the 25% of the Local revenue to its Lower Local Councils. The Lower Local Councils were therefore denied the opportunity of implementing their targeted work plans.

**Recommendation**

Local revenue share should be remitted to the Lower Local Council units as required by the applicable regulations.

83.3 **Deposits**

Deposits representing statutory deductions made in the previous year totalling Shs.4,230,615 consisting of Shs.1,871,413 in withholding tax (WHT), Shs.1,408,437 in Pay As You Earn (PAYE) and shs.950,765 National Social Security Fund (NSSF) contributions remained uncleared during the year under review. Non remittance of these deductions is contrary to Income Tax Act and NSSF Act respectively. The Council is likely to incur penalties as a result of non compliance with the applicable laws.

In response management stated that the funds were budgeted for in 2009/2010 financial year to clear the deposits.

**Recommendation**

Statutory deductions should be remitted to the relevant authorities to comply with the law.
83.4 **Under Staffing**
The Town Council has an approved establishment of 68 staff. However, at the time of audit only 24 posts were filled leaving 44 (65%) posts unfilled. Under staffing undermines service delivery.

It is obvious that service delivery is inadequate as the existing number of staff cannot be able to implement Council activities effectively.

**Recommendation**
Management should take up this matter with the relevant authorities so that under staffing is addressed.

83.5 **Remittance in Transit**
Verification of bank reconciliation statement for operations account revealed a remittance in transit of Shs.1,335,829 whose origin could not be established.

**Recommendation**
Management should explain the origin of the said remittance and produce evidence of its deposit made to the account.

84.0 **MUKONO DISTRICT**

84.1 **Opinion:** Qualified – Except for.

84.2 **Revenue Performance**
Verification of records on revenue revealed that out of revenue of Shs.1,163,488,000 anticipated to be locally raised, only shs.523,940,304 was collected leading to a shortfall of Shs.639,547,696. However, this shortfall was reduced by Shs.29,283,250 realized from local service tax which had not been budgeted for. The short fall could have been a result of unrealistic budgeting or poor revenue mobilization. The shortfall represented 55% of the budgeted local revenue as shown in the table below.
<table>
<thead>
<tr>
<th>Particulars</th>
<th>Budgeted</th>
<th>Actual</th>
<th>Shortfall</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local Revenue</td>
<td>1,163,488,000</td>
<td>523,940,304 (45%)</td>
<td>639,547,696 (55%)</td>
</tr>
</tbody>
</table>

The following records were also not maintained as required by Section 4.6, 4.6.2, 4.7,1 of the Local Government Financial and Accounting Manual, 2007

- Cash register.
- Revenue file for assessment forms.
- Revenue registers for each source of revenue.
- Revenue returns to Council for accountability.
- Properly carbonized revenue receipts.

The shortfall could have been a result of unrealistic budgeting, poor revenue mobilization or non-disclosure of all revenue given the poor maintenance of revenue accounting records. Misappropriation of revenue collected could not be ruled out under the circumstances of lack of revenue records. Low revenue collections affect planned service delivery as targeted activities are not fully implemented.

Management stated in their response that under Mukono District Council Min.67/COU/O8 of 15th Dec, 2008 they adjusted the Budget Estimates for FY 2008/2009 with a supplementary Budget to incorporate shs.414, 065,995= as Special Release for Graduated tax compensation for the other sources of revenues that had been earlier on allocated in the 2008/2009 Budget Estimates of 29th Aug. 2008 under min 43/cou/2008. On verification, the revised budget was not presented for audit.

**Recommendation**

Revenue mobilization and collection should be emphasized in the Sub Counties and at all revenue collection centres. Management should ensure that realistic budgeting is done if the shortfall was a result of unrealistic budgeting. Relevant documents regarding revenue collection should be maintained as required by the regulations.

84.3 **Inadequate Co-funding under LGDP II**

The District received a Grant under LGDP11 amounting to Shs.494,023,562
under the following disbursements:

<table>
<thead>
<tr>
<th>Period</th>
<th>Payee</th>
<th>Amount (Shs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>August 2008</td>
<td>District</td>
<td>42,741,394</td>
</tr>
<tr>
<td>November 2008</td>
<td>-do-</td>
<td>202,880,226</td>
</tr>
<tr>
<td>February 2009</td>
<td>-do-</td>
<td>120,076,087</td>
</tr>
<tr>
<td>May 2009</td>
<td>-do-</td>
<td>128,325,855</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td><strong>494,023,562</strong></td>
</tr>
</tbody>
</table>

Section 2.1 of Local Development Grant guidelines/operational manual 2004 requires the District to co-fund by 10%. However, the 10% Co-funding requirement had a shortfall of Shs.12,569,536.

Failure to meet co-fund contributions as required contravenes the set guidelines and may lead to withdraw of the grant. Besides, the co-funding also affects service delivery for the intended programmes.

Management in their response stated that they make co-funding from locally collected revenue and by the time of the audit, sufficient funds had not been collected to meet the co-funding obligation. This resulted into meeting the co-funding requirement late, that is after the closure of the financial year under review.

**Recommendation**
Management should follow set guidelines regarding co-funding, so as to ensure proper implementation of planned activities in the agreed work plans.

84.4 **Personal Advances**
Advances totaling to Shs.10,855,300 reflected in the balance sheet could not be verified due to absence of an advances ledger. I could not also confirm recoveries of Shs.10,451,343 reflected in the schedule of personal advances attached to the accounts, without appropriate supporting documentation. Besides, outstanding advances from the preceding financial year totaling to Shs.7,681,701 were not reflected in the schedule availed in the accounts.

Management in their response stated that all the ledgers and receipts for the
recoveries and retired advances were available and that no more salary advances have been given to staff since the implementation of Straight through Processing (STP) of salaries. Officers instead have been advised to approach Commercial Banks for salary loans.

**Recommendation**
Management should ensure that all personal advances are recovered.

**84.5 Lack of Establishment Registers**

Provision of the Local Government Financial and Accounting Regulations S.53 requires heads of departments to maintain establishment registers recording full details and rates of pay of all established staff in the department, and the registers should be kept up-to-date in accordance with the approved Local Government structure. However, these registers were not maintained.

This exposes the District to a risk of continuing to pay staff that resigned, or absconded from duty. The possibility of paying ghost employees could not be ruled out.

Management in their response stated that an establishment register has been put in place with all the relevant particulars to be verified. In light of the importance of this document, continuous review of this register is a requirement and management has instituted a follow up system to up-date its information.

**Recommendation**
Management should enforce compliance to the regulations. Each head of department should open and maintain up-to-date establishment registers. Personnel section should design an appropriate reporting form for use by the Departments.

**84.6 Poor Management of District Assets**

Provisions of Section 88 of the Local Government Financial and Accounting regulations, 2007 requires heads of departments to maintain registers of land and buildings owned, rented or occupied by the departments, however, this was
not done.

During the inspection of District assets, land titles for land where the District buildings are located were not presented for audit verification. The District furniture and equipments were not engraved contrary to section 2.3.1 of the Local Government Financial and Accounting manual, 2007.

Ownership of the land where the buildings are located is doubtful because of the missing titles. Failure to engrave/label renders the assets of the District vulnerable to misuse and/or subsequent loss.
Management in their response stated that the Central Assets Register is managed in the Finance Department while the District Land Titles are kept in a safe in the office of the Chief Administrative Officer. Management has also instructed the District Lands Officer to work out modalities to renew the leases. The District Assets and Equipment have been engraved as indicated in the letter to the service provider.

On verification, it was noted that the land leases expired over ten years ago.

**Recommendation**

Management should ensure that all land titles to the District land are secured so as to guarantee ownership of their land.

84.7 **Unfilled Posts**

A review of the Public service structure in comparison to the standing organizational structure of the District revealed that only 70% of the posts in the District were filled leaving 30% not filled. In addition, the key post of Principal Internal Auditor is vacant. The section is headed by a Senior Internal Auditor who is supported by only two Internal Auditors instead of the approved four. The Chief Finance Officer is also in acting capacity. Failure by the District to have posts filled according to the recommended structure reduces the staff strength and consequently affects the efficient and effective delivery of services.

Management in their response explained that an advert to fill some vacant posts
has been approved and submitted to the District Service Commission to fill the critical vacant posts in the establishment.

**Recommendation**
Management should make an effort to fill vital vacant posts in the staff structure to enhance service delivery.

84.8 **Uncertified Motor Vehicle Repairs**

Shs.11,797,704 was spent on repair of District vehicles for various departments. It was noted that the vehicles were not inspected by the mechanical engineer to ascertain the mechanical faults before the repairs and the condition after the repairs have been done.

The basis of the repairs could not be ascertained as procedures for repairs were not followed.

Management in their response acknowledged the anomaly and stated that since 2005 when the Mechanical engineer was retrenched, a replacement had not been made. The District Engineer has been performing that role and in addition to the District Engineer’s intervention, management has assigned the Mechanical Engineering Assistant of Mukono Town Council to bridge the gap.

**Recommendation**
Management should ensure that maintenance requisitions, pre inspection orders, and post repair inspection reports are in place before payment for the repairs is made.

85.0 **MUKONO TOWN COUNCIL**

85.1 Opinion: Qualified – Except for

85.2 **Receivables**

Section 2.3.2.3 of Local Government Financial and Accounting Manual, 2007 requires debtors to be collected promptly. However, contrary to this regulations, debtors amounting to Shs.91,974,140 were unrecovered at the end of the
Management in their response indicated that this money was recovered in the first quarter of the financial year 2009/10. However by the time of the verification exercise, only Shs.56,713,000 had been recovered leaving Shs.35,261,140 outstanding.

**Recommendation**

Management should put in place stringent measures to collect debtors promptly as they tie up the money needed for service delivery.

85.3 **Payables**

Regulation 11(ad) of Local Government Financial and Accounting Regulations, 2007 require that commitments are not approved unless there is sufficient funds. Contrary to this regulation, Shs.32,900,298 remained outstanding by the year end. The Council may incur fines and penalties arising from litigation for non-payment.

Management explained that some creditors were settled after the financial year end. A verification exercise revealed that Shs.17,276,068 had been paid as of December 2009. The balance of Shs.15,624,238 remained outstanding.

**Recommendation**

Management should clear the outstanding amount to creditors to avoid unnecessary litigation and comply with the regulations.

85.4 **Revenue Performance**

Regulation 32 of the Local Government Financial and Accounting Regulations, 2007 requires all budgeted revenue to be collected promptly. Contrary to this regulation, out of the estimated local revenue budgeted of Shs.759,654,862, Shs.558,094,389 (73.5%) was realized leaving a shortfall of Shs.201,560,473.

**Recommendation**

Management should ensure that budgeted for local revenue is collected and the
regulations complied with.

85.5 **Unfilled Posts**
Out of an approved establishment of 95 posts, 54 posts were filled leaving 41 posts vacant. The short fall of staff impairs service delivery.

Management in their response indicated that they had submitted several vacant posts to the District Service Commission for action.

**Recommendation**
Management should liaise with the District Service Commission to fill the vacancies as appropriate.

86.0 **ENTEBBE MUNICIPAL COUNCIL**

86.1 **Opinion:** Qualified – Except for.

86.2 **Receivables/Sundry Debtors**
Section 2.3.2.3 of Local Government Financial and Accounting Manual requires debtors to be collected promptly, sundry debtors of Shs.389,104,851 were outstanding at the close of the financial year. Debtors tie up funds necessary for the prompt delivery of services.

**Recommendation**
Management should ensure that debt collection is given emphasis to avoid over accumulation of receivables that leads to suffocation of planned activities.

86.3 **Payables**
An amount of Shs.25,841,513 remained outstanding at the year end. These have been outstanding for two years. Council risks being sued for non payment.

**Recommendation**
The outstanding obligations should be prioritised. Commitment of Council beyond available resources should be minimised.
86.4 **Revenue Shortfall**
Section 32 of the Local Governments’ Financial and Accounting Regulations states that the Head of Finance is responsible for ensuring that revenue collectors carry out their duties properly to ensure that all revenue due to the Council is promptly collected in the approved manner and banked intact. Analysis of the budget performance revealed that during the financial year, the Council budgeted to collect Shs.1,195,776,440 from local revenue sources. However, only Shs.990,001,012 was collected, causing a revenue shortfall of Shs.205,775,428 (17% of the local revenue budget), contravening the regulation stated above. Besides, there were neither revenue registers maintained nor vigorous steps being taken to collect the arrears of revenue.

Management stated that the shortfall was as a result of failure by Central Government to pay rates of its properties in the Municipality amounting to Shs.190 million. Efforts to demand the same was continuing.

**Recommendation**
Management should ensure that revenue mobilization is enhanced in order to realize the budget. Revenue registers be maintained and arrears collected.

86.5 **Lack of an Establishment Register**
Section 53(1), (2) and (3) of Local Government Financial and Accounting Regulations, 2007 requires that Heads of Departments maintain establishment registers that are designed by the Personnel Department in an appropriate form, and monthly returns be made to the Chief Executive Officer indicating the number of employees and grades and details of those who have resigned, died or absconded from duty. Contrary to the Regulations, no establishment registers were maintained by the Heads of Departments. Failure to maintain establishment registers may lead to inappropriate payables.
Management response was that the Senior Personnel Officer had been instructed to start maintaining establishment registers in liaison with heads of departments.

**Recommendation**

Management should ensure that establishment registers are maintained by each department as required by the Regulations.

87.0 **LUWERO DISTRICT**

87.1 **Opinion:** Qualified – Except for.

87.2 **Outstanding Commitments**

The District had outstanding commitments of Shs.1,146,256,149 in respect of goods and services of Shs.188,144,507, employee costs of Shs.911,043,892 and council capital commitments of Shs.47,067,750. However, there was no supporting documentation availed for audit. Over commitments of Council is contrary to regulation 11(ad) of the LGFAR, 2007. The District risks being taken to court for non-payment.

Management responded that the biggest obligation relating to employee costs is gratuity and pension for retired Civil Servants dating as far back as 1997 before the creation of Nakasongola and Nakaseke Districts from Luwero District. Due to financial constraints, the District is experiencing difficulty in settling this obligation. Ministry of Public Service has been requested for intervention.

**Recommendation**

Management should ensure that budgeting controls are observed to avoid over commitment, meanwhile, consultation with the Ministry of Public Service should be continued.

87.3 **Outstanding Administrative Advances**

Administrative Advances of Shs.14,119,900 relating to the financial year 2007/08 remained unaccounted for at the end of the financial year contrary to regulations. This contravenes regulation 43 of the Local Government Financial
and Accounting Regulations, 2007 that requires accountability of administrative advances to be rendered within a month.

Management responded that, submissions have been made to Ministry of Finance, Planning and Economic Development to recover from salaries of the affected staff.

**Recommendation**
Follow up of recovery be made. Meanwhile, in future administrative advances should be recovered within one month as required by financial regulations.

87.4 **Lack of Land Titles**
The District has land located in various areas. However, the District does not possess land titles for them.

Management responded that, a firm had been awarded a contract to survey and produce land titles for the District.

**Recommendation**
Management should ensure that Land titles are secured.

87.5 **Construction Of Valley Tanks**
Three valley tanks were constructed at a total cost of Shs.79,008,090. Inspection of the projects revealed the following:-

(i) Debris excavated was not levelled and grass not planted hence the debris was being eroded back to the dams.
(ii) The water troughs meant for watering animals were not properly constructed and were already wearing away.
(iii) The valley dams were not properly fenced.
(iv) The water pumps for drawing water were not in use.
(v) The communities were not sensitized on the use of the available facilities.
The facilities meant to provide water for rural population and animals may not achieve the objective and impact that was expected.

Management in their response acknowledged all the issues raised but indicated that a total sum of Shs.7,533,060 from all the contractors had been earlier retained to correct the defects. The communities have been sensitized on the use of the facilities and all contractors in question instructed to re-construct a reinforced concrete base of size 1m x 3m and re-install two, twiddle pumps with all accessories among other works, which are in progress.

**Recommendation**
The anomalies mentioned should be corrected in time to safeguard the facilities from further deterioration in order to serve the intended purposes.

87.6 **Loss of Cash**
There was a loss of cash of Shs.19,962,950 which has been outstanding for a number of years and effort to recover this money is not evident.

Management responded that, the issue relates to two ex-official officers, who caused the loss in 2001. However, one of them passed away before making good the loss. The other one has been taken over by the Criminal Investigation Department and the outcome is awaited.

**Recommendation**
Management should pursue the recovery as appropriate.

88.0 **LUWERO TOWN COUNCIL**
88.1 Opinion Qualified – Except for.

88.2 **Sundry Debtors**
Section 2.3.2.3 of the Local Government Financial and Accounting Manual, 2007 requires debtors to be collected promptly. However, contrary to this regulation, Shs.46,117,807 remained outstanding at the close of the year tying up funds that would have been used for service delivery.
Failure to collect debtors impairs implementation of planned activities.

Management responded that, the Council Lawyer had served the Debtors with the intentions for prosecution for recovery of the debts due. The outcome of this effort is awaited.

**Recommendation**
The matter be followed up to ensure that funds owed to the Council are recovered.

88.3 **Personal Advances**
Shs.2,200,000 paid out to staff as personal advances during the financial year under review were not recovered.

Management agreed to the observation and stated that all efforts are being made to ensure recovery.

**Recommendation**
Management should ensure that all personal advances are recovered.

88.4 **Sundry Creditors**
Creditors amounting to Shs. 37,407,335 had not been settled by the end of the financial year. The Council over committed itself on funding projects beyond the available resources contrary to regulation 11(ad) of Local Governments Financial and Accounting Regulations, 2007. However, by the time of writing this report, only Shs.13,716,166 had been settled leaving a balance of Shs.23,691,169. Council risks being fined and incurring costs arising from court proceedings should its creditors take legal action due to nonpayment.

**Recommendation**
The Council should ensure that it operates within its budget limits and also ensure that its providers of goods and services are promptly paid.
Rehabilitation and Extension of Butchery Stalls in Luwero Central Market

A contractor was engaged to rehabilitate and extend market butchery stalls at a cost of 29,977,500 by 30th June 2009. During the audit in December 2009, it was found that the stalls were not yet complete and the butchers were operating from an open space. Accordingly the contract was behind schedule.

Management agreed to the observation and explained that it had recommended for termination of the Contract such that a new Contractor is engaged so that the project is completed by the end of February 2010.

Recommendation
The matter should be followed to ensure that the butchery stalls are completed and handed over to the users.

MPIGI DISTRICT

Opinion: Unqualified opinion.

Staff Shortage
Out of an approved establishment of 1134 posts, only 690 posts were filled, leaving 444 posts vacant. Under staffing undermines service delivery.

Management in their response stated that the administration is not in position to fill up all the vacant posts due to inadequate funding to meet the wage bill.

Recommendation
The District management should ensure that the vacant positions are filled as appropriate for efficient and effective service delivery.

Non Registration and/or Lease of Land
The District Land Board does not lease Land nor carry out Land Registration within the District. As a result, the District is losing Land Registration Revenue as all Land Transactions are being done by the Ministry of Lands, Housing and Urban Development. Land administration is a decentralized service according to
section 5 Part I of the second schedule of the Local Government Act 1997 (as amended) and therefore it is within the mandate of the District.

Management agreed to the observation and explained that Mpigi Land Registry is still located at the Ministry of Land Housing and Urban Development Headquarters with minimal accessibility by the District Land management staff. However, under a donor funded Project, the Ministry of Lands has promised to establish land offices at the District Headquarters.

**Recommendation**
The Accounting Officer should continue liaising with the Ministry of Lands, Housing and Urban Development to ensure that Land Registration is done by the District Land Board.

88.4 **Irregular Charges of VAT**
A sum of Shs.6,711,864 was irregularly incurred in respect of VAT on consultancy services for the water works when it was an exempted supply for VAT purposes. This resulted into loss of District funds.

Management explained that this anomaly was caused when setting up the supplier on the Integrated Financial Management System, whereby the VAT item was activated leading to the system computing the VAT element. The anomaly appears a system error.

**Recommendation**
Management should liaise with the Ministry of Finance, Planning and Economic Development so as to have a reprogramming of VAT related issues on the Integrated Financial Management System (IFMS) so that such errors do not re-occur. Meanwhile, recovery of funds be made.
88.5 **Inspections**

88.5.1 **Maddu Health Centre IV**

(a) **Deterioration of Medical Equipments**

The Mini Operating theatre built in 2006 and fully equipped with the intention of carrying out minor surgeries had never been operational and hence the objective has not been achieved. The Equipment fixed within the various rooms appeared abandoned and disjointed. The non usage of such a facility may lead to its deterioration.

Management responded that they had not managed to operationalise the theatre due to difficulties in attracting and retaining Medical Officers.

**Recommendation**

Management should address the matter in the appropriate fora to ensure that the facility is put to intended use.

(b) **Inadequate Maintenance of Buildings**

The Health Centre staff quarters were leaking and some of the ward roof ceilings were almost falling off while walls of the mini operating theater had developed cracks. However, it was not possible to ascertain whether any maintenance plan existed.

In their response, management indicated that the Health Centers had very minimal funds for maintenance, making it almost impossible to carry out major renovations.

**Recommendation**

Management should ensure they put in place a maintenance plan to have the buildings maintained.

(c) **Expired drugs**

The centre had 961 ampoules of expired chloromphenical injectables that had expired. The drugs were received from National Medical Stores (NMS) when
they had four months to expire while others had two months only. The likelihood of such expired drugs being dispensed to patients in the event of stock outs of drugs cannot be ruled out.

In their response, management explained that at times NMS delivered drugs to health units with very short shelf lives.

**Recommendation**

Management should ensure disposal and avoid receiving drugs that have a short life to expiry.

88.5.2 **Gombe Hospital**

(a) **Non Disposal of Idle Medical Equipment**

The Hospital had medical equipment found in the laundry drying room that were idle and appeared to have been non operational for a number of years and no plan to dispose them off was in place.

In their response, management indicated that action was being taken with a view of disposal.

**Recommendation**

The Hospital management should ensure that idle items of the Hospital are disposed off.

(c) **Inadequate Maintenance of Buildings**

The Hospital was partially fenced. The office of the Hospital Superintendent was also among the rooms that were leaking and the roof ceilings were almost falling off. However, management did not disclose whether any maintenance plan for the buildings was in place.

**Recommendation**

Management should put in place a maintenance plan to have the office buildings maintained.
88.5.3 **Kyabadaza Health Sub District**

(a) **Lack of Security Arrangements and other Essential Facilities**

It was observed that the Centre had no security as there was no security guard and Security fence. It was also observed that the Health Centre had inadequate water and sanitary facilities. The Out patients Toilet was almost falling down and appeared abandoned. There was also no reliable water source. Some members of staff resided in the wards and signs of providing them alternative accommodation were not evident.

**Recommendation**

Management should ensure that adequate facilities are provided to enable improved health service delivery at the Health Centre.

88.5.4 **Buwama Health Centre III**

There was inadequate security for Health centre properties and no electricity in the staff houses and patient wards.

In their response, management indicated that they were limited with funding for those requirements.

**Recommendation**

Management should ensure that adequate facilities are provided to enable improved service delivery at the Centre.

89.0 **MPIGI TOWN COUNCIL**

89.1 **Opinion:** Qualified – Except for.

89.2 **Non Remittance of Unutilized Balances of Conditional Grants**

Unspent Conditional Grants totalling to shs.258,612,083 at the end of the financial year were neither remitted back to the Treasury nor was authority sought from the Accountant General for their retention.
Non remittance of unspent conditional grants or retention without authority contravenes Section 19(1) Public Finance and Accountability Act, 2003 and Section 6.6.5.3 of Local Government Financial and Accounting Manual, 2007.

Management acknowledged that authority to retain the unspent balances from the Accountant General was not sought but the funds were committed for an ongoing project of urban roads resealing under the JICA project.

**Recommendation**

Management should ensure that the retention of the unspent Conditional Grants is formalized by seeking permission from the Accountant General and in future regulations be complied with.

89.3 **Outstanding Creditors**

Out of the outstanding creditors of Shs.34,241,656 appearing in the accounts, Shs.21,241,656 relates to the previous years. Failure to settle over due creditors potentially exposes the Council to litigation.

In response, management stated that most of the outstanding creditors are Land Lords who had not transferred ownership of land sold to the Town Council while Shs.5,000,000 owed by a Consulting Surveyor was to be written off due to non performance of work.

**Recommendation**

Management should ensure that transfer of ownership of land purchased is done and the creditors settled.

89.4 **Under Staffing**

Out of the 81 approved established posts only 35 were filled leaving 46 posts unfilled. Implementation of the Town Council’s planned activities cannot be effected due to inadequate staffing levels.
Management responded that the unfilled posts will be addressed depending on the funds available and how critical the posts are.

**Recommendation**

The unfilled posts should be filled so that services can be delivered efficiently and effectively.

### 89.5 Inflated Motor Vehicle Maintenance Costs in Unsettled Creditors

Out of the sundry creditors amount of shs.34,291,656 stated in the balance sheet, Shs.13,000,000 was owed to a private garage for the cost of repair of the council double cabin pick up that was involved in a fatal accident.

A scrutiny of the vehicle inspection report issued by the Police Inspectorate of Vehicles indicated estimated costs of repairs of the vehicle as Shs.4,000,000. To the contrary, the Council went into agreement with the garage to repair the vehicle at Shs.13,000,000.

It was further noted that whereas a pre-qualified firm was used, Council should have solicited for at least three quotations in accordance with PPDA regulations, 2006, under the circumstances, Council was denied benefits of competitive bidding like fair prices and quality goods. Without proper explanation the repair cost appears inflated.

In their response, Management stated that there was a variance in the cost of repairs because the Police Inspector of vehicles did not consider that the vehicles are repaired by pre-qualified firms who are profit oriented and to which Council has no control.

**Recommendation**

In future, Management should obtain at least three quotations and compare prices to be able to obtain competitive prices
89.6 Under Remittance of Shared Revenue Other Councils

The Council did not remit to its Lower Local Councils Shs.18,665,854 as share of local revenue. Failure to remit funds to Lower Councils affects implementation of planned activities of those councils thereby hindering service delivery at the grass root level. Besides, it contravenes Sections 39(2) of Local Government Financial and Accounting Regulations, 2007.

Management explained that the funds were retained in order to co-fund Local Government Management and Service Delivery Project (LGMSDP) and National Agricultural Advisory Services (NAADS). However, it was not explained whether the Lower Councils were consulted and consent granted.

Recommendation

Management should ensure that all funds due to Lower Councils are remitted as required by regulations or else authority should be sought in order to retain the remittable funds. Meanwhile, consent for use of the Shs.18,665,854 is awaited.

90.0 WAKISO DISTRICT

90.1 Opinion: Unqualified opinion.

90.2 Lack of Land Titles

90.2.1 Water supply system at Namayumba

The District invested Shs.562,499,710 in the construction of a water supply system at Namayumba. The investment was constructed on a piece of land in which the District had no legal claim as it had neither paid for it nor had any formal form of understanding with the owners.

The District risks losing the investment in case the owner disposes off his land or puts it to alternative use.

Management responded that this was a unique case in which this particular piece of land was the only technically feasible site for hosting and construction of an
intake water source for Namayumba Rural Growth Scheme. To avoid losing the project, the District entered into a memorandum of understanding with the land owner pending processing of the land title and valuation by the Chief Government Valuer. The District Surveyor and Land officer have been asked to expedite the process of acquisition of land title.

**Recommendation**
Management should secure the land title to avoid future disputes and disruption of the scheme.

90.2.2 **Buwambo Health Centre**

The District spent Shs.80,363,099 on fencing off Buwambo Health Centre, however, the District does not have land title for it. Furthermore, there were no survey documents specifying the size of the land.

In response management stated that the District is in advanced stages of processing the land title for the Health centre.

**Recommendation**
Management should survey and secure the land title.

90.3 **Outstanding Lease Rentals**

In 2001 the District leased land at block 274 Plot 190 totaling to 4.047 hectares, where the District Headquarters are located, from Buganda Land Board. The land was leased for a period of 5 years (Renewable) for a consideration of Shs.20,000,000 and annual lease rentals of Shs.2,000,000 with effect from 1/10/2001.

However, there is no evidence of payment of lease rentals since acquisition which have to date accumulated to Shs.18,000,000. Furthermore, the District also leased Block 430 plot 27 Bugiri Landing site from Church of Uganda and was to pay annual lease rentals of Shs.3,200,000 with effect from 1/06/05. To date no payment has been made and the lease rentals have accumulated to
Shs.21,800,000. These amounts were also not reflected in the schedule of outstanding commitments in the financial statements.

Non payment could result into legal action subsequently leading to unwarranted costs.

Management responded that the payments have been scheduled for the third quarter of financial year 2009/2010.

**Recommendation**

The District should endeavor to clear the outstanding lease rentals to avoid unwarranted costs or cancellation of leases.

94.4 **Staffing Gaps**

Out of the approved establishment of 222 posts, only 127 posts were filled leaving 95 (43%) vacancies as detailed below:-

<table>
<thead>
<tr>
<th>No.</th>
<th>DEPARTMENT/SECTION</th>
<th>STAFF REQUIRED</th>
<th>CURRENT POSITION</th>
<th>No. Of VACANT POSTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Administration</td>
<td>37</td>
<td>22</td>
<td>15</td>
</tr>
<tr>
<td>2</td>
<td>CAO's office</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>3</td>
<td>Works</td>
<td>33</td>
<td>14</td>
<td>19</td>
</tr>
<tr>
<td>4</td>
<td>Council Boards and Commissions</td>
<td>9</td>
<td>6</td>
<td>3</td>
</tr>
<tr>
<td>5</td>
<td>Production and Marketing</td>
<td>31</td>
<td>8</td>
<td>23</td>
</tr>
<tr>
<td>6</td>
<td>Finance</td>
<td>23</td>
<td>21</td>
<td>2</td>
</tr>
<tr>
<td>7</td>
<td>Education</td>
<td>17</td>
<td>12</td>
<td>5</td>
</tr>
<tr>
<td>8</td>
<td>Health</td>
<td>11</td>
<td>6</td>
<td>5</td>
</tr>
<tr>
<td>9</td>
<td>Planning Unit</td>
<td>7</td>
<td>5</td>
<td>2</td>
</tr>
<tr>
<td>10</td>
<td>Procurement &amp; Disposal unit</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>11</td>
<td>Internal audit</td>
<td>11</td>
<td>7</td>
<td>4</td>
</tr>
<tr>
<td>12</td>
<td>Community based Services</td>
<td>9</td>
<td>5</td>
<td>4</td>
</tr>
<tr>
<td>13</td>
<td>Natural Resources</td>
<td>28</td>
<td>17</td>
<td>11</td>
</tr>
</tbody>
</table>

| Total | 222 | 127 | 95 |
Implementation of the District’s planned activities is impaired as there is inadequate staffing in strategic positions such as Law Enforcement, Finance & Accounting, Works and Urban Planning.

In response, management said that filling of vacant posts was being effected cautiously and gradually due to financial constraints as funding is limited to 65% of approved structures.

**Recommendation**
Management is advised to endeavor to fill the vital vacant positions for efficient and effective delivery of services.

90.5 **District Public Accounts Committee**
A review of the Council and Committee minutes for the year under review revealed that the District Local Government Public Accounts Committee did not submit any of their reports to the Council contrary to sect 89 (8) of the Local Government Act 1997 (as amended).

Management responded that the District Public Accounts Committee has been submitting the reports to the District Chairperson as per procedure. However, these reports have not been tabled to the District Council as per the law. The District Chair Person had been reminded to table the reports to the District Council.

**Recommendation**
The Committee should ensure that the submission of the report to Council is followed up.

91.0  **WAKISO TOWN COUNCIL**

91.1  **Opinion:** Unqualified opinion.

91.2  **Inadequate Staffing Levels**
A review of the staffing position in Wakiso Town council revealed that the Council filled only 15 posts out of the approved 56 posts, leaving 41 vacancies as detailed below:-
<table>
<thead>
<tr>
<th>DEPARTMENT</th>
<th>APPROVED VACANCIES</th>
<th>FILLED</th>
<th>VACANT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administration</td>
<td>21</td>
<td>5</td>
<td>16</td>
</tr>
<tr>
<td>Works</td>
<td>13</td>
<td>2</td>
<td>11</td>
</tr>
<tr>
<td>Finance &amp; Planning</td>
<td>11</td>
<td>4</td>
<td>7</td>
</tr>
<tr>
<td>Community Based Service</td>
<td>2</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Public Health</td>
<td>3</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Production</td>
<td>3</td>
<td>-</td>
<td>3</td>
</tr>
<tr>
<td>Internal audit</td>
<td>3</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>TOTAL</td>
<td>56</td>
<td>15</td>
<td>56</td>
</tr>
</tbody>
</table>

Implementation of the Councils’ planned activities is impaired due to inadequate staffing.

Management responded that request to fill seven posts was submitted to the District Service Commission out of which six were advertised. He further explained that there are plans to have recruitment of staff in phases.

**Recommendation**
The vacant posts should be filled expeditiously to improve service delivery.

91.3 **Outstanding Contracted Out Revenue Collections**
Contracted out local revenue collection of Shs.46,909,260 local revenue only Shs.38,791,450 was realized, leaving a balance of Shs.8,117,810 outstanding.

In response, Management explained that out of the outstanding balances Shs.3,043,110 was recovered after the financial year leaving Shs.5,074,700. Management further stated that there are plans to hire a debt collector in the recovering of the outstanding balance. The outcome is awaited.

**Recommendation**
Management should ensure full recovery of the outstanding balances and in future minimize them.

92.0 **NAKASEKE DISTRICT**

92.1 **Opinion:** An Unqualified opinion.

92.2 **Staffing Of Nakaseke District**
Out of the established staff of 211, only 139 posts were filled leaving 72 vacant posts in the various departments as stated below:

<table>
<thead>
<tr>
<th>Department</th>
<th>Approved Posts</th>
<th>Filled Posts</th>
<th>Vacant Posts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office of the CAO</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Administration</td>
<td>18</td>
<td>10</td>
<td>8</td>
</tr>
<tr>
<td>Council &amp; Statutory bodies</td>
<td>11</td>
<td>9</td>
<td>2</td>
</tr>
<tr>
<td>Works</td>
<td>9</td>
<td>8</td>
<td>1</td>
</tr>
<tr>
<td>CBS</td>
<td>5</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>Natural Resources</td>
<td>14</td>
<td>6</td>
<td>8</td>
</tr>
<tr>
<td>Internal Audit</td>
<td>5</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Finance</td>
<td>17</td>
<td>15</td>
<td>2</td>
</tr>
<tr>
<td>Production</td>
<td>43</td>
<td>22</td>
<td>21</td>
</tr>
<tr>
<td>Sub county</td>
<td>86</td>
<td>62</td>
<td>24</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>211</strong></td>
<td><strong>139</strong></td>
<td><strong>72</strong></td>
</tr>
</tbody>
</table>

Implementation of the District’s planned activities is impaired as staffing is inadequate.

In response, management indicated that the structure is filled according to available financial resources as approved by the Council. However, filling of the vacant posts in the Production Department has been hindered by the proposed restructuring which has taken so long to be effected.

**Recommendation**

Arrangements should be taken to fill the vacant posts so that services can be delivered efficiently and effectively.

92.3 **Assets not Recorded in Fixed Asset Register**

It was noted that only motor cycles and motor vehicles were recorded in the fixed asset register leaving out other assets like land and buildings contrary to section 6.6.4 of the Local Governments Financial and Accounting Manual, 2007.

In response management stated that the fixed asset register will be updated.

**Recommendation**

Management should ensure that the fixed asset register is properly maintained and updated.
93.0 **NAKASEKE – BUTALANGU TOWN COUNCIL**

93.1 **Opinion:** Qualified – Except for.

93.2 **Outstanding Creditors**

A review of the outstanding commitments revealed that creditors worth Shs.36,006,384 remained outstanding. None payment of creditors may lead to litigation leading to unwarranted for costs. In any case accumulation of unpaid bills is contrary to regulations 11(ad) of the Local Government Financial and Accounting Regulations, 2007 which require commitments not to be approved unless there are sufficient funds.

In response management agreed to the observation and stated that some creditors were settled after the year end leaving an outstanding balance of Shs.10,774,140.

**Recommendation**

Management should endeavor to pay all council creditors in time and not over commit the Council to avoid litigation that may ensue.

93.3 **Absence of an Elected Council**

The Town Council does not have its own elected Council since its creation, instead it is being governed by the District Council.

In response, Management explained that lack of an elected Council was due to the fact that the location of the District Headquarters has not been agreed by other stakeholders.

**Recommendation**

Management and other stakeholders should agree on the location of the Town Council and ensure that an elected Urban Council is in place so that there is appropriate political supervision and direction.

93.4 **Staff Establishment**

Out of an approved establishment of 60 staff only 8 posts were filled leaving 52 vacancies as detailed below:-
<table>
<thead>
<tr>
<th>Department</th>
<th>Approved posts</th>
<th>Sampled vacant positions / Titles</th>
<th>Filled posts</th>
<th>Vacant posts per dept</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office of the Town clerk</td>
<td>2</td>
<td>Principal Township officer</td>
<td></td>
<td>2</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Stenographer secretaty</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Administration</td>
<td>25</td>
<td>4</td>
<td>21</td>
<td></td>
</tr>
<tr>
<td>Finance and Planning</td>
<td>10</td>
<td>1</td>
<td>9</td>
<td></td>
</tr>
<tr>
<td>Works</td>
<td>14</td>
<td>1</td>
<td>13</td>
<td></td>
</tr>
<tr>
<td>Community based services</td>
<td>3</td>
<td>1</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Internal audit</td>
<td>3</td>
<td>Internal auditors</td>
<td>-</td>
<td>3</td>
</tr>
<tr>
<td>Public health</td>
<td>3</td>
<td>1</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>60</td>
<td>8</td>
<td>52</td>
<td></td>
</tr>
</tbody>
</table>

Implementation of the Town Council planned activities is adversely affected by understaffing.

In response management explained that under staffing was due to inadequate funding.

**Recommendation**

The Town Council should endeavor to mobilize the necessary fund and have the vacant posts filled to ensure effective delivery of services to the Council.

93.5 **Absence of an Internal Audit Unit**

The Town Council did not have an Internal Audit unit contrary to regulation 104 of the Local Governments Financial and Accounting Regulations, 2007 which requires all Town Councils to have an internal audit unit. The Town Council has
instead relied on the services of the District Internal Auditor. In the absence of
the unit, prompt independent review of system operations is at risk.

In response management explained that plans are underway to establish the
unit.

**Recommendation**

The Town Council should ensure that Internal Audit unit is established.

94.0 **NANSANA TOWN COUNCIL**

94.1 **Opinion:** Unqualified opinion.

94.2 **Staffing Levels**

Out of an approved staff established of 48 posts, 18 were filled leaving 30
vacancies.

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<th>DEPARTMENT</th>
<th>APPROVED VACANCIES</th>
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<td>Production</td>
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<td><strong>48</strong></td>
<td><strong>18</strong></td>
<td><strong>30</strong></td>
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</table>

Implementation of the Town Council planned activities is impaired as a result of
inadequate staff.

Management explained that the matter had been brought to the attention of the
Chief Administrative Officer for action.
**Recommendation**
The matter should be followed up with the Chief Administrative Officer so that the vacant positions are filled as appropriate.

94.3 **Occupation of Town Council Land by National Water & Sewerage Corporation**
Nansana Town Council obtained a lease for the land where its Headquarters is located from the Buganda Land Board. It was however noted that part of that land was being occupied by National Water and Sewerage Corporation water tank. The Town Clerk revealed that Council had written to National Water and Sewerage Corporation for subleasing. However, the Corporation has not responded to the offer.

**Recommendation**
Management should follow up the offer so that the potential rental revenue from the sublease can be realized.

95.0 **BOMBO TOWN COUNCIL**

95.1 **Opinion**: Unqualified opinion.

95.2 **Staffing Gaps**
An analysis of the staff list of the Town Council revealed that out of the approved structure of 72 positions, there were staffing gaps of 22 vacant posts some of which are very crucial for effective management and delivery of services to the Urban Community. Understaffing affects negatively service delivery.

Management responded that at the time of audit, action had been taken to fill some of the vacant positions in the establishment structure. The new status has eight staffs in filled position, five staffs assigned duties of unfilled posts, two positions advertised and six positions unfilled due to limited resources.

**Recommendation**
Management should ensure that the vacant posts are filled as per the recommended and approved structure to enhance service delivery.
95.3 **Revenue Shortfall**
There was a shortfall of Shs. 53,522,442 in Local Revenue Collections impacting negatively on service delivery. Laxity in enforcing local revenue collection cannot be ruled out. Targeted activities in the work plans were also not fully implemented.

Management responded that, at the close of the Financial Year there was a shortfall of Shs.53,522,442. This is as a result of delayed contract awards, policy changes, delayed remittance of property rates by Uganda Land Commission and the long legal process to recover debts. However a total of Shs.23,466,700 have been collected leaving a balance of Shs.30,055,742 which is anticipated to be collected within the financial year 2009/10.

**Recommendation**
Realistic budgets should be made if the shortfall was a result of improper budgeting. Budgeted for revenue should be collected within the financial year.

95.4 **Personal Advances**
Shs.4,652,500 paid out in form of personal advances remained outstanding at the end of the financial year.

Management responded that, all advances have been recovered, except Shs.1,852,500 from one official.

**Recommendation**
Personal advances should be recovered from salaries of the affected staff.

95.5 **Sundry Debtors**
There was poor debt collection by the Council as reflected by the outstanding debtors of Shs.31,517,300 at the end of the financial year under review. The bulk of this uncollected revenue was from property rates (Shs. 29,858,300).
Failure to collect debtors strains the budget and hampers the implementation of targeted activities in the approved work plans, hence poor service delivery. Policy regarding debt management in the Council is weak.

Management responded that, at the time of audit; however Shs.8,280,300 had been recovered. The outstanding balance of Shs.14,460,210 was referred to Uganda Land Commission as property rates arrears. Uganda Land Commission has now advised the Council to request Ministry of Lands, Housing and Urban Development to make this payment. The remaining balance of Shs.8,776,790 is being collected through court processes.

**Recommendation**

Efforts should be made to collect all outstanding revenue due to the Council.

95.6 **Rehabilitation of Kampala – Cuba Road**

Kampala – Cuba road was rehabilitated in March at a cost of Shs. 23,030,000. However, an inspection of the road revealed that despite its expected life of 12 months, the road had already got worn out and the drainage was in a sorry state.

Absence of a road maintenance plan may result in the road deteriorating very fast hence serving for a shorter life span than expected.

Management responded that, Kampala road has deteriorated partly due to the design of the work that did not include filling the surface with marrum, and partly due to heavy traffic and weather conditions. Management further stated that at the time of audit the road had lived for ten months.

**Recommendation**

A road maintenance programme should always be in place to preserve the roads for better economical use.
96.0 **WOBULENZI TOWN COUNCIL**

96.1 **Opinion:** Qualified – Except for.

96.2 **Non-remittance of Unspent Conditional Grants to the Consolidated Fund**

Section 19(2) of Public Finance and Accountability Act, 2003 requires unspent balances of Conditional Grants for Local Government to be remitted back to the Consolidated Fund. Contrary to this provision, Shs.95,238,001 in this respect was not remitted to the Consolidated Fund but instead retained without authority.

**Recommendation**

Management should repay the unspent Conditional Grants to the Treasury or obtain authority for retention in accordance with the law.

96.3 **Debtors**

Outstanding debtors of Shs.46,300,000 stated in the financial statements includes Shs.34,820,750 in respect of graduated tax deductions due from Luwero District since 2001. Debtors tie up funds that are necessary for the prompt provision of services.

**Recommendation**

Management should pursue the recovery of debtors or institute write off procedures where collectibility is doubtful.

96.4 **Staffing Gaps**

Out of the approved staff establishment of 64 posts, 38 were filled leaving 26 vacancies. Under staffing undermines service delivery.

Management explained that a recruitment plan was already in place to address such gaps.
Recommendation
Management should ensure that the vacant posts are filled as appropriate to ensure effective service delivery.

97.0 KAKIRI TOWN COUNCIL

97.1 Opinion: Qualified – Except for.

97.2 Creditors
Creditors amounting Shs.28,282,020 had not been settled by the end of the Financial Year. Council over-committed itself on funding projects beyond the available resources contrary to Section 11(ad) of Local Governments Financial and Accounting Regulations (LGFAR), 2007 and the commitment control system. Failure to pay creditors on time may lead to litigation.

Recommendation
Management should ensure that it operates within budget limits and avoid over committing Council and comply with the commitment control system.

97.3 Staffing Levels
Out of the approved establishment of 41 staff, 13 posts were filled leaving 28 vacancies as detailed below:

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<tr>
<td>Internal audit</td>
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<td>2</td>
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<tr>
<td><strong>TOTAL</strong></td>
<td><strong>41</strong></td>
<td><strong>13</strong></td>
<td><strong>28</strong></td>
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</table>

Accordingly, implementation of the Town Councils planned activities is impaired due to inadequate staffing.
In response, Management indicated that the Town Council is still new and small, it has not yet recruited staff to fill all recommended posts for lack of funding. However, it has written to the line Ministries such as Public Service and Local Government so that the salary/wage bill is adjusted to accommodate more staff and allow recruitment to take place.

For the crucial gaps like that of Health Inspector and Tax Officer, the matter had already been brought to the attention of the Chief Administrative Officer to recruit urgently.

**Recommendation**

Arrangements should be made to fill the vacant posts as soon as appropriate so that services can be delivered to the Council.

98.0 **KIRA TOWN COUNCIL**

98.1 **Opinion:** An Unqualified opinion.

98.2 **Town Council Staffing**

The Town Council is in model II staffing in accordance with the Ministry of Public Service report of February 2005 on the review and restructuring of Local Governments staffing levels. The model is customized to fulfill the requirements of the Town Council.

A review of the staffing position of the Town Council revealed that it only met 44% of the staffing levels required. Implementation of the Town Council planned activities is affected because of inadequate staffing.

Management in their response stated that staffing gaps had been noted and have been writing to the Chief Administrative Officer - Wakiso District requesting for the gaps to be filled.

**Recommendation**

Management in collaboration with the District Service Commission should ensure that the 56 out of the approved 100 posts are filled to improve service delivery.
98.3 **Annual Board of Survey**

Regulation 102 (1) – (3) and 69 of the Local Government Financial and Accounting Regulations, 2007 require, as part of annual closure, a Board of Survey to be constituted for stores and cash on the last day of the Financial year or before the expiry of the first 15 days of the next financial year. However, examination of Council records revealed that the Board of Survey was not carried out. The financial regulations were flouted and verification of Council assets as by the closure of the financial year (30 June 2009) was difficult.

Management in their response stated that the Board of survey was appointed by the Chief Administrative Officer Wakiso District to be conducted by staff of the District. However, by the time of the audit, a report was not yet out, but was made at a later date.

**Recommendation**
The Board of Survey should be formed every end of the financial year and the report be issued on a timely basis.

99.0 **NKOKONJERU TOWN COUNCIL**

99.1 **Opinion** Qualified – Except for.

99.2 **Payables**
Contrary to Local Government Financial and Accounting Regulations, 2007 section 11(ad)) and the Local Government Financial and Accounting Manual, 2007 paragraph 5.2.1 which require that commitments be entered into on the basis of available funds, payables totaling to Shs.25,205,231 remained outstanding at the end of the year. Furthermore, failure to settle the outstanding obligations may lead to litigation, further escalating costs, leading to financial loss.

**Recommendation**
Management should clear the outstanding amount to creditors to avoid unnecessary litigation and comply with commitment control policy.
99.3 **Receivables**
Section 2.3.2.3 of the Local Government Financial Accounting Manual, 2007 requires prompt collection of debtors. However, contrary to this regulation, Shs.62,744,185 remained unrecovered at the year end. Effective service delivery cannot be done as money that could be used is tied up in receivables.

**Recommendation**
Management should put recover all the outstanding debts in accordance with the regulations.

99.4 **Ownership of Land**
Land amounting to Shs.33,650,000 purchased for the central market lacked land titles to confirm ownership. Besides, the purchase agreement was not sanctioned by the Contracts Committee, contrary to Local Government Public Procurement and Disposal of Assets Regulation, 2006.

**Recommendation**
Management should secure the land titles. Meanwhile, satisfactory explanation as to why the purchase of the land was not approved by the contract committee be availed.

99.5 **Missing Vouchers**
Provisions of Section 42 of the Local Government Financial and Accounting Regulations require all disbursement of public monies to be vouched on payment vouchers. However, during the examination of accounting records, payment vouchers for funds totaling to Shs.10,969,304 were not availed for audit.

I could not therefore ascertain authenticity and accountability for such expenditure.

**Recommendation**
Management should avail the expenditure vouchers for audit.
99.5 **Preparation of Monthly Bank Reconciliation Statements**
The bank reconciliation statement for the month of June 2009 for the general purpose account was not prepared to ascertain the closing balance at year end. I could not therefore ascertain the correctness of the bank balance of shs.4,269,724 on the account.

Besides, monthly bank reconciliation statements were not counter signed by the Head of Finance. The preparation of bank reconciliation statements was not properly done and supervised casting doubt on the genuineness of the cash and bank balances at the close of the year.

Management in their response noted that the above anomaly was attributed to understaffing in the department.

**Recommendation**
The statements should always be verified and certified by the Head of Finance.

99.6 **Gaps in the Organizational Structure**
A review of the organization structure of the Town Council revealed that out of the approved establishment of 65 posts, only 18 posts were filled leaving 47 (72%) posts vacant. Staff shortage undermines service delivery.

Management explained that it has now prepared a recruitment plan for the next financial year 2010/2011 for onward submission to the Ministry of Public Service.

**Recommendation**
The Town Council should endeavor to fill the vacant posts in addition to consulting higher authorities regarding funding of the wage bill.

99.7 **Non Submission of Monthly Financial Reports**
Contrary to Section 7.1.2 and 7.1.3 of the Local Government Financial and Accounting manual, 2007, the Head of Finance did not produce monthly and quarterly financial statements.
Management in their response acknowledged that the monthly financial statements were not routinely and timely prepared because of under staffing.

**Recommendation**
Management should ensure that monthly and quarterly financial statements are prepared and submitted to the committee through the Chief executive as required by regulations.

99.8 **Revenue Performance**
The Town Council anticipated to collect Shs.53,356,000 from Local revenue sources. However, out of this amount only collections of Shs.40,453,343 were realized leading to a shortfall of Shs.12,902,657.

Management in their response indicated that underperformance in revenue collection was caused by understaffing.

**Recommendation**
Management should address the staff gaps to ensure collection of all the budgeted for revenue.

99.9 **Lack Of Segregation of Duties**
A review of non contracted revenue collection revealed that the Council cashier issues receipts on receipt of cash, makes banking, prepares bank reconciliations and at times records the cashbook which is written by the town agent. There are no checks and balances in place which may result into errors, omissions and malpractices.

**Recommendation**
The Head of Finance should ensure proper allocation of duties and the principle of segregation of duties should be adhered to.
100.0 KAMPALA CITY COUNCIL – HEADQUARTERS

100.1 Opinion Qualified – Except for.

100.2 Procurement Documents not Submitted
Contrary to Section 42(b) of the Public Finance & Accountability Act, management did not avail documents such as bidding papers, evaluation reports, tender awards and signed contract agreements relating to procurement of works amounting to Shs.8,215,301,869. In the circumstances, the genuineness of the expenditure was not ascertained.

In response management explained that the documents had been submitted to PPDA for review.

Recommendation
The Accounting Officer should provide all the relevant procurement documents for verification.

100.3 Contingent Assets
Disclosed among the current assets is shs 7,673,541,089 outstanding since 2006 which comprises of:-

- Irregular withdrawal of funds from Land board account
- Irregular withdrawal of funds from A/C No 530 decentralized
- Irregular withdrawal from A/c No.501 General
- Defrauded PAYE and interest accrued by URA against teacher’s A/C

Management stated that the cases are with the Criminal Investigation Department and the process of writing off the assets has not been concluded.
I explained to management that recognising the funds as a contingent asset is contrary to the Local Government Financial and Accounting Manual, 2007 and best practice.

**Recommendation**
The purported asset should only be disclosed as a note to the financial statements and not on the face of the balance sheet.

100.4 **Receivables**
Included in the receivables amount of Shs.5,486,619,763 is a sum of Shs.1,075,772,074 in respect of Taxi Park operations and receivables from Divisions of Shs.4,279,866,801 which have been outstanding for over 12 months. In the absence of a comprehensive debt collection policy, council may not realise the outstanding debts promptly and this hinders service delivery. Besides, long standing debts represent idle assets.
Management confirmed that there is no comprehensive debt collection policy but a draft has been produced for discussion at management level.

**Recommendation**
The Accounting Officer should ensure that a comprehensive debt management policy is prepared and implemented for the efficient recovery of the outstanding debtors.

100.5 **Payables**
The payables were reported at Shs.3,003,343,092 after an unexplained adjustment of Shs.2,039,076,850. Included is Shs.994,841,635 owed to the Divisions by Headquarters in respect of the Divisions’ share of 30%, UTODA and street parking charges. Funds collected by Headquarters and not remitted to the Divisions affect service delivery at the grass roots negatively.

**Recommendation**
The adjustment on the payable account should be explained. Funds should be disbursed to the Divisions in accordance with the Local Government Act, 1997.
100.6 **Incompletely Vouched Expenditure**

Regulation 42 of the Local Governments Financial and Accounting Regulations, 2007 states that all disbursements of public moneys shall be properly vouched on payment vouchers prescribed in the accounting manual.

Examination of records during the year indicated that payments amounting to Shs.852,281,119 were not supported with relevant documents such as acknowledgement receipts, certificates of works, attendance lists, fuel consumption statements and electricity account statements rendering the expenditure incompletely vouched.

**Recommendation**

The Accounting officer should ensure that all the relevant supporting documents are availed for verification.

100.7 **Outstanding Advances**

A sum of Shs.407,244,821 advanced to various officers to carry out Council activities, remained unaccounted for contrary to Section 43(2) of Local Government Financial and Accounting Regulations which requires accountability within one month. Besides, delayed accountability may result into falsification of documents.

**Recommendation**

Outstanding administrative advances be accounted for or recovery measures be instituted.

100.8 **Irregular Legal Fees and Wasteful Expenditure**

Shs.113,932,000 was paid to a firm of advocates for legal services during the year. It was however noted that the firm was not pre qualified to offer legal
services during the year rendering the expenditure irregular. Besides, there was no contract agreement availed for audit.

Finally, a sum of Shs.200 million was incurred on compensation of a religious association for irregular take over of a primary school. The compensation is considered wasteful expenditure as it could have been avoided if proper procedures were followed.

**Recommendation**
There is need to regularise the appointment of the lawyers. Officers who caused the wasteful expenditure should be held responsible.

100.9 **Procurements Without Contract Agreements**
Section 76 (3) of the Public Procurement and Disposal of Public Assets Act 2003, states that an award shall be confirmed by a written contract. The City Council however, procured works worth Shs.2,368,585,832 without contract agreements. The terms and conditions of performance of works may not be adhered to resulting into financial loss to the Council.

In response, management stated that the contracts are available but they were not submitted for verification.

**Recommendation**
Management should provide all the relevant contracts for verification.

100.10 **Missing Vouchers**
Shs.234,461,112 was debited directly on the Capacity Building Account without payment vouchers an supporting documents rendering the genuineness of the expenditure doubtful.

**Recommendation**
Supporting documents be availed for audit.
100.11 **Unauthorised Write-Off of Debtors**

According to LGFAR 100(1), the Executive Committee shall be the authority to recommend waivers. The Local Government Financial and Accounting manual section 6.6.4.2, further states that every effort for recovery should be undertaken before recommendation of a waiver. However, Shs.132,582,966 was written off without the necessary procedures being undertaken.

In the response, management explained that authority had been received either from the Finance Committee or Council for write off but no evidence was availed.

**Recommendation**
The executive committee approval for write off should be availed for verification.

100.12 **Tax Remittances**

During the financial year, Shs.86,050,892 was paid to Uganda Revenue Authority in respect of withholding tax for service providers. However, the payments were not acknowledged and their genuineness is doubted. Failure to pay taxes may result into penalties and accumulation of interest charges.

In response, management explained that there is a delay in receipting Electronic Funds Transfers (EFTs) by Uganda Revenue Authority but all efforts are being made to collect receipts and tax credit certificates for suppliers.

**Recommendation**
Management should follow up the issue with URA and ensure that receipts are issued as well as the tax credit certificates for the suppliers affected.

100.13 **Periodic Maintenance of City Roads**

During the financial year 2008/09 a number of roads in the City were contracted out to various private firms for routine maintenance under the National Road Fund.

A review of the 3 packages totalling to Shs.8,485,269,555 revealed that the Bills of Quantities made by the Engineering Department were general and not linked
to individual roads especially in relation to pothole repair. Generalisation of costs and general designs made marching of costs and work done per individual road difficult. This contravenes best practice in preparation of bids and I was therefore, unable to ascertain whether value for money was obtained for money spent.

In response, management explained that the list of roads in the bid is jointly decided with Ministry of Works and these are supposed to be pothole free at any one time during the year. The scope entailed in the bills is the area of potholes to be repaired. During execution, the consultant inspects the roads and works out the exact area of potholes to be repaired and instructions issued to the contractor.

**Recommendations**

- Road inventory should be done establishing the work (cost Drivers) required to be done per road before developing the bills of quantities.
- Each individual road should have its bills of quantities to make supervision and measurement of quality of work easy.

100.13.1 **Package I**

100.13.1.2 **Delayed Completion of Works**

Whereas the works completion date for the 61 roads was scheduled for 6\(^{th}\) August 2009, inspections carried out on 9\(^{th}\) September 2009 revealed that only 37 roads had been undertaken indicating that 24 roads have not been worked on. The outstanding works include Nkurumah Road, Buganda Road, Kyadondo Road, Bombo Road, and Sir Appolo Kagwa Road.

Management explained that a notice of intention to terminate the contract was served on the contractor and liquidated damages would be demanded.
**Recommendation**

Management should follow up the matter with a view of appropriate remedy.

100.13.2

**Package 3 Roads**

Under the National Road fund for 2008/2009, the contract for periodic maintenance and/or rehabilitation of 12 dilapidated tarmac roads in the City (grouped as package 3), was awarded to another private firm at a contract price of shs.3,777,089,000. Accordingly, a contract agreement was signed between the firm and management. Works commenced on 10\textsuperscript{th} January 2009 and were to last a period of 6 months to 10\textsuperscript{th} July 2009. The following observations were noted during the audit:-

100.13.2.1

**Supervision of the Contractor**

Several instructions issued by the consultant to the contractor were ignored. For example on 17\textsuperscript{th} April 2009, the consultant in a letter to the contractor was dissatisfied with the procedure of dumping and spreading crushed stone base material on the sub base layer between section km 0+015 to 0+070 on Allen road prior to conducting the mandatory quality tests for approval. The Consultant instructed the contractor to remove the material on that section and carry out the necessary tests.

However, there is no indication that this was done although a total of shs.156,645,563 on certificate number 3 of 12\textsuperscript{th} March 2009 (including works on that section) was paid before addressing the supervisor’s concerns.

In another incident, the consultant instructed the contractor to stop covering up improved sub grade layer of 150mm thickness on Kibira Road 0+237 to 0+310 before testing and approval. However, there is no indication that this was addressed before payment for the works on this section that was included under certificate no.1 of shs.77,004,000.
Failure to adhere to the instructions of the consultant, implies that the quality of the road works may not be guaranteed, which may in turn reduce the expected lifespan of the roads.

In response management explained that the instructions of the supervising consultant were implemented and that the consultant only certifies payments for approved works.

**Recommendation**

The performance report regarding implementation of the consultants instructions be availed for verification.

100.13.2.2 **Insurance Cover**

Clause 13.1 of the General conditions of contract stipulated that the contractor shall provide, in the joint names of the employer and the contractor, insurance cover from the start date to the end of the defects liability period, in the amounts and deductibles stated in the Special Conditions of Contract (SCC) for the events which are due to the contractor’s risks e.g. loss of or damage to the works, plant and materials, equipment, property in connection with the contract and personal injury or death. However, the contractor did not provide the insurance cover despite numerous reminders from the consultant.

The absence of the insurance cover is a violation of the conditions of the contract. The construction process could stall due to the risk of the contractor becoming financially incapacitated.

Management promised to follow this up this matter with the contractor.

**Recommendation**

Management should ensure that all the conditions of contract are fulfilled before commencement of such works.
100.13.2.3 **Progress Photographs**

Under Clause 1.5 of the Special specifications of the contract, the contractor was required to take four photographs of the progress of the works for each location, indicating the ‘before’ and ‘after’ scenarios including the date when the photo was taken. The photos were to be attached to the contractors claim for payment. However, contrary to this requirement, no photos were taken and attached to the payment certificates presented for payment.

Failure to attach the photographs as required leads to inability to assess and track the progress of the works before and after the contract, in addition to whether the required materials were laid as stipulated before being covered up by more materials of the top layers of the road.

**Recommendation**

All contractors should be required to always take photographs as specified by the contract agreements to enable an independent assessment of works done especially on sections that are concealed beneath the top layers.

100.13.2.4 **Delayed Completion of Works**

An audit inspection of the roads carried out on 6th August 2009, revealed that work had not been completed and that there were no visible works going on although the roads were already in use. This despite the fact that the contract was supposed to expire by 10th July 2009.

The condition of the partially worked on roads will continue deteriorating considerably due to traffic and weather conditions and by the time the final layers are applied, the quality of the sub base will have been affected tremendously, and therefore shortening the lifespan of the road.

Management explained that liquidated damages will be deducted as provided for in the contract.
100.13.2.5 **Existing Culverts**
Clause 4.4 of the special specifications of the contract states that existing culverts determined as reusable shall be carefully removed, manually cleaned and transported to the Employers site. However, no culverts were transported to the employer's site during the period of the contract.

These culverts may have been reused on the same sites without managements knowledge.

Management explained that no existing culverts were damaged that required replacement and no old culverts were re-used.

**Recommendation**
Management is urged to investigate the whereabouts of the old culverts and ensure that they were not reused by the contractor on the same site.

100.13.2.6 **Physical Inspection of Works**
A physical inspection exercise undertaken during the audit revealed the following anomalies:-

- Work appeared to have been abandoned for a relatively long time. The roads partially worked upon continued to be in use and this was contributing to their deterioration.
- There were visible defects due to poor workmanship on the partially completed roads including collapsed drainages and culvert ends potholes already developing on some completed sections as shown in the photographs below:-
| Collapsed edges on Katazamiti road; Thin & weak stone walls; poor quality of sands, stones & other materials used; |
| Sealed surfaces on the junction of Katazamiti and Bishop Campling road already wearing off before the final layer could be applied causing water to sip thru and weaken the completed layers |
| Collapsed edges on Ntinda – Kisasi road due to thin and weak stone walls erected |
| Collapsed edges on Ntinda – Kisasi road due to thin and weak stone walls erected |
| More Collapsed edges on Katazamiti road |
| Failed shoulders, ‘eating’ the driveway on Kibira road |
There is a likely hood that the quality of work that was done is poor which may lead to a short lifespan for the roads.

Management stated that the contractor is under instructions to correct all defective works and that no payment for defective work will be made.
**Recommendation**

Management is urged to ensure that the contractor expedites the completion of all works and also corrects all the defects that have been noted on the roads before expiry of the defects liability period.

**100.13.2.7 Inadequate Provisions for Drainage**

It was noted that on the Ntinda–Kisaasi Road, no adequate provisions were made for culverts on the access roads. As a result, individual residents were filling the drainage channels with debris and hardcore stones to enable them reach their homes.

In response, management explained that under the road fund there was limited provision for drainage, the consultant and the contractors were instructed to give more attention to the carriage way works. Kampala City Council was to handle drainage from its local revenue and a contract has been secured to handle issues of the drainage.

**Recommendation**

Council should have standards on drainage systems to be followed by the contractors and enough provisions should always be made for such as it is the poor drainage systems that continue to affect the roads.

**100.14 Lack of Schedules in the Financial Statements**

The financial statements are incomplete due to non presentation of other statements, schedules and notes which are required by the section 7.5.1 of the Local Government Financial and Accounting Manual as outlined below:-

- statement of outstanding commitments,
- statement of losses of public assets,
- statement of reported losses of public assets,
- statement of stores and other assets acquired during the year,
- statement of disposal of physical assets during the year,
- investment note
- borrowings note
- accounts payables schedule
- pension liabilities schedule

**Recommendation**

The above statements should be included as required by the local government financial and accounting manual 2007.

100.15 **Land Titles**

During the audit, it was observed that many Government owned schools lack land titles. The explanation that titles are held by Uganda Land Commission was not satisfactory as schools should keep a certified copy. In the circumstances, the acreage, ownership and boundaries of school land could not be confirmed and may be exposed to encroachment.

**Recommendation**

Management should liaise with the Uganda Land Commission to profile all school land and issue copies of certificates to KCC for safe custody.

100.16 **Unremitted Funds**

Poverty Alleviation Funds (PAF) guidelines require that only a portion of the Primary Health Care funds from one PAF line will be provided to the Director District Health Services’ (DDHS) office for its functioning and the rest transferred to the Health Centres and to Development activities directly.

Contrary to PAF guidelines, out of Shs.1,723,804,244 received from the Ministry of Finance, only Shs.1,562,249,677 was transferred to Health Centres and DDHS’ office, leaving a balance of Shs.161,554,567 on the KCC account. This amount includes Shs.11,784,582 for PHC, Shs.61,345,985 for NGO hospitals and Shs.88,424,000 for development activities which remained unutilized thereby hindering service delivery.

In response management attributed the anomaly to delays by Ministry of Finance to release funds in the last quarter of the year.
**Recommendation**

Evidence of the subsequent transfer of Shs.161,554,567 to the appropriate accounts should be availed for verification.

100.17 **Procurement Contracts Not Approved By Solicitor General**

There was no evidence of endorsement by the Solicitor General for various contracts above Shs.50 million. The total value of the contracts was Shs.4,184,326,977. Failure to obtain Solicitor General’s approval contravenes procurement regulations and exposes the Council to risks of litigation without adequate legal protection.

**Recommendation**

Management should ensure that the aforesaid contracts are submitted to the Solicitor General for approval.

100.18 **Conditional Grants**

A review of bank statements and systems print-outs revealed that Conditional Grants amounting to Shs.28,076,896 had not been transferred from the KCC Main Account to the respective operational accounts as follows:

(a) Functional Adult Literacy  
Shs.15,289,060

(b) Community Development  
Shs. 5,527,326

(c) Women, Youth & Disability Council  
Shs. 7,260,510

Total  
Shs.28,076,896

The practice contravenes Local Government Act Section 83(3) and constrains specified service delivery.

Management explained that all the corresponding funds had been transferred to KCC community based services account in Stanbic Bank on a monthly basis, however there was no documentary evidence to confirm this.
**Recommendation**

Conditional Grants should be promptly remitted and utilized for the specified activities to ensure service delivery.

100.19 **Expenditure on KCC Sports Clubs**

Contrary to regulation 25(3) of the Local Governments Finance and Accounting Regulations, 2007, Shs.214,366,047 was incurred on KCC sports clubs in excess of the budgeted sums without Council approval. The practice amounts to extra budgetary funding and is irregular.

**Recommendation**

Proper approval of the funds should be submitted for verification.

100.20 **Pre-qualified Companies**

Section 5.4.3 of the Local Governments Financial and Accounting Manual 2007 requires specialized service contracts to be drafted by Council’s legal officer or technical expert as the case may be or adopt the format referred to in the Local Governments (Public procurements and Disposal of Public Assets) regulations, 2006. It further requires a pre-qualified list of suppliers of goods and services for the year to be produced by Public Disposal Unit of the District (PDU).

However, during the year council made payments of Shs.133,535,684 under the capacity building component to various companies that were not pre-qualified. There is a risk of delivery of inadequate services at non competitive prices.

**Recommendation**

Management should review the delivered services for competitiveness in terms of pricing and quantity. In future only pre qualified firms be contracted.

100.21 **Irregular Transfer of Conditional Grants**

During the period under review, the District Director of Health Services’ Office effected a transfer EFT of Shs.80,000,000 meant for development activities from Primary Health Care account number 01020-028116-00, to LGDP account, contrary to section 1.2(c) of the guidelines on management and utilization of
government grants for delivery of Health services, which prohibits transfers from one grant to another. Besides, there was no evidence of refunds made. There is a risk of misappropriation of funds.

In response management explained that funds were borrowed to co-fund the procurement of medical equipment and supplies for the new Kisugu Health Unit.

**Recommendation**

The funds should be refunded to the appropriate account.

100.22 **Non Retirement of Imprest**

During the period under review, Shs.13,010,000 was paid to various Health Centres as imprest; However, it was noted that there were neither imprest cash books nor imprest vouchers thus violating regulation 52(2) of the Local Governments Financial and Accounting Regulations, 2007. The funds remained unaccounted for.

Management attributed the anomaly to lack of basic training on financial management by the recipients.

**Recommendation**

Basic imprest records should be maintained and imprest holders should be trained. Besides all imprest management procedures should be implemented in accordance with local government financial regulations financial.

100.23 **Purchases not Taken on Charge**

During the financial year, Primary Health Care funds amounting to Shs.28,094,100 were incurred on detergents, stationary and an assortment of equipment without stores records rendering the genuineness of the expenditure doubtful.

Management stated that stores records were not maintained because of staffing inadequacies.
Recommendation

Management should investigate the procurements to ascertain their authenticity.

100.24 **Lack of Contract for Staff Canteen**

There was no contract agreement between City Council and the private operator of the staff canteen implying that the terms and conditions of the operations were not stipulated. It was not clear when the outstanding debt of shs 8,400,000 as at 30th June 2009 would be settled. In response management stated that the bid document for the staff canteen was before the contracts committee.

**Recommendations**

The Accounting Officer should ensure that the outstanding sum is recovered promptly and a contractual agreement is made to streamline management of the staff canteen.

100.25 **Irregular Purchase of Computers**

Contrary to the provisions in the Local Government Development Programme guidelines, the Division paid a sum of Shs.6,422,875 to a private firm to supply 1 PC computer, one lap top and a UPS without guidance from the Ministry of Local Government regarding specifications. The items may not be compatible with overall specifications in the Local Government strategy.

Management stated that compliance tests would be carried out to ascertain that procured items are in line with the ministry strategy.

**Recommendation**

Confirmation of compliance tests awaited.

100.26 **Public Notices Regarding Universal Primary Education**

Contrary to UPE guidelines Section 6.3, thirty eight (38) Schools failed to display the following information on notice boards:-
- Pupil enrolment and daily attendance by class
- School budgets and expenditures. UPE capitation grant received from the District against school enrolment.
- Total teachers salaries received from the District as well as the names of teachers in the school.
- Amounts received as extra charges in municipality schools which collect fees.
- A copy of the school quarterly report to the DEO.

In the circumstances, there is lack of transparency in the operations of the UPE activities and utilization of funds.

Management explained that there has been intensive campaign with regard to display of information at school level and that most schools now comply.

**Recommendation**
School inspectors should carry out necessary visits and sensitize the administration about Universal Primary Education guidelines in accordance with Local Government Financial and Accounting Regulation 2007 (64).

100.27 **Inadequate Financial Management in Primary Schools**
Contrary to Section 2.5.6 (a), (b) & (c) of the Universal Primary Education guidelines 2008, and regulation 64 of Local Government Financial and Accounting Regulation 2007 various schools failed to open Universal Primary Education bank accounts. Besides, cashbooks were not reconciled on a regular basis. Some schools lacked technical personnel in bookkeeping. Without proper records, misappropriation of UPE funds cannot be ruled out.

In response, management stated that lack of accounting staff in schools hinders proper financial management.
**Recommendation**

UPE bank accounts and cash books should be maintained to facilitate proper accountability of funds.

100.28 **Delay in Disbursement of UPE Funds to Schools by the District**

Contrary to Section 8.3.5 (ii) of UPE guidelines 2008, which require transfer of funds within one week of receipt. Disbursements of funds to UPE schools delayed by more than three months thereby constraining operations of the schools. Such delays have negative impact on the administration and academic performance of schools.

Management attributed the delay to adoption of EFT payment method and the IFMS processes.

**Recommendation**

Management should ensure that funds are disbursed promptly.

101.0 **KAMPALA CITY COUNCIL – NAKAWA DIVISION**

101.1 **Opinion** Qualified – Except for.

101.2 **Outstanding Debtors**

Included in the debtors balance of Shs.11,716,673,103 is a sum of Shs.432,915,410 that is attributable to uncollected revenue from markets managed by Agents without verifiable contracts. Besides, the debtors were not supported with aging schedules and a debt management plan rendering recovery doubtful.

Management pledged to prepare and submit detailed aging schedules and the debt management plan but this was not availed for verification.
**Recommendation**

Necessary schedules and plans be submitted for verification. In the meantime outstanding revenue should be collected.

**101.3 Non Remittance of Conditional Grants - Local Government Development Programme (LGDP) Accounts to the Consolidated Fund**

The Division retained previous year Local Government Development Programme un-spent balance of Shs.261,360,026 as well as un-spent balance of Shs.478,430,325 for the current year without seeking approval from the Treasury.

It was not explained why the funds were not returned in accordance with Section 19(1) the Public Finance and Accountability, Act 2003. Besides, failure to utilise released funds may imply unrealistic budgeting or weakness in implementation of activities or lack of absorption capacity.

Management explained that they had written to the Treasury seeking authority to retain the money without success.

**Recommendation**

The Accounting Officer should refund the above funds to the Consolidated Fund as required by the law.

**101.4 Direct Payments From Collection Accounts**

Contrary to the Local Governments Financial and Accounting Manual, 2007 section 6.4.2(2) that requires all payments to be incurred from expenditure accounts, the Division made payments amounting to Shs.216,201,636 to a revenue collection contractor directly from the collection account.

Besides, the payments were not supported with a contract agreement and performance report rendering the genuineness of expenditure doubtful.
Recommendation

Management should submit the contract agreement and performance report for verification.

101.5 Unaccounted For Funds

A sum of Shs.170,233,625 was paid to a staff (Shs.84,214,825) for various activities of the division including payment of casual labourers, grading of roads, repair of vehicles and routine maintenance of Ntinda Road. Another sum of cash payments of (Shs.86,018,800) was made to various persons to cater for casual workers.

However, in the absence of authentic works completion certificates, master pay rolls, job cards and repair orders, the funds remained unaccounted for. Besides it is unusual to pay funds to individuals for works that could be contracted to service providers.

In response management stated that it would submit accountability which it has not done to date.

Recommendation

The Accounting Officer should ensure that all the above funds are accounted for or recover the money from the officers and explore the possibility of contracting out these activities to service providers.

101.6 Unreconciled Remittance

At the close of the financial year, the Division owed KCC Headquarters Shs.614,050,061 while the Headquarters also owed the Divisions Shs.124,605,613 in form of locally generated revenue. The Division Accounting Officer pledged to reconcile the balances with KCC Headquarters but at the time of reporting this had not been concluded.

Recommendation

A proper reconciliation and trade-off should be undertaken.
101.7 **Bounced Cheques**

The Division was issued with cheques worth Shs.86,000,000 for payment of revenue by Nakawa Market Vendors Association that subsequently bounced. The drawer did not make them good. Further scrutiny revealed that Nakawa Market Vendors Association owed the Division a sum of Shs.150,900,000 which had not been recovered.

Failure to collect revenue adversely affects service delivery.

Management explained that the matter of bounced cheques had been forwarded to the City Advocate for purposes of court action and recovery of revenue. The outcome is awaited.

**Recommendation**

The Accounting Officer should ensure that all the outstanding revenues is recovered to support service delivery in the Division.

101.8 **Inspection Of Local Government Development Programme (LGDP) Works**

A private firm was contracted to construct Naguru II and Kiswa Parish Community Centres at Shs.58,064,992 of which a sum of Shs.51,731,282 was paid during the year. The construction was to be completed by 21st January 2009.

However, an inspection of the works (September 2009) indicated the following shortcomings:-

- The thickness of the wall in both Naguru and Kiswa was established as 150mm instead of 230mm and 200 mm respectively as required in the designs.
- The Naguru wall fence was incomplete purportedly due to land disputes.
- The water run off channel lacked stone pitching thereby risking wall collapse.
- The finishing on the completed part appeared inadequate.
• The iron bars were not yet fixed in the wall fence of Kiswa Community Centre.
• The project had over shot its completion date by more than eight months.

Management stated that the project was not completed because of land wrangles and that the problem shall be resolved though both political and administrative means.

**Recommendation**

Management should settle the land wrangles so as to have the work completed for the benefit of the community.

101.9 **Licence Fees Not Shared**

Licence fees amounting to Shs.54,760,285 collected by the Division was not shared as required by regulation 39 of the Local Government Financial and Accounting Regulations, 2007. There is need for appropriate reconciliation and distribution of local revenue as prescribed by the regulations to facilitate provision of services.

Management stated that the reconciliation had been done, but there was no evidence to that effect.

**Recommendation**

Evidence of the reconciliation and actual remittances be availed for verification.

101.10 **Micro Procurement of Works and Services not Reported to Contract Committee**

During the year under review, the Division spent Shs.41,607,960 on micro procurement of goods and services but were not reported to the Contracts Committee in accordance with regulation 41 (8) of the Local Government Public Procurement and Disposal of Assets (LGPPDA) Regulations, 2006.
Besides, the expenditure lacked supporting documents and the goods were not taken on charge.

Management pledged to provide accountability to no vail.

**Recommendation**
Management should provide relevant documents to support the expenditure. In future PPDA regulations should be complied with.

### 101.11 Endorsement Fees Charged on Passport and Immigration Application Forms

The Division collected and receipted a sum of Shs.4,964,000 in respect of endorsement fees on passport and immigration application forms. However, complete revenue records were lacking and there was no system in place for monitoring and control of this revenue. For example, the amount shown above related to March 2009 implying that revenue relating to the period July 2008 to February 2009 was unreceipted and unaccounted for.

**Recommendation**
All revenue records for the endorsement fees should be availed for verification. Meanwhile, the Accounting Officer should ensure that the collection of endorsement fees is streamlined to ensure proper monitoring and accountability.

### 102.0 KAMPALA CITY COUNCIL – KAWEMPE DIVISION

#### 102.1 Opinion: Qualified – Except for.

#### 102.2 Unsupported Receivables

The receivables balance of Shs.5, 208,629,936 was not supported with subsidiary ledgers to enable verification. In addition there was neither aging schedule nor debt management strategy rendering recovery of the debts doubtful.
**Recommendation**

The Accounting Officer should provide a detailed schedule of debtors for review.

102.3 **Unsupported Liabilities**

102.3.1 **Court Cases**

Included among the current liabilities is Shs.95,944,600 relating to court cases on markets which were not explained.

102.3.2 **Earmarked Funds**

A sum of Shs.375,334,229 refers to earmarked or committed funds for LGDP contracts. However, there were no formal contract agreements instead the works are supported by mere award letters contrary to regulation 88 of Local Governments Public Procurement and Disposal of Public Assets regulation. Accordingly, clear detailed obligations of each party were not known.

**Recommendations**

- The Accounting Officer should provide details of court cases on Masembe and Bivamuntuyo markets for review.
- Contracts for the earmarked funds should be availed for verification.

103.4 **Unspent Balance of Conditional Grants not Remitted to the Consolidated Fund**

Section 15.6.5.3 of the Local Government Financial and Accounting Manual 2007, requires that all the unexpended balances of all Conditional Grants irrespective of the availability of commitments be returned to the Consolidated Fund.

It is further provided for under sub Section 6.6.5.4 of the Local Government Financial and Accounting Manual 2007, that all applications for the retention of committed funds be verified by the Accountant General’s office not later than 25th July, following the end of the financial year to which they relate.
Contrary to the above sections, un-spent balances of Shs.375,334,229 remained in the Division’s Local Government Development Accounts without necessary authority.

In response management associated this to late release of funds and that authority to retain funds had been sought from the Accountant General but no response was received.

**Recommendation**

Management should follow up the matter with the Treasury. In the alternative the funds be remitted to the Consolidated Fund Account.

103.5 **Non-Remittance of Funds to Lower Local Councils**

The fifth schedule part V of the Local Government Act requires 35% of the amount retained at the Division to be distributed to Lower Councils which include Parishes and Villages.

However, it was observed that out of Shs.572,706,847 retained at the Division, Shs.200,447,396 was not remitted to the Lower Councils thereby affecting service delivery at the grass roots.

In response, management explained that the Lower Local Councils failed on their part to co-fund 30% component to the projects as required under LGDP hence the division had to co-fund on their behalf in compensation for their would be 35% remittances. However, the Lower Local Council’s consent was not availed for audit.

**Recommendation**

The Lower Council’s consent be availed for audit or else the regulations be complied with.
103.6 **Arrears of Revenue**

Arrears of revenue was at Shs.7,316,872,604 having accumulated from Markets, Park fees, Abattoir and Property Rates. Accumulation of arrears of revenue is attributed to lack of enforceable agreements and a proper debt management strategy.

Management explained that they have now contracted out revenue collection and expect this to reduce on the arrears as well as improve on their collections.

103.7 **Market Operations**

It is the mandate of the Division to collect market dues as per the market Act section 1(2) which states that Markets shall be established, maintained, controlled and managed by the City Council. However, out of the markets budgeted revenue of Shs.77,306,239 only Shs.9,684,000 was realized indicating a shortfall of Shs.69,622,239.

It was further observed that there were no binding contracts for the management of the markets and operators were not authorized by the contracts Committee of City Council. In the circumstances enforcement of revenue collection procedures is considered weak.

Management explained that most of the markets in the division are privately owned and others owned by the Buganda Kingdom and negotiations are still on going to streamline their operations.

**Recommendation**

The Accounting Officer should ensure that Revenue collection contracts are instituted and enforcement measures such as litigation be put in operation.

103.8 **Under Co-funding**

During the financial year, the Division received Shs.373,605,313 as LGDP funding. There is a requirement for the Division to contribute co-funding of 10%
of the funds received in the LGDP guidelines. It was observed that only Shs 19,482,514 was provided instead of Shs.37,360,531 indicating co-funding deficit of Shs.17,878,017.

Failure to provide co-funding may result into cessation of Central Government contribution thereby denying services to the population.

**Recommendation**

The co-funding deficit should be made good.

103.9 **Payment of Casual Workers**

During the year under review, the Division paid Shs.39,826,350 to casual workers without supporting appointment letters, schedules of duties, and performance reports rendering the expenditure doubtful.

**Recommendation**

The Accounting Officer should always ensure that proper and transparent methods are used when recruiting these workers. Meanwhile, the necessary supporting documents should be availed for verification.

104.0 **KAMPALA CITY COUNCIL – RUBAGA DIVISION**

104.1 **Opinion** Qualified – Except for.

104.2 **Revenue Short Fall**

During the financial year under review Rubaga Division budgeted to collect Shs.2,585,387,000 from local revenue but only Shs.1,329,522,877 was realised indicating a shortfall of Shs1, 255,864,123 (49%). Revenue shortfall results into poor service delivery.
In response, management attributed this to the inadequate staffing in the finance department which they have always brought to the attention of the relevant authority.

**Recommendation**

The Accounting Officer should ensure that revenue collection is top priority as it is the basis for all the service delivery in the Division.

104.3 **Unaccounted for Licence Books**

During the financial year, collection of revenue from this source was carried out by the Division management which requisitioned for a stock of Business Licences and made assessments. Payments were made directly through the bank.

However, the licence register provided did not provide details of the stock brought forward as at 1st July 2008 for the financial year 2008/09 and issue of Licenses made from this stock were not recorded.

Besides, the Division Finance Officer requisitioned for 100 licence books from headquarters in August 2008 but failed to account for the books. The revenue from this source of Shs.313, 628,744 declared in the books may be grossly understated implying loss of public funds. The same issue appeared in my last year’s report to Parliament.

**Recommendation**

The Accounting Officer should provide all the licence books used and corresponding copies of bank payment advice forms should be availed for proper reconciliation and accountability.

104.3 **Non Remittance of Unspent Balances of Conditional Grants**

Section 15.6.5.3 of the Local Government Fiancial and Accounting Manual 2007 requires all the unexpended balances out of Conditional Grants irrespective of the availability of commitments to be returned to the consolidated fund.
Section 6.6.5.4 requires all applications for the retention of committed funds to be verified by the Accountant General’s office not later than 25th July following the end of the financial year to which they relate. Contrary to the above sections, un-spent balances of Shs.284,693,376 remained in the Division’s Local Government Development Programme Accounts without valid explanation.

In response management explained that there were running contractual obligations which could not be terminated without legal consequences and that a request for retention had been made to Treasury without response.

**Recommendation**

Necessary authority for retention should be followed up. In the alternative the funds be transferred to the Consolidated Fund.

104.4 **Fraudulent Cash Withdrawal**

Withdrawal of Shs.70,000,000 was made on the Local Government Development Programme (LGDP)II account by a manual cheque without supporting documents. The manual cheque withdrawal method contravened the use of Electronic Funds Transfer (EFT) which limits cash transactions to Shs.20,000,000 and appears fraudulent since the cheque system was no longer in use. Though the officers concerned were interdicted, no recovery has been made.

Management explained that the case is before the District Service Commission for consideration.

**Recommendation**

The Accounting Officer should ensure that the above case is brought to its logical conclusion and the responsible officers refund the money involved.
104.5 **Missing Revenue Books Records**

104.5.1 Nateete Market

The Division management appointed non staff to collect market rent and market dues on its behalf without tendering and setting revenue targets.

Besides, management did not provide information pertaining to the number of Revenue books printed in 2008/09 and details of the books issued out rendering the declared revenue of Shs.54,321,250 unreliable.

In response, management stated that they use non staff in the night since Council staff do not operate at night and that all revenue collected is banked daily by the administrative officer in charge of the market. Also monthly targets have been set at Shs.8 million. However all these could not be confirmed since there was no documentary evidence.

104.5.2 Nalukolongo Market

The Division failed to collect revenue from this market during the financial year under review due to market wrangles. The amount of revenue lost could not be ascertained.

Management explained that they have requested for procurement of a contractor for this market with the District procurement and disposal Unit.

However, the above information could not be confirmed as there were no supporting documents.

104.6 **Administrative Advances Not Accounted For**

Regulation 43 (2) of Local Governments Financial and Accounting Regulations (LGFAR), 2007 states that Administrative advances to Council employees shall be authorized by the chief executive and shall be accounted for within a month.
During the year, the Council made advances of Shs.42,714,400 to different officers to carry out capacity building activities within the District and these amounts remained unaccounted for by the close of the period.

It was noted that funds were always advanced to Division officers for official duties but expensed or directly charged to expenditure items before accountabilities are submitted and verified. This system of recording advances renders monitoring of accountability difficult.

**Recommendation**

The Accounting Officer should ensure that accountability for all the funds are provided for verification and refrain from charging advances directly to expenditure.

### 104.7 Inadequate Debt and Credit Management

During the year under review, debtors increased by Shs.230,978,622 (from Shs.5,841,751,850 in 2008 to Shs.6,072,730,472 in 2009) and creditors increased by Shs.32,129,171 (from Shs.425,871,674 in 2008 to Shs.458,000,845 in June 2009). The debt and credit management system appears inadequate as there were neither aging schedules nor a documented debt management strategy.

In response management explained that the biggest debtors are from property rates whom they have always published in the media and that the Division is yet to come up with a policy on how to manage creditors.

**Recommendation**

There is need for an effective and comprehensive debt and credit management system to profile the nature and age of debt and credit so as to make targeted recoveries and payments respectively. Management should also implement the commitment control system to limit accumulation of unpaid bills.
104.8 **Non-Remittance of Shared Revenue to Lower Local Councils**

Contrary to section 86 of the Local Government Act 1997 as amended the Division had not remitted Shs.153,119,118 to Lower Councils.

Management explained that apart from four Parishes all the Lower Councils failed to open bank accounts through which the money would be transferred.

Failure to remit funds to the lower Councils hampers service delivery at grassroots.

**Recommendation**

All necessary procedures should be undertaken to ensure remittances for Lower Councils are transferred in accordance with the law. The Lower Councils should also be sensitised of the need to open up bank accounts for transmission and accountability.

104.9 **Failure to Prepare VAT Returns**

The Division is VAT registered and collected revenue from markets and building plans on which VAT totalling to Shs.38,059,531 was deducted. However, the Division did not prepare VAT returns so as to ascertain payable or recoverable VAT contrary to the VAT Act Section 32 thereby contravening the VAT Act.

**Recommendation**

VAT from payments to suppliers should be compiled timely to be able to compute the net payable tax.

104.10 **Statutory Deductions Not Remitted**

Section 123 (1) and (2) of the Income Tax Act CAP 340 states that a withholding agent shall pay to the commissioner any tax that has been with held or that should have been with held within 15 days after the end of the month in
which the payment subject to withholding tax was made by the withholding agent.

During the financial year, the Division deducted PAYE from Councillors and Council employees’ earnings and 6% WHT from suppliers of goods and services totalling to Shs.3,538,000. No evidence of remittance to the tax authority was provided.

In response, management stated that payments had been made to URA. There was however, no evidence to confirm this.

**Recommendation**

Tax payments should be made on time to avoid penalties and interest charges and evidence of remittance be provided for audit.

**104.11 Asset Register**

Regulation 6.6.4.6 (2) of the Local Governments Financial and Accounting Manual 2007 provides for a fixed asset register that should be maintained. However, Asset additions of Shs.446,218,950 indicated in the schedule of fixed assets shown in the financial statements were not recorded and could not be verified for physical existence and measurement.

**Recommendation**

The Accounting Officer should ensure that all assets acquired should be properly recorded in the asset register as required by the existing laws.

**104.12 Irregular Payment of Casual Workers**

A sum of Shs.65,906,200 paid to casual workers was not supported with appointment letters, schedules of duties, proper muster pay rolls and performance reports rendering the expenditure irregular.
Management explained that relevant documents would be availed but this was not done.

**Recommendation**

The Accounting Officer should ensure that payments in this regard are well supported with appointment letters, schedules of duties, muster payrolls and performance reports and rendered for audit.

104.13 **Office Imprest**

Regulations 51 and 52 of the Local Government Financial and Accounting Regulation, 2007 provides for the custody of imprest, replenishment and retirement respectively. However, Shs.32,246,000 incurred on imprest was irregular as:-

- Imprest cash holders were not appointed by the Accounting Officer
- The minimum cash requirement for imprest holders was not specified.
- There were no imprest accountabilities and the recording and posting of imprest expenditures was not in accordance with regulations and the chart of accounts.
- Imprest cash books were not maintained by imprest beneficiaries.
- There were no requisitions raised for the reimbursements of imprest.
- The expenditure codes were not indicated on most imprest cash vouchers

In the circumstances the risk of misappropriation of imprest funds is apparent.

**Recommendation**

Accountability of the above funds be provided for verification. In the alternative the funds are recoverable.
104.14 **Purchases Not Taken On Charge**

The Council advanced Shs.13,928,920 to various officers for procurement of assorted items and stationery but the items were not taken on charge rendering the expenditure doubtful.

**Recommendation**

The Accounting Officer should record all the above transactions in the stores ledger as required and render accountability.

104.15 **Irregular Allowances**

The Council incurred expenditure totalling to Shs.53,210,500 in respect of on-call allowance to members of staff. It was observed that on-call allowance is not provided for in the Standing Orders.

Therefore, the basis for the rates of allowances paid could not be established and hence irregular. Besides, the funds were not accounted for.

Management explained that this allowance is incurred due to understaffing in the Division. Officers are asked to take on extra duties to bridge the gap on top of their routine schedules.

**Recommendation**

The Accounting Officer should submit all the necessary supporting documents for accountability and seek authority from the Ministry of Public Service to incur the expenditure.

104.16 **Vehicle Hire**

The Division incurred expenditure of Shs.7,862, 827 for the hire of motor vehicles by different officers without written agreements regarding terms and conditions of payments and specifying the rate per day as required by regulations. This renders verification difficult.
Recommendation
The Accounting Officer should provide all the supporting documents availed for verification.

104.17 Travel Abroad
The Division incurred Expenditure of Shs.10,278,600 to cater for travel, air tickets, accommodation, Visa fees and per diem expenses for the Councillors and the Senior Principal Assistant Town Clerk. However, supporting documents to account for the expenditure including a back to office report were not availed for audit. In the above circumstances, the travel abroad was not accounted for.

In response, the Accounting Officer explained that the invitation spelt out the specific officers who would qualify to attend but this was also not availed for review.

Recommendation
The Accounting Officer should provide all supporting documents for verification.

104.18 Refunds to Officers
A sum of Shs.24,544,500 was refunded to various officers in respect of an assortment of expenses without proper authorisation. The accuracy of the claims was not ascertained. The payments are potentially fraudulent.

Management explained that the refunds were for funds diverted by officers for other activities with permission by management.

Recommendation
Management should investigate the authenticity of the refunds.
104.19 **Irregular Purchase of Computers**

Section 2.1.4 of the LGDP guidelines states that Local Governments which wish to procure computers should first obtain technical advice from the Ministry of Local Government with respect to the specification of the computers. Contrary to the provisions in the guidelines, the Division paid a sum of Shs.32,711,000 to a private firm to supply 6 computers, 3 lap tops, 1 canon power shot camera, 2 Kyocera printers and 1 projector to the Council under LGDP without necessary clearance from the Ministry. There is a risk of acquiring equipment that are non-compliant to existing systems.

Management explained that necessary consultations and compliance tests were made by the parent Ministry but the results were not submitted for verification.

**Recommendation**

Evidence of compliance and Ministry authority be provided.

104.20 **Incompletely Vouched Expenditure**

Shs.51,475,530 paid to various institutions lacked supporting documents rendering the expenditure doubtful.

**Recommendation**

The Accounting Officer should provide all the documents supporting the above expenditure.

105.0 **KAMPALA CITY COUNCIL – MAKINDYE DIVISION**

105.1 **Opinion** Qualified – Except for.

105.2 **Unsupported Receivables**

The receivables of Shs.10,474,404,716 were not supported with detailed schedules to enable verification. Besides, the debtors were not aged to facilitate
recovery measures and a proper debt management and recovery plan was not in place. Management stated that aged schedules would be submitted together with a debt management and recovery plan. At the time of reporting no action had been taken in this regard.

**Recommendation**

Aged schedules and the debt management and recovery plan should be submitted for verification.

105.3 **Unsupported Balances on the Capital Reserves Account**

The balance on the capital reserves account of Shs.9,171,540,689 could not be verified due to lack of supporting schedules or explanatory note. Management explained that a reconciliation process would be undertaken and schedules submitted. The detailed schedules are awaited.

**Recommendation**

Detailed schedules indicating movement on the capital reserves account should be submitted for verification.

105.4 **Inadequate Financial Records to Support Income Offset Account and Contract Staff Salaries**

The debit balances of income offset accounts of Shs.1,439,025,133 and contract staff salaries of Shs.49,514,960 in the Trial Balance were not adequately explained and lacked adequate financial records in support.

Management stated that the income offset balance of Shs.1,439,025,133 was generated by the Integrated Financial Management System (IFMS) and was not clear to them. The contract staff salaries balances were not explained.

**Recommendation**

I advised management to seek advice from the Ministry of Finance regarding the income offset balance and submit supporting schedules for the balances.
105.5 **Trade and Sundry Creditors**

Trade and sundry creditors of Shs.1,297,008,453 appearing in the Trial Balance lacked supporting subsidiary ledgers and could not be verified. In the absence of information regarding individual suppliers, dates of procurement of the goods on credit, payments made to date and balances thereof, I could not ascertain the authenticity of the creditors’ balances.

**Recommendation**

The necessary subsidiary ledgers be availed for verification.

105.6 **Unaccounted for Administrative Advances**

Contrary to regulation 43 (2) and (3) of the Local Government Financial and Accounting regulations that require administrative advances to be accounted for within a month, Shs.97,460,000 was not accounted for by the year end.

**Recommendation**

Accountability be rendered and the regulation be complied with.

105.7 **Local Revenue Short Fall**

It is the responsibility of the head of finance to collect all the revenues of council as stated under section 32 of the Local Governments Financial and Accounting Regulations 2007.

However, revenue records indicated that during the year, the Division incurred a shortfall of Shs.1,085,575,739 from various sources indicating poor collection of revenue due to inadequate collection methods, weak supervision and irregular monitoring of the revenue collection system. Under collection of revenue adversely affects implementation of the Division activities, thereby constraining service delivery.

Management explained that under collection was mainly due to political pronouncements regarding potential sources of revenue, resistance to trading
licence rates a the City Traders Association and inadequate staffing. The table below refers.

<table>
<thead>
<tr>
<th>Revenue Source</th>
<th>Budgeted (Shs.)</th>
<th>Actual Collection (Shs.)</th>
<th>Shortfall (Shs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trading Licences</td>
<td>800,000,000</td>
<td>458,946,700</td>
<td>341,053,300</td>
</tr>
<tr>
<td>Building Plans</td>
<td>275,000,000</td>
<td>231,875,209</td>
<td>43,124,791</td>
</tr>
<tr>
<td>Property Rates &amp; Ground Rent</td>
<td>1,250,000,000</td>
<td>614,501,452</td>
<td>635,498,548</td>
</tr>
<tr>
<td>Advertisements</td>
<td>51,000,000</td>
<td>36,923,900</td>
<td>14,076,100</td>
</tr>
<tr>
<td>Markets</td>
<td>45,000,000</td>
<td>13,777,000</td>
<td>31,223,000</td>
</tr>
<tr>
<td>Land Premium</td>
<td>30,000,000</td>
<td>9,400,000</td>
<td>20,600,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,451,000,000</strong></td>
<td><strong>1,365,424,261</strong></td>
<td><strong>1,085,575,739</strong></td>
</tr>
</tbody>
</table>

**Recommendation**

A comprehensive revenue collection and monitoring system should be put in place and implemented effectively.

105.8 **Non-remittance of Withholding Tax and Pay-As-You-Earn (PAYE)**

Contrary to the Income Act section 124 PAYE of Shs.21,941,800 deducted from Councillors’ allowances and withholding tax of Shs.2,300,950 deducted from payments for supplies of services was not remitted to Uganda Revenue Authority. Non compliance may attract penalties and interest.

**Recommendation**

Remittances be made to comply with the regulations.

105.9 **Control of Licence Books**

Contrary to Local Government Financial and Accounting Regulations, Section 99(1) license books were requisitioned from Kampala City Council Headquarters by one officer who records, issues out and at the same time does the reconciliations for the used books.
Besides, there was no written authority from the Accounting Officer of the Division appointing this officer to execute these functions.

In such circumstances, the control of licence books is at risk. For example, used license and permit books in the series 1501-1600 were not presented for audit verification thereby exposing the Division to revenue loss.

Management attributed this weakness to inadequate staffing at the Division.

**Recommendation**

The licence books in the series 1501-1600 should be availed for verification. Management should ensure segregation of duties regarding requisition, custody and accountability for the licence books.

105.10 **Property Rates and Ground Rent**

The Division collected Shs.614,501,452 for the property rates and ground rent. However, it was difficult to separate the amounts for the current year and arrears because the Integrated Financial Management System being used to record the revenue does not categorise it as such. This undermines the debt management process.

Management promised to address the above issue.

**Recommendation**

The Accounting Officer should ensure proper categorisation of property rates and ground rates in terms of current year and arrears to ease follow up and accountability.

105.10 **Irregularities in Reported Debtors Balances**

The debtors balances reported in the financial year 2007/2008 were Shs.12,894,128,148 while the balances for the same period reported in the
2008/2009 accounts were Shs.12,899,526,648 indicating a variance of Shs.5,398,500 which is not explained.

Besides, the policy of reporting debtors is inconsistent as total balances reported in 2007/2008 was Shs.10,143,122,213 inclusive of provisions for bad debts while in the financial year 2008/2009 the balance reported of Shs.11,642,228,137 is net of provision for bad debts. This inconsistency renders comparability and analysis of debtors difficult.

In addition, there was no comprehensive and practical debt management and recovery strategy regarding rates and rents and therefore the performance of this revenue item is likely to worsen.

In their response management stated that they had intensified the collection efforts and that some debtors had been taken to court.

**Recommendation**

Management should design a comprehensive and practical debt management strategy regarding the major revenue item of rates and rents.

105.11 **Doubtful Expenditure**

Shs.35,178,000 paid to various staff for public works, was not supported with relevant documents contrary to regulation 42 of the LGFAR, 2007 which requires payment to be properly supported. Accordingly, the expenditure was doubtful.

Management stated that the supporting documents would be availed but to no avail.

**Recommendation**

All relevant documents should be availed for verification.
105.12 **Irregular Refunds**

Management made payments totalling to Shs.15,859,250 to various staff and councillors as refunds of personal funds used for official activities.

However, the Accounting Officer did not give prior written authority to the staff to incur such expenses and the basis of the refunds was not clear as there was no proof that the activities actually took place.

**Recommendation**

Evidence of the official activities carried out should be availed. In the alternative the funds are recoverable.

105.13 **Improper Imprest Expenditure**

Imprest totalling to Shs.41,080,000 was advanced to various officers for operations in their respective offices on terms that are contrary to regulation 51 and 52 of the Local Governments financial and Accounting Regulations, 2007 as follows:-

- The minimum cash requirement to the imprest holders was not specified.
- There were no imprest accountabilities and the recording and posting of imprest expenditures contravened financial regulations and the chart of accounts.
- Imprest cash books were not maintained by imprest holders.
- There were no requisitions raised for the reimbursements of imprest.
- The affected expenditure codes were not indicated on most imprest cash vouchers.

**Recommendation**

Management should adhere to the financial regulations in management of imprest.
105.14 **Unspent Balances On the Local Government Development Programme Account (LGDP)**

Section 15.6.5.3 of the Local Government Finance and Accounting Manual (LGFAM) 2007 requires all the unexpended balances of the conditional grants irrespective of the availability of commitments to be returned to the consolidated fund.

Sub section 6.6.5.4 requires all applications for the retention of committed funds to be verified by the Accountant General’s Office not later than 25th July following the end of the financial year to which they relate.

Contrary to the above regulations the Division retained un-expended balance on the Local Government Development Programme (LGDP) account of Shs.166,187,284 for the previous year and Shs.47,337,670 in respect of the year under review without seeking approval from the Treasury.

In addition, a sum of Shs.7,966,000 drawn from the LGDP account for inspection of the programme activities remained unaccounted for.

Management explained that the unspent balances were utilised on already committed works.

**Recommendation**

I advised the Accounting Officer that that all unspent balances be returned to the Consolidated Fund or authority for retention be sought as required by law. In addition, the funds incurred on inspection of activities be accounted for.

105.15 **Delay in Re-submission of Financial Statements**

The format of financial statements submitted for audit were inconsistent with provisions of the Local Government Finance and Accounting Manual 2007 and were referred back for correction. The accounts were then re-submitted on 23rd November 2009 (two months after) thereby delaying the audit process.
Management in their response attributed the delay to the inability of the IFMS to generate financial statements in the prescribed format and that some balances had to be prepared off the system.

**Recommendation**

Management should liaise with the Ministry responsible for Finance to properly implement the IFMS in the Division and ensure that the preparation and presentation of the financial statements comply with the regulations.

**106.0 KAMPALA CITY COUNCIL – CENTRAL DIVISION**

106.1 **Opinion** Qualified – Except for.

106.2 **Irregular Write-off of Debtors**

According to Local Governments Financial and Accounting Regulation (LGFAR) 100(1) the executive committee shall be the authority to recommend waivers. The Local Government Finance & Accounting Manual Section 6.6.4.2, further states that every effort for recovery should have been taken and failed. However, Shs.6,084,043,015 was written off during the financial year without necessary approvals and evidence that every effort for recovery had been taken and had failed.

In response management explained that Shs.1,233,193,665 is not a write off but an adjustment for erroneous posting and Shs.3,325,249,629 is revenue earned but can not be recovered due to various reasons. It was further stated that executive and finance committees have approved the adjustments and only awaiting Council and the Minister’s final approval.

I informed the Accounting Officer that the write off was pre-mature as the necessary Council and Minister’s approval had not been obtained.
Recommendation

All the relevant schedules and approvals should be submitted for verification before effecting the write-off. In the meantime the amount should be restated in the accounts.

106.3 **Local Revenue Shortfall**

According to revenue records the Division failed to collect Shs.2,010,878,663 from the various local revenue sources during the year indicating poor collection methods, inadequate supervision and weak monitoring of revenue collection activities.

Under collection of revenue is contrary to regulation 32 of the Local Governments Financial and Accounting Regulations (LGFAR), 2007 and it adversely affects service delivery.

Management explained that the short fall was due to wrangles between different factions within the markets and political pronouncements on property rates and bodaboda fees. The table below refers.

**REVENUE SHORTFALL IN CENTRAL DIVISION**

<table>
<thead>
<tr>
<th>Revenue source</th>
<th>Budgeted amount shs</th>
<th>Actual collection shs</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lorry parks</td>
<td>19,200,000</td>
<td>4,104,000</td>
<td>15,096,000</td>
</tr>
<tr>
<td>Street Parking</td>
<td>1,682,054,232</td>
<td>1,307,672,930</td>
<td>374,381,302</td>
</tr>
<tr>
<td>Markets</td>
<td>1,131,950,400</td>
<td>926,761,007</td>
<td>205,189,393</td>
</tr>
<tr>
<td>Business license</td>
<td>3,320,000,000</td>
<td>2,911,982,399</td>
<td>408,017,601</td>
</tr>
<tr>
<td>Land fees</td>
<td>184,400,000</td>
<td>118,637,783</td>
<td>65,762,217</td>
</tr>
<tr>
<td>Advertising</td>
<td>248,415,451</td>
<td>218,241,064</td>
<td>30,174,387</td>
</tr>
<tr>
<td>Public convenience</td>
<td>72,000,000</td>
<td>31,610,500</td>
<td>40,389,500</td>
</tr>
<tr>
<td>Lock ups</td>
<td>43,200,000</td>
<td>20,850,000</td>
<td>22,350,000</td>
</tr>
<tr>
<td>Medical certificates</td>
<td>50,000,000</td>
<td>11,798,000</td>
<td>38,202,000</td>
</tr>
<tr>
<td>Local service Tax</td>
<td>1,500,000,000</td>
<td>700,683,737</td>
<td>799,316,263</td>
</tr>
<tr>
<td>Sub way rent</td>
<td>12,000,000</td>
<td>12,000,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>8,251,220,083</td>
<td>6,252,341,420</td>
<td>2,010,878,663</td>
</tr>
</tbody>
</table>
**Recommendation**

The Accounting Officer is advised to put in place the necessary controls and procedures to improve revenue collection and report revenue performance periodically to the Executive Committee and the Council for appropriate intervention.

### 106.4 Inadequate Debt Management

There were outstanding debtors of Shs.14,352,983,890 at the end of the financial year. It is noted that there is no aging schedule and comprehensive debt management strategy for debtors rendering recovery of the stock of debt doubtful. In the circumstances service delivery is hampered due to funds tied up in debtors.

Management explained that efforts to recover the debts are on going through court cases and negotiations with defaulters. The outcome of the efforts is awaited.

**Recommendation**

A comprehensive and practical debt management strategy should be put in place to ensure recovery of money held by debtors to facilitate service delivery.

### 106.5 Lack of Agreements for Contracted Out Revenue

Various firms defaulted on payment of Shs.1,088,800,369 to the Division due to lack of enforceable contract agreements. Lack of enforceable contracts may imply weaknesses in overall Administration of the Division. In the circumstances, the Division is exposed to the risk of revenue loss.

In response management claimed that the contracts and memoranda of understanding were available. However, they were not submitted for verification.
Recommendation

The Accounting Officer should provide all the contracts and memoranda of understanding for audit. In the meantime, all efforts be made to collect the outstanding debts.

106.6 Payables

The Council accumulated payables of Shs.1,626,722,978 which include grants to Lower Councils of Shs.379,299,316. Failure to disburse funds to Lower Local Governments adversely affects service delivery at the grass roots.

It was also noted that accumulation of debts contravenes Government policy of commitment control and exposes the Division to litigation.

In response management explained that the division bases its expenditure on the budgeted revenue and the failure to pay the lower local councils was due to the delay in setting up of these entities on the Integrated Financial Management System (IFMS).

Recommendation

The Accounting Officer should ensure that expenditures are in accordance with revenue performance to avoid accumulation of liabilities. In the meantime, remittances to the lower Councils should be prioritised in accordance with the Local Government Act.

106.7 Non-Remittance of 35% Share of Local Revenue to Lower Local Councils

The Local Government Act 1997 Cap 243, part V section 14 (1) & (2) of the fifth schedule provides for a city or municipal council to distribute at least 35% of the total amount of its revenue collected in its area of jurisdiction on a monthly basis to its Lower Councils. Contrary to this provision, the Division did not remit Shs.2,229,316,958 to its Lower Local Councils in respect of 35% revenue share and the amount was not captured in the accumulated payables. Details of revenue sources and computation are indicated below:-
<table>
<thead>
<tr>
<th><strong>Revenue Source</strong></th>
<th><strong>Amount Collected</strong></th>
<th><strong>35% Unremitted</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Property rates and ground rent</td>
<td>2,884,798,060</td>
<td>1,009,679,321</td>
</tr>
<tr>
<td>Street parking and other sources</td>
<td>1,998,799,780</td>
<td>699,579,923</td>
</tr>
<tr>
<td>Business licenses</td>
<td>1,485,879,183</td>
<td>520,057,714</td>
</tr>
<tr>
<td><strong>Total Shs.</strong></td>
<td><strong>6,369,478,023</strong></td>
<td><strong>2,229,317,958</strong></td>
</tr>
</tbody>
</table>

Failure by the Division to remit 35% of the local revenue collected to its Lower Local Councils violates the Local Governments Act and negatively affects development and policy implementation at the grass roots.

Management explained that the funds would be remitted to the Lower Councils since they have now been set up on the IFMS.

**Recommendation**

Evidence of remittance of funds to the lower councils should be availed for verification and payables adjusted.

106.8 **Property Rates and Ground Rent**

Revenue collections of Shs.9,774,446,380 from ground rent and property rates were not properly analysed in terms of current fees and arrears because of weaknesses in the Integrated Financial Management System (IFMS) revenue module. Besides, the private firm charged with collection of the revenue lacked a valid contract that would prescribe the responsibilities and obligations of each party and therefore the amounts collectible and other obligations of the contractor were not known.

Management explained that the IFMS revenue module has revenue analysis limitation which have been reported to the Ministry of Finance and that the contract with the private firm was available. However, the contract availed was invalid as it related to the period beginning September 2009.
**Recommendation**

Current revenues and arrears should be separated to facilitate proper analysis. A valid contract agreement for the financial year 2008/2009 be availed for verification.

106.9 **Revenue from New Taxi Park Lock-Ups**

According to the lock ups register revenue amounting to Shs.374,400,000 from the 130 lock-ups located at the New Taxi Park was collectible during the year. However, only Shs.43,200,000 was budgeted for causing an under budgetary amount of Shs.331,200,000. It was not clear why there was under budgeting. Out of the budgeted amount of Shs.43,200,000 only Shs.20,850,000 was realised leaving a shortfall of Shs.22,350,000.

Further scrutiny of records revealed that there were no tenancy agreements for the occupants of these lock-ups, making it difficult to ascertain the procedure of allocation and terms of occupancy.

In the absence of tenancy agreements, the recovery may be difficult to enforce.

In response management explained that the tenancy agreements were kept at the City Headquarters but still they were not availed for verification.

**Recommendation**

The Accounting Officer should provide the tenancy agreements for all the lock up shops in the New Park for review. Meanwhile, appropriate measures be undertaken to recover the revenue arrears and a realistic revenue estimate on lock ups made.

106.10 **Incompletely Vouched Expenditure**

Shs.48,388,000 incurred on the Chairman and Councillors’ travel abroad was not supported with relevant documents such as letter of invitation, authority to travel, receipts from the travel agents, used ticket coupons, photocopies of the
passports and back-to-office reports rendering the expenditure incompletely vouched.

**Recommendation**

The Accounting Officer should ensure that all the required documents are provided for verification.

106.11 **Unspent Balances**

Section 15.6.5.3 of the Local Government Financial and Accounting Manual (LGFAM), 2007 requires all the Conditional Grants unexpended balances irrespective of the availability of commitments to be returned to the Consolidated Fund.

Sub section 6.6.5.4 requires all applications for the retention of such committed funds to be verified by the Accountant General’s office not later than 25th July following the end of the financial year to which they relate.

Contrary to the above regulations, the Division retained un-spent balances of Shs.267,944,634 from the previous year and Shs.241,960,592 for the current year without seeking approval from the Accountant General.

**Recommendation**

Necessary approvals for retention should be availed. In the alternative funds should be refunded to the Consolidated Fund Account.

106.12 **Delay in Re-submission of Final Accounts**

The final accounts originally submitted were inconsistent with the formats in the Local Government Finance and Accounting manual 2007 and were accordingly referred back for correction. The Accounts were re-submitted on 23rd November 2009 (two months after) thereby delaying the audit process.
In response management explained that this was due to staff changes in the Finance Division Office and the delay to get the new staff on the IFMS.

**Recommendation**

There is need to train adequate staff to handle the IFMS so that financial information generated can be used to produce financial statements in the required format.

**MASAKA BRANCH**

**107.0 MASAKA DISTRICT**

107.1 **Opinion** Unqualified opinion.

107.2 **Nugatory Expenditure**

A sum of Shs.171,150,240 was incurred on legal service as a result of a consent decree/judgement for non payment of pension obligations.

Out of the above amount of Shs.171,150,240, the District has so far paid Shs.94,000,000 leaving a balance of Shs.77,150,240 that may attract interest if not settled.

In his response the Accounting Officer stated that this case was attributed to the District’s lack of capacity to settle pension obligations and had appealed to the Central Government for assistance but in vain.

I informed the Accounting Officer that this expenditure would have been avoided if payment of pension was prioritised. Accordingly, the expenditure is a loss to Government and therefore considered nugatory.
**Recommendation**

The outstanding legal costs be settled to avoid interest that may accrue. Meanwhile, the lack capacity of the District to settle pension obligations be appropriately addressed to avoid future litigation.

107.3 **Diversion of UPE Funds**

Shs.9,977,879 was diverted by the District from UPE funds to other activities disregarding a directive by the Permanent Secretary, of Ministry of Education and Sports in his letter reference EPD/139/287/01, dated 26th September 2008 suspending deductions from Universal Primary Education (UPE) Grants.

In his response the Accounting Officer stated that the ministerial directive was received after the funds had already been spent.

**Recommendation**

The funds be recovered and applied for the intended purpose.

107.4 **Teachers Payroll**

I observed that personal files for teachers both primary and secondary schools were poorly kept by the personnel department and were incomplete as follows:-

- Most files lacked original copies of personnel data such as bank account numbers, appointment letters, confirmation letters, pay change report details, qualification details and posting instructions.
- Some teachers did not have files especially secondary school teachers.
- Reconfirmation of existence of teachers through head counts or surprise visits to the schools was not being done. Management solely relies on the information provided by the schools.

**Recommendation**

The teachers’ personal files be properly maintained and up dated.
107.5 **Trial Balance**

A comparison of the Trial Balance extracted from the Integrated Financial Management System (IFMS) and the one used in the preparation of the financial statements revealed differences as follows:

<table>
<thead>
<tr>
<th>Item</th>
<th>Description</th>
<th>IFMS</th>
<th>Masaka trial balance</th>
<th>Unexplained differences</th>
</tr>
</thead>
<tbody>
<tr>
<td>312101</td>
<td>Non-Residential Buildings</td>
<td>50,526,682</td>
<td>-</td>
<td>50,526,682</td>
</tr>
<tr>
<td>312103</td>
<td>Roads and Bridges</td>
<td>-83,439,933</td>
<td>-</td>
<td>-83,439,933</td>
</tr>
<tr>
<td>312201</td>
<td>Transport Equipment</td>
<td>32,913,251</td>
<td>-</td>
<td>32,913,251</td>
</tr>
<tr>
<td>321103</td>
<td>Expenditure accounts</td>
<td>730,078,994</td>
<td>161,772,761</td>
<td>568,306,233</td>
</tr>
<tr>
<td>321104</td>
<td>Project accounts</td>
<td>179,768,816</td>
<td>34,208,315</td>
<td>145,560,501</td>
</tr>
<tr>
<td>321106</td>
<td>Collection accounts</td>
<td>318,454,626</td>
<td>122,349,933</td>
<td>196,104,693</td>
</tr>
<tr>
<td>321197</td>
<td>Cash Clearing account</td>
<td>-953,022,236</td>
<td>-</td>
<td>-953,022,236</td>
</tr>
<tr>
<td>321199</td>
<td>Bank Intermediary</td>
<td>1,227,679</td>
<td>-</td>
<td>1,227,679</td>
</tr>
<tr>
<td>322101</td>
<td>Cash at Bank</td>
<td>57,421,385</td>
<td>-</td>
<td>57,421,385</td>
</tr>
<tr>
<td>415001</td>
<td>Trade Creditors</td>
<td>790,982</td>
<td>-</td>
<td>790,982</td>
</tr>
<tr>
<td>415005</td>
<td>Withholding Tax Payable</td>
<td>-12,726,172</td>
<td>-</td>
<td>-12,726,172</td>
</tr>
</tbody>
</table>

The causes of the differences were not explained. In his response the Accounting Officer stated that the inconsistencies above were beyond Masaka District Local Government IFMS site capacity to handle since they were system errors which had been referred to IFMS specialists in the Ministry of Local Government to take the necessary action. The outcome is awaited.

**Recommendation**

The causes of these errors be established and the IFMS streamlined in order to generate reliable accounting data.
108.0 **MASAKA MUNICIPAL COUNCIL**

108.1 **Opinion**  Qualified – Except for.

108.2 **Payables**

Examination of financial records revealed that the Council had accumulated unpaid bills of Shs.260,881,194 by end of the financial year. Continued accumulation of bills exposes the council to litigation costs and is contrary to the Government policy on commitment control.

**Recommendation**

Management should comply with the policy of commitment control in order to limit the occurrence of payables.

108.3 **Outstanding Administrative Advances**

A sum of Shs.77,921,300 in respect of administrative advances remained unaccounted for, contrary to regulation 43 (2) of the Local Governments Financial and Accounting Regulations, 2007 that requires accountability to be rendered within a month.

**Recommendation**

Accountability be rendered and regulations be complied with.

108.4 **Irregular payments**

Examination of the Municipal records revealed that the Council sold a co-owned property without the consent of the other party. The property was acquired in 1998 from the Departed Asian Custodian Board (DACB).

The Municipal Council was requested by the DACB to compensate the owner Shs.22,500,000. However the Municipal Council ignored the order, until the compensation accumulated to Shs.75,000,000. This amount was then settled
by the DACB on the understanding that the Municipal Council was to refund the Board.

However, later a private law firm allegedly acting on behalf of the co-owner sued the Council for non settlement of the compensation. Court then issued a garnish order for Shs.62,175,275 and Masaka Municipal Council Bank Accounts were attached. However, further inquiries revealed that actually the law firm was an impostor.

Accordingly, the payment made to the lawyer was irregular and Masaka Municipal Council lost Shs.62,175,275 as a result.

**Recommendation**

Efforts be made to recover the money from the law firm.

108.5 **Sundry Debtors**

Sundry debtors of the Municipal Council stood at Shs 164,831,350 at the year end. It was observed that these debtors have been appearing in the financial statements of the Council over several previous years. I undertook the exercise of circularizing the debtors to ascertain the existence and collectability of the debts. My findings revealed that debtors amounting to Shs.149,510,691 did not respond and debtors amounting to Shs.11,442,381 disputed the debts. Management responded that it had referred this issue to council which recommended a write-off of these debts.

**Recommendation**

Management should revisit the matter and investigate it thoroughly well to establish the right position of debtors with a view of corrective action.
108.6 **Infrastructure**

a) New Taxi Park and shopping Centre

Inspection of the Municipality infrastructure revealed that the New taxi park and its shopping centre valued at Shs.164,080,520 have been abandoned and instead the taxis load passengers along the road sides.

b) Street Lights

Included in the schedule of fixed assets of the Council are street lights valued at Shs.75,995,762. Inspection of these revealed that none is functional.

**Recommendation**

Management should investigate why the New tax park and shopping centre were abandoned with a view of having them utilized as intended. While the street light should be made functional.

109.0 **RAKAI DISTRICT**

109.1 **Opinion** Unqualified opinion.

109.2 **Unsettled Salary and Pension Arrears**

It was discovered during the audit that the District had total outstanding creditors of Shs.1,247,100,230 out of which Shs.615,447,916 related to salary arrears of Shs.43,325,621 and pension arrears of Shs 572,122,295 that stretch many years back.

Besides, the amount was not disclosed by way of a schedule to the financial statements. Accumulation of unpaid bills for other charges is contrary to regulation 11(ad) of the Local Government Financial and Accounting Regulation, 2007 that requires compliance with the commitment control system instituted by Government. Unpaid salaries and pensions are contrary to regulation 54 (2) and
(3) of the said regulation which require prompt payment of salaries and pensions.

There is a risk of litigation due to non settlement. In his response the Chief Administrative Officer stated that the problem of outstanding creditors was brought about by insufficient funds.

**Recommendation**

In case of other creditors the commitment control system should be complied with to avoid further accumulation. The matter of salary and pension arrears be appropriately addressed. It is also recommended that the outstanding amount be disclosed by way of a supplementary schedule to the financial statements.

109.3 **Teachers’ Personal Files**

It was observed that, teachers’ personal files and records for both primary and secondary schools were poorly maintained and were incomplete. For example, eleven (11) teachers had appointment/promotional letters bearing scales that do not tally with the ones used in the pay roll and 22 teachers had no promotional letters on file to justify the scales of salaries they are earning. It was further observed that 43 teachers did not have personal files and 10 employees had no appointment letters.

**Recommendation**

The teachers’ personal files be properly maintained and up dated to enable proper payroll management.

110.0 **RAKAI TOWN COUNCIL**

110.1 **Opinion**  Qualified – Except for.

110.2 **Under Collection of Local Revenue**

Contrary to regulation 32 of the Local Governments Financial and Accounting Regulation, 2007 which require all budgeted revenue to be collected, the Town
Council under collected local revenue amounting to Shs.25,696,123 (60%) impacting negatively on service delivery.

**Recommendation**

More effort should be put in ensuring that all local revenue is collected.

110.3 **Receivables**

Contrary to section 2.3.2.3 of the Local Government Financial and Accounting Manual, 2007 that requires timely collection of receivables an amount of Shs.25,122,041 had not been collected at the end of the financial year. Management responded that it had tried its level best to demand for them but in vain.

**Recommendation**

Vigorous effort should be undertaken to collect the receivables so that money is obtained to render services and in future ensure that receivables are minimised.

110.4 **Losses**

Included in financial statements is a loss of Shs.7,427,977 arising from misappropriation of funds by a member of staff. However, management has taken no action to have this issue resolved.

**Recommendation**

Action should be taken to address the loss.

110.5 **Understaffing**

The Council is generally understaffed. Out of the approved establishment of 42 staff only 15 posts are filled, leaving 27 posts not filled. This affects the efficiency and effectiveness of the service delivery.
**Recommendation**

Effort be taken to have the vacancies filled.

### 111.0 LUKAYA TOWN COUNCIL

#### 111.1 Opinion Qualified – Except for.

#### 111.2 Creditors

Review of the financial statements for the year revealed creditors of Shs.29,140,340. However, I was not provided with the relevant supporting documentation rendering its authenticity doubtful.

**Recommendation**

Relevant supporting documents should be submitted for audit.

#### 111.3 Bank Overdraft

Council Bank accounts were overdrawn to the tune of Shs.1,646,384 without Council authority contrary to regulation 77 of the Local Governments Financial and Accounting Regulations, 2007. In his response the Chief Executive stated that this arose because of bank charges that were underestimated.

**Recommendation**

The matter should be brought to the attention of the Council and authority sought.

#### 111.4 Old Motor Vehicle

Inspection of the Council motor vehicles revealed that Council had two (2) dilapidated vehicles registration No. UAA 596B Toyota Saloon car and 121 UDA Jiefeng Lorry. These motor vehicles have been lying on the Council yard for a considerable time. No action has been taken by management to have them
disposed off whilst they still hold some value. Management responded that this issue was being handled by the Contracts Committee.

**Recommendation**

Action should be taken to constitute a Board of Survey with a view of having them disposed off to save them from further deterioration.

112.0 **LYANTONDE DISTRICT**

112.1 **Opinion** Unqualified opinion.

112.2 **Cash and Cash Equivalent**

Included in the cash and cash equivalent of Shs.75,330,000 is Shs.2,854,067 that relates to unresolved bank differences. I was not able to confirm the correct position of cash at bank for the District administration as at 30th June 2008 to this extent.

**Recommendation**

I recommend that management resolves these differences/errors with its bankers in order to establish their fate.

112.3 **Roads**

An audit inspection carried out on roads revealed that Kalagala-Kabatema (7km) that cost the District Administration Shs.6,090,000 to maintain was found to be in a bad state casting doubt as to whether or not work had been done on this road. Besides, accountability was not rendered.

**Recommendation**

Management should provide the necessary supporting documentation regarding expenditure incurred on the maintenance of the Road.
113.0 LYANTONDE TOWN COUNCIL

113.1 Opinion Unqualified opinion.

113.2 Receivables

Verification of financial statements revealed that debtors totalling to Shs.62,829,839 were uncollected at the end of the financial year, locking up funds for service delivery. Management did not provide a response to this.

Recommendation

Efforts to recover be enhanced.

113.3 Payables

Creditors totalling to Shs.38,779,388 have taken long without being settled, this may attract litigation in future for non-settlement. Accumulation of unpaid bills contravenes the commitment control system (CCS) instituted Government.

Recommendation

The commitment control system be complied with.

113.4 Irregular Procurement

Management paid Shs.20,818,000 to a private firm for procurement of items for road resealing. However, the contract was awarded without competitive bidding as required by PPDA guidelines as the amount exceeded the threshold.

It was further observed that this payment lacked the necessary supporting documents namely contract agreement, procurement forms, bid acceptance stores ledger, LPO, delivery notes and goods received notes. Accordingly, the procurement was irregular.

Recommendation

PPDA guidelines be complied with. Meanwhile, an explanation for the anomaly be rendered.
113.5 Late Submission of Financial Statements

Section 68 of the Local Government Financial and Accounting Regulations, 2007 requires that every Local Government Council and Administrative Unit produce financial statements, within three (3) months from the end of each financial year.

The Local Government Finance and Accounting Manual 2007 section 7.1.4 further clarifies that the financial statements should be submitted to the Auditor General within three months after the end of each accounting period. However, the Town Council did not observe this statutory directive and submitted the financial statements on 21st October 2009 after the statutory date.

Recommendation

In future submission of financial statements should be within statutory deadline.

114.0 KYOTERA TOWN COUNCIL

114.1 Opinion: Qualified – Except for.

114.2 Nugatory Expenditure

Kyotera Town Council incurred expenditure totaling to Shs.43,429,866 in respect of court awards of damages, legal costs and interests for unlawful removal of staff from office. This expenditure should have been avoided if proper consultative procedures were followed and the matter handled prudently. Accordingly, the expenditure is a loss to Council and is considered nugatory.

Recommendation

In future proper consultation procedures be followed and decisions made prudently otherwise management should show cause why recovery should not be made from the officer who caused the loss.
114.3 **Unauthorised Expenditure**

The Town Council incurred unauthorized expenditure of Shs.26,146,777 on various expenditure items during the year contrary to regulations 44(1) of the LGFAR, 2007.

**Recommendation**

The Accounting Officer seek authority to regularise the expenditure and ensure compliance with regulations.

114.4 **Depreciation**

Included in the financial statement is Shs.840,639,824 which was disclosed in the balance sheet as the value of the Town Council’s fixed assets; however, the fixed assets were not depreciated to cater for the reduction in value resulting from use as required by section 2.3.1.6 of in the Local Government Financial and Accounting Manual 2007. Accordingly, the book value of fixed asset is overstated.

**Recommendation**

The fixed assets be depreciated to comply with the regulations.

114.5 **Unaccounted For Funds**

Funds totalling to Shs.5,470,000 were paid to various officers to carry out official activities but remained un accounted for contrary to section 43(2) of Local Government Financial and Accounting Regulations, LGFAR) 2007. Besides, the advances were not disclosed in the Balance Sheet.

**Recommendation**

Accountability/recovery be rendered and the Accounting Officer should ensure future compliance.
114.6 **Cash Loss**

Arising from the previous years a loss of cash of Shs.49,307,622 has been appearing in council books. Although the loss has consistently been disclosed in the balance sheet, the underlying records supporting this figure were not availed for review.

In a written reply, the Accounting Officer explained that the Chief Administrative Officer together with Town Treasurer who were responsible have not made a response despite being requested to do so. He was therefore considering instituting criminal proceedings against them. The outcome is awaited.

**Recommendation**

Concerted effort be made to address the loss.

114.7 **Lack of Segregation of Duties**

It was observed during the time of Audit that the Senior Accounts Assistant was performing incompatible assignments risking financial and accountability efficiency and internal controls.

**Recommendation**

The principle of segregation of duties be complied with.

114.8 **Payment to Casual Labourers**

The Town Council contracted casual laborers for cleaning the Town and maintaining roads. The process and procedures under which these labourers were recruited where not availed for audit rendering their engagement not transparent. It was also observed that there was no system for recording their daily attendance to ensure value for money.
**Recommendation**

Documents regarding the recruitment process be provided for audit and daily attendance lists be instituted.

114.9 **Under-collection of Revenue**

An analysis of details of revenue revealed that council budgeted to collect local revenue of Shs.324,485,000 but realized only Shs.219,472,800 making a short fall of Shs.105,012,200 representing 32% of the budget of local revenue impacting negatively on service delivery.

Under collection of local revenue is contrary to regulation 32 of the LGFAR, 2007 which requires that all revenue budgeted by Council is promptly collected in the approved manner and banked intact.

**Recommendation**

Efforts should be applied to ensure that all budgeted local revenue is realized or seek authority to revise the budgets accordingly.

114.10 **Debtors**

At the close of the financial year, the Council debtors amounted to Shs.126,017,412 of which Shs.64,220,934 relates to previous years. There is a risk that Council may lose revenue in uncollected debtors. Besides, debtors lock up funds that would be utilized to render services,

**Recommendation**

Management should ensure recovery of debtors and limit their occurrence.

114.11 **Bookkeeping**

It was observed that vote books were not up to date and Contractors commitment ledgers were not maintained by the Town Council.
**Recommendation**

Vote books and contracts commitment ledgers be properly maintained as they are an important feature in the control mechanisms.

114.12 **Installation of three (3) Gates at the Tax Park**

Installation of the above gates were contracted by a local firm at Shs.3,000,000. However, the gates looked to be of poor quality, one at the main entrance was not locking and the columns where the gates were casted were not strong enough to hold the gates.

**Recommendation**

These defects be rectified.

115.0 **KALISIZO TOWN COUNCIL**

115.1 **Opinion**: Qualified – Except for.

115.2 **Unauthorized Expenditure**

Review of the income and expenditure statement revealed that management incurred excess expenditure totalling to Shs.21,858,503 without authority contrary to regulation 25 of Local Government Financial and Accounting Regulations, 2007 which require excess expenditure to be approved by Council.

**Recommendation**

Management should seek authority from Council to ratify this anomaly.

115.3 **Receivables**

Section 2.3.2.3 of Local Government Financial and Accounting Manual, 2007 requires prompt collection of receivables. However, contrary to this regulation
debtors totalling to Shs.13,539,447 were uncollected at the end of the financial year, locking up funds for service delivery.

**Recommendation**

Management should enforce collection of these funds or seek legal redress.

115.4 **Undeducted Withholding Tax**

A total sum of Shs.3,438,240 in respect of 6% withholding tax was not deducted from payments made to suppliers as contrary to Income Tax Act.

**Recommendation**

Management should enforce recovery of undeducted taxes.

115.5 **Unaccounted for Funds**

A sum of Shs.2,545,200 in administrative advances remained unaccounted for, contrary to regulation 43 of the Local Government Financial and Accounting Regulations, 2007 that requires accountability to be rendered within a month.

**Recommendation**

Management should abide by the set regulations.

115.6 **Depreciation of Assets**

An analysis of the financial statements revealed that the Council depreciated her assets using depreciation rates that did not comply with the Local Government Financial and Accounting Manual, 2007.

**Recommendation**

Management should ensure that assets are depreciated using rates prescribed in the manual.
116.0 **SEMBABULE DISTRICT**

116.1 **Opinion:** Qualified – Except for.

116.2 **Unauthorized Excess Expenditure**

(a) **Excess Salary Expenditure**

Management incurred excess salary expenditure above the approved estimates as per the structure totalling to Shs.215,439,555. (Budgeted Shs.285,418,700 - Actual Shs.500,858,255) as detailed below:-

<table>
<thead>
<tr>
<th>PROGRAMME</th>
<th>BUDGET</th>
<th>ACTUAL</th>
<th>VARIANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administration</td>
<td>112,170,256</td>
<td>204,087,399</td>
<td>91,917,143</td>
</tr>
<tr>
<td>Production</td>
<td>81,229,000</td>
<td>146,082,103</td>
<td>64,853,103</td>
</tr>
<tr>
<td>Education</td>
<td>50,862,708</td>
<td>79,241,088</td>
<td>28,378,380</td>
</tr>
<tr>
<td>CBS</td>
<td>41,156,736</td>
<td>71,447,665</td>
<td>30,290,929</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>285,418,700</td>
<td>500,858,255</td>
<td>215,439,555</td>
</tr>
</tbody>
</table>

There was no evidence availed to justify and support the excess expenditure.

In his response, the Accounting Officer stated that there was an error in making pay changes by the Ministry Public Service and this resulted in putting some officers in departments where they did not belong. However, the response was not supported by documentary evidence.

**Recommendation**

This matter be investigated to rule out impropriety.

(b) **Excess Expenditure on Production Department**

The District incurred unauthorized excess expenditure totaling to Shs.83,286,602 under the production department without authority.
Recommendation

The unauthorised excess expenditure be explained and appropriate authority sought.

116.3 Outstanding Administrative Advances

The administration paid out a total sum of Shs.24,749,535 in respect of administrative advances to carry out different activities on behalf of the Council. However, the above advances remained unretired at the year close reflecting a poor control system in the granting and recover of advances which requires advances to be accounted for with in a month thus rendering funds recoverable.

Recommendation

Accountability or recovery be rendered and regulation 43(2) of LGFAR, 2007 regarding accountability of advances be enforced.

116.4 Unapproved Construction Variation Costs

Contrary to Local Public Procurement and Disposal of Public Assets (PPDA) regulation, 2006 regulation 120(2) the administration paid a total sum of Shs.25,591,500 to one of the contracted firms in respect of variation costs on Lwamaliba valley tank without the approval of the District contracts committee. Although the Accounting Officer explained that the contracts committee ratified the variations, there was no evidence to support the explanation.

Recommendation

Evidence of ratification be produced for audit and in future the procurement regulation be complied with.

116.5 Stores not Taken on Charge

Procurements totalling to Shs.23,377,480 were not received and recorded in the stores reflecting lack of control procedures over stores by management.
**Recommendation**

Stores be taken on charge and accountability rendered.

116.6 **Un-deducted Statutory Taxes**

During the year under review, Shs.6,172,969 in respect of 6% withholding tax was not deducted from the firms for remittance to Uganda Revenue Authority, thus denying Central Government its revenue.

**Recommendation**

Deduction be effected and remittance made to Uganda Revenue Authority.

116.7 **Diversion of Funds**

Contrary to the Local Government Act Cap 243 section 83 sub-section 3, the Administration paid out a total sum of Shs.8,150,000 to one of its employee to prepare a ceremony for commissioning Kakinga Dam using funds meant for construction under Rural Water and Sanitation Programme without authority.

Although the Accounting Officer explained that the Directorate of Water Development granted authority and that the work plan was adjusted, there was no evidence to support the explanation.

**Recommendation**

Appropriate supported explanation be rendered.

116.8 **Late Submission of Financial Statements**

Section 68 of the Local Government Financial and Accounting Regulations, 2007 requires that every Local Government Council and Administrative unit produce financial statements, within three (3) months from the end of each financial year. The Local Government Finance and Accounting Manual 2007 section 7.1.4 further states that the financial statement should be submitted to the Auditor General within three month after the end of each accounting period. However,
management did not observe this statutory directive and submitted the financial statement after the statutory date (16\textsuperscript{th} October 2009).

**Recommendation**

Financial statements should be submitted within the statutory deadlines to comply with the regulations.

116.9 **Non compliance with Established Regulations and Guidelines**

(i) **Cash Office**

Audit observed that the Head of Finance has not put in place a secure cash office where receipt books, tickets, licenses and other accounting stationery are kept.

(ii) **Lack of Assets Register**

The District management did not maintain registers for land, buildings, vehicles and heavy plants contrary to regulation 88 and 85 of the Local Government Financial and Accounting Regulations (LGFAR), 2007.

(iii) **Non Preparation of Other Statements**

Contrary to financial regulation, the Head of Finance did not prepare all the statements, schedules and notes required by the Local Government and Accounting Manual section 7.5.1 rendering the submission of financial statements incomplete. The statements that were not prepared and submitted for audit included; statements of arrears of revenue, statement of outstanding commitments, statement of losses of public assets, statements of reported losses of public assets, statements of stores and other assets acquired during the year, statement of disposal of physical assets during the year and the investment note.

**Recommendation**

These matters be addressed with a view of corrective action.
117.0 SEMBABULE TOWN COUNCIL

117.1 Opinion Unqualified opinion.

117.2 Sundry Creditors

Contrary to section 41(ad) of the Local Government Financial and Accounting Regulations (LGFAR), 2007 expenditure totalling to Shs.11,950,000 in respect of goods and services supplied to the Council remained unpaid by the year end, this further implies that, the commitment control system was violated, included is Shs.2,000,000 that related to the previous year. Accumulation of unpaid bills may attract litigation.

Recommendation

Regulation regarding commitment control system be complied with.

117.3 Unauthorised Expenditure

The Council incurred expenditure totalling to Shs.8,123,432 on different programme items that had not been budgeted for, without Council authority contrary to regulation 44(1) of Local Government Financial and Accounting Regulations, 2007.

Recommendation

Authority for the expenditure be sought and in future Local Government Financial and Accounting Regulation be complied with.

117.4 Late Submission of Financial Statements

Section 68 of the Local Government Financial and Accounting Regulations, 2007 requires that every Local Government Council and Administrative unit produce financial statements, within three (3) months from the end of each financial year. The Local Government Finance and Accounting Manual 2007 section 7.1.4
further clarifies that the financial statements should be submitted to the Auditor General within three months after the end of each accounting period. But the Town Council did not observe this statutory directive and submitted the financial statements on the 13th November 2009, over a month after the statutory deadline.

**Recommendation**

Financial statements be submitted within the statutory deadline to comply with law.

117.5 **Cash and Cash Equivalents**

Included in cash and cash equivalents is Shs.2,171,482 in respect of overdrawn accounts that were not authorized by the Council contrary to regulation 77 (1 & 2) of the Financial and Accounting Regulations.

**Recommendation**

Regulation be complied with.

117.6 **Unaccounted for Funds**

Management advanced a total sum of Shs.1,234,000 to different employees of the Council to carry out different activities. However, there was no documentary/physical accountability availed for audit, thus rendering the funds unaccounted for contrary to regulation 43(2) of the Local Government Financial and Accounting Regulations, 2007.

**Recommendation**

Regulation be complied with. Meanwhile, accountability be rendered.

117.7 **Fuel Misuse**

Contrary to regulation 42 of the Financial and Accounting Regulations, 2007 fuel totalling to Shs.2,400,000 was paid out without orders, statements and log
sheets/receipts thus rendering the above fuel unaccounted for and funds recoverable.

**Recommendation**
Supporting documents to account for the fuel be rendered and regulation be complied with.

117.8 **Unremitted Taxes**
Contrary to the Income Tax Act Section 119(1) and 116(19) the Council deducted a total sum of Shs.1,587,478 from suppliers and employees however the above funds were not remitted to the tax body as required by the Law.

**Recommendation**
Taxes be remitted in compliance with the law.

**118.0 KALANGALA DISTRICT**

118.1 **Opinion** Unqualified opinion.

118.2 **Staff Loans**
Some time back the District advanced staff loans totalling Shs.15,812,231 of which Shs.8,723,474 is still outstanding. Management has taken no initiative to ensure that these funds are recovered.

**Recommendation**
The outstanding staff loans be recovered in accordance with the regulations.
118.3 **Loss of Cash**

The District suffered a cash loss of Shs.677,500 a very long time ago but to date management has not taken any corrective action. Besides, the Board of Survey did not include it in its report.

**Recommendation**

Management should take corrective action to address the loss.

118.4 **Budget Performance**

The District Council budgeted to collect a revised budget of Shs.7,974,018,138 from its revenue sources. However, actual collection was Shs.7,536,074,677 resulting in a shortfall of Shs.437,943,461. See details below:

<table>
<thead>
<tr>
<th>Source</th>
<th>Budget</th>
<th>Actual</th>
<th>Shortfall</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local Revenue</td>
<td>113,707,367</td>
<td>111,794,350</td>
<td>1,913,017</td>
</tr>
<tr>
<td>Central Government Grants</td>
<td>4,343,970,132</td>
<td>4,113,556,527</td>
<td>230,413,605</td>
</tr>
<tr>
<td>Donor Funds</td>
<td>3,516,340,639</td>
<td>3,310,723,800</td>
<td>205,616,839</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>7,974,018,138</td>
<td>7,536,074,677</td>
<td>437,943,461</td>
</tr>
</tbody>
</table>

Budget under performance undermines service delivery.

**Recommendation**

Management should ensure that budget shortfalls are minimised so that the District can fulfill its activities.

119.0 **KALANGALA TOWN COUNCIL**

119.1 **Opinion** Unqualified opinion.

119.2 **Late Submission of Financial Statements**

Section 68 of the Local Government Financial and Accounting Regulations, 2007 requires that every Local Government Council and Administrative Unit produce
financial statements, within three (3) months from the end of each financial year. The Local Government Finance and Accounting Manual 2007 section 7.1.4 further clarifies that the financial statements should be submitted to the Auditor General within three months after the end of each accounting period. The Town Council did not observe this statutory directive and submitted the financial statements on 20\textsuperscript{th} November 2009 after the statutory date. Management attributed the delay to unreliable power source.

**Recommendation**

Financial statements should be submitted with the statutory deadline to comply with the regulations.

120.0 **MUBENDE DISTRICT**

120.1 **Opinion:** Qualified – Except for.

120.2 **Unaccounted for Funds**

Management advanced a total sum of Shs.71,898,918 to various primary schools for the implementation of Universal Primary Education (UPE) and other programmes but these advances were not retired; the advances were also not disclosed in the financial statements.

**Recommendation**

Management should follow up the matter and ensure that funds are accounted for or recovered.

120.3 **Un-authorized Allowances to Councilors**

The first schedule, paragraph 3(6) of the Local Governments’ Act Cap 243, specifies the categories of allowances payable to Local Governments’ political leaders, Commissions and Boards.
Payment of special duty allowances was in violation of Local Governments’ Act. The allowances paid were irregular.

**Recommendation**

The Funds should be recovered.

120.4 **Doubtful Expenditure**

A sum of Shs.2,911,000 was paid out in respect of the District Land Board meeting. However, there was no evidence in form of minutes that the meeting took place contrary to regulations.

**Recommendation**

Minutes be produced for audit.

120.5 **Loss of Cheque No. 006593**

Management paid out Shs.1,638,000 on cheque number 006593 to a supplier in respect of works services rendered to the District. However, the cheque went missing in the bank without any clear explanation. This compelled Management to issue the supplier with another cheque, number 06992 of Shs.1,638,000. It was noted that there was no Police report concerning the loss.

**Recommendation**

A Police report be produced for audit.

**121.0 MUBENDE TOWN COUNCIL**

121.1 **Opinion** Unqualified opinion.

121.2 **Purchase of Land**

The Town Council incurred expenditure of Shs.27,000,000 as part payment for the purchase of 70 acres of land situated at plot number 5 of Buwekula block
number 375 Ikula village, Kiyonga parish in Kiganda Sub-county totalling to Shs.35,000,000.

However, a review of the agreement between the Council and the seller and other supporting documentation revealed that this land was jointly owned by two people. There is no evidence that the second person consented to the transfer of his interest in this land in this transaction. It is likely that the co-owner may institute legal action to recover his interest in the land.

**Recommendation**

The Council should seek consent of the second party to ensure that consent is obtained and ownership is passed to the Council.

121.3 **Undeducted Withholding Tax**

Management of Mubende Town Council did not deduct withholding tax from various firms. This is against the provision of Income Tax Act 1997 section 120 (1). This practice exposes the Town Council to payment of unnecessary penalties to the tax body if discovered.

**Recommendation**

Withholding tax deduction and remittance be made to comply with the regulations.

122.0 **KIBOGA DISTRICT**

122.1 **Opinion** Unqualified opinion.

122.2 **Land on Plot 288 Singo Block 634**

A local radio station encroached on the District land on plot 288 Singo block 634 (area 0.344 hectares) located in Kiboga Town Council. The radio was offered
land for a lease of 49 years without the approval of the Council and the secretary
District Land Board. Further, the certificate of title for the lease was not provided
for verification.

**Recommendation**

The Chief Executive should explain the irregularities and avail the certificate of
lease.

122.3 **Fire Extinguishers at Kiboga Hospital**

Inspection carried out at Kiboga Hospital revealed that that the service/period of
eh 14 fire extinguishers of the Hospital had expired. This is risky as the safety of
the Hospital from a fire out break has not been catered for.

**Recommendation**

Hospital management should renew the service period and ensure service of fire
extinguishers.

122.4 **Teachers Personal Files**

Teachers personal files for both primary and secondary school teachers were
poorly kept by the personnel department and were incomplete as most files
lacked original copies of personnel data such has bank Account, Appointment
letters, confirmation letters, pay change reports details, qualification details, and
posting instructions.

**Recommendation**

The District management should endeavour to improve the filling system in the
Education department/personnel department and all teachers to have personal
files maintained up to date with original or certified copies of all essential
personnel information.
123.0 **KIBOGA TOWN COUNCIL**

123.1 **Opinion:** Qualified – Except for.

123.2 **Accounts Payable**

Examination of financial records revealed that, the Town Council had accumulated debts totalling to Shs.48,149,237 by end of the financial year which was against the Government Commitment Control System. It was further observed that there were no creditors ledgers in operation as required by regulations rendering verification difficult.

**Recommendation**

Management should in future ensure that the commitment control system is strictly enforced as a deterrent to accumulation of debts. Meanwhile, creditors ledger be maintained and rendered for verification.

123.3 **Non-remittance of Unspent Conditional Grants to the Consolidated Fund**

At the end of the financial year, council had unspent conditional grants amounting to Shs.7,222,922. This includes Shs.4,818,032 for urban roads, Shs.2,404,960 for NAADS which were not returned to the consolidated fund as required by the Public Finance and Accountability Act, 2003 section 19(1) and the Local Government Financial and Accounting Manual, 2007 section 6.6.5.3.

**Recommendation**

The regulation should be complied with and funds returned to the consolidated fund or authority for retention be sought from the Accountant General.
124.0 MITYANA DISTRICT

124.1 Opinion Unqualified opinion

124.2 Diversion of Universal Primary Education (UPE) Funds

Examination of expenditure vouchers revealed that a total sum of Shs.3,059,848 was deducted from UPE funds to cater for other activities contrary to the circular instruction issued by the Permanent Secretary Ministry of Education and Sports, reference EPD/139/287/01, dated 26th September 2008 suspending deductions from UPE Grants with effect on the financial year 2008/09. Accordingly, the funds were diverted.

In her response the Accounting Officer stated that the said circular suspending deductions from UPE grant was received by the District after the above sum of money had been deducted and could therefore not be recovered.

I informed the Accounting Officer that the circular was with effect from the beginning of the financial year 2008/09 and therefore funds should be recovered.

**Recommendation**

The funds be recovered.

124.3 Teachers Personal Files

It was observed that personal files for both primary and secondary school teachers were poorly maintained and lacked vital documents required on a personal file. In her response, the Accounting Officer stated that this anomaly was being addressed although original personal files are still retained by Mubende District.

**Recommendation**

Personal files be maintained and up dated.
125.0 MITYANA TOWN COUNCIL

125.1 **Opinion** Unqualified opinion.

125.2 **Procurement Irregularities**

Council advanced Shs.261,542,200, out of a contract sum of shs. 318,474,000 to a private firm to tarmac a portion of Kampala-Mityana Road (0.6 km) without a payment security contrary to regulation 116(2) of the Local Governments Public Procurements and Disposal of Public Assets (LGPPDA), Regulations 2006.

Audit inspection carried out in November, 2009, five months later revealed that the construction works had stalled and the only evidence of works done was the Flower Island separating the road lanes, yet the completion date was almost expiring. It was further noted that the Town Council Management revised the Bills of Quantities from Shs.318,474,000 to Shs.694,113,300 without the requisite authorization of the Contracts Committee and the Public Procurement and Disposal of Public Assets Authority (PPDA) contrary to regulation 120(2) and (12) of the PPDA Regulation, Local Government, 2006.

**Recommendation**

Action should be taken to have the contract completed and explanation rendered for non compliance with Local Governments Public Procurements and Disposal of Public Assets (LGPPDA) Regulation, 2006.
**MBALE BRANCH**

126.0 **BUDUDA DISTRICT**

126.1 **Opinion:**-Qualified-Except for

126.2 **Local Government Sector Investment Plan Funds (LGSIP)**

Out of Shs.100,000,000 disclosed to the District under Local Government Sector Investment Plan Funds (LGSIP) for financing un funded priorities only Shs.5,880,702 was transferred to the Local Government Development Programme account and utilized for prescribed activities leaving Shs.94,119,298 unaccounted for. There is a risk of misappropriation of the funds.

**Recommendation**

Management should provide accountability for the funds. In the alternative the funds are recoverable.

126.3 **Unspent Balances**

Unspent conditional grants of Shs.214,461,142 and Shs.269,983,654 for financial years 2008/09 and 2007/08 respectively were not refunded to the Consolidated Fund contrary to Public Finance and Accountability Act 2003 Section 19. Besides, no request for retention was availed for review.

There is a risk of extra budgetary funding when funds are not authorized and re-voted.

**Recommendation**

The funds should be transferred to the Consolidated Fund account or authority for retention be sought.
126.4 **Revenue shortfall**

Out of budgeted local revenue of Shs.345,109,140 only Shs.289,832,981 was realized indicating shortfall of Shs.55,276,159 and this negatively affected service delivery.

**Recommendation**

Management should enhance collection of revenue to enable delivery of services.

126.5 **Lack of schedules for Accounts**

Contrary to Local Government Financial and Accounting Manual 2007 Section 7.5.1 the entity did not prepare the schedule of debtors, schedule of assets and statement of acquisitions and disposals rendering the financial statements incomplete.

**Recommendation**

The necessary schedules should be appended to the Accounts.

127.0 **BUDUDA TOWN COUNCIL**

127.1 **Opinion:** Qualified-Except for

127.2 **Unspent balances**

A sum of Shs.22,568,066 remained un-utilized at year end and was not returned to the consolidated fund contrary to section 19(1) of Public Finance and Accountability Act, 2003. Besides there is a risk of extra budgetary funding.

**Recommendation**

Written authority to spend the funds be availed for audit in the absence of proof of remittance.
127.3 **Payables**

Included in the payables of Shs.54,780,924 is a sum of Shs.5,969,704 attributable to VAT and remittances of Shs.9,783,681 due to lower councils. Outstanding tax liabilities may attract penalties from Uganda Revenue authority. Non-remittance of funds to Lower councils negatively affects service delivery at grass roots.

**Recommendation**

VAT liabilities and remittances to Lower Councils be prioritized to avoid penalties and improve service delivery at grass roots.

127.4 **Revenue Shortfall**

Out of the budgeted local revenue of Shs.53,566,700 only Shs.39,134,724 was realized indicating a shortfall of Shs.14,431,976 and this adversely affected service delivery.

**Recommendation**

Management should enhance revenue mobilization efforts in order to provide services to the population.

127.5 **Procurement Irregularities**

Review of the road works contract of Shs.33,695,805 revealed the following anomalies;

(i) The contractor’s acceptance note was dated earlier than the award notification.

(ii) Bid invitation and evaluation minutes were not filed implying that there was lack of competitive bidding as required under Local Government Procurement Regulations 36(1).

In the circumstances the procurement appeared non-competitive contrary to the principles of procurement.
**Recommendation**

All relevant procurement documents should be availed for verification.

127.6  **Irregular borrowing of Conditional Grants**

The Town Council borrowed Shs.3,980,000 from the Water account for a study tour to Mukono District but there was no report filed for audit and the funds were not refunded. Diversion of Conditional Grants affects budgetary performance and service delivery.

Management stated that the authority to borrow was given by the executive committee but no proof of this assertion was availed.

**Recommendation**

The funds should be refunded. Besides, the minute of approval should be submitted for verification.

127.7  **Un-receipted revenue**

Examination of the revenue cash book revealed that local revenue of Shs.8,100,000 was received by the council during the year under review but was not receipted, contrary to the Local Government Financial and Accounting Manual 2007.

Management stated that the receipts were issued but could not avail respective counterfoils.

**Recommendation**

Management should substantiate the receipting of the above revenue, by availing receipts and the sources of revenue.
128.0 **BUDAKA DISTRICT**

128.1 **Opinion:**-Qualified-Except for

128.2 **Cash and Cash Equivalents**

The cash and cash equivalents of Shs.65,625,906 in the Balance Sheet did not agree with the amount of Shs.41,838,963 derived from the cash flow statement occasioning the difference of Shs.23,786,943 that was not explained.

**Recommendation**

The cash and cash equivalent in the Balance Sheet should be agreed to the cash flow statement.

128.3 **Short Term Borrowing (Overdraft)**

The short term borrowing (overdraft) of Shs.17,545,006 shown in the Balance Sheet lacked Council authority contrary to regulation 77 (1) of the Local Government Financial and Accounting Regulation, 2007.

**Recommendation**

Council authority for short term borrowing of funds should be availed for verification.

128.4 **Non Maintenance of Hire Purchase Register**

The purchase of two vehicles valued at Shs.120,000,000 under the hire purchase arrangement was not properly recorded due to absence of a hire purchase register. The monthly obligations and payments together with the balance could not be verified independently.

**Recommendation**

A proper Hire purchase register indicating monthly obligations, payments and balances should be put in place to enable tracking of transactions.
128.5 **Non Remittance of Unspent Conditional Grants to the Consolidated Fund**

Section 19 (2) of the Public Finance and Accountability Act, 2003 requires that all unspent balances of conditional grants to Local Governments be returned to the Consolidated Fund. However, included in the cash and cash equivalents was Shs.11,821,308 in respect of Local Government Department Programme (LGDP), II that was not returned nor was authority for retention availed for audit.

**Recommendation**

The funds should be returned to the Consolidated Fund or authority for retention sought.

129.0 **BUDAKA TOWN COUNCIL**

129.1 **Opinion:** Qualified-Except for

129.2 **Revenue Shortfall**

Out of the budgeted local revenue of Shs.117,140,000 only Shs.27,062,200 was realized indicating a shortfall of Shs.90,077,800.

Management attributed the shortfall to weakness in enforcement measures.

**Recommendation**

Revenue enforcement measures should be enhanced in accordance with regulations.

129.3 **Unauthorized excess expenditure**

Shs.75,796,503 was incurred in excess of budgeted expenditure on various items without Council approval. Unauthorized expenditure contravenes budgetary controls.
Recommendation
Council approval for the excess expenditure should be submitted for verification.

129.4 Incomplete Road Works
Two road contracts worth Shs.142,533,850 of which advance payments of Shs.45,593,433 have been made were found abandoned.

Management stated that the contractors have been warned about the delays.

Recommendation
Management should seek liquidated damages for the delays in completion of the works.

130.0 BUKWO DISTRICT

130.1 Opinion:—Qualified—Except for

130.2 Irregular Procurement of Road Works
Shs.160,372,081 incurred on road maintenance was not supported with Bid invitation, evaluation minutes, Award notification and performance guarantees rendering the procurement irregular. Besides the work plan was not submitted for verification. Management stated that the documents were available but this was not the case.

Recommendation
All necessary procurement documents should be availed for verification.

130.3 Purchase of Drugs
Drugs worth Shs.5,653,500 were purchased from a private firm without a certificate of non-availability from the national Medical Stores as prescribed in
the Primary Health care guidelines. There is a risk of incurring higher costs from private pharmacies.

Management attributed the non-conformity to emergency situation which was however not proved with documents.

**Recommendation**

Evidence of the emergency condition is required.

131.0 **BUKWO TOWN COUNCIL**

131.1 **Opinion:** Qualified-Except for

131.2 **Unreconciling Balances**

Cash and cash equivalents of Shs.4,313,016 and Shs.5,967,606 in the cash flow statement and balance sheet respectively were not reconciled.

**Recommendation**

Management needs to reconcile the balances to reflect a true closing position.

131.3 **Trial Balance**

The statement excluded balances in respect of depreciation, advances, payables and reserves. The cash at hand of Shs.247,936 was also not disclosed in the balance sheet as part of the closing cash position.

**Recommendation**

The statements should be revised to disclose the above balances.

131.4 **Unspent balances**

A sum of Shs.3,695,656 in respect of unspent balances on the works account remained un remitted to the Consolidated Fund. There was no evidence of compliance with the regulations nor was there evidence of claiming the balances
or authority for roll over by the Accountant General. This laxity by management exposes the council to the risk of incurring unauthorized excess expenditure.

**Recommendation**

Proof of authority for roll over for expenditure in 2008/09, together with evidence of Council approval of supplementary budget of the amount be availed for verification. Management should obtain the relevant authority to spend the balances.

131.5 **Revenue Shortfall**

Out of the budgeted Local revenue of Shs.9,401,000 only Shs.7,017,578 was realized indicating a shortfall of Shs.2,383,422 and this affected service delivery.

**Recommendation**

Management should identify potential sources of extra revenue and strengthen controls over revenue collections, recording and custody.

131.6 **Purchase of Furniture**

A sum of Shs.2,290,000 was incurred on furniture without competitive bidding. It is not clear whether there was fair pricing. Besides, the furniture was not taken on charge.

**Recommendation**

In future procurements should be competitively offered in accordance with procurement regulations. The furniture should also be taken on charge.
132.0 **BUSIA DISTRICT**

132.1 **Opinion:**-Qualified-Except for

132.2 **Outstanding Commitments**

Included in the outstanding commitments of Shs.628,410,436 are grants payable of Shs.578,931,403 that were due to the consolidated fund but were not remitted contrary to Section 19(2) of the Public Finance and Accountability Act 2003.

**Recommendation**

The remittance be made or authority for retention sought.

132.3 **Unaccounted for Funds**

Contrary to regulation 43(2) of the Local Government Financial and Accounting Regulations, 2007 which require accountability of administrative advances to be rendered within a month, administration advances Shs.97,963,000 were not accounted for.

**Recommendation**

Accountability should be availed or funds recovered.

132.4 **Doubtful Remittance of Grants**

Grants totaling to Shs.43,366,412 were remitted to primary schools and health centers as Universal Primary Education(UPE) and Primary Health Care(PHC) non-wage respectively. However, no acknowledgement receipts and accountabilities were availed from the beneficiaries rendering the remittances doubtful.
Recommendation

The acknowledgement receipts and relevant accountability be submitted for audit.

132.5 **Fuel deposits and Refund**

Shs.11,577,000 was incurred on fuel deposits and refunds, however, payments were not supported with fuel consumption statements, fuel orders and relevant fuel receipts rendering the expenditure incurred doubtful.

**Recommendation**

All relevant documents should be submitted for verification.

132.6 **Revenue Shortfall**

Regulation 32 of Local Government Financial and Accountability Regulation 2007, require all budgeted revenue to be collected. However, out of budgeted local revenue of Shs.480,179,766 only Shs.326,190,025 was realized indicating a shortfall of Shs.153,989,741 and this affected service delivery. Management attributed the shortfall to inadequate graduated tax compensation from Central Government and unrealistic budgeting.

**Recommendation**

Management should ensure that budgeting is realistic. In addition regular liaison with Ministry of Finance for release of funds is necessary.

132.7 **Tax Remittance**

Withholding Tax of Shs.4,973,538 purportedly remitted to Uganda Revenue Authority lacked acknowledgement receipts rendering the expenditure doubtful.

**Recommendation**

Acknowledgment receipts be submitted for verification.
132.8 **Irregular Purchase of Land**

Shs.4,000,000 incurred on purchase of land was not supported with valuation report and land titles rendering the expenditure irregular.

**Recommendation**

Relevant supporting documents should be submitted for verification.

133.0 **BUSIA TOWN COUNCIL**

133.1 **Opinion:**-Qualified-Except for

133.2 **Un reconciled Balances**

The cash flow statement reflected purchase of plant property and equipment at Shs.366,717,031 while asset additions in the fixed assets schedule were Shs.89,441,875 indicating a discrepancy of Shs.277,275,156 which was not reconciled.

**Recommendation**

Necessary reconciliation should be made.

133.3 **Unspent Balances**

Unspent Conditional Grants of Shs.140,040,663 and Shs.224,275,017 for 2008/09 and 2007/08 respectively were retained in the accounts contrary to Public Finance and Accountability Act 2003 Section 19 which requires such to be refunded to the Consolidated Fund.

**Recommendation**

The funds should be refunded or necessary authority be sought.

133.4 **Unauthorized Excess Expenditure**

Shs.139,677,105 was incurred in excess of budgeted expenditure in the works, production and marketing programmes without necessary authority.
**Recommendation**

Necessary authority be obtained for verification.

133.5 **Payables**

The payables of Shs.91,546,745 were not supported with relevant documents. Similarly domestic arrears of Shs.50,333,879 paid during the year were not properly supported with invoices and delivery notes.

**Recommendation**

All the relevant supporting documents should be availed for verification.

133.6 **Irregular expenditure on salary account**

A sum of Shs.36,500,000 was diverted from the salary account to settle bills without necessary authority and refunds were not made.

**Recommendation**

Authority to divert the funds and evidence of refund should be submitted for verification.

133.7 **Expiry of performance Bond**

The performance bond for the tarmacking of the taxi park whose contract value was Shs.315,602,400 expired before commencement of works. Though the Council has paid Shs.83,300,000, the works appeared abandoned. The Council is exposed to risk of loss of funds in case of contract failure.

**Recommendation**

The Council should demand for liquidated damages for delayed works and renewal of performance bond.
133.8 **Receivables**

The receivables balance of shs.66,226,169 has been outstanding for more than twelve months and there is no movement on the accounts of the debtors implying weak debt collection processes. It is noted that debtors represent idle assets.

**Recommendation**

Management should enhance debt management processes.

133.9 **Revenue Shortfall**

Out of the budgeted local revenue of Shs.682,758,957 only Shs.655,188,880 was realized indicating shortfall of Shs. 27,570,077 and this affected service delivery negatively.

**Recommendation**

Management should improve revenue mobilization processes.

133.10 **Irregular purchase Of Land**

A sum of Shs.7,000,000 was paid to an individual for the purchase of 8 acres of land without Government valuer’s report, proof of ownership and negotiation minutes rendering the genuineness of the expenditure doubtful.

**Recommendation**

All relevant documents should be availed for verification.

**134.0 BUSOLWE TOWN COUNCIL**

134.1 **Opinion:**-Qualified-Except for

134.2 **Non-maintenance of Council Roads**

Shs. 32,821,460 paid to a contractor for maintenance of council roads was not supported with performance reports. Physical inspection revealed non-motorable
sections which were covered with vegetation. Management indicated that lack of funding hindered regular maintenance of all roads.

**Recommendation**
All relevant documents for road maintenance should be submitted for verification. Road maintenance should be prioritized during budgeting.

134.3 **Outstanding commitments**
Included in the outstanding commitments of Shs.6,429,810 is a sum of Shs.5,670,594 that has been outstanding for more than twelve months and this may result into litigation.

**Recommendation**
Management should settle longstanding liabilities to avoid litigation.

134.4 **Revenue Shortfall**
Out of the budgeted local revenue of Shs.63,250,000 only Shs.54,274,630 was realized indicating a shortfall of Shs.8,975,370 and this affected service delivery respectively.

**Recommendation**
Management should enhance revenue mobilization efforts.

134.5 **Staffing Deficiency**
(4) Out of 13 key posts in the council only 1 is filled with staff in acting capacity and in the circumstances, implementation of council activities is hindered.

The table below refers.

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<tr>
<th>POST</th>
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<tr>
<td>Town Clerk</td>
<td>Acting</td>
</tr>
<tr>
<td>Senior Assistant Town clerk</td>
<td>Vacant</td>
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<tr>
<td>Personnel Officer</td>
<td>Vacant</td>
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<td>Position</td>
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<tr>
<td>Stenography/Secretary</td>
<td>Vacant</td>
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<tr>
<td>Law enforcement Officer</td>
<td>Vacant</td>
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<tr>
<td>Town Agent</td>
<td>Vacant</td>
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<tr>
<td>Senior Accounts Assistant</td>
<td>Vacant</td>
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<tr>
<td>Copy Typist</td>
<td>Vacant</td>
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<tr>
<td>Assistant Physical Planner</td>
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<tr>
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<td>Health Officer</td>
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<td>Health Assistant</td>
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</tbody>
</table>

Management stated that advertisement had been made for the vacant positions.

**Recommendation**

Recruitment of key staff should be made so as to enhance service delivery.

**135.0 BUTALEJA DISTRICT**

135.1 **Opinion:**-Qualified-Except for

135.2 **Irregular Transfer of Universal Primary Education (UPE Funds)**

A sum of Shs.65,200,000 was irregularly transferred to Busolwe Primary School Account Number 0121039169501 at Stanbic Bank, Tororo Branch and spent without accountability thereby contravening UPE guidelines 5.6(a) which requires the management committee and Headmaster authority over funds.

Further examination revealed that the funds were transferred directly to the Account from the Ministry of Education and Sports.

In response the management committee denied knowledge of the purpose of the funds.
**Recommendation**

The funds should be accounted for. In addition, the authority to operate the account and Council approval of the funding should be submitted.

135.3 **Revenue Shortfall**

Analysis of details of revenue and expenditure revealed that the council collected local revenue of Shs.93,074,778 against a revised budgeted provision of Shs.130,181,586, registering a shortfall of Shs.37,106,808 (29%). Revenue shortfall may imply inadequate budgeting process or weaknesses in the revenue collection system.

Management attributed the revenue shortfall to delays in awarding tenders and unrealistic projections.

**Recommendation**

Tender awards should be issued promptly and revenue projections should be realistic.

135.4 **Inadequate Accounting Records in Universal Primary Education (UPE) Schools**

The Local Government Financial and Accounting Regulations (LGFAR) 2007, particularly regulation 64(4-6) and UPE guidelines 5.6 provide for maintenance of cash books for recording receipts and payments, reconciliation of the cashbook with the bank statement, inspection of schools financial records and reporting to the Chief Executive Committee as regularly as possible, and submission of the schools financial statements to the sub county council for each academic term.

However, inspection of a sample of schools revealed that the necessary records were not maintained. These schools included; Namunsa Primary School, Nakasanga Primary School, Muhula Primary School, Manafwa Primary School and Busira Primary School.
Management attributed the anomaly to lack of training in book keeping on the part of Headmasters and explained that training arrangements were being made.

**Recommendation**

The District should carry out basic book keeping skills training for the Head teachers. In the meantime, Sub accountants at the Sub counties should assist the Schools.

135.5 **Inspection of Health Centres**

(i) **Bubalya Health Centre II**

This is a newly constructed unit that started functioning on the 10th August 2009. There are only two staff without a Midwife at the station, thus maternity section is not in operation.

Due to lack of staff quarters, the unit does not operate at night as the two staff reside far away from the station. The staff reported inadequacy of drugs due to high incidences of diseases especially malaria.

Although there is a water tank, there is no borehole to cater for the unit during emergencies and dry season. Management stated that the issue of water was to be solved with the help of the Sub-county management.

(ii) **Bingo Health Centre II**

This centre has only two staff catering for patient levels of 500-600 per month. The staff quarters were poorly constructed and it was noted that cement was peeling off the walls and the ceiling had developed cracks even before hand-over of the structures.

Management stated that the contractor had been notified to correct the anomalies.
(iii) **Bugalo Health Centre III**

The unit has one Clinician in charge with 2 Midwives, 3 Nursing Assistants and 1 Records Officer. The maternity unit is incomplete and the only ward is being used by both male and female inpatients. The unit lacks a placenta pit and a water source. With the estimated turn up of 700 out patients, 17 inpatients and 25-30 deliveries a month, the staffing level and facilities appear grossly inadequate.

Management stated that construction works and rain water harvesting have been planned.

(iv) **Busaba Health Centre III**

The unit has 1 Clinical Officer, 1 Enrolled Midwife, 3 Nursing Assistants, 1 Lab Assistant and a Records Assistant. There is need for additional 2 Enrolled Midwives, 2 Enrolled Nurses and 2 Clinical Officers as observed from staff establishment. There is only one ward in place and is used for maternity and female patients only. The unit has no latrine for the patients and the Ecosan toilet donated by a well wisher is not in use.

**Recommendation**

There is need for provision of adequate staff, drugs and infrastructure to enable the Health Centres meet population needs.

136. 0 **BUTALEJA TOWN COUNCIL**

136.1 **Opinion**:-Qualified-Except for

136.2 **Unspent Balances**

Shs.32,054,389 and Shs.13,053,104 in respect of Conditional Grants for 2007/08 and 2008/09 remained on the council Accounts contrary to Public Finance and
Accountability Act 2003 Section 19 which requires refunds to the consolidated fund. There is a risk of extra budgetary funding.

**Recommendation**

Management should refund the funds in accordance with the regulations. In the alternative evidence of authority for retention be submitted together with council approval for re-voted funds.

136.3 **Unauthorized contract Variations**

Contract variations amounting to Shs.9,535,154 were not supported with approved variation orders from the contracts committee contrary to Local Government Procurement Regulation 120(2). Besides one of the contracts was varied from Shs.4,500,000 to Shs.7,500,000 (66%) without Public Procurement and Disposal of Assets authority contrary to regulation 120(12).

**Recommendation**

Management should submit the relevant authorization from the District contracts committee and the Public Procurement and Disposal of Assets authority.

136.4 **Revenue Shortfall**

Out of the local Revenue budget of Shs.29,479,850 only shs.21,842,225 was realized indicating a shortfall of Shs.7,637,625 and this affected service delivery adversely.

**Recommendation**

Management should ensure recovery of all revenue arrears to facilitate provision of services to the population.
137.0 **KAPCHORWA DISTRICT**

137.1 **Opinion:**-Qualified-Except for

137.2 **Revenue Shortfall**

Out of budgeted local revenue of Shs.247,000,000 only Shs.75,124,497 was realized indicating a shortfall of (70%) Shs.171,875,503 and this affected service delivery negatively.

Management attributed the shortfall to inadequate knowledge about Local service Tax.

**Recommendation**

Management should enhance sensitization of the population about local service tax to improve on revenue performance.

137.3 **Un reconciled Balances**

The cash and cash equivalents of Shs.149,640,349 and Shs.303,947,141 in the cash flow statement and balance sheet respectively were not reconciled.

**Recommendation**

Necessary reconciliations be made to reflect the accurate status of cash and cash equivalents.

137.4 **Unsupported Remittances**

Shs.21,862,698 purportedly disbursed to seven schools under Universal Primary Education program were not supported with remittance schedules and acknowledgement statements rendering the expenditure doubtful.

**Recommendation**

Remittance schedules and acknowledgement statements should be submitted for verification.
137.5 **Irregular Purchase of Drugs**

Drugs worth Shs.17,297,500 were procured from private pharmacies without obtaining certificate of non-availability of drugs from National Medical Stores contrary to primary health care guidelines.

In the circumstances the prices for the drugs may not be competitive.

**Recommendation**

Management should review the pricing of procurement for fairness. In future the certificate of Non-availability should be obtained timely.

137.6 **Lack of Accompanying Schedules**

The Debtors and creditors schedules were not included in the final Accounts contrary to the Local Government Financial and Accountability Manual 2007 in the circumstances the amounts Age and movements on the debtors and creditors Accounts were not disclosed.

**Recommendation**

All relevant schedules should be prepared and attached to the financial statements.

138.0 **KAPCHORWA TOWN COUNCIL**

138.1 **Opinion:**-Qualified-Except for

138.2 **Local Revenue Shortfall**

During the period, Council realised a revenue shortfall of Shs.112,900,952, against a budget provision of Shs.174,613,816 contrary to regulation 32 of the Local Government Financial and Accounting Regulation, 2007 which require all budgeted revenue to be collected.
Recommendation

Management should minimise the shortfall for effective service delivery.

138.3 Non-remittance of Unspent Balances of Conditional Grants to the Consolidated Fund

Included in the cash and cash equivalents of Shs.84,587,424 is a sum of Shs.74,753,717 comprising of Conditional Grants that should be remitted to the Consolidated Fund. No authority for retention was availed contrary to section 19(1) of the Public Finance and Accountability Act 2003 and section 6.6.5.2 of Local Government Financial and Accounting Manual (LGFAM), 2007.

Recommendation

The funds should either be remitted to the Consolidated Fund or authority for retention be availed for verification.

138.4 Unreconciled Cash Balances

The net increase in cash and cash equivalents of Shs.37,496,168 in the cash flow statements was not reconciled with the cash and cash equivalents of Shs.84,587,424 shown in the Balance Sheet occasioning a variance of Shs.47,091,256 which was not explained.

Recommendation

Necessary reconciliation be made.

138.5 Unexplained Salary Arrears

Included in the outstanding commitments of Shs.38,118,557 is a sum of Shs.9,422,055 attributable to salary arrears which are not explained.

Recommendation

All supporting documents for the salary arrears be availed for verification.
138.6 **Non Preparation of Register for Accountable Stationery**

The register for accountable stationery showing details of receipt books, tickets, trading licence forms and other revenue stationery was not submitted for verification contrary to Local Government Financial and Accounting Manual, 2007.

Besides, used receipt books were not submitted to the Head of Internal Audit as required by regulations. There were no daily cash summary reports and revenue monitoring records for contracted revenue collections. In addition, the Local Service Tax Register was not prepared. In the circumstances, revenue collection systems were inadequate.

**Recommendation**

Management should establish the above registers and improve the revenue records as required by regulations.

138.7 **Salaries and Wages Establishment Registers Not Maintained**

Contrary to regulation 53 (1) and (2) of LGFAR 2007, no salaries and wages establishment registers were availed for audit verification. The non maintenance of establishment registers renders the verification of payroll difficult and may result into payroll malpractices.

**Recommendation**

Measures should be taken to establish the register as required by regulations.

138.8 **Doubtful Tax Remittances**

Withholding tax of Shs.4,987,806 remitted to Uganda Revenue Authority was not supported with acknowledgement receipts rendering the payment doubtful.

**Recommendation**

Acknowledgement receipts be availed for verification.
139.0 LWAKHKHA TOWN COUNCIL

139.1 Opinion: - Qualified - Except for

139.2 Unauthorised Excess Expenditure

Shs.60,817,399 was spent over the approved budget under various programmes without Council authority and warrants.

In their response management stated that authority was available. The authority was not however, subsequently presented for audit.

Recommendation

The necessary Council authority should be availed.

139.3 Unvouched expenditure.

Payment vouchers for Shs.45,244,793 were not submitted for verification rendering the genuineness of the expenditure doubtful.

Management attributed the missing vouchers to poor filling.

Recommendation

The payment vouchers should be availed for verification. Filling processes should be enhanced.

139.4 Unspent balances

Conditional grants of Shs.33,742,890 remained on the Town Council Accounts at the end of the financial year contrary to Public Finance and Accountability Act 2003 Section 19 which require refunds to be made to the Consolidated Fund.

Management stated that the purported unspent balances were in form of unpresented cheques.
Recommendation

The funds should be refunded to the consolidated fund or necessary authority bee availed for verification.

139.5 Unpresented Cheques

Cheques totaling to Shs.31,089,816 were not presented for payment by the close of the financial year. They were neither registered in the cheque dispatch register nor were the subsequent bank statements availed for audit showing their presentation.

In addition, related supporting documents for the expenditure were not availed for audit. Besides the overdraft reported in the cash book indicates borrowings which were not authorized.

Recommendation

All the relevant documents should be submitted for verification.

139.6 Doubtful Balances

The council reported opening balances in respect of debtors and creditors of Shs.3,988,000 and Shs.20,763,103 respectively. The balances are unrealistic since the Council began operations in 2008/09 and should have nil opening balances. No explanation was provided for the anomaly.

Recommendation

Management should explain the anomaly and take corrective adjustments.

139.7 Revenue Shortfall

Out of the budgeted local revenue of Shs.18,500,100 only Shs.2,783,583 was realized indicating a shortfall of Shs.15,716,517(85%) and this affected service delivery negatively.
**Recommendation**

Revenue budgeting and mobilization processes should be enhanced.

139.8 **Salary Advances**

Contrary to Standing Orders (chapter E-e 1) Shs.4,471,830 advanced to a council staff was not recovered within the three months stipulated period.

Management stated that deductions would begin in January 2010 which is contrary to regulations.

**Recommendation**

Management should recover the funds in three months as stipulated.

139.9 **Cash flow statements**

A depreciation charge of Shs.4,40,000 was wrongly posted in the cash flow statement since it is a non-cash transaction resulting into understatement of cash and cash equivalents at end of the year.

**Recommendation**

Necessary adjustment be made in the cash flow statement.

140.0 **MALABA TOWN COUNCIL**

140.1 **Opinion:**-Qualified-Except for

140.2 **Irregular Land Purchase**

The Town Council sourced land from one supplier and entered into an agreement to purchase 4 acres at a cost of Shs.80,000,000 without the Government valuer’s estimation of the fair cost. The Contracts Committee’s approval was also missing contrary to Local Government Procurement Regulations (40) (2) of 2006 that
require single sourcing to be approved by the Contracts Committee. To-date Shs.38,000,000 has been paid off leaving a balance of Shs.42,000,000.

It was further noted that delays in settling the outstanding balance could result into nullification of the sales agreement and subsequent loss to the Town Council.

Management attributed the delays to decline in council revenue and explained that final payments would be made.

**Recommendation**

The Government valuer’s report and contracts committee approval for the purchase be availed for verification.

140.3 **Payables**

Regulation 11 of the Local Government Financial and Accounting Regulation, 2007 requires commitment to be entered into when funds are available. However, contrary to this regulation included in the payables of Shs.105,109,216 is a sum of Shs.72,343,111 that has been outstanding for more than twelve months. This could result into litigation or confiscation of Council property due to non payment. Besides the payables were not supported with creditors ledgers to enable tracking of movement on the accounts.

**Recommendation**

Management should avail updated creditor’s ledgers and prioritize payment of long outstanding debt. Regulations be complied with.

140.4 **Receivables**

Section 2.3.2.3 of the Local Government Financial and Accounting Manual, 2007 require prompt collection of debtors. However, contrary to the provision, included in the receivables of Shs.63,850,000 is a sum of Shs.34,700,000 that
has been over due for more than twelve months. Receivables represent idle assets that hinder availability of cash for service delivery.

**Recommendation**

Enforcement measures be implemented to collect the debts.

141.0 **MANAFWA DISTRICT**

141.1 **Opinion:**-Qualified-Except for

141.2 **Unreconciled cash and cash equivalents**

The cash and cash equivalents of Shs.285,384,432 and Shs. 252,767,666 in the balance sheet and cash flow statement were not reconciled.

**Recommendation**

Necessary reconciliation should be made.

141.3 **Drugs Supplies by National Medical Stores(NMS)**

During the financial year 2008/09 National Medical Stores disbursed drugs worth Shs.299,583,293 to various Health Centres in Manafwa District. However, in the absence of receipt, storage and issuance records, I could not confirm whether the drugs reached the intended beneficiaries.

**Recommendation**

Receipt, storage and issuance records be availed for verification.

141.4 **Unvouched Expenditure**

Payment vouchers for Shs.20,744,000 were not availed for verification contrary to Local Government Financial and Accounting Regulations 2007(42) rendering the genuineness of expenditure doubtful.
Management stated that the said vouchers were submitted to Ministry of Education Headquarters.

**Recommendation**

The vouchers together with all supporting documents should be availed for verification.

### 141.5 Inadequate contract management

A construction contract worth Shs.255,271,760 was awarded to a firm, and an advance payment of Shs.51,054,252 (20% of contract sum) authorized, of which Shs.31,054,352 was disbursed. However, the procurement records and quarterly reports were not availed for audit. Besides, the advance payment guarantee was also not availed for verification. This could have arisen due to the absence of an effective contract management.

Management attributed the delay in the construction to council decisions to adjust the original structural design that subsequently affected the construction.

**Recommendation**

Management should avail procurement records for verification and ensure contract completion. In addition, the advance payment guarantee should also be availed.

### 141.6 Revenue Shortfall

Out of the budgeted local revenue of Shs.400,000,000, only Shs.374,552,757 was realized indicating a shortfall of Shs.25,547,242 and this affected service delivery.

Management attributed the shortfall to poor performance of local service tax.
**Recommendation**

There is need to enhance sensitization of the population on Local Service Tax and widening of the Tax base.

141.7 **Format of Statements**

The following schedules and statements prescribed in the Local Government Finance and Accounting Manual 2007 were not included in the financial statements;

- Schedule of debtors
- Schedule of creditors
- Board of survey on cash and stores, and bank certificates.
- Statement of stores and other assets bought during the year.
- A schedule for fixed assets

In the circumstances the accounts are incomplete and detailed analysis is hindered

**Recommendation**

All the necessary schedules should be prepared and included in the financial statements.

141.8 **Lack of a register for Accountable Stationery**

Contrary to Local Government Financial and Accounting Manual 2007, a register showing details of revenue stationery was not availed. Similarly the transfer of the stationery between departments and revenue collection points was not authorized and the used receipt books were not surrendered to the head of internal audit for issuance of certificates of acknowledgement.

There was no evidence of frequent surveys of cash, tickets and counterfoil receipts and their reconciliations to the books of accounts and registers. Failure to enforce control measures over accountable stationery pose a high risk of loss of revenue.
Management attributed the anomaly to staffing weaknesses.

**Recommendation**

The register for accountable stationery should be maintained appropriately. In addition staff should be supervised closely to ensure that registers are updated.

142.0 **MANAFWA TOWN COUNCIL**

142.1 **Opinion:** Qualified–Except for

142.2 **Irregular contract Payments**

Shs.51, 135,969 incurred on road works and spring protection was not supported with Bid evaluation reports, Award minutes, completion certificates, variation orders and performance reports rendering the authenticity of expenditure doubtful.

**Recommendation**

All relevant supporting documents be availed for verification.

142.3 **Unspent Balances**

Unspent conditional grants of Shs.44, 983,221 remained on council accounts at the year end contrary to Public Financial and Accountability Act 2003 Section 19 which requires remittance to the consolidated fund. It was also noted that Shs.14,846,069 relating to the previous year was also retained without necessary authority.

**Recommendation**

The funds should be refunded to the consolidated fund. In the alternative, authority for retention be availed.
142.4 **Unsupported Debtors Balance**
Whereas the debtors balance on the face of the balance sheet was Shs.78,401,549 the schedule of debtors indicated Shs.38,210,226 implying a discrepancy of Shs.40,191,323 which was not supported. The implication is that the debtors balance is overstated.

**Recommendation**
Management should reconcile the debtors balances.

142.5 **Diversion of funds**
Contrary to Local Government Financial Accountability Regulations 2007 Section 37 (2) Shs.23,441,311 was diverted from Local Government Development Programme and Poverty Alleviation Fund Programmes for operational activities. Diversion of funds Management stated that refunds to the Programmes had been made but no evidence was availed for verification.

**Recommendation**
Funds should be refunded to the specified Programmes for implementation of planned activities.

143.0 **MBALE DISTRICT**

143.1 **Opinion:** Unqualified-Except for

143.2 **Revenue Shortfall**
Out of the budgeted local revenue of Shs.529,563,500 only Shs.508,267,090 was realized indicating a shortfall of Shs.21,296,410.

Management state that greater efforts in revenue mobilization would be undertaken in the following financial year.
Recommendation

Outstanding revenue should be collected in accordance with financial regulations.

144.0 NAGONGERA TOWN COUNCIL

144.1 Opinion: Qualified-Except for

144.2 Un reconciled cash and cash Equivalents

The cash and cash equivalents of Shs.42,922,531 and Shs.15,109,849 in the balance sheet and cash flow statement respectively were not reconciled.

Recommendation

Necessary reconciliation and adjustments in the financial statements be made.

144.3 Doubtful Payments

Shs.28,174,221 incurred on surveys and valuation of properties without supporting documents such as bid invitation evaluation minutes, award notification, and performance reports rendering the expenditure doubtful.

Management stated that relevant documents were availed but these were not submitted for verification.

Recommendation

All supporting documents be available for verification.

144.4 Failure to Bank Cash Collections

Shs.11,377,000 collected in cash was not banked on council collection Accounts contrary to Local Government Financial and Accounting Manual Section 32, the possibility of utilization of the cash at source could not be ruled out.
Management stated that the banking slips for the funds were available but they were not submitted for verification.

**Recommendation**

The Banking slips and schedules should be submitted for confirmation of the banking.

144.5 **Advances**

Shs.7,317,037 advanced to various staff for official activities was not accounted for within one month as required by Local Government Financial and Accounting Regulation (LGFAR) 43 and the funds remained outstanding. Management stated that accountability documents were available but this was not the case.

**Recommendation**

The funds should be accounted for or recovered from the defaulters.

144.6 **Non-remittance of funds to Lower Councils**

Contrary to Local Government Development Programme 11 guidelines which prescribe that 30% of the funding be remitted to parishes and villages, Shs.4,336,978 was retained by the council

In the circumstances implementation of activities at the grass root is hindered Management attributed the non-remittance to current council commitments.

**Recommendation**

Local Government Development Programme 11 guidelines should be followed and the funds be remitted accordingly.
144.7 **Revenue shortfall**

Out of the Budgeted Local Revenue of Shs.77,083,910, only Shs.46,502,227 was realized indicating a shortfall of Shs.30,581,683. Under collection of revenue undermines delivery of services to the population.

**Recommendation**

Revenue mobilization efforts should be enhanced.

148.0 **MBALE MUNICIPAL**

148.1 **Opinion:** Unqualified-Except for

148.2 **Under Collection of Local Revenue**

There was under collection of local revenue of Shs.239,562,586 on both tendered and untendered revenue during the year. There were no regular revenue returns to monitor revenue performance and end of year demand notes raised by 30 June 09 were not availed.

This could have been due to unrealistic budgeting or laxity in collection. The under collection led to non implementation of planned programmes, ultimately undermines service delivery.

**Recommendation**

Management should address the causes of the under collections so as to implement planned activities and ensure service delivery.

148.3 **Irregular Transfer of Funds**

A sum of Shs.79,106,398 was transferred from the Property Rate Account back to General fund account and subsequently spent. However, there was no evidence of authority to transfer or refund.
It should be noted that this account collects revenue from property rates specifically for financing expenditures of capital nature permitted under the property rating Act. In such circumstances, the purpose of the account is defeated.

In response, management admitted the irregular transfer, explaining that it arose in order to make crucial payments like pension arrears.

**148.4 Nugatory Expenditure**

A sum of Shs.14,752,605 was advanced to various council staff as expenditure on photocopying services. However, the amount incurred could have purchased two photocopier machines saving the council from expensive photocopying.

Another sum of Shs.37,500,000 was spent on different court cases which could have been avoided had management exercised probity and propriety in this regard.

**Recommendation**

Management should exercise financial probity and responsibility.

**148.5 Procurement Irregularities**

**148.5.1 Lack of Procurement Plan**

A review of the procurement process revealed that heads of user departments did not prepare quarterly and annual work plans for consolidation into the council work plan. In some instances photocopying, motor vehicle repair and purchase of stationery were procured from non pre-qualified firms despite the presence of pre qualified service providers.

Lack of department quarterly and annual work plans contravene regulation 26(1) Local Government Public Procurement and Disposal of Public Assets (LGPPDA) regulations of 2006 and risks unauthorized procurements.
Management stated that the respective departmental work plans were prepared and consolidated into the council procurement plan. However, no evidence was availed however to confirm this.

**Recommendation**

Management should comply with the procurement regulations to ensure effective procurement planning.

### 148.5.2 Unsecured Contract

A contract for management of outdoor advertisement by a Local Company for Shs.37,500,000 was found not to have been insured through a performance bond.

This exposed the Council to the risk of potential loss of revenue in case of non performance.

Management admitted the anomaly but stated that no revenue was lost and that all subsequent contracts have been insured.

**Recommendation**

Management should minimise the risk of loss of revenue collections through securing performance bonds.

### 148.5.3 Irregular Contracts

A Construction Company was paid Shs.314,341,487 for work on Naboa road for a contract sum of Shs.528,332,800.

The performance bond had also expired. The contract was supposed to start effective 16th June 2008 and be completed by 30th November 2008 but by the time of audit (December 2009), the road was not only incomplete but no work was going on. Both the advance payment security and performance bond had expired exposing the Council to the risk of loss through non performance.
Management admitted that the contractor had abandoned the work but that the payment so far made was less than the work done.

**Recommendation**

The Council needs to establish why the contractor abandoned work, and ensure that no loss arises out of this contract. In future, all contracts should be effectively monitored and remedies sought for non performance.

148.5.4 **Unsupported Procurements**

A total sum of Shs.71,140,627 was incurred on procurements without necessary supporting documents.

In such circumstances, there is a risk of payment for non existent procurements.

Although in its written response, management stated that supporting documents were available, they were not presented for verification.

**Recommendation**

Management should render supporting documents for verification and ensure that in future they are properly filed for audit.

148.6 **Revenue Registers**

The Council did not maintain revenue registers at the divisions in the prescribed format, contrary to Local Government Fianancial and Accounting Regulation 33(1). This could have been due to lack of awareness of the provisions of the accounting manual in this respect.

In response, management admitted the irregularity and promised to institute new registers in the correct format which is compliant with the regulations.
**Recommendation**

Management should ensure that the revenue registers are in future maintained in the prescribed format.

149.0 **PALLISA DISTRICT**

149.1 **Opinion:**-Qualified-Except for

149.2 **Unreconciled cash and cash equivalents**

The cash and cash equivalents of SHs.34,347,604 and Shs.548,843,250 in the balance sheet and cash flow statement were not reconciled. Besides the grants deposit of Shs.55,336,163 was not supported with an explanation note.

**Recommendation**

Necessary reconciliations and explanatory note be submitted for verification.

149.3 **Advances**

Contrary to Local Government Finance and Accounting regulations 43 that required accountability for Administrative advances within one month, Shs.119,159,483 remained outstanding at year end. Management stated that efforts to seek accountability from the concerned individuals are under way.

**Recommendation**

The funds should be accounted for or recovered from the defaulters.

149.4 **Out standing commitments**

Included in the outstanding commitments of Shs.253,12,070 is a sum of Shs.52,666,204 that has been outstanding for more than twelve months and may result into litigation. Besides accumulation of liabilities contravenes the
Budget Act 2001 Section 14 and the government overall commitment control policy.

**Recommendation**

Management should ensure commitments are incurred when funds are available to avoid accumulation of payables.

149.5 **Revenue Shortfall**

Out of the budgeted local revenue of Shs.161,313,950 only Shs.132,503,76 was realized indicating a shortfall of Shs.28,810,374 and this affected implementation of planned activities.

Management attributed the shortfall to delays in contracting revenue collectors

**Recommendation**

Arrangements should be made to contract revenue collectors in a timely manner to enable adequate mobilization of funds.

149.6 **Doubtful Tax Remittance**

Withholding Tax of Shs.14,785,103 remitted to Uganda Revenue Authority was not supported with acknowledgement receipts rendering the payment doubtful.

**Recommendation**

Uganda Revenue Authority Acknowledgement receipts be submitted for verification.

149.7 **Lack of register for Accountable stationery**

Contrary to Local Government Financial and Accounting Regulation 2007 there was no register for Accountable stationery such as general receipt books. Permits and licenses rendering controls over the documents doubtful.

The receipt issues and stock balances could not be ascertained there is risk of misuse of the stationery.
**Recommendation**

Registers for accountable stationery should be prepared and submitted for verification.

**150.0 PALLISA TOWN COUNCIL**

150.1 **Opinion:-** Qualified-Except for

150.2 **Revenue Shortfall**

Regulation 32 of Local Governments Financial and Accounting Regulations (LGFAR), 2007 requires all budgeted revenue to be collected promptly. However, contrary to this regulation, out of the budgeted local revenue of Shs.200,791,069 only Shs.93,159,384 was realized indicating a shortfall of Shs.107,631,685 (54%) and this affected service delivery negatively.

**Recommendation**

Necessary measures should be undertaken to enhance revenue collection and comply with the regulation.

150.3 **Non-remittance of Unspent Balances of Conditional Grants to the Consolidated Fund**

Unspent Conditional Grants of Shs.119,015,700 and Shs.86,772,733 in respect of 2007/08 and 2008/09 respectively were not refunded to the Consolidated Fund contrary to section 19 (1) of the Public Finance and Accountability Act, 2003.

Management claimed that authority for retention from the Treasury had been received but this was not submitted for verification.

**Recommendation**

Authority to retain unspent balances should be availed for verification from the Treasury. In the alternative the funds should be transferred to the Treasury.
150.4 **Unreconciling Cash and Cash Equivalents**

The net increase in cash and cash equivalents of Shs.586,232 reported in the cashflow statement was not reconciled to the cash and cash equivalent of Shs.87,417,126 shown in the Balance Sheet.

**Recommendation**

Necessary reconciliations should be made to reflect accurate balances.

150.5 **Unauthorised Excess Expenditure**

Contrary to regulation 25 and 26 of the LGFAR, 2007 a sum of Shs.52,300,420 was incurred in excess of the budgeted sums on two programs without executive committee and council approval as detailed below:

<table>
<thead>
<tr>
<th>Section</th>
<th>Approved Estimates</th>
<th>Actual Expenditure</th>
<th>Excess</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management support services administration</td>
<td>77,596,045</td>
<td>115,932,717</td>
<td>38,339,672</td>
</tr>
<tr>
<td>Local Council</td>
<td>22,559,652</td>
<td>36,520,400</td>
<td>13,960,748</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100,155,697</strong></td>
<td><strong>152,453,117</strong></td>
<td><strong>52,300,420</strong></td>
</tr>
</tbody>
</table>

Unauthorised excess expenditure contravenes budgetary controls.

Management claimed that necessary approval was available but this was not submitted for verification.

**Recommendation**

Executive Committee and Council Minutes for the approval should be submitted for verification.
150.6 **Administrative Advances**

Shs.17,325,220 advanced to various staff and firms for Council activities remained outstanding contrary to regulation 43 of Local Government Financial and Accounting Regulations, 2007.

Management again claimed that accountability documents are available but these were not presented for verification.

**Recommendation**

All supporting documents should be submitted for verification. In the alternative the funds are recoverable.

150.7 **Doubtful Domestic Arrears**

Shs.11,849,805 incurred on domestic arrears lacked supporting documents. Besides, the purported arrears were not previously disclosed in the financial statements.

**Recommendation**

All the supporting documents and necessary adjustments in the financial statements should be availed.

150.8 **Incompletely Vouched Expenditure**

Shs.11,321,085 incurred on public works was not supported with work plans and contract agreements rendering the expenditure incompletely vouched.

Management sated that the documents were available but they were not presented for verification.

**Recommendation**

All supporting documents be submitted for verification.
150.9 **Irregular Compensation**

A sum of Shs.5,500,000 was incurred on compensation of private property without valuation reports and ownership documents rendering expenditure irregular.

**Recommendation**

The valuation reports and ownership documents should be availed for verification.

150.10 **Missing Vouchers**

Payment vouchers for Shs.3,571,564 were not availed for verification contrary to regulation 42 of the Local Government Financial Regulation, 2007 rendering the genuineness of the expenditure doubtful.

**Recommendation**

The vouchers should be traced and submitted for verification.

150.11 **Lack of Revenue Registers**

Contrary to section 4.6.2 of the Local Government Financial and Accounting Manual, 2007, revenue registers were not maintained thereby constraining reconciliation of reported revenue.

Management stated that revenue registers were available but these were not presented for verification.

**Recommendation**

All the revenue registers be submitted for verification.

150.12 **Statements Not Submitted for Audit**

Contrary to Local Government Financial and Accounting Manual, 2007 the statement of stores and other assets bought during the year and the statement
of arrears of revenue were not prepared and submitted for audit rendering the financial statements incomplete.

**Recommendation**
The statements should be prepared and included in the financial statements.

151.0 **SIRONKO DISTRICT**

151.1 **Opinion:**-Qualified-Except for

151.2 **Irregular Borrowing**
Shs.25,839,824 incurred as overdrafts and loans was not supported with Council minute as required by Local Government Financial regulations 2007, regulation 76. Besides the District did not maintain a loans register to track the corresponding transactions. Irregular liabilities may constrain service delivery to the population.

Management indicated that refunds of Shs.10,000,000 had been made but the authority for borrowing was not submitted.

**Recommendation**
The relevant authority for borrowing the funds together with the corresponding loans register should be availed for verification.

151.3 **Unaccounted for funds**
Shs.13,202,000 paid to various staff for official activities remained unaccounted for contrary to the Local Government Finance and Accounting Regulations (LGFAR) 43 (2) which requires accountability within one month. Delays in accountability may result into falsification of documents. Management explained that unaccounted for funds would be deducted from staff salaries.
**Recommendation**

The funds should be accounted for. In the alternative recovery should be undertaken.

**151.4 Unspent balances not remitted to Treasury**

Shs.8,169,190 was retained on the Local Government Development Programme (LGDP) Account at the end of the financial year contrary to the Local Government Financial Manual (LGFAM) 2007 Section 6.6.5(4) which requires refunds to the consolidated fund or retention with authority of Treasury.

Management explained that a request for retention was forwarded to Treasury but no authority was provided.

**Recommendation**

Relevant authority should be availed. In the alternative the funds be remitted to the consolidated fund.

**151.5 Missing Voucher**

Payment vouchers for Shs.3,954,000 were missing at the time of audit thereby rendering the authenticity of the expenditure doubtful. Absence of payment vouchers may imply fraudulent transactions.

Management explained that corresponding amounts will be deducted from responsible staff.

**Recommendation**

The vouchers together with supporting documents should be availed for verification. In the alternative the funds are recoverable.
152.0 **STIRONKO TOWN COUNCIL**

152.1 **Opinion:**-Qualified-Except for

152.2 **Un reconciled Balances**

The cash and cash equivalents of Shs.25,143,081 and Shs.4,049,470 in the cash flow statement and balance sheet respectively were not reconciled. Besides payments of domestic arrears were stated as Shs.2,577,556 in the cash flow statement but note 8 revealed payments of Shs.20,042,955

**Recommendation**

Management should reconcile the balances to reflect accurate figures.

153.0 **TORORO DISTRICT**

153.1 **Opinion:**-Qualified-Except for

153.2 **Creditors**

Included in the creditors balance of Shs.2,511,279,887 are salary arrears of Shs.984,464,766 and pension arrears of Shs.1,235,141,003 brought forward from previous years of which minimal payments were noted.

In response management attributed the liabilities to inadequate financial resources at the District and stated that the liabilities were included in the Local Government Ministerial policy statement (2007/08) for settlement but this has not been effected.

**Recommendation**

The Accounting Officer should liaise with the Ministry of Local Government to settle the liability.

153.3 **Irregular Contract Payments**

Shs.35,032,889 was paid to a contractor who was not pre-qualified during the year contrary to Local Government Public Procurement and Disposal of Assets
Regulation 48. Management stated that the payment was for ongoing works related to the previous year but evidence of previous awards was not provided.

**Recommendation**

Relevant Award documents and previous performance reports be availed for verification.

153.4 **Outstanding Advances**

Shs.12,377,000 paid to council staff as administrative advances during the year remained outstanding contrary to Local Government Financial and Accounting Regulations 2007 (43) which requires accountability within one month.

**Recommendation**

Funds should be accounted for or recovered from concerned staff.

153.5 **Doubtful Remittance of Grants**

Grants totaling Shs.9,188,557 purportedly remitted to sub-counties, primary schools and health units in respect of Project for Modernization of Agriculture, Local Government Development Programme, Universal Primary Education and Primary Health Care were not acknowledged by the recipients rendering the remittance doubtful.

**Recommendation**

Acknowledgement receipts and accountability be availed for audit verification.

154.0 **TORORO MUNICIPAL COUNCIL**

154.1 **Opinion:**-Qualified-Except for

154.2 **Incompletely Vouched Expenditure**

Shs.46,958,930 paid to various individuals and firms for stationery, newspapers, refreshments and equipment repairs lacked supporting documents such as
invoices delivery notes and acknowledgement receipts, rendering the expenditure incompletely vouched.

**Recommendation**

All the relevant supporting documents should be available for verification.

154.3 **Irregular Salary Payment**

A salary payment of Shs.24,159,066 was irregularly made to an officer from September 2004 to August 2008 as Grade II Nursing Assistant, yet her appointment had been rescinded by the Chief Administrative Officer.

Management attributed the anomaly to weaknesses in the Personnel Section of the District

154.4 **Doubtful Tax remittance**

A sum of Shs.13,383,694 comprising of Withholding Tax (Shs.3,555,465) and Pay As You Earn (Shs.9,828,229) purportedly remitted to Uganda Revenue Authority lacked acknowledgement receipts rendering the payments doubtful.

**Recommendation**

Acknowledgement receipts should be availed for verification.

154.5 **Irregular Variation of Contracts**

A sum of Shs.5,900,000 paid for extra works on road works was not supported with variation orders contrary to Local Government Procurement regulation 120.

Management stated that variation orders by the contracts committee were available but this was not the case.

**Recommendation**

Variation orders should be submitted for verification.
155.2 **Under Collection of Local Revenues**

According to section 32 of Local Government Financial and Accounting Regulations, 2007, Council should ensure, through the Head of Finance, that all revenue budgeted by council is promptly collected in the approved manner and banked intact. However, contrary to this regulation, out of the local revenue budget of Shs.1,770,568,664, only Shs.659,942,433 was realized causing a shortfall of Shs.1,110,626,231(63%).

The under collection of revenue impairs the implementation of the planned service delivery.

In their response, Management explained that there were unpredicted fluctuations in the revenue collections.

**Recommendations**

Accounting officers should put in more efforts in revenue mobilization and collection. In future where revenue fluctuations occur budget revision should be caused.

155.3 **Salary Payments**

A sum of Shs.30,350,878 in respect of salaries were paid to 22 teachers who had left the service.

Management explained that the anomaly was caused by the responsible Head teachers not reporting the cases to cause the necessary deletion on the payroll.
Recommendations

Management should ensure recovery of the funds. Payroll should be timely updated.

155.4 Encroachment on the District Headquarters Land at Kamukuzi Hill

In the council session of 6th September 2007, under Min. No. 28/09/2007, Council appointed a five member committee to probe into the alleged encroachment on District administration land at Kamukuzi Hill. A scrutiny of the probe report revealed that 14 pieces of the land at the Hill were irregularly transferred to the current owners with the help of the District staff members.

Management indicated that the District Administration will further investigate the irregular transfers after which corrective measures would be taken.

Recommendation

The irregular transfers should indeed be investigated further and appropriate action taken.

155.5 Audit Inspection – District Medical Department

An audit inspection at the District Medical Department revealed the following:

a) Expired Drugs

There were expired drugs of Shs.290,076,532 consisting of 221,830 blisters (740 boxes) of ‘homa pack red’ of Shs.124,498,340 and 241,675 blisters (809 boxes) of ‘homa pack green’ of Shs.165,578,192.

b) Issue of Expired Laboratory Detergents and Needles to Health Centres

Expired laboratory detergents and needles were issued to Health Centers which was not proper.

Regarding the expired drugs, Management explained that the drugs in question were rendered obsolete as there was a Government Policy change, in the
treatment of malaria from using HOMAPAK (a combination of Fansidar and Chloroquine) to COARTEM. On expired laboratory detergents and needles, management claimed they were delivered to them by National Medical Stores when they had a short shelf life to expiry date.

**Recommendations**

Efforts be made to have expired drugs disposed off as they are a health hazard. Management should also refrain from accepting medical supplies from National Medical Stores whose shelf life is short.

155.6 **Land without Land Titles**

Five pieces of land belonging to the District did not have land titles. In addition, land at sub-counties too lacked land titles. Such land is vulnerable to encroachment.

Management explained that due to inadequate funds, the land titles had not been obtained. However, Management further stated that some applications for land titles were made to the Uganda Land Commission as follows:

(a) Plot 4 Western By-pass Link whose deed plans are already secured from Lands and Surveys Entebbe
(b) Plot 1-5 Western By-pass link
(c) Plot 2 Johnson Road
(d) Plot 4 Johnson Road

**Recommendations**

The management should ensure that land titles for the District and the Sub-counties land are secured.

155.7 **Sub Lease of Plot 5 Kitunzi Road**

On 1st May 2007, Mbarara District Local Government signed a 30 years sub lease with Nile Valley International in respect of Plot 5 Kitunzi Road at a monthly rent of US $2,000 payable two months in advance. However, there was no Contracts Committee approval and no documentary evidence to show that the Public
Procurement and Disposal of Assets guidelines were followed in identifying the sub lessee.

Besides, rent of US $24,000 (Shs.48,000,000) due for the financial year was not paid by the sub lessee, while the unpaid rent was not recorded in the statement of arrears of revenue and recognized as debtors.

**Recommendations**

The management should recover the funds and explain why Local Government Public Procurement and Disposal of Assets regulations were not followed.

155.8 **Electricity and Water Bills**

During the year under review, the District paid Shs.35,225,671 and Shs.12,367.368 for electricity and water consumed respectively. District management let out part of its building to MUBS, UMI, IDECOS and 2 other rooms to privately owned photocopying machines. The agreements signed between the tenants and District management spelt out clearly that the tenants will meet their own costs as far as utility bills were concerned. However, there is evidence that this provision was complied with.

**Recommendations**

The management should ensure that, the co-occupants pay their own electricity and water consumed.

155.9 **Weaknesses in Vehicle Management**

Local Government Financial and Accounting Manual, 2007 section 2.3.1.4(1) requires the District to maintain log books for vehicles, motor cycles, tractors and other movable equipment; in order to identify exactly what activities have been performed by them, at what date and time. Contrary to this provision no log books were maintained for the District fleet of vehicles and consequently it was rather difficult to ascertain accurately activities undertaken, the mileage and the fuel consumed.
In their response, Management indicated that a circular was going to be issued to all Heads of Departments to enforce the use of these log sheets.

**Recommendations**

The management should comply with the regulations and ensure that the log books are maintained.

156.0 MBARARA MUNICIPAL COUNCIL

156.1 Opinion- qualified – Except for opinion was given.

156.2 **Un-deducted Pay As Earn (PAYE) from Council Allowances**

The Income Tax Act 1997 (as amended) section 19 (a) requires that, income from employment in form of allowances be taxed, however, the Municipal Council paid taxable sitting and transport allowances, amounting to Shs.63,680,000 to councilors without deducting PAYE.

The un-deducted taxes may attract penalties and other sanctions to Council. Management indicated that, they have started deducting PAYE from councilors’ allowances including arrears, as per the Income Tax Act law.

**Recommendations**

The above funds should be recovered and remitted to Uganda Revenue Authority to avoid penalties/surcharges that may accrue.

156.3 **Irregular Payment of Housing Allowances**

Housing allowance at a rate of 25% of basic pay amounting to Shs.45,727,692 was paid to all staff of the Municipal Council. Authority from the Ministry of Public Service covering this allowance was not availed for audit. Management explained that, these were motivation allowances approved by Council in the
budget. This was therefore to supplement the salary paid by Government due to the fact that the cost of living had gone up.

**Recommendation**

The Accounting Officer should seek authority from the Ministry of Public Service.

156.4 **Assessment of Trading Licenses**

According to the report of the Principal Commercial Officer, 1,634 businesses were not assessed by the Divisions for payment of trading licenses.

In their response management explained that, licencing is done in January and the assessment of trading license is done in January and February of every year. By the time the Principal Commercial Officer was making his report on Business Assessment, 1634 businesses had not been assessed, as the exercise had not been completed.

However, the exercise was now over and the businesses in question were fully assessed. However, evidence of assessment was not provided for verification.

**Recommendations**

Evidence of assessment be provided for audit and in future assessments be made in time.

156.5 **Weaknesses in VAT Returns**

An Audit review of Value Added Tax returns revealed the following:-

(i) **Omission of the Purchases (Input) VAT on the VAT Return Form**

When the Municipal Council made VAT returns to URA, the VAT on purchases was not filled on the return. This denied the Municipal Council the opportunity to offset VAT on purchases with the VAT on sales.
(ii) **Under-remittance of collected VAT to URA**

Whereas the Municipal council received VAT amounting to Ushs 169,634,883 from the Division Councils for onward remittance to URA, only Ushs 140,468,870 was remitted leaving a balance of Ushs 29,166,013 not remitted.

Regarding omission of the purchases (input) VAT on the VAT Returns Forms management explained that Council had held a sensitization meeting with officials of URA over the matter and the relevant returns indicating input tax were available.

On under-remittance of VAT collected to URA, management acknowledged the observation and explained that the balance of Shs. 29,166,013 had been recognized as a liability in the financial statements, and it will be cleared.

**Recommendations**

Un-remitted VAT returns should be remitted without further delay to avoid penalties.

156.6 **Weaknesses in Procurement of Drugs**

i) **Drugs not recorded in Stores**

The Municipal Council procured drugs from Joint Medical Stores and directly distributed them to Lower Health units without keeping stores records.

(ii) **Un delivered drugs**

From a comparison of two payments to Joint Medical Stores with the amounts of drugs supplied against them, it was observed that drugs worth Shs. 3,437,551 were not delivered. The anomaly was not explained.

**Recommendation**

Management should explain the under deliveries or ask the supplier to make them good.
156.7 **Irregular Payment on Force account**

Works amounting to Shs.58,307,280 were executed by the District using force account. However no authority was obtained from contracts committee and Public Procurement Disposal Assets as required by the guideline issued by PPDA.

Although management claimed that, the works were executed under emergency conditions and the relevant PPDA guidelines were followed and considered by Contracts Committee accordingly, I could not verify the assertion as there were no minutes of either the executive or Council provided for audit in this regard.

**Recommendation**

Management should strictly adhere to PPDA guidelines regarding force account.

156.8 **Weakness in Procurement and Works for Kyamugorani Road**

The Municipal Council spent Shs.776,591,475 for the 1st and 2nd phase of works on Kyamugorani road. The project has been under implementation since 2007/8 financial year. Review of the works revealed the following:

a) The total approved estimated value of the road was Shs.682,478,250, indicating a variation of Shs.94,113,225 which was not approved.

b) On inspection of the road, it was found incomplete and failure signs were emerging towards the bridge, an indication of shoddy work.

**Recommendations**

Authority for the variation be provided and the seeming shoddy work be addressed.

156.9 **Court Cases against Council**

During audit, liabilities and contingent liabilities amounting to Shs. 103,187,396 arising from court cases were discovered. These court cases arose either from negligence of officers of the Council or as result of deliberate intentions of officers in the course of discharging their duties. Some cases were referred back by Court to Council to allow settlement out of Court.
The crystallization of these liabilities will negatively affect service delivery as they will have to be paid.

**Recommendations**

Council should harness the opportunity to settle some of the cases out of court and in future officers should act responsibly to avoid these costs that are nugatory in nature.

157.0 **BUSHENYI DISTRICT**

157.1 **Opinion**- qualified – Except for opinion was given.

157.2 **Cash Funds not Accounted For Shs.30,30,000**

Shs.111,790,000 was withdrawn on EFT no.1000004 in June 2009 to facilitate collection of statistical data. By the time of audit, 12-August-2009, the imprest cash had not yet been fully spent and the amount was not properly accounted for. This could lead to loss of public funds.

Management indicated that the advance was partly accounted for by the Senior Statistician and the remaining portion of Shs.30,130,000 is yet to be accounted for and the officer involved has been interdicted. Management further indicated that Internal Audit has been instructed to investigate and report to the Chief Administrative Officer for appropriate action.

**Recommendation**

An administrative advance ledger should be kept as required by Financial Regulations to monitor advances. Meanwhile, accountability for the amount in question should be provided. The Accounting Officer should set the cash limits and avoid drawing huge amounts of cash which may attempt staff.
157.3 **Non-Deduction of PAYE from Transport and Sitting Allowance**

Income Tax Act Section 117 (1) requires incomes from employment to be taxed unless it is duty facilitating. Furthermore, the Uganda Revenue Authority, in a communication to Local Governments Accounting Officers dated 18-September-2008 and referenced BO4-1008-9118-L, requested Accounting Officers to subject non-subsistence part-time allowances to PAYE at a flat rate of 30%. However, Audit examination established that a total of Shs.30,720,600 was neither deducted nor remitted to URA in respect of the transport and sitting allowances paid to councilors and members of statutory bodies.

Failure by Management to remit the taxes to Uganda Revenue Authority (URA) may attract fines and penalties.

**Recommendation**

Taxes should be deducted and remitted to Uganda Revenue Authority.

157.4 **Lack of Land Titles**

Verification of surveyed and titled land revealed that the District did not have Land titles for Kitagata Hospital and the six Health Centre IVs. Land may be encroached on by land squatters.

Management indicated that, the District is in the process of acquiring land titles for all its land in a phased manner due to limited local revenue.

**Recommendation**

The processing of the land titles for the Hospital and the Health Centre IVs should be prioritised.

157.5 **Under Collection of Local Revenues**

According to section 32 of the Local Government Financial and Accounting Regulations, 2007, Council should ensure, through the Head of Finance, that all revenue budgeted is promptly collected in the approved manner and banked
intact. However, during the year under review the District did not collect local revenue amounting to Shs.64,055,490.

This may be due to inadequate revenue mobilization by both technocrats and Council leaders arising from over dependency on Central Government Grants and Donor support, unrealistic revenue estimates and limited local revenue base.

The under collection of revenue impairs the implementation of the planned service delivery activities and subsequent non attainment of agreed council objectives and targets as approved in the budget. Management noted the shortfall and stated that some sources did not yield results as anticipated.

**Recommendations**

The Accounting officer should put in more efforts in revenue mobilization and collection; revenue collection mechanisms should be revisited to seal all possible loop holes to avoid losses.

Revenue collectors at Sub County level and all revenue collection centres should be adequately supervised, and accountable stationery like receipts checked regularly.

157.6 **Procurement of Drugs**

National Medical Stores (NMS) supplied drugs to Buhweju (Nsika) HCIV less by Shs.578,078 as per invoice number S1-020264, it also supplied drugs to Ruhinda (Mitooma) HCIV through invoice number S1-01263 of 04/08/2008 where quantities billed were less than the quantities received by Shs.91,521. There was no evidence that, NMS made supplies to replace the shortage.

Management noted the discrepancy and promised to follow up.

**Recommendation**

The District Health Management should provide an explanation for the above irregularities.
158.0 **BUSHENYI- ISHAKA TOWN COUNCIL**

158.1 **Opinion**- qualified – Except for opinion was given.

158.2 **Debtors**

   Section 2.3.2.3 of the Local Government Financial and Accounting Manual 2007, requires that the debtors are collected promptly contrary to this provision debtors at the end of the financial year amounted to Shs. 91,275,206.

   Money owed to Council represents an asset that is idle as it denies the Council the opportunity of using the money to provide services promptly. Any debt not collected is a serious matter and may represent a loss to Council. Management acknowledged the observation and explained that a lawyer has been engaged to ensure collection of debtors.

   **Recommendations**

   Accounting officers should vigorously monitor/follow up debtors/arrears of revenue on a regular basis to minimize their occurrence in future.

158.3 **Outstanding Bills for Payables**

   Regulation 11 of the Local Government Financial and Accounting Regulations, 2007 requires the Head of Finance to ensure that commitments are not approved unless there is sufficient and committed balance available. Contrary to this regulation, a sum of Shs.66,594,372 in respect of payables was outstanding at the year end.

   Non payment of outstanding bills exposes Council to litigation.

   Management in their responses stated that, they have put in place mechanism of controlling credit expenditure.
**Recommendations**

Accounting officers should enhance its controls on creditors to minimize accumulation of debt. Commitments should be entered into when funds are available so that the commitment control system is complied with.

158.4 **Outstanding Bills for Previous Financial Year**

The Town Council paid Shs.41,324,333 to various payees for the bills of the previous year. It was not possible to confirm whether the bills had been incurred in the previous year as they were not declared in the final accounts for 2007/2008 financial year and ledgers were not maintained. Payment of none existing bills and recycling of bills may not be ruled out. Besides the prior year adjustments were not made.

Management in their responses stated that, Bills for the previous financial year were not declared in the final accounts for 2007/2008 because there was a mix up of accrual basis and cash basis of accounting methods.

**Recommendation**

The Town Council should maintain ledgers and prior year adjustment made.

158.5 **Administrative Advances not Accounted For**

Contrary to Regulation 43(2) (3) 2007 which requires administrative advance to be accounted within one month, a sum of Shs.18,377,800 discovered during audit in respect of administrative advances were not accounted for.

These advances were directly charged on the expenditure codes and as result expenditures were overstated and advances understated in the financial statements.

The unaccounted for advances present a risk of loss and may result into misappropriation or diversion of Council funds.
Management claimed that all funds were accounted for but on verification this was not true.

**Recommendations**

Follow up of accountability from staff should be made and regulations complied with.

159.0 **KABWOHE-ITENDERO TOWN COUNCIL**

159.1 Opinion - An Unqualified opinion was given.

159.2 **Debtors**

Section 2.3.2.3 of Local Government Finance and Accounting regulation, 2007 requires prompt collection of debtors. However contrary to this provision debtor of Shs.53,252,600 remained outstanding at the year end.

Management explained that efforts have been in recovery and debtors have been submitted to courts of law.

159.3 **Recommendations**

Accounting Officer should vigorously monitor/follow up debtors revenue on a regular basis so that necessary remedial action is taken in time.

159.4 **Undeducted PAYE on Councilors’ Allowances**

A total of Shs.13,500,000 in respect of allowances was paid to various individual Councilors, however, PAYE of Shs.4,050,000 was not deducted contrary to the income tax law.

Management promised to recover and pay the arrears to Uganda Revenue Authority.
**Recommendation**

Ensure recovery and remittance to Uganda Revenue Authority and Tax laws should be complied with.

159.5 **Cash Shortage**

A review of the revenue collectors’ cash book revealed that for the financial year under review Shs.25,082,835 was collected in cash, out of this amount Shs.21,417,850 was accounted for leaving a cash shortage of Shs.3,664,984.

**Recommendations**

The cash shortage should be made good.

160.0 **RUKUNGIRI DISTRICT**

160.1 **Opinion**- An Unqualified opinion was given.

160.2 **Pension and Gratuity Liability**

 Outstanding pension and gratuity at the year end amounted to Shs.148,591,174. Districts have expressed inability to settle pension and gratuity. However, this amount excludes the amount the Ministry of Public Service is settling centrally whose current status was not established. Therefore, the exact liability status could not be confirmed.

**Recommendations**

The Accounting Officer should liaise with the Ministry of Public Service to get data on status of payments to ensure that the liability is accurately reported in the financial statements. The matter of incapacity to finance pension and gratuity be raised in the appropriate fora.

160.3 **Under Collection of Local Revenues**

According to section 32 of Local Government Financial and Accounting Regulations, 2007, council should ensure, through the Head of Finance, that all
revenue budgeted by council is promptly collected in the approved manner and
banked intact. However, contrary to this regulation out of the budgeted local
revenue of Shs.766,325,206, Shs.636,826,318 was realized leaving
Shs.129,498,888 (17% of the local budget) outstanding.

The under collection of revenue impairs the implementation of the planned
service delivery.

Management explained that under collection was due to mostly Local Service Tax
whose budget was not realistic.

**Recommendations**

Accounting Officers should put in more efforts in revenue mobilization and
collection and budgets made realistically.

160.4 **Salaries Paid to Former Officers**

A sum of Shs.16,297,937 in respect of salary was wrongly paid to 11 officers
who had left service and these amounts have not been recovered.

Management in its response indicated that, payment of salaries to people outside
service, either through abscondment or death was as a result of the introduction
of straight through processing of salaries. The District has submitted the cases
for deletion but Public Service has not responded as rapidly as would be desired.

**Recommendations**

The management should recover the salaries paid. Meanwhile, the payroll should
be timely updated to ensure that are only genuine officers are paid salaries.

160.5 **Irregular Payment of Salary Arrears**

Salary arrears of Shs.9,335,931 were fraudulently claimed in the month of May
2009. However, the amount has not been recovered.
Management explained that the case was in court and the officer responsible was on interdiction. The outcome of the court is therefore awaited.

**Recommendations**

The Accounting Officer should establish the cause of the fraud and avoid its re-occurrence.

160.6 **Uncollected Accumulated Rent From Resident District Commissioner**

On 1st July 2005, the District administration made a tenancy agreement with the RDC (presidents’ office) for the RDC to occupy three office rooms for a payment of 150,000 per month payable in lump sum per year. The agreement was supposed to be renewed every year.

It was however observed that since then the tenancy agreement had not been renewed and the RDC had not paid any rent which has accumulated to Shs.7,200,000 (4 years x 12 months x 150,000) by the end of the financial year under review.

Management in its responses states that, it has done all within its powers to cause payment from Office of the Resident District Commissioner and his Deputy but it seems the office has no intention of meeting its obligations. Several communications have been made addressed to Office of the President. He further stated that the chances of recovery are slim.

**Recommendations**

Management should continue to pursue recovery of the amount, and where necessary institute legal proceedings to ensure collection.
161.0 **RUKUNGIRI TOWN COUNCIL**

161.1 **Opinion** - qualified – Except for opinion was given.

161.2 **Understatement of Non-current Assets**

Examination of payment records revealed that the Bus/Taxi Park was during the year under review, upgraded and tarmacked at a cost of Shs.145,096,332 but this was not recognised in the total of non current assets in the Balance Sheet thereby understating their value. The adjustments were not made. In addition, the value of Shs.7,665,400 which was instead recognised could not be confirmed because the amount was not recorded in the assets register.

**Recommendation**

The Financial statements should be adjusted.

161.3 **The Water Escrow Account**

161.3.1 **Un vouched Expenditure on the Water Escrow Account**

Contrary to regulation 42 of the Local Government Financial and Accounting Regulation 2007, which require proper vouching of expenditure, Shs. 58,589,363 incurred on this account lacked supporting documents and payment vouchers.

**Recommendations**

The payment vouchers and supporting documents be availed for audit.

161.3.2 **Lack of bank reconciliation**

Cash balance of Shs.13,534,336 and bank balance of Shs.28,745,139 on water escrow account lacked supporting board of survey report and bank reconciliation statements rendering its verification difficult.

**Recommendation**

The Town Clerk should ensure that, reconciliation statements are prepared and produced for audit.
161.3.3 **Personal Advances not Recovered**

Public service standing Orders require that, one months salary be advanced to salaried employees and recovered within three months, however, during the year under review Shs.9,168,874 were advanced to several employees but no recoveries were made as required.

Furthermore motor vehicle advances of Shs.10,357,005 from Council employees were also outstanding.

Management acknowledged that, there was laxity in recovering personal advances. Council however has now put in place strict measures to recover these advances on a monthly basis from the concerned officers.

The motor vehicle loan scheme has also been discontinued and recoveries are also being made from the concerned officers.

**Recommendations**

The Accounting Officer should adhere to the Financial Regulations and Standing Orders and recover advances in the required time. Meanwhile recovery be followed up.

161.4 **Debtors**

Section 2.3.2.3 of Local Government Financial and Accounting Manual 2007, requires prompt collection of debtors, contrary to this provision of Shs.9, 800,300 shown in the accounts have been outstanding for more than 2 years.

Money owed to Council represents an asset that is idle as it denies the Council the opportunity of using the money to provide services promptly. Any debt not collected is a serious matter and may cause loss to Council.

Management in their responses stated that they have forwarded all debtors to the office of the Attorney General for possible prosecution to recover the money.
Recommendations

Accounting officers should vigorously monitor and follow up debtors on a regular basis in order to minimize them. Meanwhile debtors in question be followed up.

162.0 KANUNGU DISTRICT

162.1 Opinion- qualified – Except for opinion was given.

162.2 Unauthorised Excess Expenditure On Council Allowances

Local Government Act first schedule section 4 requires that, the expenditure of a Local Government Council in a financial year on emoluments and allowances of chairperson and councillors should not exceed 20 percent of the total local revenue collected by that local government council in the previous financial year. However, a total of Shs.24,578,344 was spent in excess of the authorized expenditure limit.

Management responded that this was spent on the Chairperson, Vice chairperson, Speaker and Deputy Speaker’s travels on official duties which were demanding.

Recommendations

The Accounting Officer should comply with regulations.

162.3 Un-deducted PAYE from Councilor’s Allowances

A total of Shs.15,650,000 in respect of PAYE was neither deducted nor remitted to the URA in respect of the part-time allowances paid to councilors and members of statutory bodies contrary to section 117 (1) of the Income Tax Act 1997 as amended. Non compliance may attract fines and penalties from Uganda Revenue Authority (URA).
Management responded that this was an oversight and promised that recoveries will be made from the responsible officers and submitted to Uganda Revenue Authority.

**Recommendations**

Tax laws should be complied with and monies remitted.

162.4 **Irregular Allowances**

The Local Government Act first schedule section 3 requires that the District Speaker and Secretaries be paid emoluments on monthly basis since they are full time employees. However, Shs.7,070,000 was paid as sitting allowances to them for attending sessions of committees and boards. Full-time officers are not entitled to sitting allowance.

Management responded that the matter was noted and the amount would be recovered from the beneficiaries.

**Recommendations**

The above funds should be recovered from the beneficiaries.

162.5 **None Deduction of Withholding Tax (WHT)**

Contrary to Section 120(1) of Income Tax Act 1997, Shs.2,214,665 in respect withholding tax was not deducted from payments made to contractors. Non compliance may attract fines and penalties from Uganda Revenue Authority (URA). Management indicated that this matter was noted and taxes will be deducted from the respective contractors. Deduction and remittance is awaited.

**Recommendation**

Taxes should be deducted and remitted to Uganda Revenue Authority and Tax Laws be complied with.
162.6 **Procurement of Drugs from National Medical Stores (NMS)**

Verification of drugs procured from NMS revealed that the delivery of drugs by NMS on 22/12/2008 worth Shs.40,124,160 could not be traced in the store of the District and therefore remain unaccounted for.

The store keeping records were not properly maintained to enable an effective audit trail. For example, the invoice number, delivery note number or Goods Received Note (GRN) number are not posted to the stock cards for easy reference and the requisition notes indicating the benefiting Lower Health Unit or units were not availed for audit.

**Recommendation**

The District Management should carry out an investigation on the above unaccounted for drugs and take appropriate action. Meanwhile the store keeping records be streamlined to enable an effective audit trail.

162.7 **Insufficient Disclosure Investments**

Local Government Financial and Accounting Regulations 2007 section 74 requires that, any investment by the council shall be authorized by the council and an investment register shall be maintained showing details of each investment and interest on all investments. Section 7.2.3 of the Local Government Financial and Accounting Manual, 2007 also requires that such investments and accompanying note are disclosed in the Balance Sheet.

However, investments of Shs.120,000,000 were disclosed by way of a schedule and not in the Balance Sheet. One of them related to an investment of Shs.10,000,000 (of two shares each at Shs.5,000,000) in a local FM Radio Station.

Inquiries on this investment revealed the following:-

- There was no due diligence made before the investments were made in the local radio station and the basis of share valuation was not provided.
• The share certificates were also not provided for audit.
• No investment register and ledgers were prepared in accordance with the financial regulations and therefore it was not possible to establish whether any dividends (return on investment) were ever earned.
• Minutes of the Council approving the investments were not provided for audit.

In their response, Management explained that ever since the payment was made there are no supporting documents to qualify it as an investment, it was like a District contribution for the start of the radio and that is why it was expensed.

**Recommendation**

The Accounting Officer should submit the above documents for verification and present the matter to Council for appropriate approval and guidance.

162.8 **Over Commitment of Council**

Regulation 11 (ad) of the Local Government Financial and Accounting Regulations, 2007 requires the Head of Finance to ensure that commitments are not approved unless there is sufficient funds available in order to comply with commitment control system. However, contrary to the above regulation Council had outstanding creditors of Shs.26,915,034 and capital commitments (payable) of shs.146,975,710 which were discovered during the audit. These liabilities were not disclosed in the financial statements by a note or schedule.

**Recommendations**

Accounting Officer should ensure that the commitment control system is strictly enforced in order to control the accumulation of debts.
163.0 **KANUNGU TOWN COUNCIL**

163.1 **Opinion** - qualified – Except for opinion was given.

163.2 **Unbanked Revenues and Cash Shortages**

Local Government Financial and Accounting Regulations 2007 section 32 requires that, the Head of Finance is responsible for ensuring that revenue collectors, defined under the regulations, carry out their duties properly to ensure that all revenue due to the council is promptly collected in the approved manner and banked intact.

However, analysis of the cash collections, banking, and month-end cash balances revealed that Shs.5,837,229 being closing cash balance at year end remained unaccounted for.

This was as result of the Head of Finance not adequately supervising the Finance staff and lack of timely reconciliation of the cashbook and bank reconciliations.

Management in their response indicated that; the Assistant tax officer who was responsible for revenue collection has already been asked to account for the funds and show cause why she should not be interdicted from duty for mismanagement of public funds.

**Recommendations**

The Accounting Officer should investigate the above funds and take appropriate action.

163.3 **Untaxed Council Allowances**

A total of Shs.7,529,000 was paid to various individuals in PAYE taxable allowances. Audit examination of the payment of the allowances indicated that PAYE was never deducted from the allowances paid. The amount involved total to Shs.2,258,700 and is therefore recoverable.
Failure to deduct taxes and failure to remit the taxes deducted to Uganda Revenue Authority may attract fines and penalties from Uganda Revenue Authority (URA).

Management in their responses stated that the issue of deducting PAYE from Councilors sitting allowance was brought to the attention of Council.

**Recommendation**

Tax laws should be complied with and monies remitted by due dates to avoid tax evasion, diversion and the subsequent tax penalties and surcharges.

163.4 **Payment of VAT Component of Construction of Roads**

The Town Council paid VAT of Shs.3,199,500 to several companies which had been contracted to rehabilitate Town council roads. This contravenes VAT Act Cap 349, 2nd schedule 1 (aa) which exempts road and water construction works.

This could have been either a deliberate action or ignorant move about the legal requirements. The Town Council management overpaid the companies that had been contracted to rehabilitate the Town council roads, hence loss of public funds.

Management has promised to recover the over payments of VAT from the companies that undertook construction works on roads when they are making final payments to them.

**Recommendations**

The Town council management should take appropriate steps to recover the above over payment from the Companies immediately to avoid loss of Council funds.
163.5 **Dispute over Council Offices Land**

The Town Council office block and land on plot 54, block 59 is in dispute with the family of the seller and the issue is in court. The book value of the office block at 30th June 2009 stood at Shs.138,202,105. I could not confirm the ownership of the land and building. The family sued the Town Council and they won the case. The Council was given an Eviction Order but the Attorney General intervened and stopped the eviction. As a result the family appealed.

Management responded that they are awaiting the judgment of the court appeal.

**Recommendations**

The Town Council should endeavour to conclude the land wrangle and explore all possible ways of resolving the dispute. The land and building should be disclosed in final accounts with an explanatory note.

163.6 **Unreported Creditors**

Analysis of the detailed financial statements revealed that, the Town Council had budgeted for domestic arrears worth shs.27,625,760 whereas the balance sheet for the year 2008/8 had shown balance of Shs.17,806,097. Also reported in the notes is a loan from an individual of Shs.1,600,000, whose details were not provided for review.

Creditors were not well managed and possibilities of recycling documents and double payments may not be ruled out.

**Recommendations**

The above errors and omissions should be corrected and appropriate adjustments made in the financial statements. Creditors schedules should be prepared and submitted for review. Details of the above loan should also be submitted.
164.0 **KABALE DISTRICT**

164.1 **Opinion**- qualified – Except for opinion was given.

164.2 **Unaccounted for Funds**

Regulation 43(2) of Local Government Financial and Accounting Regulations 2007 requires that administrative advances shall be authorized by the chief executive and shall be accounted for within a month. During the financial year under review, Shs.45,835,263 remained un-accounted for. The unaccounted for advances present a risk of loss of funds and may result into misappropriation or diversion of council funds.

Management responded that at the time of audit the responsible officer in charge was not available to provide the file with accountabilities and claimed that the accountabilities existed.

However, at the time of this report (February 2010) the accountability documents were not provided for verification.

**Recommendations**

Advance accounts should be properly managed and promptly accounted for in accordance with the regulations. Meanwhile, accountability or recovery be rendered for verification.

164.3 **Pension and Gratuity Liability**

The pension and gratuity liability of former employees of the District was reported in the statement of outstanding commitments as Shs.51,008,468. However, the amount could not be verified or the current status established because the supporting pension files had been submitted to the Ministry of Public Service for settlement.
It was further observed that although in principle all Districts are responsible for payment of pension, they lack capacity to pay the pension arrears and be up to date.

On the status of pension liability the Accounting Officer explained that there has been a communication gap between Ministry of Public Service and District Local Government, regarding the status of pension and gratuity liability although of recent, the Ministry of Public Service has started submitting schedules in respect of payment effected by Ministry of Finance.

**Recommendations**

The Accounting Officer should liaise with the Ministry of Public Service to get data on status of the liability periodically and at the year end which should be independently confirmed for purpose of reporting in the financial statements. Besides, the matter of inability of the District to pay pension be appropriately addressed.

164.4 **Human Resources Inadequacies**

Out of the 1406 established posts available in the District according to the approved structure, only 576 posts were filled at the time of Audit, leaving 827 (59%) of posts vacant as detailed below:-

**POSTS FILLED AND THOSE VACANT**

<table>
<thead>
<tr>
<th>DEPARTMENT</th>
<th>POSTS</th>
<th>APPROVED</th>
<th>FILLED</th>
<th>VACANT</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Administration</td>
<td>30</td>
<td>21</td>
<td>9</td>
<td></td>
</tr>
<tr>
<td>2. Statutory Bodies</td>
<td>12</td>
<td>7</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>3. Finance</td>
<td>19</td>
<td>17</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>4. Audit Section</td>
<td>6</td>
<td>4</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>5. Planning Unit</td>
<td>8</td>
<td>5</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>6. Education</td>
<td>13</td>
<td>11</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>7. Works</td>
<td>26</td>
<td>12</td>
<td>14</td>
<td></td>
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<tr>
<td>8. Natural Resources</td>
<td>15</td>
<td>8</td>
<td>7</td>
<td></td>
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<tr>
<td>---------------------</td>
<td>----</td>
<td>---</td>
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<td></td>
</tr>
<tr>
<td>9. Community Based Services</td>
<td>9</td>
<td>6</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>10. Sub-county Administration</td>
<td>260</td>
<td>146</td>
<td>114</td>
<td></td>
</tr>
<tr>
<td>DHO Office</td>
<td>9</td>
<td>6</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>HC IVS</td>
<td>288</td>
<td>132</td>
<td>162</td>
<td></td>
</tr>
<tr>
<td>HC IIIS</td>
<td>252</td>
<td>95</td>
<td>157</td>
<td></td>
</tr>
<tr>
<td>HC IIS</td>
<td>459</td>
<td>116</td>
<td>343</td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>1406</td>
<td>576</td>
<td>827</td>
<td></td>
</tr>
</tbody>
</table>

Staff shortage undermines implementation of activities and hence service delivery.

Management explained that recruitment is done depending on the available resources, however critical posts have been submitted to District Service Commission for consideration for filling.

**Recommendation**

Un-filled vacancies should be advertised and staff recruited accordingly.

**164.5 Weakness in Internal Audit Function**

A review of internal audit reports indicated that only sub counties were audited without auditing the District systems and internal controls contrary to Section 2.5.1 of Local Government Financial and Accounting Manual (LGFAM) 2009.

The Chief Internal Auditor attributed this to staff shortage. It was also noted that the Internal Auditor does not get a feedback of management response.

Management responded that the District advertised twice but failed for example to attract the principal internal auditor and it is yet to advertise again.

However, 3 Senior Accounts Assistants have been assigned to reinforce the Audit Department to carryout audit of Lower Local Governments in the 3 Counties to enable the Internal Auditors concentrate at the District.
The Accounting Officer was informed that Internal Audit Section is a critical Department in enforcing accountability and internal controls whose reports should be taken seriously for system improvement.

**Recommendation**

Recruiting of the required staff should be done for the efficient performance of the Internal Audit Department. Management and District council should endeavor to discuss and take action on internal audit reports.

**165.0 KABALE MUNICIPAL COUNCIL**

165.1 **Opinion** - qualified – Except for opinion was given.

165.2 **Under Collection of Revenue**

According to section 32 of the Local Governments’ Financial and Accounting Regulations, 2007, Council should ensure, through the Head of Finance, that all revenue budgeted for is promptly collected in the approved manner and banked intact. However, during the year under review, Council budgeted for Shs.619,071,951 but only collected Shs.469,779,880 leaving Shs.149,292,071 un-collected.

The under collection of revenue impairs the implementation of planned service delivery.

Management in their responses indicated that, the under collection of revenue was due to the newly introduced taxes which tax payers were not used to

**Recommendations**

The Accounting Officer should put in more effort in revenue mobilization and collection, and sensitization on the new taxes be held.
165.3 **Outstanding Payables**

Section 11 of the Local Government Financial and Accounting Regulations, 2007 requires the Head of Finance to ensure that commitments are not approved unless there is sufficient and committed balance of funds available in the quarter’s commitments item. However contrary to this regulation payables totaling to Shs.189,749,324 remained unsettled at the end of the year.

This exposes Council to litigation costs from legal suits by creditors.

**Recommendations**

The Accounting Officer should enhance controls on creditors to minimize accumulation of debt. Commitments should be entered into when funds are available and commitment control system be complied with.

165.4 **Debtors**

Section 2.3.2.3 of Local Government Finance and Accounting Manual, 2007 requires debtors to be collected promptly. However contrary to this provision a sum of Shs.35,624,497 of receivables remained outstanding at the year end.

Money owed to Council represents an asset that is idle as it denies the Council the opportunity of using the money to provide services promptly. Long outstanding debts may become bad debts.

Management indicated that, out of the above sum Shs.13, 335,870 was due from Ministry of Finance arising from funds not remitted to the Council to pay the Town Clerk, when the posts were recentralized.

**Recommendations**

The Accounting officer should vigorously monitor and follow up debtors on a regular basis. Meanwhile recovery be made.
165.5 **Weaknesses in Procurement Planning**

A review of the Procurement Plan revealed the following:

(a) The contracts register for the year under review had 28 projects totaling to an amount of Shs.809,822,202. However, the projects were not evaluated to assess the cost benefit analysis for each as required by the regulation 22 PPDA guidelines and, Local Government Financial and Accounting Regulations 2007.

(b) Out of the 28 projects, 7 projects for a total of Shs.318,034,140 were neither in the user department procurement requirement submissions nor were they in the procurement plan for the year under review. Planning procurements without user department participation may lead to wasteful expenditure.

**Recommendations**

The procurement planning should follow the procurement regulation.

166.0 **KISORO DISTRICT**

166.1 Opinion - Unqualified opinion was given.

166.2 **Register of Vehicles and Heavy Plant**

LGFAR 2007 section 85 requires heads of departments to ensure that vehicles and heavy plants are owned, operated and recorded in the register in the form set out in the accounting manual. LGFAM 2007 Section 2.3.1.4(2) also requires the District to maintain a comprehensive/ detailed asset register to keep track of all council fixed assets, and support planning and execution of maintenance procedures. Contrary to the above regulations, no register of vehicles and heavy plant was being maintained.

In their response, Management explained that the District maintains the register for vehicles and heavy plants in accordance with the financial and accounting regulation. Management further stated that it is kept in the Works and
Technical Services Department. Management however did not address the weaknesses.

**Recommendations**

a) An asset register be maintained as required by section 85 of the LGFAR 2007 and in the format laid down in the LGFAM 2007.

b) The District should insure its assets to avoid losses in case of accidents, theft or fire.

c) Obsolete assets should be disposed off as recommended by board of survey.

**166.3 Land and Buildings Register**

A Land Register was not maintained contrary to Local Government Financial and Accounting Regulations, section 88 of 2007. It was further noted that, District land and Sub-County land is not yet surveyed to open up boundaries. There is a high risk of the District land being encroached on by squatters.

Management in its response indicated that the District maintains the register for land and buildings in accordance with the financial and accounting regulation. The register is kept in the Works and Technical Services Department.

On verification, it was established that Management has not addressed the weakness for the last two years.

**Recommendation**

The Accounting Officer should expedite the exercise of opening up boundaries and acquisition of the land titles of the District land. The Land register should be maintained in accordance with the Regulations.

**166.4 Administrative Advances not Accounted For**

Contrary to Regulation 43(2) (3) 2007 which require administrative advances to be accounted for within one month, Shs.4,884,000 for supply of 66 piglets
remained un accounted for, and list of beneficiaries was not provided. I could not confirm whether, the piglets were delivered or not.

Management responded that the funds that had not been accounted for by the time of audit have now been accounted for and the accountabilities attached to the respective payment vouchers for re-verification. The detailed list of the beneficiaries was not provided.

**Recommendations**

The list of beneficiaries as well as other accountability documents should be presented.

166.5 **Over Commitment of the District Shs.16,341,489**

Section 11 of the Local Government Financial and Accounting Regulations, 2007 requires the Head of Finance to ensure that commitments are not approved unless there is sufficient and committed balance available in the quarter’s commitments item. Comparasion of commitments and account balance revealed that District hospital and Natural Resources departments had over committed the District by shillings 16,341,489 at the year end.

This could be due to lack of finance discipline on part of Head of Finance, pressure from the Council leaders on Accounting Officer. This denies Council of working capital and negatively affects development of private sector business which in turn hinders poverty eradication efforts. It also exposes Council to litigation costs from legal suits by creditors.

Management in their response explained that the over commitments in the hospital were mainly due to utilities like electricity, and water for which the commitment control system is difficult to maintain.
**Recommendations**

The Accounting Officer should increase control on creditors to minimize accumulation of debt. Commitments should be entered into basing on funds available to minimize the creditors’ position.

A commitment control system should be complied with and officers who commit Council beyond available resources be held personally liable.

167.0 **KISORO TOWN COUNCIL**

167.1 **Opinion**-qualified – Except for opinion was given.

167.2 **Redundant Assets**

Section 2.3.4.1 of Local Government Financial and Accounting Manual, 2007 requires council to write off redundant stores and other assets. Review of working papers for Board of Survey for the year ending 30\(^{th}\) June 2008; revealed that council had two redundant vehicles (UEG 487-Jiefang and UAB 083 Jiefang) that needed to be disposed off.

Physical inspection of the vehicles in question showed that they have been vandalized. The vehicles are losing the economic value due to unscrupulous persons removing parts.

Management in their responses indicated that, ‘the Council resolved to dispose of the Council tippers (UEG 487 & UAB 083E), and a request accordingly was forwarded to the District Procurement Unit. However, the Government Valuer did not value the vehicles during the year and the disposal could not go on before the valuation as required by law. The vehicles are kept in the Council yard awaiting disposal. The resolution to dispose off the vehicles still holds.’
**Recommendations**

Management should dispose off assets as soon as possible. Boarded off assets should be kept in secure place before disposing off as required.

167.3 **Abandoned Road Civil Works**

Shs.26,729,909 was paid to a private firm for tarmacking Chuho Road (0.3Kg) as advance and later abandoned work without accounting for funds. Council may have lost funds.

Management in its response indicated that the company was awarded the contract by the Ministry of Works. Management has contacted the contractor to restart the work or else the contract be terminated.

**Recommendations**

Council should take necessary steps by invoking some clauses in the contract and where necessary terminate the contract. Possibility of liquidating the bank guarantee should be considered.

167.4 **Un-retired Personal Advances**

Standing Orders require that, a one months salary be advanced to salaried employees and recovered within the subsequent three months, however, during the year under review shs.9,223,177 were advanced to several employees but no recoveries were made before the year end. The personal ledgers also appear to be incomplete. Un-recovered advances are likely to become losses to the Council if no interventions are made.

Management stated that, the personal advances arose from the introduction of the straight through system causing recovery difficult to staff. Attempts to recover this money through the bank from the individual therefore could not be effected. It was however later resolved to recover the money through cash payments. This has been done successfully during the first quarter of 2009/10. Evidence of recoveries was however not presented for audit.
**Recommendations**

The Accounting Officer should strictly adhere to the Financial Regulations and Standing Orders and recover advances within the specified period otherwise the Accounting Officer should be held responsible.

**168.0 NTUNGAMO DISTRICT**

168.1 **Opinion**- qualified – Except for opinion was given.

168.2 **Creditors**

Contrary to Local Government Financial and Accounting manual 2007 section 6.4.2.7 (3) requires creditors subsidiary ledgers to be kept, however, creditors totalling Shs.237,586,190 lacked ledgers and other supporting documents rendering their verification difficult. In any case accumulation of creditors is contrary to the policy of commitment control instituted by Government.

**Recommendation**

The ledgers and supporting documents be submitted for audit and the policy of commitment control be complied with.

168.3 **Irregular Procurements**

168.3.1 **Procurement using force on Account**

Works for a total of Shs.10,776,105 were executed by the District using force account. However, no authority was obtained from the Contracts Committee as required by Public Procurement Disposable Assets authority guidelines. The procurement was therefore irregular.

**Recommendation**

The District management should adhere to the procurement guidelines.
168.3.2 **Expenditure on Toner**

The District spent a total of Shs. 11,949,000 on purchase of toner; however, they did not follow the normal tendering process. The procurement contravened the procurement guidelines.

Management explained that the advert for prequalification of suppliers of general supplies for the 2008/2009 financial year did not attract any interested bidder and therefore Department Heads procured them from different suppliers of their choice.

**Recommendation**

The Accounting Officer should ensure compliance with procurement guidelines.

168.4 **Personal Advances**

Local Government Financial and Accounting Manual section 6.4.2.7 (3) requires advance subsidiary ledgers to be kept, however, the District did not keep the ledgers as required rendering verification of Shs. 12,687,385 personal advances difficult. In any case it was not explained why personal advances had not been recovered within three months as required by the standing orders.

**Recommendation**

The above ledgers should be submitted for audit verification.

168.5 **Unaccounted for Barbed Wires**

The District received 243 rolls of barbed wires on 27/06/2008 from national livestock productivity improvement project under the Ministry of Agriculture, Animal Industry and Fisheries. On inspection of the stores, it was observed that, 138 rolls were not accounted for.

**Recommendation**

Accountability for the barbed wires be rendered.

168.6 **Incomplete Register of Vehicles and Heavy Plant**

Regulation 85 of the Local Government Financial and Accounting Regulations (LGFAR) 2007 requires Heads of Departments to ensure that vehicles and heavy plants are recorded in a register. However, despite my recommendation in the
previous year the heads of department have not maintained these registers contrary to the regulation. Management explained that the District has been maintaining the register of vehicles of heavy plants centrally however all Sector Heads have now been directed to open them at departmental levels.

**Recommendation**

The registers should be maintained as required by regulations.

168.7 **Internal Audit Reports**

Section 2.5.1 of Local Government Financial and Accounting Manual 2007 requires the Head of Internal Audit to report to council on whether the systems and operations of the administration are efficient, effective, economical and free from fraud and other malpractices. However, it was noted that although the internal audit reports were being produced, they were not being discussed by Council. Failure to discuss and take action on internal audit reports makes its function ineffective.

**Recommendation**

The Council should be urged to consider and debate the internal audit reports as they are an important internal control mechanism that help to improve systems.

169.0 **NTUNGAMO TOWN COUNCIL**

169.1 **Opinion- qualified** – Except for opinion was given.

169.2 **Human resource inadequacies**

Out of the 69 approved established posts only 37 posts were filled leaving 29 posts vacant as detailed below:
A summary of posts filled and those vacant Posts

<table>
<thead>
<tr>
<th>DEPARTMENT</th>
<th>POSTS</th>
<th>APPROVED</th>
<th>FILLED</th>
<th>VACANT</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Management and Support services</td>
<td>24</td>
<td>12</td>
<td>12</td>
<td></td>
</tr>
<tr>
<td>2. Finance and Planning</td>
<td>11</td>
<td>9</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>3. Audit Section</td>
<td>3</td>
<td>2</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>4. Production and Marketing</td>
<td>3</td>
<td>1</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>5. Works</td>
<td>20</td>
<td>8</td>
<td>9</td>
<td></td>
</tr>
<tr>
<td>6. Community Based Services</td>
<td>3</td>
<td>1</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>7. Health</td>
<td>5</td>
<td>4</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td><strong>TOTALS</strong></td>
<td><strong>69</strong></td>
<td><strong>37</strong></td>
<td><strong>29</strong></td>
<td></td>
</tr>
</tbody>
</table>

This has greatly affected service delivery.

Management in their responses stated that the Ministry of public service resolved to gradually fill the vacant posts depending on the availability of funds.

**Recommendation**

The vacancies be filled as appropriate.

169.3 **Under collection of the Local revenue**

Regulation 32 of the Local Government Finance and Accounting Regulation 2007 require prompt collection of all budgeted revenue. Contrary to this regulation, out of the budgeted local revenue of Shs.661,635,859, Shs.488,311,888 was realized leaving a shortfall of Shs.173,323,971 (26%) of the local revenue estimate. Under collection of revenue undermines service delivery.

Management explained that the under collection was partly due to delays in procuring of private contractors to collect the revenue.

**Recommendations**

The Accounting officer should put in more efforts in revenue mobilization and collection and recovery of the shortfall.
169.4 **Outstanding bills**

Section 11 of the Local Governments Financial and Accounting Regulations, 2007 requires the Head of Finance to ensure that commitments are not approved unless there is sufficient and committed balance available in the quarter’s commitments item. However, contrary to this regulation creditors at the end of the financial year amounted to Shs.61,659,625, out of which Shs.20,733,145 has been outstanding for more than two years.

Unpaid bills expose Council to litigation.

**Recommendations**

Commitments should be entered into when funds are available to minimize the creditors. Meanwhile settlement of these bills be made.

169.5 **Uncollected debtors**

Section 2.3.2.3 of the Local Government Financial and Accounting Manual 2007, requires prompt collection of debtors. Contrary to this regulation a sum of Shs.73,521,826 in respect of receivables was outstanding.

Money owed to Council represents an asset that is idle as it denies the Council the opportunity of using the money to provide the services promptly.

Management explained that debtors are being followed up including Court action.

**Recommendations**

Accounting officers should vigorously monitor and follow up debtors on a regular basis to ensure timely recovery to minimize them in future. Write off procedures should be instituted for debtors whose recovery is remote.
170.0 **IBANDA DISTRICT**

170.1 **Opinion-** qualified – Except for opinion was given.

170.2 **Excess Expenditure on Councillors’ Emoluments and Allowances**

Regulation 4 of the Local Governments emoluments and allowances regulation in the first schedule of the Local Government Act 1997 (as amended) limits expenditure on Councillors’ emoluments and allowances to 20% of the total local revenue collected in the previous year. Given that the previous year local revenue collected was Shs.89,491,133, Council should have incurred Shs.17,898,227 (20% x 89,491,133) on Councillors’ emoluments and allowances. However, Shs.35,394,000 was instead incurred occasioning an excess expenditure of Shs.17,495,773 which was irregular.

**Recommendation**

Management should comply with the regulations.

170.3 **Non-deduction of Pay-As-You Earn (PAYE)**

The District Administration paid a total of Shs.26,230,000 in respect of sitting allowances and emoluments to councilors and members of statutory bodies. However, the PAYE of Shs.7,869,000 was never deducted from the allowances contrary to Income Tax Act section 117 (1). Non compliance with the Income Tax Act may lead to penalties.

The Accounting Officer explained that Uganda Revenue Authority (URA) had also carried out an audit and established that the above amount is part of Shs.41,550,000 tax arrears owed by the District and an understanding on how to settle the arrears by December 2009 had been reached.

**Recommendations**

The Accounting Officer should settle the above taxes, and ensure future tax compliance.
170.4 **Double Payments of Salaries paid Fraudulently**

It was observed that, between May and August 2008 the District made double payments of Shs.3,458,179 to Primary Teachers fraudulently.

In response, the Accounting Officer indicated that he was seeking explanation from the responsible officer in charge of salaries with a view of causing recovery and punishment of the concerned officers. The outcome of his actions is awaited.

**Recommendation**

The Accounting Officer should expedite investigation of the above fraud and ensure appropriate action.

171.0 **IBANDA TOWN COUNCIL**

171.1 **Opinion**- Unqualified opinion was given.

171.2 **None deduction of PAYE from Councilors Allowances**

Management paid sitting allowances to councilors with out effecting Pay As You Earn (PAYE) as required by law.

Failure to deduct and remit taxes to URA may attract fines and penalties.

**Recommendation**

Management should make recovery of taxes and ensure that they are remitted to the tax body.
172.0 **ISINGIRO DISTRICT**

172.1 **Opinion**- Unqualified opinion was given.

172.2 **Unaccounted for Administrative Advances**

Section 43(2) of Local Government Financial and Accounting Regulations 2007 requires that administrative advances shall be authorized by the Chief Executive and shall be accounted for within one month. During the financial year, Shs.5,215,538 remained un-accounted for.

Although management in their responses claimed that, accountability was available for verification, it was not provided for audit.

**Recommendations**

Accountability be produced for audit or recovery measures instituted.

172.3 **Under Staffing**

A review of staffing levels in Production, Community Based Services and Health Departments revealed that out of total 634 approved staff established posts, only 315 vacancies were filled leaving 319 vacancies unfilled. Understaffing negatively affects service delivery.

Management indicated that the recruitment to fill the vacant posts was hampered by lack of adequate resources but plans to fill critical positions are underway.

**Recommendations**

Management should follow up the matter of staff shortage and fill the vacant posts as appropriate to enhance service delivery in these departments.
173.0 **ISINGIRI TOWN COUNCIL**

173.1 **Opinion**- Unqualified opinion was given.

173.2 **Incompletely Vouched Expenditure**

Contrary to regulation 42 of Local Government Finance and Accounting Regulation 2007, that require proper vouching of expenditure a sum of Shs. 5,338,000 incurred on purchase of various items lacked supporting documents namely: Local Purchase Orders, Invoices, goods received notes and there was no evidence that they were taken on charge. The procurement appears doubtful.

**Recommendation**

Management should comply with the financial rules and regulation. Meanwhile supporting documents be availed for audit.

173.3 **Doubtful Payments for Farm Yard Manure**

A sum of Shs.7,500,000 was paid in cash out of the NAADS account to cater for supply of farm yard manure for distribution to various farmers. However, there was no evidence that the procurement regulations were followed. The suppliers did not acknowledge receipt of payments and the list of beneficiaries was also lacking. In any case cash payments to suppliers are contrary to best practice and regulations. In the circumstance the expenditure is doubtful.

**Recommendation**

Management should ensure that the above funds are properly accounted for and doubt cleared.
174.0 **KIRUHURA DISTRICT**

174.1 **Opinion**- Unqualified opinion was given.

174.2 **Payment of Teachers Salaries on Wrong Bank Accounts**

A review of payment of teachers salaries revealed a sum of Shs.41,141,388 paid to wrong teachers’ bank accounts.

The Chief Administrative Officer pledged to investigate with a view of corrective action and recovery.

**Recommendations**

The Accounting Officer should ensure that, the funds are recovered from respective teachers who were wrongly paid.

174.3 **Council Allowances not Subjected to PAYE deduction**

The District Administration paid a total of Shs.19,258,600 in PAYE-taxable allowances to councilors and members of statutory bodies. However, the PAYE of Shs.5,777,580 was not deducted from the allowances contrary to section 117(1) of Income Tax Act 1997 (as amended).

Management accepted the observation and attributed it to Councilors’ resistance. Management further claimed that after clarification by Uganda Revenue Authority, taxes were paid to Uganda Revenue Authority.

However, on verification no evidence of payment to Uganda Revenue Authority was seen.

**Recommendations**

The Accounting Officer should recover the above taxes and remit it to the Tax Authority to avoid penalties.
174.4 **Fraudulent Payment of Teachers’ Salaries**

The Accounting Officer reported fraudulent payment of teachers’ salaries of Shs.8,778,462 that occurred in July and August 2008 which cases were reported to Uganda Police Rushere and suspected perpetrators interdicted.

However, out of the above amount the Accounting Officer has recovered Shs.3,778,462 leaving a balance of shs.5,000,000 outstanding.

**Recommendation**

The Accounting Officer should ensure full recovery of the outstanding balance and suspects are followed up.

174.5 **Understaffing**

Out of an approved established staff of 856 posts, 351 were filled leaving 487 vacancies as detailed below staff. Shortage of staff undermines service delivery.

<table>
<thead>
<tr>
<th>DEPARTMENT</th>
<th>POSTS</th>
<th>APPROVED</th>
<th>FILLED</th>
<th>VACANT</th>
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</thead>
<tbody>
<tr>
<td>1. Administration</td>
<td>22</td>
<td>9</td>
<td>13</td>
<td></td>
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<tr>
<td>2. Statutory Bodies</td>
<td>9</td>
<td>3</td>
<td>7</td>
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<tr>
<td>3. Finance</td>
<td>18</td>
<td>12</td>
<td>6</td>
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<td>4. Audit Section</td>
<td>7</td>
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<td>5. Planning Unit</td>
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<td>6. Education</td>
<td>11</td>
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<td>7. Works</td>
<td>21</td>
<td>12</td>
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<td>8. Natural Resources</td>
<td>15</td>
<td>4</td>
<td>11</td>
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<td>9. Community Based Services</td>
<td>6</td>
<td>1</td>
<td>5</td>
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<td>10. Sub-county Administration</td>
<td>260</td>
<td>146</td>
<td>114</td>
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<tr>
<td>Health</td>
<td>482</td>
<td>151</td>
<td>312</td>
<td></td>
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<tr>
<td><strong>TOTALS</strong></td>
<td><strong>856</strong></td>
<td><strong>351</strong></td>
<td><strong>487</strong></td>
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</tr>
</tbody>
</table>
Management indicated in their responses that, they had made several attempts to fill critical vacancies without attracting the required personnel.

**Recommendations**
Critical vacancies should be re-advertised and filled to enhance Public service delivery.

175.0 **KIHIHI TOWN COUNCIL**

175.1 **Opinion** - An Unqualified opinion was given.

175.2 **Under collection of Revenue**
According to section 32 of the Local Government Financial and Accounting Regulations, 2007, Council should ensure through the Head of Finance, that all revenue budgeted for is promptly collected in the approved manner and banked intact.

However, during the year under review Council budgeted for Shs.213,167,178 but collected Shs.130,054,874 leaving Shs.83,112,304 un-collected.

The under collection of revenue impairs the implementation of the planned service delivery activities and non attainment of agreed council objectives and targets as approved in the budget which has a linkage to national priorities.

Management pointed out that, rent and rates revenue and some of the lockups which had been budgeted for could not be collected.

**Recommendations**
Accounting officers should put in more efforts in revenue mobilization and collection.
176.0 **ISHONGORORO TOWN COUNCIL**

176.1 **Opinion**- An Unqualified opinion was given.

176.2 **Installation of Culverts**

A sum of Shs.5,674,920 was paid to a private firm for installation of culverts. However the following irregularities arose:

Culverts allegedly installed were not seen. Inspection reports were not availed. Shs.1,021,846 in respect of VAT was paid to the contractor contrary to the law which exempts such services from VAT. Shs.279,206 was deducted as 6% withholding Tax but it was not remitted to Uganda Revenue Authority, URA.

**Recommendation**

Accounting Officer should explain where the culverts were installed or recovery be made from the contractor.

176.3 **Understaffing of the Town Council**

Out of 78 approved posts for staff establishment only 10 posts were filled leaving a gap of 68 i.e. 87%. This has greatly affected public service delivery.

Management explained that they were understaffed partly because of the slow response from the Ministry (Health staff) and the District Service Commission in recruiting the staff.

**Recommendation**

The matter should be addressed so that the vacancies are filled as appropriate.

176.4 **Land without Land Titles**

Eight pieces of land valued at Shs.84,200,000 lacked land titles.
Management indicated that, they had written to the Chief Administrative Officer Ibanda District, to ensure that land titles are secured.

**Recommendation**

The Accounting Officer should follow up the matter and have the land titles secured.

176.5 **Irregular Payment of House Rent**

A total sum of Shs.3,560,000 was spent on paying house rent for Council employees which was irregular as such allowances were abolished and monetized in staff salaries by Ministry of Public Service.

Management in their responses said that Council approved the allowances for some selected staff as an incentive for them.

**Recommendation**

The Accounting Officer should seek authority and guidance from the Ministry of Public Service on the matter.
SOROTI BRANCH

177.0 ABIM DISTRICT

177.1 Opinion – Qualified – Except for

177.2 Non remittance of un-spent Balances of Conditional Grants to the Consolidated fund

At the closure of the financial year, the District had Shs.442,556,483 as unspent balances of conditional grants.

These balances were not returned to Treasury and no authority was obtained by Treasury, as required by section 19 of the Public Finance and Accountability Act 2003 and section 6.6.5.3 of Local Government Finance and Accounting Manual 2007.

Recommendation

Management should return the funds to the Consolidated Fund or authority for retention be sought.

177.3 Administrative advances

A total of Shs.326,235,358 paid to various officers to carry out specific activities, remained unaccounted for at the time of audit. This contravened regulation 43 (2) of the LGFAR 2007, which requires that all administrative advances are accounted for within a period of one month.

Recommendation

The funds should be accounted for in accordance with financial regulations or recovery be effected.
177.4 **UPE Funds**

From the underlying records availed, a total of Shs.108,554,018 was received as UPE funds during the year, which was disbursed to the 38 schools in the District.

However, detailed analysis of education UPE code 321411 in financial statements revealed that actual expenditure was Shs.124,819,205 and the actual revenue received for UPE was Shs.128,349,000. These differences were not reconciled.

**Recommendation**

Management should explain the anomalies, and have the differences reconciled and avail the accountabilities for audit.

177.5 **Missing Vouchers**

Regulation 42 of Local Government Finance and Accounting Regulations 2007, require expenditure to be properly vouched. However contrary to this regulation vouchers for funds totaling to Shs.68,818,055 were found missing at the time of audit. In the absence of these vouchers, the genuineness of the expenditure could not be established.

Missing vouchers are potentially fraudulent.

**Recommendation**

The missing vouchers should be availed for audit.

177.6 **Non acknowledgement of receipt of Taxes**

Withholding tax and PAYE all totaling to Shs.42,127,271 paid to URA lacked acknowledgement receipts. In the circumstances confirmation of remittance was rendered difficult.

**Recommendation**

Management should avail acknowledgement receipts for accountability.
177.7 **Items not Taken on Charge**

Contrary to stores accounting regulations items worth Shs.16,694,588 were not taken on charge in the stores ledger rendering their verification difficult.

Management explained that the irregularity was due to lack of a competent officer.

**Recommendation**

Management of stores should be competently managed in accordance with the Financial and Accounting Regulations, 2007 meanwhile accountability for the stores in question be rendered.

177.8 **Overdue Personal Advances**

Personal advances of Shs.14,067,490 that appear in the financial statements have been outstanding for a long time and are now overdue. It was noted that no attempt had been made to recover these advances.

**Recommendation**

Action should be taken to recover them.

177.9 **Lack of Procurement and Disposal Unit**

It was noted that the District did not have a procurement and disposal unit as required by section 26 (c) and 30 PPDA Act 2003. Procurement activities lacked appropriate technical guidance.

Management had no explanation as to why the Council had failed to recruit a procurement officer.

**Recommendation**

The council should employ a procurement officer as a matter of priority.
177.10 **Lack of Assets and Contract Registers**

Contrary to section 6.6.4.6 and 5.2.1 of Local Government and Finance Accounting Regulations, 2007 Council did not maintain an assets register and contract registers respectively. The lack of these registers risks proper control and monitoring of assets and contracts.

**Recommendation**

These registers be maintained to comply with regulations and ensure effective control of assets and contracts.

179.11 **Custody of Accounting Records and Assets**

Custody of accounting records for past years and old assets namely computers, furniture and cabinets at Abuku was poor and had been invaded by termites.

**Recommendation**

The custody of the records and assets at Abuku should be improved to safeguard them against further damage.

180.0 **ABIM TOWN COUNCIL**

180.1 **Opinion - Qualified – Except for**

180.2 **Administrative Advances**

A total of Shs.38,666,600 paid to various officers to carry out certain activities, remained un-accounted for at the time of audit. This contravened the Local Governments Finance and Accounting Regulations (LGFAR 2007 sec. 43 (2) and sec. 42, which states that all public money disbursed must be properly vouched on payment vouchers. Funds may not have been put to proper use.

Management stated that they were in the process of recovering the amount. By the time of reporting, accountabilities availed lacked sufficient documentation.
Recommendation

These advances should be turned into personal advances, since officers have failed to fully account for them.

180.3 Withholding Tax

Withholding tax of Shs.652,800 paid to Uganda Revenue Authority (URA), was not acknowledged with receipts. The funds may not have been remitted to Uganda Revenue Authority.

Management admitted that at the time of audit the auditor could not access the acknowledgement receipts from URA. The withholding tax, was actually paid to URA - Mbale, but filed separately to avoid risks of losing them. On audit verification, the receipts were unavailable.

Recommendation

Management should avail receipts to justify the tax remittance.

181.0 AMURIA DISTRICT

181.1 Opinion- Qualified – Except for.

181.2 Non Remittance of Un-Spent Balances of Conditional Grants to the Consolidated Fund

A sum of Shs.202,982,809 of unspent Conditional Grants was not returned to the Treasury as required by section 19(1) of the Public Finance and Accountability Act 2003 and Local Government and Financial Accounting Manual 2007, section 6.6.5.3 but instead money was retained without authority and later utilised.

Recommendation

Authority for retention be sought from the Secretary to the treasury or remittance to the Consolidated Fund be effected.
181.3 **Lost Expenditure Vouchers**

Expenditure vouchers for works amounting to Shs.102,052,754 were reported lost, it was therefore not possible to verify the expenditure incurred.

Management in their response explained that these documents got lost in the hands of an Accounts Assistant who was in charge of the works sector. The matter is being investigated by the police and the file has been forwarded to the Director for Public Prosecutions, Soroti for further action. The outcome of this effort is awaited.

**Recommendation**

Management should follow up the matter so that persons responsible for the loss are brought to book.

181.4 **Unaccounted for Funds**

A sum of Shs.74,025,220 paid out to various staff to conduct official business remained outstanding at the time of audit, contrary to Local Government and Financial Accounting Regulations, 2007 section 43(2), that requires advances to be accounted for within one month.

**Recommendation**

Accountability be rendered for audit.

181.5 **Payment under Force Account**

A sum of Shs.33,030,000 paid to cater for various works under force account was not justified as the works in question were done without following Public Procurement and Disposal of Assets Authority Regulations. Besides the accountability of these funds has not been rendered.

**Recommendation**

Management should follow the Public Procurement and Disposal of Assets regulations and accountability should be rendered for audit.
181.6 **Travel Abroad**

A sum of Shs.4,240,000 was allegedly incurred on allowances of a District official while on a trip to Germany for a conference. However, the invitation letter, air ticket and the boarding pass were not availed for audit. Management responded that relevant supporting documents were being sought from the official.

**Recommendation**

The required documents be availed for verification.

181.7 **Delays in Delivery Of Drugs From NMS To Health Centres**

Whereas it is the duty of National Medical Stores (NMS) to deliver drugs to the client directly, the drugs meant for health centres were instead delivered to the District store from where the District health officer arranges for their onward transmission to the various health centres. This leads to delays, in addition to delays occasioned by NMS between the order and delivery to the District. Delayed delivery of drugs to health centres affects prompt health service delivery.

Management reported that NMS delays delivery of drugs to the District and subsequently leads to delay in delivery to the health centres. However, they stated that National Medical Stores has been notified of the issue.

**Recommendation**

The District should liaise with NMS to ensure that the lead time between ordering and delivery to health centres is reduced.
182.0 **AMURIA TOWN COUNCIL**

182.1 **Opinion** – Qualified – Except for

182.2 **Salary Advance**

It was observed that Shs.1,000,000 was paid to Mr. Ekunyu George William the Town Treasurer as advance of his salary, contrary to Uganda Government Standing Orders Be-1 that requires an advance salary to be approved by the Secretary to the Treasury and to be equal to one month salary. The orders state that the money must be recovered in three equal monthly installments beginning with the month following the advance. The Officer is on the salary scale U-4 upper with a monthly salary of Shs.568,000 pm, meaning the advance was above the required amount recommended under the guidelines.

Granting an advance to a member of staff without following the required procedures, by officers entrusted with handling public resources, amounts to abuse of Office and a violation of Standing Orders. In any case, it becomes difficult to recover the advance from the salary since the payment goes direct to his account under the straight through processing method of payment.

In their response, Management acknowledged doing this in error for being ignorant of the regulations.

**Recommendation**

In future, management should adhere to the provisions in the standing orders regarding salary advances.

182.3 **Gravelling Town Council Road**

It was observed that during the year, Ms Apujan Agencies was paid Shs.40,000,000, less retention of Shs.2,000,000 for gravelling, leveling, and opening Town Councils’ roads as per procurement No.565/wks/08-09/00001/22. Despite full payment of the contract sum, the contractor had not completed the
work by the time of audit, yet the contract was supposed to have been completed by March, 2009. This full payment before works completion contravenes section 5.4.7(1) of Local Government Finance & accounting Manual (2007) which requires that full payment to be made upon certification of completion.

Failure to complete the work in time is a breach of the contract and subject to cancellation of the contract. Besides, payment for undone work is air purchase/supply which amounts to fraud.

Management acknowledged that the process of completion for the remaining works was still on going during the time of the audit. Final touches were done and the roads are currently functional despite the general post rain effects that have caused some damage on the road, in which case the retention of Shs.2,117,353 is still available to help rectify the affected parts.

On verification, I was unable to obtain proof of the said work having been done, as the state of the road at the time of audit remained the same to date.

**Recommendation**

This money should be recovered from the contractor and the Engineer who supervised this work. They should be called to answer and give reason why they failed to do their duties of advising the Accounting Officer accordingly.

**183.0 BUKEDEA DISTRICT**

183.1 **Opinion**—Qualified-Except for.

183.2 **Funds Not Accounted For**

Payments totaling to Shs.273,434,822 advanced to Districts’ officials to carryout official duties were not supported with accountability documents. While statutory deductions in respect of VAT and 6% withholding tax, were not
supported with acknowledgement receipts. Whereas the funds remained unaccounted for, there was no disclosure of the amount in the Balance Sheet. Unsupported expenditure contravenes regulation 43 (2) of the Local Government Financial and Accounting Regulation 2007 and Sec 6.2 and Sec.5.4.6 (1) of the Local Government Financial and Accounting Manual (2007).

In the absence of supporting accountability documents, it becomes difficult to confirm whether the funds were used appropriately. Non remittance of statutory deductions causes, loss of revenue to the National Treasury and may attract fines and penalties to the District.

Management in their response explained that some funds have been accounted for. The payees have been duly communicated to and failure to comply will result into direct recovery of the equivalent using salary. However, on verification, the above amount remained outstanding.

**Recommendation**
Supporting documentation should be availed for verification; otherwise recovery of the funds should be made. Advances should be managed in accordance with section 43(2) of Local Government Financial and Accounting Regulations.

**183.3 Unaccounted for Fuel**
Contrary to Section 5.4.2 of the Accounting Manual 2007, Payment of Shs.100,135,231 for fuel consumed during the year, was found to be irregularly done. Where as cheque deposits were done occasionally, in many instances cash purchases were made, even when the deposits were still running.

In most instances, there were no LPOs raised before processing the procurement, no fuel order forms issued and no statements of usage given. It was also noted that the District did not maintain vehicle log books to enable verification of the fuel usage. Fuel consumption was above the budgeted amount, and no re-allocations or virements were made. I could not confirm whether the fuel funds were appropriately used.
Management stated that the acknowledgement receipts, fuel consumption statements and fuel invoices, from the petrol stations were available. The cash payments were advanced as a result of shortages of fuel at petrol stations; hence this resulted into payments in form of cash.

On verification, the said documents were not availed.

**Recommendation**

Management should re-organize the fuel consumption process and streamline it as per regulations. The accountability documents should be availed for verification.

183.4 **Poor Internal Controls Weaknesses**

(i) **Financial and Administrative Controls**

Payment vouchers were passed for payment without Local Purchase Orders. PPDA guidelines were not effectively followed, contrary to section 11(b) of Local Government Financial and Accounting Regulation of 2007 and 5.4.2 of the Local Government Financial and Accounting Manual 2007, and a number of payment vouchers used during the year under review were not stamped “PAID”, contrary to sec 5.4.8(1) of the Local Government Financial and Accounting Manual 2007. Officers were not accounting for money advanced to them contrary to Sec 14(a) and 43(2) of the Local Government Financial and Accounting Regulation 2007.

These are severe deficiencies in the internal control system. The accuracy, completeness and credibility of the financial statements of the entity may not be guaranteed. Possibility of losses occurring without management’s notice could not be ruled out.

Management explained that the District service commission recruited a Senior Procurement Officer to head the procurement unit and handle all issues of procurement while arrangements were in progress to recruit a Procurement Officer.
Management further explained that the LPO books were procured in the second quarter and are being used. The Cashier is under instructions to stamp all the payment vouchers with the PAID stamp to avoid double payment.

**Recommendation**

Management should endeavor to comply with the LGFAR and the Manual, for improvement of the accounting system of the Local Government.

(ii) **Salary and Wage Registers**

Section 53 of the LGFAR 2007, requires salaries and wage establishment registers to be maintained, but none was availed for audit. Further still, the salary account cash book was not posted and balanced off at the year end. There is a risk that payments may be made to non-existent employees.

Management in their response stated that the updated staff list was available for verification, and that the salary cash book is in place, posted and balanced off. However, the documents were still not availed for verification.

**Recommendation**

The records should be availed for audit. Management records should be maintained according to the LGFAR and LGFA Manual.

(iii) **Procurement Process**

Heads of user departments except works department, did not prepare quarterly and annual work plans for all the procurements that took place during the financial year. The entity’s consolidated procurement plan for the year did not cover all the procurements done in the financial year. The copy availed for audit was not an approved one, since it had not been signed by the Accounting Officer and the responsible council member(s). There were no council minutes approving the consolidated procurement plan, contrary to sec 26(1) of LGPPDA of 2006.
There were no quarterly reports for both the departments and consolidated annual reports availed, contrary to PPDA regulations.

The procurement entity did not establish, maintain and update a list of short listed service providers, ever since the enactment of PPDA Act and regulations, contrary to sec 35(1) and 51(1) of LGPPDA 2006.

The entity registered poor record keeping during the year under review, procurement action files were not maintained. The entity could have failed to achieve value for money in the process.

In their response, management explained that at the time of audit, it is true the quarterly procurement plans were not in place.

**Recommendation**

Management should improve on its procurement process as required by PPDA.

In future, the procurement regulations and guidelines should be adhered to for purposes of uniformity and monitoring.

183.5 **Missing Vouchers**

Expenditure amounting to Shs.46,460,200 was not supported by payment vouchers. This contravenes sec 42 and 109 (1) of the LGFAR, 2007. In the absence of the payment vouchers, it was not possible to confirm whether the above funds were put to the intended use.

Management said the whole box file of vouchers for works department, some vouchers for statutory bodies and one for health PHC were available. However, the audit team was not availed the vouchers.
**Recommendation**
For all expenditure of public monies, payment voucher sets must be completed and a copy filed in the originating department. The missing vouchers should be availed for verification.

183.6 **Local Revenue**
The District council budgeted to collect Shs.70,192,076 from local revenue sources. However, the actual revenue realized could not be established to confirm local revenue performance over the budget, since there were no revenue ledgers, registers availed for audit, contrary to sec 33, 68(1) and 101 of the LGFAR 2007.

I was unable to confirm the District’s performance in regard to local revenue. Loss of District revenue could not be ruled out. The actual local revenue figure in the accounts (Shs.78,432,550) presented may be inaccurate.

Management said they were in the process of adjusting the draft accounts and using information from these registers to update records. On verification, the documents were not availed.

**Recommendation**
Revenue ledgers, registers and statement of arrears of revenue returns should be availed for verification.

183.7 **Administrative Advances**
Contrary to sec 43(2) of Local Government Fianancial and Accounting Regualtion (2007), Administrative advances of Shs.61,004,172 advanced to staff during the year remained outstanding in the Balance Sheet

**Recommendation**
More effort should be put in place to ensure that the funds are accounted for or recovered.
183.8 **Diversion of Funds**

Funds amounting Shs.2,636,750 for activities of Finance and Planning Unit were directly diverted to fund Council meetings contrary to regulation 24(1) and 25 of the LGFAR, 2007. Budgeted activities of the department for the financial year may not have been implemented as required.

Management submitted that the observation raised by the Auditor General is taken seriously and they are taking all necessary precautions to rectify the anomaly.

**Recommendation**

Strict budgetary allocation and control should be practiced.

183.9 **Irregular Micro-procurement of Goods and Services**

Payment of Shs.89,698,21 to various suppliers of goods and services were found to be irregularly done. Most supplies of goods and services were not initiated by the user departments and Local Purchase Orders were not raised. In some instances, supplies were not supported by invoices, delivery notes, and inventory inspections by Internal Audit were not done. Goods received were not taken on charge in the stores but were instead consumed directly, before being received in the store, as the District store had been out of use for some time and an audit inspection revealed that the store had been abandoned for a long time. There was no store keeper as the officer who had been assigned the duty of Stores Assistant, was out of station since he was also holding the appointment of Accounts Assistant posted to Kachumbala Sub-county. There seemed to be lack of segregation of duties in the District.

Besides, these goods and services could have been procured from non pre-qualified firms since there was no list of pre-qualified firms availed for audit, contravening Section 86 of the PPDA Act and sec 41 (2006) and PPDA guidelines.
There was no evidence availed to confirm that such procurements were reported to procurement unit on a monthly or quarterly basis contrary to LGPPDA regulation 41(8) of 2006. No authority from contracts committee was availed for audit review, therefore, it was not possible to confirm that the said goods and services were appropriately procured, received and put to proper usage.

Management acknowledged that it was true that the procurement procedures were not adhered to; however, the anomaly has now been rectified by the recruitment of a Senior Procurement Officer. The micro procurement forms and LPOs are now being used to initiate the procurement process by the user departments.

**Recommendation**

Procurement procedures should be followed. Reports should be prepared for accountability purposes and availed for audit verification.

183.10 **Irregular Payment of Allowances and Facilitation**

Payments of Shs.41,646,792 were made to various officers irregularly, as they were not in accordance with Public Service Circular Standing Order No 4 of 2008. These payments included night allowances to various District committees, while they were at their duty stations, double claims of allowances by officers when invited for workshops where the organizers had clearly stated that all costs of facilitations had been catered for, and facilitation of several officers while attending their private weekend lectures were observed.

The above payments may have caused a loss to the District.

Management explained /admitted that money was paid erroneously to members of District Service Commission and other Boards and Commissions contrary to the provisions of circular Standing Order No. 4 of 2008; however, action is under way to rectify the anomaly. The District is no longer advancing funds to Officers
as facilitation where the workshops/seminar organizers have made provisions for such facilitation.

**Recommendation**

The above funds are recoverable from the concerned officers.

183.11 **Payment of Salary by Cash**

The District made cash payments of salary of Shs.18,908,257 instead of direct credit of the payee’s bank accounts. However, these payments were not supported with acknowledgements by recipients, as their names were missing on the payment vouchers. This contravenes section 55 of the LGFAR 2007. Confirmation as to whether the above payments were made to the appropriate people could not be done.

Management in their explanation said that currently, Officers access the payroll and salary payments are made through their respective bank accounts (STPC system). Evidence of accountability for funds was not availed.

**Recommendation**

Salary payment should be done strictly direct on the payee’s bank accounts. Management is required to provide details of the matter raised.

**184.0 BUKDEEA TOWN COUNCIL**

184.1 **Opinion**-Qualified-Except for.

184.2 **Local Revenue Collection Shortfall**

Council budgeted for local revenue of Shs.228,655,000 and only managed to collect Shs.101,968,666, causing a shortfall of Shs.126,686,334 (55% of local revenue budget). This impacts negatively on service delivery.
**Recommendation**

Management should ensure that local revenue shortfalls are minimized so that services are promptly delivered.

184.3 **Non-remittance of Unspent Balances of Conditional Grants to the Consolidated Fund**

A sum of Shs.107,547,655 in respect of unspent Conditional Grants that remained at the end of the financial year, was not returned to Treasury as required by the Public Finance and Accountability Act, 2003 and Local Government Financial and Accounting Manual, 2007 section 6.6.5. No authority was obtained from the Treasury for their retention.

**Recommendation**

The Accounting Officer should provide evidence that authority was sought to retain funds or remit the balances to the Consolidated Fund as required by law.

184.4 **Assets Register**

During the audit, it was observed that the Council did not have an assets register as required by regulation 59 (e) of Local Government Financial and Accounting Regulations, 2007.

Without an asset register, the ownership, location, value and custody of the assets could not be verified.

**Recommendation**

An assets register should be put in place to comply with regulations.

185.0 **KAABONG DISTRICT**

185.1 **Opinion**-Qualified- Except for.

185.2 **Emergency seeds supplies**

A sum of Shs.295,946,600 was paid to various firms for emergency supply of seeds of sorghum, millet and beans.
However, there were no distribution lists to indicate that the intended beneficiaries received the supplies.

**Recommendation**

The distribution lists to account for the seeds should be availed for verification.

185.3 **Withholding Tax not Remitted**

A sum of Shs.33,505,936 deducted as Withholding Tax to Uganda Revenue Authority was not remitted contrary to the Income Tax Act.

The District risks being penalized for non-remittance.

**Recommendation**

The taxes should be remitted to Uganda Revenue Authority and acknowledgment of receipt obtained.

185.4 **Lack of Stores Section**

It was observed that, the District does not have a store Section, contrary to section 83 (1) of the Local Government Financial and Accountability Regulation (2007), which requires every District to have a stores section and employ a suitably qualified and experienced officer, to be the stores control officer and head of that section.

There is a risk of mismanagement of stores.

**Recommendation**

The District management should ensure that a stores section is established and a substantive qualified person is recruited to be in charge of the stores department.
185.5 **Confirmation of District Staff**

Standing Orders of the Republic of Uganda, Chapter 1, (Probation) require staff to be on probation for 2 years, starting from the date of appointment. From a sample of staff reviewed, it was noted that most of the District staff have not been confirmed yet they have been working for over 2 years.

When staff are not confirmed, it may demotivate them and hence negatively affect their performance.

**Recommendation**

Management should confirm their staff as appropriate.

185.6 **Un-accounted for Funds**

A total of Shs.19,042,861 paid to several officers to undertake activities, remained un-accounted for by the end of the year contrary to regulation 43(2) of the Local Government Financial and Accountability Regulation 2007 which require accountability to be rendered within a month. I was unable to ascertain the genuineness of the transactions.

Management explained that they have called officers concerned to account for the money.

**Recommendation**

The funds should be accounted for in accordance with the regulations or recovery measures instituted.
186.0 **KAABONG TOWN COUNCIL**

186.1 **Opinion-Qualified –Except for.**

186.2 **Unaccounted for Funds**

Section 43(2) of the Local Government Financial and Accounting Regulation, 2007 requires that funds advanced for activities be accounted for within one month. On the contrary, a total of Shs.35,340,000 paid to staff and contractors for various activities remained un-accounted for. Besides, the funds were not disclosed in the Balance Sheet.

**Recommendation**

The funds should be accounted for or the amount recovered from the responsible officers.

186.3 **Non-remittance of Unspent Balances of Conditional Grants**

Unspent balances of Conditional Grants of Shs.6,272,479 at the end of the financial year were not remitted to the Consolidated Fund but instead were retained and spent without authority.

Section 19 of the Public Finance and Accountability Act, 2003 and section 6.6.5.3 of the Local Government Financial and Accounting Manual, 2007 require such balances to be returned to the Consolidated Fund.

**Recommendation**

The funds should be returned or authority sought from the Secretary to the Treasury for its usage.
187.0 **KABERAMAIDO DISTRICT**

187.1 **Opinion-Qualified- Except for.**

187.2 **Non-remittance of Un-spent Balances of Conditional Grants to the Consolidated Fund**

It was noted that a figure of Shs.114,987,879 of conditional grants that remained un-spent at the end of the financial year, was not returned to Treasury as per section 19 and Public Finance Accounting Act 2003, and no authority to retain the money from the Secretary to the Treasury was availed for audit verification.

**Recommendation**

The funds should be refunded to Treasury or authority be obtained from the Ministry of Finance, Planning and Economic Development for retention.

187.3 **Administrative Advances**

A total of Shs.45,209,900 paid to various officers as Administrative advances, remained unaccounted for. This contravened regulation 43 of the Local Government Finance and Accounting Regulations 2007. Funds may not have been put to proper use.

**Recommendation**

Accountability be rendered for audit or recovery made.

187.4 **Taxes**

Income tax amounting to Shs.8,240,469 was indicated to have been remitted to Uganda Revenue Authority. However, there was no evidence of remittance provided for audit. Non-remittance of taxes contravenes section 123-124 of the Income Tax Act Cap 340. This may attract fines and penalties.
Recommendation
Tax laws should be complied with. Accountability for the above amount should be provided.

188.0 KABERAMAIDO TOWN COUNCIL

188.1 Opinion-Qualified –Except for

188.2 Unexecuted Contract
On 26th June 2008 the Ministry of Works awarded a six months contract to a private firm for tarmacking 0.35 km of a road at a contract sum of Shs.101,852,738. Accordingly, an advance payment of Shs.30,555,821 was made. However, by the time of audit, December 2009, there was no evidence of any work done. Hence, the contract was not executed.

Management explained that Council made a lot of effort to ensure that work is done as per the contract agreement but in vain and a breach of contract agreement notification was made to the firm. Consequently the Permanent Secretary Ministry of Works and Transport on 25/11/2009 terminated the contract.

Recommendation
Recovery should be made and other damages claimed for non execution of contract in accordance with the terms of agreements.

188.3 Funds Not Accounted For
Examination of vouchers revealed that funds amounting to Shs.5,117,000 spent on various activities remained un-accounted for. This is contrary to LGFAR (2007), section 43(2) which requires all administrative advances to be accounted for within one month.
Management in their response said that they were tracing the accountabilities. The accountabilities are awaited.

**Recommendation**
Management should account for funds or recovery be made from the responsible officers.

189.0 KATAKWI DISTRICT

189.1 Opinion-Unqualified

189.2 **Non Acknowledgement of Receipt of Health Funds**
A total of Shs.116,095,112 was transferred from the District Health account to USUK Health Sub District, but there were no supporting acknowledgement receipts to confirm receipt of the funds. It was difficult to verify if the funds were received by the intended recipient.

**Recommendation**
The supporting acknowledgement receipt be availed for verification.

189.3 **Irregular Transfers**
A total of Shs.20,526,882 was transferred from the salaries account to the finance account without proper authorization and supporting documents. Circumstances surrounding the transfers were not ascertained, there is a risk of diversion of funds.

**Recommendation**
Management should avail documents granting authority for transfer and render accountability.
189.4 **Unaccounted for Funds**

A total of Shs.16,206,500 paid to several officers to undertake certain activities remained un-accounted for contrary to regulation 43(2) of the Local Government Financial and Accounting Regulations, 2007 which require accountability to be rendered within a month.

**Recommendation**

Management should avail accountability for verification or institute recovery.

189.5 **Accounting Irregularities**

(i) There were no assets, contract and revenue registers contrary to section 6.6.4.6, 5.2.1 and 4.6.2 of the Local Government Financial and Accounting Manual, 2007 respectively.

(ii) There was no evidence that Physical inventories were being inspected periodically by independent persons.

(iii) Bin cards and stores records were not regularly checked by senior management. The stores keeper did not issue Goods received notes (GRNs).

(iv) The storekeeper did not regularly prepare reports to management for decision making.

(v) In the cash office, there was no segregation of duties in receiving cash, making payments, recording the cash book and banking.

(vi) There were no departmental establishment registers showing full personal details of staff and pay for each month.

(vii) The Departmental Heads did not make staff returns to Chief Administrative Officer monthly to reflect any deaths, abscondment, resignations and others.

(viii) The commitment control system was not being observed and as such there were several cases of over spent votes without supplementary allocations. For example, in CAO’s office, fuel vote was over spent by Shs.15,785,469 in June 2009 alone.

(ix) Posting of vote books was poor.
(x) Bank reconciliations in cash books were not checked by Chief Finance Officer on monthly basis.

(xi) In various cases, fuel was purchased without orders and the activities done were not disclosed. This implies ineffective control on fuel payments.

(xii) Transfers from collection account to various operational accounts were not referenced, making it difficult to establish a proper audit trail.

(xiii) Most head teachers did not post the UPE Cash book and vote books because they did not know how to use the books.

**Recommendation**

Management should address the above accounting irregularities with a view of corrective action.

190.0 **KATAKWI TOWN COUNCIL**

190.1 **Opinion-Qualified – Except for**

190.2 **Unaccounted for Funds**

Regulation 43 of Financial and Accounting Regulations, 2007 requires that all disbursements in form of advance be accounted for within one month.

Contrary to the above, a total of Shs.40,427,389 advanced to Town Council officers to execute various activities remained unaccounted for.

**Recommendation**

The officers concerned should avail the accountability. Alternatively the funds be recovered.
190.3 **Salary Advances**

Various staff were paid salary advances amounting to Shs.11,314,007. There were no records kept for these advances and no recoveries were made by the end of the financial year contrary to financial regulations.

Management assented that recoveries were being made, however, on verification, the amount remained outstanding and was not disclosed in the Balance Sheet.

**Recommendation**

Salary advances records/ledgers should be put in place and recoveries made.

190.4 **Non-remittance of Unspent Balances of Conditional Grants to the Consolidated Fund**

Section 19 of Public Finance and Accountability Acts, 2003 and section 6.6.5.3 of Local Government Financial and Accounting Manual, 2007 requires all unexpended balances of Conditional Grants by year end to be returned to the Consolidated Fund. This should be done at the end of the financial year in any case not later than the 25th September day following the end of the financial year. Contrary to the above, unspent balances of Conditional Grants totaling to Shs.33,765,601 at the end of the financial year, was not returned to Treasury, as required. Besides, no authority was sought for their retention.

Management in their response said that a request was submitted to the Secretary to the Treasury seeking permission to spend the balances, but no response was received.

**Recommendation**

Repayment be made to the Consolidated Fund or authority be followed up.

190.5 **Irregular Payment**

Audit revealed that Shs.14,265,900 was irregularly paid as facilitation allowance as it was not covered by Standing Orders.
**Recommendation**

The amount should be recovered from the concerned staff or authority sought from the Ministry of Public Service for their regularization.

190.6 **Schedules and Notes to the Final Accounts Lacking**

The financial statements did not have the following notes and schedules, as required by Local Government Financial and Accounting Manual section 7.1.4 rendering full disclosure required incomplete.

i. Statements of arrears of revenue  
ii. Statement of outstanding commitments  
iii. Statement of loss of public assets including zero loss  
iv. Statement of reported losses of public assets  
v. Statement of stores and other assets acquired during the year  
vi. Statement of disposal of physical assets during the year  
vii. Borrowed notes if any  
viii. Accounts payable schedules  
ix. Accounts receivable schedules  
x. Pension’s liability  
xi. Statement of the accounting polices whether accrual or cash basis

Management in their response acknowledged that draft final accounts lacked the said schedules. This was an oversight which they said was being corrected. Final accounts will be re-written to include the appropriate adjustments and inclusions.

**Recommendation**

In the adjusted accounts submitted, the schedules were still not attached.

190.7 **Local Revenue Shortfall**

Section 32 of the LGFAR (2007) states that the Head of Finance is responsible for ensuring that all revenue due to the council is promptly collected in the approved manner and banked intact. The Council estimated to collect revenue amounting
to Shs.163,137,593 from all local revenue sources, however, only Shs.80,985,166 (49.6% of local revenue budget) was realized resulting into a shortfall of Shs.82,152,927.

Management explained that the shortfall was attributed to untimely contracting of the revenue collection and low economic activities in the Council.

**Recommendation**

Management should in future budget realistically, and collect all budgeted revenue.

191.0 **KOTIDO DISTRICT**

191.1 **Opinion-Qualified- Except for**

191.2 **Unaccounted for Funds**

A sum of Shs.196,822,329 paid to various members of staff remained unaccounted for, contrary to LGFAR 2007 Section 43(2) which requires that all advances be accounted for within one month. It was not possible to confirm whether the funds were put to rightful use.

**Recommendation**

Management should avail accountabilities or recover the amount.

191.3 **Unvouched Expenditure**

Regulation 42 of the Local Government Financial and Accounting Regulations, 2007 requires payment vouchers to be properly vouched. However, contrary to this regulation a total of Shs.12,455,000 was paid to various persons to carry out activities of the District, however, the payment vouchers lacked supporting documents rendering the expenditure unvouched.

**Recommendation**

Supporting documents should be tendered for audit verification.
191.4 **Non-remittance of 6% Withholding Tax**

A total of Shs.31,008,072 was deducted as 6% withholding tax from various payments however no acknowledgement receipts were availed to confirm whether deductions were remitted to the Authority, as required by the Tax Regulations.

**Recommendation**

Management should avail URA receipts to confirm remittance.

191.5 **Stationery Not Taken on Charge**

Stationery worth Shs.25,287,250 procured was not taken on charge in the stores ledger contrary to stores regulations. Accordingly, accountability of stationery could not be confirmed.

Management agreed with the observation and stated that stores ledgers will be opened to record stores acquired.

**Recommendation**

The matter should be followed up so that goods procured are properly recorded in stores.

191.6 **Outstanding Salary Advance**

A sum of Shs.14,668,829 paid as salary advances to various members of staff remained outstanding at the year end.

Management explained that the Ministry of Public Service has been asked to effect recoveries and remit them to the District. The recoveries are awaited.

**Recommendation**

Management should follow up the recoveries with the Ministry of Public Service.
191.7 **Unaccounted for Laptops**

A sum of Shs.7,574,480 was incurred on purchase of laptops. However, the items were not recorded in the asset register and their physical existence could not be established, hence the amount remains unaccounted for.

**Recommendation**

Management should account for the laptops and ensure that they are recorded in the asset register.

191.8 **Office Imprest Un-retired**

A total of Shs.1,500,000 was paid out to various officers as office imprest but the amount had not been retired and no cash imprest book was maintained as required by regulation 42 of LGFAR 2007.

Failure to retire the imprest in time implies that the funds may not have been effectively utilized.

**Recommendation**

Imprest cashbooks should be maintained and reconciled regularly. The un-retired imprest should be recovered.

191.9 **Overpayment**

An overpayment of Shs.2,856,000 was made on four contracts for supply of farm inputs out of the NAADs account which are recoverable.

**Recommendation**

The District should give satisfactory explanation for the overpayment or recover the amounts.
192.0 **KOTIDO TOWN COUNCIL**

192.1 **Opinion-Qualified-Except for**

192.2 **Revenue Shortfall**

It was observed from analysis of Kotido Town Council’s Final Accounts, that a shortfall of Shs.118,797,154 in local revenue was incurred against the budgeted collection of Shs.189,173,650 for the year, as only Shs.70,376,496 was collected. The shortfall represented 62.9% of budgeted revenue.

This is a material shortfall and clearly results into non-funding of core activities already budgeted for.

Management acknowledges the shortfall created as a result of poor response to the earmarked revenue sources identified by the Council in the course of the year. However there was an omission on the part of the Town Clerk by then not to bring this shortfall to council for revision of the budget.

**Recommendation**

Management must in future ensure realistic budgeting. Management may need to organize sensitization workshops, to educate the communities on the importance of paying taxes.

192.3 **Borrowing**

Contrary to Section 19(c) of Local Government Financial and Accountability Regulations (2007) which directs that council departments ensure realistic budget estimates and development plans; Shs.12,273,100 was transferred from various accounts in the Town Council to meet various administrative expenses, contrary to budget provisions. Although the funds were claimed to have been borrowed, there was no evidence to prove that those funds were refunded to the accounts from which the money was borrowed. Details are shown below:
Borrowing without refund creates budgetary imbalances and leaves activities that were budgeted for unimplemented.

Management in their response stated that borrowing was made to finance planned council activities whose funds had not been realized at that time from local revenue.

**Recommendation**

The amount should be refunded to the respective programme accounts to fund activities that were planned.

192.4 **Irregular Advances to a Service Provider**

Shs.18,772,000 was advanced to the above company contracted to manage the water supply in the Town Council, contrary to terms of the agreement, that required that the provider uses his funds and submits a claim against work done. This contravenes Section 5.4.7 Local Government Financial and Accountability Regulations Manual 2007. Details are shown below:-

<table>
<thead>
<tr>
<th>Vr. No. &amp; Date</th>
<th>Payee</th>
<th>Amount (shs)</th>
<th>Purpose</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>067 21/10/08</td>
<td>Trandint limited</td>
<td>1,105,000</td>
<td>Service engine</td>
<td>Funds advanced</td>
</tr>
<tr>
<td>066 21/10/08</td>
<td>&quot;</td>
<td>1,550,000</td>
<td>Fuel supply</td>
<td>Funds advanced</td>
</tr>
<tr>
<td>068 17/11/08</td>
<td>&quot;</td>
<td>2,000,000</td>
<td></td>
<td>Funds advanced</td>
</tr>
<tr>
<td>068 4/12/08</td>
<td>&quot;</td>
<td>2,095,000</td>
<td></td>
<td>Funds advanced</td>
</tr>
<tr>
<td>068 19/01/09</td>
<td>&quot;</td>
<td>1,550,000</td>
<td></td>
<td>Funds advanced</td>
</tr>
<tr>
<td>086 16/02/09</td>
<td>&quot;</td>
<td>5,172,000</td>
<td></td>
<td>Funds advanced</td>
</tr>
<tr>
<td>091 26/04/09</td>
<td>&quot;</td>
<td>2,400,000</td>
<td>Generator repair</td>
<td>Funds advanced</td>
</tr>
</tbody>
</table>
Advancing funds to the contractor contravene terms of the agreement and amounts to pre-financing without advance security contrary to Local Regulations. Management has taken note of the recommendation and will ensure that the service provider adheres to the terms of the agreement.

**Recommendation**

Management should in future critically review service provider agreement, to ensure that they adhere to terms of the agreements and submit certified claims for the work done, before any payments are made.

**Administrative Advances**

Shs.3,686,000 paid out as Administrative advances, had not been accounted for by the time of audit, contrary to regulations (Local Government Financial and Accountability Regulations 2007 Section.43[2 & 3] refers), that require advances to be retired within one month after the activity.

Delayed accountability may lead to misuse of funds.

Management said the matter was being handled. By the time of reporting, advances amounting to Shs.3,686,000 remained un-accounted.

**Recommendation**

The advances should be accounted for.

**Salary Advance**

It was observed that Shs.2,100,000 was paid out as a salary advance to a District official in U-2 scale whose salary is approximately Shs.900,000 contrary to regulations (Government of Uganda Standing Orders Be-1) that require a
salary advance to be approved by the Secretary to the Treasury and to be equivalent to one month salary that has to be recovered in three equal monthly installments beginning with the month immediately after the one the advance was received.

Payment of salary advance without appropriate approval indicates poor controls over salary advances.

Management mentioned that the officer in question was promoted and transferred to Kitgum District Local Government as Deputy Chief Administrative Officer. Attempts to recover the money are being made.

**Recommendation**

Management should in future adhere to Standing Orders regarding salary advance, to avoid unnecessary financial losses in the event of failure to recover.

192.7 **Diversion of Funds**

Local Government Financial and Accountability Regulations (2007), Section 27(1-3), requires that an application be made by the vote controller concerned, to the Chief Executive, showing the amounts to be transferred from one program to another. It further states that reasons for re-allocation by the Chief Executive after consultation with Head of Finance be given, after which, if approved, re-allocation shall be granted. It was, however, observed that Shs.2,610,000 was diverted from the Administration budget, to fund District Public Accounts Committee while executing their mandate. Documentation for the re-allocation and minutes for the meeting that approved the re-allocation, were not availed.

This contravenes financial regulation and amounts to unauthorized re-allocation of funds.

Management accepted the anomaly but informed the team that they were directed by the Town Clerk to make that contribution and availed the written response.
**Recommendation**

Documentation on the transaction was not satisfactory as it lacked specifics of activities. The money should also be recovered from statutory bodies’ budget.

193.0 **KUMI DISTRICT**

193.1 **Opinion-Unqualified**

193.2 **Incompletely Vouched Expenditure**

Regulation, 42 of the Local Government Finance and Accounting Regulations 2007 requires that payment vouchers be properly vouched.

Contrary to the above, expenditure a total of Shs.90,321,907 advanced lacked sufficient documentation rendering it incompletely vouched.

**Recommendation**

Supporting documents be produced for audit.

193.3 **Over due Personal Advances**

Personal Advances totaling Shs.55,362,988 were over due contrary to regulations.

Management explained that steps had been taken to recover them and extending personal advances to staff have been stopped.

**Recommendation**

The advances be recovered as they tie up funds for service delivery.
193.4 **Outstanding Administrative Advances**

Regulation 43 of Local Government Finance and Accounting Regulation 2007 requires that all disbursements in form of official advances be accounted for within one month.

Contrary to the above, a total of Shs.45,287,109 advanced to various District Council officers to execute various activities, remained un-accounted for. Management explained that accountabilities were being compiled but were not produced for audit.

**Recommendation**

Accountabilities be rendered for audit.

193.5 **Nugatory Expenditure**

A total of Shs.25,000,000 was incurred in respect of court awards where Council was sued for non payment of firms that had printed Primary School Examinations. These costs would have been avoided if the creditors were settled in time. The expenditure in question is therefore nugatory.

**Recommendation**

Nugatory expenditure should be avoided.

194.0 **KUMI TOWN COUNCIL**

194.1 **Opinion-qualified-Except for**

194.2 **Outstanding Personal Advance**

Analysis of final accounts for year under review revealed that personal advances totaling to Shs.8,691,416 remained outstanding and un-accounted for at the time of audit. This is contrary to Local Government Financial and Accounting Regulation (2007) section 43, which requires advances to be accounted for within 1 month from receipt.

The Town Council stands to loose the funds in case the officers leave service.
In response, management stated that they took steps to address the anomaly, and that very soon the advances will be recovered.

**Recommendation**
Management should continue pursuing the staff to ensure recovery of funds.

194.3 **Un-accounted for Funds Lacking Documentation**

Local Government Financial and Accounting Regulations, section 43, requires that all disbursements in form of advances be accounted for within a specified period (one month). Contrary to the above provisions, audit revealed that a total of Shs.8,314,784 advanced to Town Council officers to execute various activities, remained un-accounted for. The details are shown in appendix 1.

In response, Management acknowledged that the funds were yet to be accounted for.

**Recommendation**
The officers concerned should avail the accountability, or alternatively the funds be recovered from them.

194.4 **Local Revenue Shortfall**

Section 32 of the Local Government Fianancial and Accounting Regualtion (2007) states that, "The head of the finance is responsible for ensuring that revenue collectors defined under these regulations, carry out these duties properly, to ensure that all revenue due to the Council is promptly collected in the approved manner and banked intact”.

The Town Council estimated to collect revenue totaling to Shs.299,729,000 from all its local revenue sources during the period under review. However, only Shs.250,783,206 was realized, resulting into net shortfall of Shs.48,945,794.
Ambitious and unrealistic budgeting resulted into under performance of locally raised revenue.

In response, management attributed the shortfall to resistance by the tax payers on the newly introduced taxes of property tax, hotel tax and local service tax.

**Recommendation**

Management should ensure a more studious budgetary process. Management should also conduct sensitization workshops on the new taxes.

195.0 **MOROTO DISTRICT**

195.1 **Opinion- Qualified -Except for**

195.2 **Non-acknowledgement of Receipt of Plan for Modernization of Agriculture (PMA) Transfers by Lower Local Government (Sub-counties)**

It was noted that a total of Shs.50,742,795 was transferred to various sub counties as allocations of PMA. However, there were no acknowledgement receipts or bank statements and deposit slips to confirm receipt of the transfers by the beneficiaries.

**Recommendation**

Supporting acknowledgement of receipt from the beneficiaries be availed for audit.

195.3 **Unaccounted for Funds**

A total of Shs.24,838,900 was paid to several officers as administrative advances to cater for activities (Shs.9,715,500) and fuel (Shs.15,123,400). However, the funds were not accounted for contrary to regulation 43 of Local Government Financial and Accounting Regulations.
**Recommendation**

Management should render the accountability for audit.

195.4 **Local Revenue Shortfall**

Regulation 32 of Local Government Financial and Accounting Regulations, 2007 require all budgeted local revenue to be collected. However, contrary to this regulation, out of the budgeted local revenue of Shs.223,900,000, Shs.134,815,367 was realised causing a shortfall of Shs. 89,084,633, (39.8% of local revenue budget). Revenue shortfalls undermine service delivery.

Management attributed the short fall to insecurity and quarantine on livestock movements.

**Recommendations**

The District should make realistic budgets and where it is anticipated that revenue may be uncollectible, then budget revision procedures should be instituted.

195.5 **Accounting Irregularities**

The following accounting irregularities were noted:-

(i) Contrary to section 4.6.2 and 6.6.4.6 of Local Government Financial and Accounting Manual, 2007 revenue registers and fixed asset register were not maintained.

(ii) Contrary to stores regulation, store ledgers and bin cards were not properly maintained, periodic physical stock taking and reconciliation were not being carried out.

(iii) There was no segregation of duties in receiving cash, making payments, recording the cash book and banking as these duties were being performed by one person.

(iv) There were no departmental establishment registers showing full personal details of staff and pay for each month.
(v) All Payment vouchers were prepared in duplicates and not in triplicates, with no copy filed with the vote controller to provide back up information in case of loss of original supporting documents.

(vi) Most payment vouchers were not certified by the vote controller.

(vii) Payment vouchers and supporting documents were not stamped “PAID “.

(viii) There was no proper disclosure of programmes and sub programmes with their codes, according to the chart of accounts in vote books, abstracts and ledgers.

**Recommendation**

These accounting irregularities be addressed with a view of correcting them.

195.6 **Procurement Irregularities**

(i) A number of contracts were not completed within the agreed period and no penalties were imposed on the contractor.

(ii) For contracts valued over 5 million shillings, there was no evidence of the 10% security bond paid by contractor as required.

(iii) Most purchases valued under 1 million shillings were ordered without LPOs.

**Recommendation**

These procurement irregularities be addressed with a view of corrective action.

195.7 **Doubtful Allowances**

A total of Shs.6,070,000 was paid to several officers as travel allowances and for other activities. However, the payments lacked dates, particulars of activities and the payees were not disclosed. It was difficult to verify the genuineness of the expenditure incurred.


**Recommendation**

Detailed information supporting the payment be availed for audit.

195.8 **Schedules to Financial Statements**

Sec. 7.5.1 of LGFAM requires preparation and presentation of other statements. However, contrary to this provision several statements, schedules and notes were not prepared and submitted for audit rendering full disclosure incomplete. These other statements were:-

- Statement of Arrears of revenue
- Statement of outstanding commitments
- Statement of losses of public assets
- Statement of reported losses of public assets
- Statement of stores & assets acquired during year
- Statement of disposal of physical assets during period
- Investments note
- Borrowing note
- Accounts receivables/accounts payables schedule.

**Recommendation**

All these other statements, schedules and notes should be prepared and presented for audit in the subsequent financial years to comply with regulations.

196.0 **MOROTO TOWN COUNCIL**

196.1 **Opinion – Qualified – Except for**

196.2 **Revenue Shortfall**

Regulation 32 of the Local Government Financial and Accounting Regulations, 2007 requires all budgeted revenue to be collected, contrary to this regulation, out of the budgeted local revenue of Shs.253,566,223, Shs.62,758,452 was realized leaving a shortfall of Shs.190,807,771 (75% of the local revenue budget). Revenue shortfalls undermine service delivery.
The Town Clerk explained that local revenue shortfall was due to insecurity.

**Recommendations**

Management should ensure that efforts are taken to collect all approved revenue or revise the budgets accordingly in line with regulations.

196.3 **Unaccounted for Funds**

A total of Shs.36,754,100 paid to several officers to undertake activities (Shs.28,154,100) and cater for fuel (Shs.8,600,000) remained unaccounted for by the end of the financial year contrary to regulations.

**Recommendation**

Accountability be rendered for audit.

196.4 **Lack of Work Plans**

Work plans for works, water and sanitation against which a sum of Shs.64,323,290 was released were not availed for audit. In the circumstances, it was difficult to confirm whether the activities carried out were properly planned for and approved by Council.

**Recommendations**

Management should avail the work plans for review.

196.5 **Lack of Fixed Asset and Revenue Registers**

Council did not maintain proper fixed asset and revenue registers required by Section 6.6.4.6 and 4.6.2 of Local Government Financial and Accounting Manual respectively. There were also no departmental assets registers.

Management, in their response, stated that the registers were being instituted and staff sensitized on their use.
Recommendations
The regulations be complied with to ensure that these registers are properly kept as they are a very important control.

197.0 MOROTO DISTRICT

197.1 Opinion- Qualified -Except for

197.2 Non-acknowledgement of Receipt of Plan for Modernization of Agriculture (PMA) Transfers by Lower Local Government (Sub- counties)

It was noted that a total of Shs.50,742,795 was transferred to various sub counties as allocations of PMA. However, there were no acknowledgement receipts or bank statements and deposit slips to confirm receipt of the transfers by the beneficiaries.

Recommendation
Supporting acknowledgement of receipt from the beneficiaries be availed for audit.

197.3 Unaccounted for Funds

A total of Shs.24,838,900 was paid to several officers as administrative advances to cater for activities (Shs.9,715,500) and fuel (Shs.15,123,400). However, the funds were not accounted for contrary to regulation 43 of Local Government Financial and Accounting Regulations.

Recommendation
Management should render the accountability for audit.

197.4 Local Revenue Shortfall

Regulation 32 of Local Government Financial and Accounting Regulations, 2007 require all budgeted local revenue to be collected. However, contrary to this
regulation, out of the budgeted local revenue of Shs.223,900,000, Shs.134,815,367 was realised causing a shortfall of Shs. 89,084,633, (39.8% of local revenue budget). Revenue shortfalls undermine service delivery.

Management attributed the short fall to insecurity and quarantine on livestock movements.

**Recommendations**

The District should make realistic budgets and where it is anticipated that revenue may be uncollectible, then budget revision procedures should be instituted.

197.5 **Accounting Irregularities**

The following accounting irregularities were noted:-

(i) Contrary to section 4.6.2 and 6.6.4.6 of Local Government Financial and Accounting Manual, 2007 revenue registers and fixed asset register were not maintained.

(ii) Contrary to stores regulation, store ledgers and bin cards were not properly maintained, periodic physical stock taking and reconciliation were not being carried out.

(iv) There was no segregation of duties in receiving cash, making payments, recording the cash book and banking as these duties were being performed by one person.

(iv) There were no departmental establishment registers showing full personal details of staff and pay for each month.

(v) All Payment vouchers were prepared in duplicates and not in triplicates, with no copy filed with the vote controller to provide back up information in case of loss of original supporting documents.

(vi) Most payment vouchers were not certified by the vote controller.

(vii) Payment vouchers and supporting documents were not stamped “PAID “.
(viii) There was no proper disclosure of programmes and sub programmes with their codes, according to the chart of accounts in vote books, abstracts and ledgers.

**Recommendation**

These accounting irregularities be addressed with a view of correcting them.

197.6 **Procurement Irregularities**

(iv) A number of contracts were not completed within the agreed period and no penalties were imposed on the contractor.

(v) For contracts valued over 5 million shillings, there was no evidence of the 10% security bond paid by contractor as required.

(vi) Most purchases valued under 1 million shillings were ordered without LPOs.

**Recommendation**

These procurement irregularities be addressed with a view of corrective action.

197.7 **Doubtful Allowances**

A total of Shs. 6,070,000 was paid to several officers as travel allowances and for other activities. However, the payments lacked dates, particulars of activities and the payees were not disclosed. It was difficult to verify the genuineness of the expenditure incurred.

**Recommendation**

Detailed information supporting the payment be availed for audit.

197.8 **Schedules to Financial Statement**

Sec. 7.5.1 of LGFAM requires preparation and presentation of other statements. However, contrary to this provision several statements, schedules and notes were not prepared and submitted for audit rendering full disclosure incomplete. These other statements were:-
• Statement of Arrears of revenue
• Statement of outstanding commitments
• Statement of losses of public assets
• Statement of reported losses of public assets
• Statement of stores & assets acquired during year
• Statement of disposal of physical assets during period
• Investments note
• Borrowing note
• Accounts receivables/accounts payables schedule.

Recommendation

All these other statements, schedules and notes should be prepared and presented for audit in the subsequent financial years to comply with regulations.

198.0 MOROTO TOWN COUNCIL

198.1 Opinion – Qualified – Except for

198.2 Revenue Shortfall

Regulation 32 of the Local Government Financial and Accounting Regulations, 2007 requires all budgeted revenue to be collected, contrary to this regulation, out of the budgeted local revenue of Shs.253,566,223, Shs.62,758,452 was realized leaving a shortfall of Shs.190,807,771 (75% of the local revenue budget). Revenue shortfalls undermine service delivery.

The Town Clerk explained that local revenue shortfall was due to insecurity.

Recommendations

Management should ensure that efforts are taken to collect all approved revenue or revise the budgets accordingly in line with regulations.
198.3 **Unaccounted for Funds**

A total of Shs.36,754,100 paid to several officers to undertake activities (Shs.28,154,100) and cater for fuel (Shs.8,600,000) remained unaccounted for by the end of the financial year contrary to regulations.

**Recommendation**

Accountability be rendered for audit.

198.4 **Lack of Work Plans**

Work plans for works, water and sanitation against which a sum of Shs.64,323,290 was released were not availed for audit. In the circumstances, it was difficult to confirm whether the activities carried out were properly planned for and approved by Council.

**Recommendations**

Management should avail the work plans for review.

198.5 **Lack of Fixed Asset and Revenue Registers**

Council did not maintain proper fixed asset and revenue registers required by Section 6.6.4.6 and 4.6.2 of Local Government Financial and Accounting Manual respectively. There were also no departmental assets registers.

Management, in their response, stated that the registers were being instituted and staff sensitized on their use.

**Recommendations**

The regulations be complied with to ensure that these registers are properly kept as they are a very important control.
199.0 **NAKAPIRIPIRIT DISTRICT**

199.1 **Opinion-Unqualified**

199.2 **Unaccounted for Funds**

Local Government Financial and Accounting Regulations, 2007 Section 43 (2) requires that all disbursements in form of advances be accounted for within a specified period of one month. Contrary to the above, audit revealed that a total of Shs.24,262,000 advanced to various District Council officers to execute various activities, remained un-accounted for.

Management acknowledged that a total of Shs.24,262,000 advanced to various District officers had not been fully accounted for as payment vouchers lacked proper supporting documents to justify expenditure. Accountability was being compiled.

**Recommendation**

The officers concerned should avail the missing documents for accountability purposes or recover the amount involved.

199.3 **Payroll Audit**

The Local Government Financial and Accounting Manual, 2007, under section 5.6.3 (2) states that “Staff in the salaries sub section of each Local Government together with the personnel officer, should cross check the payroll once it is received to determine its accuracy and ensure that all facts are correct.

In particular, the personnel officer should ensure that staff who have left the service of the Local Government are removed immediately from the payroll and that pay change sheets are immediately prepared and remitted to Uganda Computer service to effect future changes”.

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Further, Section 5.6.3 (4) requires that staff salaries should be paid through individual bank accounts of staff. Contrary to the above laws, it was observed that,

- Personal files were not regularly updated to show account information and pay change reports for salary payments.
- There was no Approved Data Base of all Teachers in the District kept by the Personnel and Education departments.

Consequently, inappropriate information could be provided.

In their response, Management indicated that at the time of audit, the District Central registry was being managed by records assistants who were handing over office to newly recruited substantive records officer.

**Recommendation**

Personal staff files should be updated immediately, with data base for all teachers and staff lists of all other employees adjusted accordingly.

200.0 **NAKAPIRIPIT TOWN COUNCIL**

200.1 **Opinion – Qualified – Except for**

200.2 **Doubtful Expenditure**

A sum of Shs.42,289,110 was paid to various contractors to supply various items under the NAADS Programme. However the list of beneficiaries was not availed for audit and the items were not taken on charge rendering the expenditure doubtful.

**Recommendation**

List of the beneficiaries and stores ledgers be availed for audit.
200.3 **Un-accounted for Funds**

Local Government Finance and Accounting Regulation (2007), Section 43(2) requires that all disbursements in form of advances be accounted for within one month. Contrary to the above, a total of Shs. 39,310,000 advanced to Town Council officers to execute various activities remained un-accounted for.

In response, Management explained that accountabilities were being compiled.

**Recommendation**

The officers concerned should avail or refund the amounts in question.

200.4 **Local Revenue - Shortfall - Shs.27,924,726**

Section 32 of the Local Government Finance and Accounting Regulations 2007, states that, The Head of Finance ensures that revenue collectors, carry out their duty properly to ensure that all revenue due to the Council is promptly collected in the approved manner and banked intact.

It was observed, however that though the Town Council estimated to collect local revenue totaling to Shs.48,600,000, only Shs20,675,274 was realized, resulting into net shortfall of Shs.27,924,726. Revenue shortfall undermines service delivery.

**Recommendation**

Management should ensure realistic budgeting and minimize revenue shortfall.

200.5 **Outstanding Salary Advance**

According to Government of Uganda Standing Orders volume 1, chapter 1 B-e except as authorized, no advance of salary will be made to any officer without the prior approval of the Secretary to Treasury. Advances sanctioned will be limited to the amount of one month’s gross salary recoverable by three equal monthly installments commencing the month following that in which the advance is made.
Contrary to the above, during the course of audit it was observed that salary of Shs.2,208,000 was advanced to a member of staff in excess of his one month’s salary and lacked approval of the Secretary to the Treasury. Besides the advance is still outstanding.

Management stated the recoveries shall be made.

**Recommendation**
These funds should be recovered from the officer and standing orders complied with.

201.0 **SOROTI DISTRICT**

201.1 **Opinion-Unqualified**

201.2 **Withholding Tax Not Remitted to Uganda Revenue Authority**

A sum of Shs.5,254,537 withheld at source from contractors and service providers, was not remitted to Uganda Revenue Authority as required by the Income Tax Act 1997 (as amended).

Non remittance of taxes to the tax authority contravenes the law and may lead to severe punitive action against the District Council.

Management’s response was that all the withholding taxes that were automatically deducted by the IFMS amounting to Shs.12,842,212 were remitted to URA by Electronic Funds Transfer. On verification, the above amount remained outstanding.

**Recommendations**
Taxes should be deducted and remitted to URA and all receipts for payments made; should be collected and attached with relevant payment documents; filed to confirm payments. Tax laws should be complied with and monies remitted by
due dates to avoid evasion, diversion as well as the subsequent tax penalties and surcharges.

201.3 **Administrative Advances Unaccounted For**

Local Government Financial and Accounting Regulations, (LGFAR) 2007 section 43(2) requires advances to be accounted for within one month after implementation of the activity. It was however observed that a sum of Shs.13,828,620 paid out to various staff to conduct official activities, remained outstanding at the time of audit.

I was unable to confirm whether the funds were used for the intended purposes. Failure to account for funds advanced in time, contravenes Financial and Accounting Regulations, and may lead to falsification of documents.

Management submitted that the accountabilities were being retrieved.

**Recommendations**

Advance accounts should be properly managed and closed off at the end of each financial year. Management should ensure that the recording of advance accounts is done in a systematic and timely manner.

201.4 **Weaknesses in Drug Procurement**

a) **Delivery Delays by National Medical Stores (NMS)**

It was noted that drugs delivered by National Medical Stores to the District are delayed in the delivery process. Whereas it is the duty of NMS to deliver the drugs to the client directly, the drugs are delivered to one central location, which is the District stores, from where the District Health Officer arranges for their onward transmission to the various health centers. This consequently leads to more delay, in addition to the delay occasioned by NMS, between the order and delivery to the District.

Delayed delivery of drugs to the Health Centres affects service delivery and may result in fatalities.
Management in their response stated that National Medical Stores was contacted and it responded saying it does not have the capacity at the moment to deliver drugs and supplies direct to the health units but will consider doing so in future.

**Recommendation**

The District should further follow up the matter with NMS and have the lead time between ordering and delivery to Health Centres reduced. Recipient centres for these drugs should be informed when the drugs are delivered to the District stores, in order for the intended clients to pick their drugs in time and further reduce on the delays of drug delivery.

b) **Confirmation of Receipt of Drugs from NMS**

Drugs worth Shs.426,032,618 in total were delivered to Soroti District for distribution. It was however not possible to confirm the deliveries as sent to the District and distributed to the health centres, in the absence of documentary evidence.

Management responded that documentation on credit line and PHC drugs and supplies procured in the financial year 2008/2009 has been compiled showing:

- Date of consignment as received in the District.
- Name of the Health Centre.
- Serial number of the order.
- Value of the items received.
- Date items were issued from District stores to Health Units.

Verification of documents revealed that a total value of items procured and delivered in 2008/2009 was Shs.417,518,265 giving an unexplained variance of Shs.8,514,353.

**Recommendation**

The difference of Shs.8,514,353 needs to be explained.
202.0 SOROTI MUNICIPAL COUNCIL

202.1 Opinion- Qualified- Except for

202.2 Un-remitted Revenue by Contractors

A total of Shs.142,638,000 was not remitted to various divisions of Council by various firms that had been contracted to collect local revenue. No action has been taken in an effort to recover the revenue from the defaulters. The contract agreement has since expired. Besides, these amounts have not been recorded in the books of the division as well as the Municipal Council.

Recommendation
The Town Clerk should follow up recovery of the revenue. Besides, the amount should be reconciled in the books of accounts as appropriate.

202.3 Abandoned Contract

A construction Company was awarded a contract on 30th June, 2008 to execute construction works of tarmacking Lalle Road, a distance of 1.0 Km, at a contract price of Shs.374,383,071, and Shs.46,344,736 was paid to the contractor. Despite various contract period extensions, the contractor has failed to execute the contract obligations.

Management explained that when the four months expired the Ministry of Works extended the contract up to 10th March 2009 but the firm did not respond to acceptance of the extension. It is on this basis that Management sought legal advice from the Solicitor General towards termination of the Contract.

Recommendation
Management should ensure that the matter is followed and recovery of funds or any other remedies sought for a breach of contract.
202.4 Outstanding Administrative Advances
Regulation 43 of the Local Government Financial and Accounting Regulations, (LGFAR 2007) requires that administrative advances are accounted for within one month. Contrary to this regulation a total of Shs.32,478,755 paid in respect of administrative advances remained un-accounted for.

Recommendation
Accountability should be rendered.

202.5 Un-spent balance (On credit line at Nationals Medical Stores (NMS)).
Examination of National Medical Stores (NMS) records revealed that Shs.46,420,589 remained unutilized on the laboratory credit line allocation account.

Management explained that all the Health units were not fully functional with laboratory services because there were no laboratory staff. However the staff have been recruited and the laboratories are now functional.

Recommendation
Funds should be claimed and be used for the intended purpose.

202.6 Un delivered drugs by National Medical Stores
Analysis of the consumption statement under the lab credit line allocation reveals that laboratory supplies of Shs.15,232,062 was allocated to Soroti Municipal Health Services. The supplies were instead delivered to Soroti Hospital.

Management explained that National Medical Stores misallocated the laboratory supplies meant for Soroti Municipal Council to Soroti Regional Referral Hospital.

Recommendation
Management should claim the supplies from National Medical Stores.
202.7 Unpaid Rent

Soroti Municipal Council entered into an agreement with a Tenant to operate their Secondary School. The tenant was to pay rent of Shs.600,000 per term for a period of five years from the 16th day of May 2006. However since then rent totaling to Shs.6,600,000 has never been paid.

Management explained that the non-payment of rent by the tenant was due to the need to revise the agreement to take of renovations and other capital expenditure the tenant has incurred on the School.

Recommendation
Management should have a properly negotiated and documented agreement with the tenant regarding renovation expenses and their recovery from rent. Effort needs to be made to ensure that value is achieved from transactions made.
### UNQUALIFIED OPINIONS

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# APPENDIX II

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**GRAND TOTAL**  24,896,380,501
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**GRAND TOTAL**   **10,265,953,009**
## APPENDIX IV

### DIRECTORATE OF LOCAL GOVERNMENT CROSS CUTTING ISSUES

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**3,004,019,063**
## APPENDIX V

### DIRECTORATE OF LOCAL GOVERNMENT CROSS CUTTING ISSUES

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**5,810,847,005**
### Directorate of Local Government

**Cross Cutting Issues**

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**GRAND TOTAL** 3,963,588,347
### APPENDIX VII

**DIRECTORATE OF LOCAL GOVERNMENT  CROSS CUTTING ISSUES**

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## Appendix VIII

Directorate of Local Government
Cross Cutting Issues

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**GRAND TOTAL** 14,351,795,821
## APPENDIX IX

### DIRECTORATE OF LOCAL GOVERNMENT CROSS CUTTING ISSUES

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**GRAND TOTAL** 782,266,326
## APPENDIX X
DIRECTORATE OF LOCAL GOVERNMENT CROSS CUTTING ISSUES

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<td>47</td>
<td>Central Division</td>
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<td>48</td>
<td>Kamuli TC</td>
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<td>49</td>
<td>Kaliro TC</td>
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<td>50</td>
<td>Busembatia TC</td>
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<td>51</td>
<td>Kakira TC</td>
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**GRAND TOTAL**: 10,245,126,850
# Appendix XI
## Directorate of Local Government Cross Cutting Issues

<table>
<thead>
<tr>
<th>District</th>
<th>Diversion of Funds</th>
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<tbody>
<tr>
<td>1. Masaka DA</td>
<td>9,977,879</td>
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<tr>
<td>2. Sembabule DA</td>
<td>8,150,000</td>
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<tr>
<td>3. Mityana DA</td>
<td>3,059,848</td>
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<tr>
<td>4. Bukedea</td>
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<td>5. Gulu MC</td>
<td>58,000,000</td>
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<tr>
<td>6. Apac TC</td>
<td>3,000,000</td>
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<td>7. Mbale MC</td>
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<td>8. Bududa TC</td>
<td>3,980,000</td>
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<td>9. Manafwa TC</td>
<td>23,441,311</td>
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<td>10. Tororo</td>
<td>8,898,711</td>
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<td>11. Tororo MC</td>
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<tr>
<td>12. Busia TC</td>
<td>36,500,000</td>
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<tr>
<td>13. Hoima DA</td>
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<tr>
<td>14. Hoima TC</td>
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<td>15. Moyo DA</td>
<td>12,219,344</td>
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<td>16. Moyo TC</td>
<td>13,416,500</td>
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**Total:** 321,340,406
### APPENDIX X II
DIRECTORATE OF LOCAL GOVERNMENT CROSS CUTTING ISSUES

**District**
**MASAKA BRANCH**

<table>
<thead>
<tr>
<th></th>
<th>Depreciation of Fixed assets in Urban Councils</th>
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<td>1</td>
<td>Kyotera TC</td>
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<tr>
<td>2</td>
<td>Kalisizo TC</td>
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<tr>
<td>3</td>
<td>Pallisa TC</td>
</tr>
<tr>
<td>4</td>
<td>Nagongera TC</td>
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**Total**: 1,232,513,244
<table>
<thead>
<tr>
<th>District</th>
<th>Wasteful expenditure (Nugatory expenditure)</th>
</tr>
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<tbody>
<tr>
<td>1 Masaka DA</td>
<td>171,150,240</td>
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<tr>
<td>2 Kyotera TC</td>
<td>43,429,866</td>
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<tr>
<td>3 Kaberamaido TC</td>
<td>32,059,821</td>
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<td>4 Soroti MC</td>
<td>46,344,736</td>
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<tr>
<td>5 Amuria</td>
<td>4,240,000</td>
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<td>6 Amuria TC</td>
<td>40,000,000</td>
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<tr>
<td>7 Kotido</td>
<td>14,668,829</td>
</tr>
<tr>
<td>8 Abim</td>
<td>14,067,490</td>
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<tr>
<td>9 Nakapiripirit</td>
<td>533,400,000</td>
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<td>10 Kumi</td>
<td>25,000,000</td>
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<tr>
<td>11 Lira DLG</td>
<td>7,372,500</td>
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<tr>
<td>12 Mbale MC</td>
<td>52,252,605</td>
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<tr>
<td>13 Manafwa</td>
<td>31,054,352</td>
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<td>14 Budaka TC</td>
<td>5,401,936</td>
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<td>15 Butaleja</td>
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<tr>
<td>16 Busolwe TC</td>
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<tr>
<td>17 Hoima DA</td>
<td>17,459,000</td>
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<tr>
<td>18 Kigorobya TC</td>
<td>7,700,000</td>
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<tr>
<td>19 Kamwenge DA</td>
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<td>20 Hima TC</td>
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<td>21 Arua MC</td>
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1,781,940,597
## APPENDIX XIV

### DIRECTORATE OF LOCAL GOVERNMENT CROSS CUTTING ISSUES

<table>
<thead>
<tr>
<th>District</th>
<th>Over Commitment of Councils (Creditors and Domestic Arrears)</th>
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<tbody>
<tr>
<td>1 Masaka MC</td>
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<td>4 Lyantonde TC</td>
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<td>5 Sembabule TC</td>
<td>11,950,000</td>
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<tr>
<td>6 Kiboga TC</td>
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<td>7 Gulu MC Kapchorwa District</td>
<td>327,995,845</td>
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<td>8 Kapchorwa TC</td>
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<td>9 Bukwo District</td>
<td>85,031,244</td>
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<td>11 Bududa TC</td>
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<td>12 Tororo MC</td>
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<td>13 Pallisa</td>
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<td>17 Malaba TC</td>
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<td>18 Nebbi TC</td>
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<td>19 Moyo TC</td>
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<td>Koboko DA</td>
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<td>Nakasongola TC</td>
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<td>Kayunga TC</td>
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<td>Mayuge TC</td>
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<td>Kisoro DA</td>
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## APPENDIX XV

**DIRECTORATE OF LOCAL GOVERNMENT**  **CROSS CUTTING ISSUES**

<table>
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<th>District</th>
<th>Fraudulent Transactions</th>
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<tr>
<td>5 Kapchorwa District</td>
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<td>70,000,000</td>
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<td>11 Mbarara DA</td>
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<td>12 Ibanda DA</td>
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