



**THE REPUBLIC OF UGANDA**

**REPORT OF THE AUDITOR GENERAL**  
**ON THE FINANCIAL STATEMENTS OF GULU DISTRICT LOCAL GOVERNMENT**  
**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2022**

**OFFICE OF THE AUDITOR GENERAL**  
**UGANDA**

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## List of Acronyms

| <b>Acronym</b> | <b>Meaning</b>  |
|----------------|---|
| CoC            | Certificates of Compliance  |
| GoU            | Government of Uganda  |
| FY             | Financial Year  |
| IESBA          | International Ethics Standards Board for Accountants              |
| INTOSAI        | International Organisation of Supreme Audit Institutions          |
| ISSAIs         | International Standards of Supreme Audit Institutions             |
| LGFAM          | Local Government Financial and Accounting Manual                  |
| HR             | Human Resource  |
| HCMS           | Human Capital Management System                                   |
| IPPS           | Integrated Payroll Personnel System                               |
| NDP            | National Development Plan   |
| NPA            | National Planning Authority                                       |
| MoPS           | Ministry of Public Service  |
| MoFPED         | Ministry of Finance Planning and Economic Development             |
| OAG            | Office of the Auditor General                                     |
| PAYE           | Pay As You Earn   |
| PBS            | Program Budgeting System  |
| PCA            | Payroll Consults Africa   |
| PDMS           | Payroll Deduction Management System                               |
| PSST           | Permanent Secretary/Secretary to Treasury                         |
| UCLA/UBA       | Uganda Consumer Lenders' Association/ Uganda Bankers' Association |
| NUSAF          | Northern Uganda Social Action Fund                                |
| PFMA           | Public Finance Management Act                                     |
| PFMR           | Public Finance Management Regulations                             |
| SSTA           | Sub Single Treasury Account                                       |
| STA            | Single Treasury Account   |
| UgIFT          | Uganda Intergovernmental Fiscal Transfers Program for Results     |
| UGX            | Uganda Shillings  |
| NTR            | Non-Tax Revenue   |
| URF            | Uganda Road Fund  |
| UNICEF         | United Nation International Children's Emergency Fund             |
| GAVI           | Global Alliance for Vaccines and Immunisation                     |
| VAT            | Value Added Tax   |
| WHT            | Withholding Tax   |

**REPORT OF THE AUDITOR GENERAL**  
**ON THE AUDIT OF FINANCIAL STATEMENTS OF GULU DISTRICT LOCAL**  
**GOVERNMENT**  
**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2022**

**THE RT. HON. SPEAKER OF PARLIAMENT**

**Opinion**

I have audited the accompanying financial statements of Gulu District Local Government, which comprise the Statement of Financial Position as at 30<sup>th</sup> June 2022, the Statement of Financial Performance, Statement of Changes in Equity, Statement of Cash Flows, together with other accompanying statements for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the financial statements of Gulu District Local Government for the year ended 30<sup>th</sup> June 2022 are prepared, in all material respects, in accordance with section 51 of the Public Finance Management Act (PFMA), 2015 (as amended) and the Financial Reporting Guide, 2018.

**Basis for Opinion**

I conducted my audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the audit of the Financial Statements section of my report. I am independent of the District Local Government in accordance with the Constitution of the Republic of Uganda (1995) as amended, the National Audit Act, 2008, the International Organisation of Supreme Audit Institutions (INTOSAI) Code of Ethics, the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and other independence requirements applicable to performing audits of Financial Statements in Uganda.

I have fulfilled my ethical responsibilities in accordance with the other requirements and the IESBA Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

**Key Audit Matters**

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

I have determined the matters described below as the key audit matters to be communicated in my report.

**1.0 Payroll Management in the Local Government**

Over the years, Government has implemented several reforms in payroll management including the decentralisation of salary, pension and gratuity payments. Despite these reforms, challenges have persisted in the payroll management in the Local Governments.

During my audit of the previous financial year (2020/21), I undertook a comprehensive audit of payroll management in the Districts, Cities, and Municipal Councils, which

revealed major challenges. The audit findings and my recommendations thereof are still being considered by various stakeholders.

In view of the previous year's audit observations and the significance of the payroll to the overall district budget (refer to table below), I again considered management of payroll in districts with emphasis on payments and deductions as a Key Audit Matter to be communicated in my report.

During the year under review (FY 2021/22), Gulu District spent, UGX.16,788,060,472 on salaries, Pension, Gratuity and arrears, representing 71% of the total expenditure of UGX.23,679,289,662 as detailed below;

| Account code | Particulars                       | Amount (UGX)          |
|--------------|-----------------------------------|-----------------------|
| 211101       | General Staff Salaries            | 12,198,466,935        |
| 212102       | Pension for General Civil Service | 2,682,198,164         |
| 213004       | Gratuity Expenses                 | 1,183,204,586         |
| 321617       | Salary arrears                    | 14,710,558            |
| 321608       | Pension and gratuity arrears      | 709,480,229           |
|              | <b>Total</b>                      | <b>16,788,060,472</b> |

I designed audit procedures to ascertain whether;

- Funds for salaries, pension and gratuity were released and utilized as budgeted.
- Only eligible employees, pensioners and beneficiaries accessed the payrolls and were paid accordingly.
- Correct deductions were made from salaries and remitted to the rightful beneficiary institutions.
- The District complied with the established payroll management controls
- All salary, gratuity and pension transactions were correctly disclosed in the financial statements.

Based on the audit procedures performed, I made the following significant audit findings;

| No                           | Observations   | Recommendation        |                             |                       |                             |        |                |                |     |         |               |               |     |          |               |               |     |                |            |            |     |                              |             |             |     |              |                       |                       |            |   |
|------------------------------|--|-----------------------|-----------------------------|-----------------------|-----------------------------|--------|----------------|----------------|-----|---------|---------------|---------------|-----|----------|---------------|---------------|-----|----------------|------------|------------|-----|------------------------------|-------------|-------------|-----|--------------|-----------------------|-----------------------|------------|---|
| 1.1                          | <p><b>Funding and absorption of wage, pension and gratuity</b></p> <p>I reviewed the approved wage, pension and gratuity estimates for the financial year 2021/2022 and noted that the District budgeted to receive UGX.22,043,000,902 during the year under review and received UGX.22,043,000,902 representing 100% performance.</p> <p><b>Table showing breakdown of District Budget and releases for the year</b></p> <table border="1"> <thead> <tr> <th>Category</th> <th>Revised budget (UGX)</th> <th>Amount released (UGX)</th> <th>%age funding received (UGX)</th> </tr> </thead> <tbody> <tr> <td>Salary</td> <td>16,200,065,155</td> <td>16,200,065,155</td> <td>100</td> </tr> <tr> <td>Pension</td> <td>3,467,384,396</td> <td>3,467,384,396</td> <td>100</td> </tr> <tr> <td>Gratuity</td> <td>1,636,177,116</td> <td>1,636,177,116</td> <td>100</td> </tr> <tr> <td>Salary arrears</td> <td>14,710,558</td> <td>14,710,558</td> <td>100</td> </tr> <tr> <td>Pension and gratuity arrears</td> <td>724,663,677</td> <td>724,663,677</td> <td>100</td> </tr> <tr> <td><b>Total</b></td> <td><b>22,043,000,902</b></td> <td><b>22,043,000,902</b></td> <td><b>100</b></td> </tr> </tbody> </table> | Category              | Revised budget (UGX)        | Amount released (UGX) | %age funding received (UGX) | Salary | 16,200,065,155 | 16,200,065,155 | 100 | Pension | 3,467,384,396 | 3,467,384,396 | 100 | Gratuity | 1,636,177,116 | 1,636,177,116 | 100 | Salary arrears | 14,710,558 | 14,710,558 | 100 | Pension and gratuity arrears | 724,663,677 | 724,663,677 | 100 | <b>Total</b> | <b>22,043,000,902</b> | <b>22,043,000,902</b> | <b>100</b> | <p>I advised the Accounting Officer to liaise with MoFPED and ensure that the funds for recruitment of staff are released in the first and second quarter.</p> <p>I also advised the Accounting Officer to ensure that the DSC are encouraged to sit and approve recruitment on time to avoid such reoccurrences.</p> |
| Category                     | Revised budget (UGX)   | Amount released (UGX) | %age funding received (UGX) |                       |                             |        |                |                |     |         |               |               |     |          |               |               |     |                |            |            |     |                              |             |             |     |              |                       |                       |            |   |
| Salary                       | 16,200,065,155   | 16,200,065,155        | 100                         |                       |                             |        |                |                |     |         |               |               |     |          |               |               |     |                |            |            |     |                              |             |             |     |              |                       |                       |            |   |
| Pension                      | 3,467,384,396  | 3,467,384,396         | 100                         |                       |                             |        |                |                |     |         |               |               |     |          |               |               |     |                |            |            |     |                              |             |             |     |              |                       |                       |            |   |
| Gratuity                     | 1,636,177,116  | 1,636,177,116         | 100                         |                       |                             |        |                |                |     |         |               |               |     |          |               |               |     |                |            |            |     |                              |             |             |     |              |                       |                       |            |   |
| Salary arrears               | 14,710,558   | 14,710,558            | 100                         |                       |                             |        |                |                |     |         |               |               |     |          |               |               |     |                |            |            |     |                              |             |             |     |              |                       |                       |            |   |
| Pension and gratuity arrears | 724,663,677  | 724,663,677           | 100                         |                       |                             |        |                |                |     |         |               |               |     |          |               |               |     |                |            |            |     |                              |             |             |     |              |                       |                       |            |   |
| <b>Total</b>                 | <b>22,043,000,902</b>  | <b>22,043,000,902</b> | <b>100</b>                  |                       |                             |        |                |                |     |         |               |               |     |          |               |               |     |                |            |            |     |                              |             |             |     |              |                       |                       |            |   |

Out of the total receipts for the financial year of UGX.22,043,000,902, UGX.16,788,060,472 was spent by the entity resulting in an unspent balance of UGX.5,254,940,430, representing an under absorption level of 24% as shown in the **table below**;

| Category                     | Releases/<br>Warrant (B) | Expenditure (C)       | Unspent<br>(B-C)     | %<br>absorption |
|------------------------------|--------------------------|-----------------------|----------------------|-----------------|
|                              | (UGX)                    | (UGX)                 | (UGX)                |                 |
| Salary                       | 16,200,065,155           | 12,198,466,935        | 4,001,598,220        | 75%             |
| Pension                      | 3,467,384,396            | 2,682,198,164         | 785,186,232          | 77%             |
| Gratuity                     | 1,636,177,116            | 1,183,204,586         | 452,972,530          | 72%             |
| Salary arrears               | 14,710,558               | 14,710,558            | 0                    | 100%            |
| Pension and gratuity arrears | 724,663,677              | 709,480,229           | 15,183,448           | 98%             |
| <b>Total</b>                 | <b>22,043,000,902</b>    | <b>16,788,060,472</b> | <b>5,254,940,430</b> | <b>76%</b>      |

The unspent balance of salaries at the end of the financial year was subsequently swept back to the consolidated fund account, consequently affecting the recruitment of staff.

The Accounting Officer explained that the under absorption was due to the district's failure to complete the planned recruitment within the financial year due to inadequate resources to fund sittings of the District Service Commission members, delayed clearance to fill some key positions by MoPS, failure to attract staff in key positions, bounced payments due to wrong account details, invalid supplier numbers among other issues.

## 1.2 **Payments of Salary, pension and gratuity**

### a) **Over payment of salary, pension and gratuity**

Section B-a (7) of the Uganda Public Standing Orders, 2021 requires salaries to be fixed at annual rates and paid in twelve (12) equal instalments. It also requires salaries to be paid correctly, promptly and as a lump sum in accordance with the approved salary structure for the Public Service.

Whereas, article 254 (1) & (3) of the constitution of the Republic of Uganda 1995 as amended provides that a public officer shall, on retirement, receive such pension as is commensurate with his or her rank, salary and length of service. The payment of pension shall be prompt and regular and easily accessible to pensioners.

My review of the payroll registers (IPPS) and IFMS payments revealed an over payment of UGX.5,146,400 in respect of pension as shown in the **table below**;

| Category     | Number of staff/pensioners | Over payment     |
|--------------|----------------------------|------------------|
| Pension      | 1                          | 5,146,400        |
| <b>Total</b> | <b>1</b>                   | <b>5,146,400</b> |

Over payment of pension created financial loss to government.

The Accounting Officer acknowledged the anomaly and promised to effect recovery of the overpaid amount.

I advised the Accounting Officer to effect recovery of excess funds paid.

### b) **Under payment of salary, pension and gratuity**

Article 254 (1) & (3) of the constitution of the Republic of Uganda

I informed the

|              | <p>1995 as amended provides that a public officer shall, on retirement, receive such pension as is commensurate with his or her rank, salary and length of service. The payment of pension shall be prompt and regular and easily accessible to pensioners.</p> <p>My review of the payroll registers (IPPS) and IFMS payments revealed an non/under payment of UGX.90,255,113 in respect of pension and gratuity as shown in the <b>table below</b>;</p> <table border="1" data-bbox="284 481 1093 683"> <thead> <tr> <th>Category</th> <th>Number of staff/pensioners</th> <th>Under payment</th> </tr> </thead> <tbody> <tr> <td>Salaries</td> <td>05</td> <td>4,002,323</td> </tr> <tr> <td>Pension</td> <td>49</td> <td>65,798,802</td> </tr> <tr> <td>Gratuity</td> <td>01</td> <td>20,453,988</td> </tr> <tr> <td><b>Total</b></td> <td><b>55</b></td> <td><b>90,255,113</b></td> </tr> </tbody> </table> <p>I noted that the underfunding was mainly caused by Medium Term Expenditure Framework (MTEF) ceilings communicated by MoFPED.</p> <p>Under payments affected livelihood of pensioners/beneficiaries.</p> <p>The Accounting Officer acknowledged the shortcoming and explained that;</p> <ul style="list-style-type: none"> <li>• The affected staffs have been informed to fill and submit claim forms on time to enable processing of their payments.</li> <li>• The non-payments of pension were due to lack of supplier numbers, system errors and bounced payments as a result of inconsistent names. However, all pensioners have been formally requested to fill residual pension arrears forms to be submitted to MoFPED and MoPS.</li> <li>• Non-payment of gratuity was caused by the delay in processing the supplier number for the estate. The beneficiary has been advised to fill the residual arrears form for submission to MoFPED.</li> </ul> | Category  | Number of staff/pensioners | Under payment | Salaries | 05 | 4,002,323 | Pension | 49 | 65,798,802 | Gratuity | 01 | 20,453,988 | <b>Total</b> | <b>55</b> | <b>90,255,113</b> | <p>Accounting Officer that this matter would be brought to the attention of the relevant authority.</p> <p>Government (MoFPED) should consider paying pension and gratuity obligations as a statutory charge without subjecting it to budget ceilings.</p> |
|--------------|---|---|----------------------------|---------------|----------|----|-----------|---------|----|------------|----------|----|------------|--------------|-----------|-------------------|--|
| Category     | Number of staff/pensioners  | Under payment   |                            |               |          |    |           |         |    |            |          |    |            |              |           |                   |  |
| Salaries     | 05  | 4,002,323   |                            |               |          |    |           |         |    |            |          |    |            |              |           |                   |  |
| Pension      | 49  | 65,798,802  |                            |               |          |    |           |         |    |            |          |    |            |              |           |                   |  |
| Gratuity     | 01  | 20,453,988  |                            |               |          |    |           |         |    |            |          |    |            |              |           |                   |  |
| <b>Total</b> | <b>55</b>   | <b>90,255,113</b>   |                            |               |          |    |           |         |    |            |          |    |            |              |           |                   |  |
| <p>c)</p>    | <p><b><u>Payment of salary using wrong salary scales and salary bands/levels/notches</u></b></p> <p>Section B – a (6) &amp; (7) of the Uganda public service standing orders, 2021 provides that the Salary Structure shall indicate salaries attached to each salary scale in the public service, hence, salaries should be paid correctly, promptly and as a lump sum in accordance with the approved salary structure for the Public Service.</p> <p>Section (B - c) 1 of Public Service Standing Orders, 2021 provides that a public officer who holds a post graded in a salary scale with incremental levels, shall receive annual increments up to the maximum of the salary scale, provided his or her work during the year has been satisfactory.</p> <p>My comparison of the base pay as per IPPS payroll registers with the base pay as per salary structure for 2021/22 revealed that all staff were paid on the right scales.</p> <p>Also 391 of them were paid on wrong bands/levels/notches. This led to over payments of UGX.15,872,018 and under payments of UGX.2,598,635.</p>  | <p>I informed the Accounting Officer that this matter would be brought to the attention of the relevant authority.</p> <p>I advised the government through MoPS to ensure that the Human Capital Management System (HCMS) that is to be rolled out to all MDALGs automates the notch salary increments.</p> |                            |               |          |    |           |         |    |            |          |    |            |              |           |                   |  |

|                  |   |   |
|------------------|---|---|
|                  | <p>Under payment due to lower notches denies the affected staff their emoluments and affects their terminal benefits. Over payments caused financial loss to government.</p> <p>The Accounting Officer explained that;</p> <ul style="list-style-type: none"> <li>• Salary annual increments have remained a challenge to the district since it has to date not been automated on IPPS by Ministry of Public Service.</li> <li>• For the overpaid officers, a recovery schedule has been developed and will be captured on IPPS effective October, 2022 and for the staff underpaid, their salary will be adjusted to the correct salary steps or notches.</li> </ul>   |   |
| <p><b>d)</b></p> | <p><b><u>Salary payment to non-existent employees and pensioners</u></b></p> <p>Section (L - b) (2) of Uganda public service standing orders 2021 on retirement benefits provides that a public officer will not normally become pensionable unless he or she is appointed and confirmed in an established office. A pensionable public officer has a legal right to a pension and the Constitution protects this position.</p> <p>I noted that UGX.1,909,067 was paid to 01 pensioner who neither appeared on the IPPS payroll register nor had the necessary documentation in his pension file to support his existence</p> <p>Payment to non-existent pensioners leads to over statement of expenditure and understatement of receivables in the Financial Statements.</p> <p>The Accounting Officer explained that this issue was brought to the attention of Management by the Internal Auditor and recovery had been effected.</p>  | <p>I advised the Accounting Officer to finalize with the investigation and delete the officer/ghost from the payroll.</p> |
| <p><b>e)</b></p> | <p><b><u>Inaccurate computation of pension and gratuity</u></b></p> <p>Paragraph (L-d) (1) &amp; (2) of the Uganda Public Service Standing Orders, 2021 on the computation of pension and commuted pension gratuity provides that pension is computed on the basis of (1/500) th of the annual salary at the time of retirement, multiplied by the total number of completed months of service using the formula <math>P = LS \times Sal / (500)</math> where P is Pension, LS is the length of Service in months, and Sal is the annual salary on retirement.</p> <p>Additionally, Paragraph (L-d) (3) provides that a public officer has an option to receive all his or her pension as an annuity or to commute a third (1/3) of his or her pension for a 15-year period and receive it as a lump sum at retirement.</p> <p>I recomputed the pension and gratuity benefits and noted the following;</p> <p><b>i) <u>Gratuity payments</u></b></p> <p>Through a re-computation of gratuity benefits, I noted that Gulu District had wrongly computed the gratuity benefits of 3 pensioners who were paid gratuity during the year resulting into an overstatement of UGX.1,411,474 and understatement of UGX.2,325,648.</p> | <p>I advised the Accounting Officer to ensure that PHRO/PIA carries out internal reviews and checks to confirm</p>        |



|                  |  |   |
|------------------|--|---|
|                  | <p>In addition, I compared the re-computed gratuity and actual gratuity paid and noted an over payment of UGX.1,411,474 to 01 pensioner/beneficiary and an underpayment of UGX.2,325,648 to 02 pensioners/beneficiaries.</p> <p>Accounting Officer acknowledged the issues and pledged to recover the overpayment and make good the underpayment.</p>  | <p>accuracy of computation prior to making payments.</p>  |
|                  | <p><b>ii) Pension benefits</b><br/>Through a re-computation of pension benefits, I noted no significant variance resulting into an overstatement and understatement.</p> <p>In addition, I compared the re-computed pension given the number of months the person was paid in the year and actual pension paid and noted an over payment of UGX.8,172,877 to 2 pensioners/beneficiaries.</p> <p>The Accounting Officer attributed this to erroneous understatement of length of service, recovery has been instituted.</p>   | <p>I advised the Accounting Officer to ensure that PHRO/PIA carries out internal reviews and checks to confirm accuracy of computation prior to making payments.</p>  |
| <p><b>f)</b></p> | <p><b><u>Delayed removal of staff from payroll</u></b><br/>Section B-a (12) of the Uganda Public Standing Orders, 2021 provides that payment of a salary to a public officer shall be stopped immediately the officer ceases to render services to Government under whatever circumstances including death.</p> <p>I noted that UGX.8,073,588 was paid to 5 staff who had either retired, transferred, absconded or died with average delays of 5 months.</p> <p>Delayed removal of staff from payroll resulted into financial loss to government.</p> <p>Accounting Officer acknowledged the issue and explained that the recovery will be made from the retirement benefits.</p> <p>Going forward, the introduction of HCMS, will most likely resolve this issue. I informed the Accounting Officer that the matter would be brought to the attention of MoPS.</p> | <p>I advised the Accounting Officer in case of transfer of staff from one district to another, the transferee district should be notified immediately.</p> <p>As for the retirees, abscondee, and in cases of death, the funds should be recovered.</p> |
| <p><b>g)</b></p> | <p><b><u>Misclassification of salary, pension and gratuity expenditure</u></b><br/>Section 7.10.3 of the treasury instructions 2017 stipulates that the chart of accounts provides a basis for a uniform budget classification and execution, therefore, it is mandatory for all votes to use the coding structure to budget and execute the budget. By implication the entities have to charge expenditure to the appropriate code during budgeting and execution.</p> <p>I noted that funds amounting to UGX.41,648,614 relating to salary and gratuity were charged on account codes other than those prescribed for salary and gratuity.</p> <p>As a result, the financial statements do not show the true nature of transactions of the district.</p>   | <p>I informed the Accounting Officer that this matter would be brought to the attention of the relevant authority.</p> <p>I advised the Accounting Officer to ensure payment of salary,</p>   |

|                   |  |  |
|-------------------|--|--|
|                   | <p>Accounting Officer explained that for a number of years, the Ministry of Public Service have continued to send gratuity for political leaders and chairperson DSC combined with their salaries on one payroll (salary) and one interface file and being charged from salary account despite the two being budgeted for separately having two different accounts codes. This at the end is being considered as misclassification by Local Governments when actually the challenges are being created by the MoPS. We request that this matter be addressed to MoPS</p>   | <p>pension and gratuity is done on the right account codes.</p>  |
| <p><b>1.3</b></p> | <p><b>Payroll Deductions</b></p>   |  |
|                   | <p><b><u>Management of non-statutory deductions</u></b><br/> Government of the Republic of Uganda represented by the Ministry of Public Service entered into a service agreement with UCLA/UBA on 3<sup>rd</sup> January 2020 to manage the loan deductions of civil servants.</p> <p>Uganda Consumer Lenders' Association/ Uganda Bankers Association (UCLA/UBA) contracted Payroll Consults Africa (PCA) to manage employee deductions on their behalf using the Payroll Deduction Management System (PDMS).</p> <p>I reviewed employee payroll deductions (non-statutory) and the PDMS records (active deductions report and my approvals) and observed the following;</p> <p><b>a) <u>Letters of undertaking or Consent</u></b><br/> Section 4.2 (b) of the guidelines of managing salary deductions on the Government payroll, 2014 states that as part of the due diligence process, the credit lending institutions and banks will seek for a letter of undertaking from the Accounting Officer/employer or a designated officer confirming that the officer is a bona fide Government employee indicating his or her positions in the MDA/LG, payment details, terms of appointment and other details that may be prescribed by the lending institution.</p> <p>I observed that all loan/savings deductions to employees were supported with letters of undertaking or consent letters as a prerequisite of approval of the deductions.</p> <p><b>b) <u>Deduction past the deduction end date</u></b><br/> I observed that UGX.10,251,751 relating to 06 employees was deducted past the end date. Deductions past the end date reduces the net pay of the affected employees.</p> <p>This resulted into financial loss of the affected employees. Deductions past the end date result into financial loss to the affected staff.</p> <p><b>c) <u>Unrealistic loan end dates</u></b><br/> I noted that unrealistic loan end dates for 45 employees ranging from 9 to 232 years. In the year under review, UGX.74,553,000 had been deducted from these employees.</p> <p>The above end dates are unrealistic and cast doubt on the integrity of the PDMS system. This has led to continuous</p> | <p>I informed the Accounting Officer that these matters would be brought to the attention of the relevant authorities.</p> <p>Government through</p> |

|            |   |   |
|------------|---|---|
|            | <p>deductions from staff resulting into financial loss.</p> <p><b>d) <u>Unapproved loan deductions by Accounting Officer in the PDMS</u></b><br/> Section 2.1.2 &amp; 2.1.4 of the service agreement requires that written approval should be obtained from the Responsible Officer(s) for each Government employee before uploading a deduction on their payroll record or making an employee reservation (an invitation to treat) on the PDMS. In addition, only deductions consented to by employees, in writing, should be submitted to the Ministry of Public Service for timely monthly payroll processing or as advised by Ministry of Public Service.</p> <p>All payroll deductions under code 482 are required to be approved by the Accounting Officer in the PDMS under "my approvals" report.</p> <p>I observed that UCLA/UBA deducted UGX.1,468,850 from 8 staff without approval of the Accounting Officer from the PDMS. This creates an opportunity for misappropriation of funds through making fictitious deductions as well as over deductions.</p> <p>In addition, an over deduction of UGX.3,483,930 and under deduction of UGX.9,736,407 was made by UCLA/UBA from 113 staff against the approved amounts by the Accounting Officer. This resulted into financial loss to the affected staff.</p> <p><b>e) <u>Reliability of the Payroll Deduction Management System</u></b><br/> "Active" deductions report and "my approvals" report in the PDMS should have consistent deduction amounts to give confidence in the accuracy and integrity of the system.</p> <p>A comparison of the "active deductions" and "my approvals" reports in the PDMS revealed that there were variances in deduction amounts.</p> <p>I also noted that there were variances in monthly deduction amounts in active deductions report in the PDMS and IPPS payroll.</p> <p>Lack of integrity of the system creates an opportunity for manipulation of the deduction which could result into financial loss to the affected employees.</p> <p>The Accounting Officer explained that the entity had no control over the challenges in the management of non-statutory deductions in the PDMS system by UCLA/UBA. The role of the District is to receive the finalised payroll and interface files, process and make payments to Uganda Consumer Lenders Association (UCLA)/ Uganda Bankers Association (UBA).</p> | <p>MoPS should consider revisiting the MoU with UCLA/UBA with a view of streamlining the management of deductions.</p> <p>In the meantime, the role of coding and decoding of deductions should revert to the respective Accounting Officers.</p> |
| <b>1.4</b> | <b><u>Management of Statutory Deductions</u></b>  |   |
| <b>a)</b>  | <p><b><u>Computation and deduction of Local Service Tax (LST)</u></b><br/> The Local Governments (Amendment) (No. 2) Act of 2008 provides that local service tax shall be levied on all persons in gainful employment.</p> <p>The Act also prescribes the rates of LST in respect of persons in</p>   | <p>I informed the Accounting Officer that these matters would be brought to the attention of the relevant</p>   |

|                  | <p>gainful employment and earning a monthly take-home salary. An analysis of the IPPS register and re-computation of LST revealed the following;</p> <ul style="list-style-type: none"> <li>• LST was deducted from all employees on the payroll.</li> <li>• The District had wrongly deducted the LST of 592 employees resulting into an over deduction of UGX.85,000 and under deduction of UGX.2,615,000. A soft copy of 592 transactions was submitted to the Accounting Officer.</li> </ul> <p>The Accounting Officer explained that, the computation of Local Service Tax (LST) is the responsibility of Ministry of Public Service. The district receives the computed and finalized deductions on the payroll and the interface file for payment.</p>  | <p>authorities. Government through MoPS to ensure that the system deducts the right amounts from the staff.</p>                        |                       |                   |                       |                   |   |        |            |            |           |  |  |  |  |  |   |
|------------------|--|--|-----------------------|-------------------|-----------------------|-------------------|---|--------|------------|------------|-----------|--|--|--|--|--|---|
| <p><b>b)</b></p> | <p><b><u>Computation and deduction of Pay As You Earn (PAYE)</u></b></p> <p>Section 116 (1) of the Income Tax Act Cap 340 as amended provides that every employer shall withhold tax from a payment of employment income to an employee as prescribed by Regulations made under Section 164. The third schedule of the Income Tax Act Cap 340 as amended prescribes a threshold of UGX.235,000 per month above which an individual should be subjected to PAYE.</p> <p>The third schedule also prescribes the income tax rates applicable to individuals in gainful employment.</p> <p>An analysis of the IPPS register and re-computation of PAYE revealed that PAYE of UGX.2,796,827 was not deducted from 1 employee on the payroll as shown below.</p> <table border="1" data-bbox="288 1160 1091 1301"> <thead> <tr> <th>SN</th> <th>Employee No.</th> <th>Name</th> <th>Annual Taxable Income</th> <th>PAYE not deducted</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>746659</td> <td>Individual</td> <td>13,242,756</td> <td>2,796,827</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table> <p>Failure to deduct PAYE leads financial loss to government.</p> <p>The Accounting Officer explained that, the computation of Pay As You Earn (PAYE) is the responsibility of Ministry of Public Service. The district receives the computed and finalized deductions on the payroll and the interface file for payment.</p> | SN   | Employee No.          | Name              | Annual Taxable Income | PAYE not deducted | 1 | 746659 | Individual | 13,242,756 | 2,796,827 |  |  |  |  |  | <p>I informed the Accounting Officer that these matters would be brought to the attention of the relevant authorities.</p> <p>Government through MoPS to ensure that the system deducts the right amounts from the staff.</p> |
| SN               | Employee No.   | Name   | Annual Taxable Income | PAYE not deducted |                       |                   |   |        |            |            |           |  |  |  |  |  |   |
| 1                | 746659   | Individual   | 13,242,756            | 2,796,827         |                       |                   |   |        |            |            |           |  |  |  |  |  |   |
|                  |  |  |                       |                   |                       |                   |   |        |            |            |           |  |  |  |  |  |   |
| <p><b>c)</b></p> | <p><b><u>Remittance of deductions (LST, PAYE, UNATU, UCLA)</u></b></p> <p>Section B-a (17) of the Uganda Public Standing Orders, 2021 requires the Accounting Officer to deduct any monies due to Government from an Officer's salary by way of statutory taxes like and any other authorized deductions. Furthermore, section B-a (18) requires that a public officer's individual contractual obligations such as hire purchase, loan, and contributions to saving schemes, trade unions and staff associations may be deducted from his or her salary in accordance with the regulations.</p> <p>In addition, section 10.2 of the guidelines and procedures for decentralized salary processing 2014 required MALGS to pay deductions to the respective beneficiaries and that no arrears in respect to payroll deductions would be accepted.</p>   | <p>I advised the Accounting Officer to update the payroll so as to remove the staffs who have been relocated to Gulu City Council.</p> |                       |                   |                       |                   |   |        |            |            |           |  |  |  |  |  |   |

I compared the deductions in the IPPS payroll registers with the remittances/payments in the IFMS details XML payment file and noted an under remittance of UGX.29,022,567 as shown in the table below.

| S N.         | Beneficiary                         | Deducti on code | IPPS payroll Deduction amount (UGX) | Amount remitted as per IFMS (UGX) | Variance              |                        |
|--------------|-------------------------------------|-----------------|-------------------------------------|-----------------------------------|-----------------------|------------------------|
|              |                                     |                 |                                     |                                   | Over remittance (UGX) | Under remittance (UGX) |
| 1.           | URA                                 | 249             | 2,373,617,239                       | 2,372,793,738                     | 0                     | 823,501                |
| 2.           | UNATU                               | 257             | 30,277,547                          | 29,140,894                        | 0                     | 1,136,653              |
| 3.           | UBA                                 | 482             | 966,175,382                         | 950,616,670                       | 0                     | 15,558,712             |
| 4.           | LST                                 | 250             | 62,190,000                          | 59,657,500                        | 0                     | 2,532,500              |
| 5.           | Gulu District General Fund (SALREC) | SALREC          | 8,971,201                           | 0                                 | 0                     | 8,971,201              |
| <b>Total</b> |                                     |                 | <b>3,441,231,369</b>                | <b>3,412,208,802</b>              | <b>0</b>              | <b>29,022,567</b>      |

Under remittance creates obligations to the entity that could result into fines and penalties. Under remittance also creates avenues for siphoning funds through creation of fictitious suppliers/ beneficiaries in the system.

The Accounting Officer explained that;

- One staff called Opiru Santo; a Veterinary Officer Omoro DLG who keeps appearing on Gulu DLG Payroll. However, before payments of salary and deductions are effected, the name is usually removed therefore causing under remittance of deductions.
- When Gulu City was created, a number of facilities that included Schools, Health Centres, Parishes and Tertiary institutions were curved from Gulu DLG to Gulu City. However, the process of automatic migration of their names from Gulu DLG payroll to Gulu City payroll delayed and some of the staffs kept appearing on the Gulu DLG payroll and before payments of salary and deductions are effected, the names are usually removed therefore causing under remittance of deductions.

### 1.5 Payroll Management System Issues

#### **Inconsistencies between interface files and payroll registers**

Section 13.1 and 13.2 of the guidelines and procedures for decentralised salary payment processing, 2014 requires that the IPPS information tallies with the interface file of the vote. By, the final payroll should be mapped onto the interface to show the same data.

I compared the payroll registers (IPPS file) with the IFMS interface files and observed that there were variances UGX.46,184,245.

This creates an opportunity for manipulation and misappropriation of salary funds and could also lead to over/under payments of salary.

The Accounting Officer attributed this to Madi-Okollo DLG staff

I informed the Accounting Officer that the matter will be brought to the attention of the relevant Authority.

Government through MoPS should fast track the rollout and implementation of the Human Capital Management system to avoid such errors.

|              | <p>appearing on Gulu payroll and staff disappearances from the payroll for August and November 2021 but on interface files their names were sent. However, the Ministry of Public Service can best explain the variation or the inconsistencies.</p>   |                   |                            |                  |          |   |           |         |   |           |              |          |                   |  |
|--------------|--|-------------------|----------------------------|------------------|----------|---|-----------|---------|---|-----------|--------------|----------|-------------------|--|
|              | <p><b>Payments of salaries, pension &amp; gratuity off the IPPS</b><br/> Paragraph 4.5 of establishment notice no. 2 of 2019 requires the responsible officer to pay for only salaries, pension and gratuity processed through IPPS.</p> <p>A comparison of the IPPS payroll register and IFMS payment file revealed that UGX.13,908,359 was paid off the IPPS to 02 employees and 02 pensioners/beneficiaries as shown below and detailed in <b>the table below</b>;</p> <table border="1" data-bbox="284 674 1090 835"> <thead> <tr> <th>Category</th> <th>Number of staff/pensioners</th> <th>Payment Off IPPS</th> </tr> </thead> <tbody> <tr> <td>Salaries</td> <td>2</td> <td>9,672,498</td> </tr> <tr> <td>Pension</td> <td>2</td> <td>4,235,861</td> </tr> <tr> <td><b>Total</b></td> <td><b>4</b></td> <td><b>13,908,359</b></td> </tr> </tbody> </table> <p>The above was caused by payment of eligible employees and pensioners off the IPPS due to errors in the payroll registers generated by MoPS. In addition, despite the submission of pay change reports to MoPs to correct the payroll errors, this at times is not done on time thus paying off IPPS.</p> <p>This creates an opportunity for misappropriation of funds through payment of ineligible staff and creation of non-existent staff/pensioners.</p> <p>The Accounting Officer explained that;</p> <ul style="list-style-type: none"> <li>• These staffs have been on the interface file but not on the payroll. Management established that the names related to Madi-Okollo DLG were coded by MoPS by error. The assignment coded 508 was linked to a health facility in another district. The same way some of their staff also appeared on Gulu DLG interface file but not the payroll. Management wrote to Ministry of Public Service about this anomaly and this was corrected in the month of the August, 2022.</li> <li>• One pensioner was paid off IPPS because of validation challenges/errors. He could not be validated because his picture and Date of Birth failed to generate during validation. However, this payment was his pension arrears for the months he missed as a result of this anomaly. Management wrote to Ministry of Public Service about this anomaly.</li> </ul> | Category          | Number of staff/pensioners | Payment Off IPPS | Salaries | 2 | 9,672,498 | Pension | 2 | 4,235,861 | <b>Total</b> | <b>4</b> | <b>13,908,359</b> | <p>I informed the Accounting Officer that the matter will be brought to the attention of MoPS.</p> <p>Government through MoPS should fast track the rollout and implementation of the Human Capital Management system.</p> |
| Category     | Number of staff/pensioners   | Payment Off IPPS  |                            |                  |          |   |           |         |   |           |              |          |                   |  |
| Salaries     | 2  | 9,672,498         |                            |                  |          |   |           |         |   |           |              |          |                   |  |
| Pension      | 2  | 4,235,861         |                            |                  |          |   |           |         |   |           |              |          |                   |  |
| <b>Total</b> | <b>4</b>   | <b>13,908,359</b> |                            |                  |          |   |           |         |   |           |              |          |                   |  |

## 2.0 **Management of Public Land**

The reviews on the country's performance under the NDP I and II pointed out inadequacies in land management as impediment to effective and efficient service delivery in the country. In NDP III, and in line with Vision 2040, Government has prioritised land management reforms to prevent degradation, adverse effects of climate change and unsustainable land use practices. It has also embarked on

interventions such as computerizing of land registration system to ensure efficient and effective land management.

As a result, I considered Management of Public Land a Key Audit Matter because of its importance to the county's development agenda.

Consequently, I designed audit procedures to ascertain whether the DLG undertakes planning for public land acquisition, whether such acquisitions comply with land acquisition and budgeting guidelines and whether the acquired land is registered and titled.

In addition, I ascertained extent of recording in the assets/inventory registers and/or system modules, usage and whether land is generally free from encumbrances. At the time of disposal/leasing of government land, whether the applicable guidelines are followed and proceeds thereof properly accounted for. Finally, I assessed the likelihood of fraud in the management of public land.

Based on the audit procedures performed, I made the following significant audit findings;

| No  | Observations  | Recommendations  |
|-----|---|--|
| 2.1 | <p><b><u>Planning, Budgeting &amp; Funding for Land Acquisition</u></b><br/>Regulation 25 (1) of The National Planning Authority (Development Plans) Regulations, 2018 requires a decentralised planning institution (Ministry, Department or Agency of Government, a sector or Local government) to prepare a decentralized development plan highlighting the development needs of the institution.</p> <p>Furthermore, Instruction 3.9.5 of the Treasury Instructions, 2017 requires the budget estimates to be based on the pre-determined objectives and outputs as provided in the strategic plans of the sector/entity.</p> <p>A review of the two strategic plans (2015/2016-2019/2020 &amp; 2020/2021-2024/2025) of Gulu District and budgets for the period 2018/19-2021/22 revealed that the district did not plan to acquire Land for that period and therefore there was no budget for land acquisition.</p> <p>A review of the procurement plan, reports, payment file and Land inventory revealed that no land was procured during the period under review.</p> |  |
| 2.2 | <p><b><u>Registration and Titling of Land</u></b><br/><b><u>Titling and Transfer</u></b><br/>Section 49 (c) of the Land Act, Cap 227, states that the Uganda Land Commission shall procure certificates of title for any land vested in or acquired by the Government.</p> <p>I noted the entity had 92 pieces of land out of which 36 pieces measured approximately 112.214 hectares while 56 pieces had no approximated measure attached at the reporting date.</p>   | I advised the Accounting Officer to expedite the title acquisition process in order to safe guard the entity's land. |

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|                   | <p>I also observed that the entity did not have Land titles for 76 pieces of land. Out of these, 20 pieces measured 64.5 hectares and 56 pieces had no approximated measure in hectares. The entity has taken an average of 120 months from the time of acquisition without obtaining titles.</p> <p>Lack of Land titles may result into encroachment, disputes and loss of public land.</p> <p>The Accounting Officer attributed the anomaly to funding gaps and the non-existence of the District Land Board at the time. He further indicated that the District Land Board had been fully constituted and sworn in and the process of titling had started with the applications to the board.</p>   |  |
| <p><b>2.3</b></p> | <p><b><u>Recording &amp; Reporting of Government Land</u></b></p> <p><b>a) <u>Maintenance of land Register</u></b></p> <p>Instruction 16.6.1 of the Treasury Instruction, 2017 requires the Accounting officer to maintain an electronic or manual register, in a form (TF 26) for all assets that contain the minimum of the following; Date of purchase of the asset, The supplier, The type and description of each asset,(for land - land registration number, The acquisition cost of the asset, The physical location of the asset, User of the asset/, Condition of the asset, Date of disposal (as applicable); and (l) Disposal proceeds (as applicable).</p> <p>A review of the district land register revealed the following;</p> <ul style="list-style-type: none"> <li>• 3 out of 92 pieces of the entity’s land measuring approximately 4.495 hectares had no estimated cost attached whereas 56 pieces had no approximated measures of size attached.</li> <li>• 89 pieces of the total land costed at UGX.31,535,000,000 were not recorded in the entity’s land register and the completeness of its land inventory could not be confirmed.</li> </ul> <p>The non-recording of land in the land register affects the entity’s ability to keep track and monitor all its land.</p> <p>The Accounting Officer explained that the District was going to update its Land registry.</p> | <p>I advised the Accounting Officer to expedite the process of updating the register to address the identified gaps to ensure all Land is duly recorded in the entity Land register.</p> |
|                   | <p><b><u>b) Recording in IFMS and presentation in the financial statements</u></b></p> <p>Instruction 10.12.4 of the Treasury Instruction, 2017 requires all fixed asset acquired to be captured in the fixed asset module of the Government Financial Management Information System (GFMIS)-IFMS.</p> <p>I noted that 36 pieces of land measuring approximately 112.214 hectares and 56 pieces of land</p>  | <p>I advised the Accounting Officer to expedite the process of ensuring that all entity land is updated in the GFMIS asset module.</p>   |



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|                   | <p>with no approximated measure of size were not recorded in the GFMIS fixed asset module thus affecting the accuracy of the non-produced assets in the financial statements.</p> <p>Failure to record all land in the land register leads to misstatement of the non-produced assets in the statement of financial position and in the summary statement of stores and other assets (physical assets).</p> <p>The Accounting Officer promised to complete the process of updating the Land register in the GFMIS asset module.</p>  |  |
| <p><b>2.4</b></p> | <p><b><u>Utilization of Government Land for Delivery of Service</u></b></p> <p><b>a) <u>Use of Land in accordance with approved purpose in the entity Strategic Plan</u></b></p> <p>According to the approved Strategic Plan, the entity did not intend to procure Land.</p> <p>I noted that existing 3 pieces of land measuring approximately 11.767 hectares were not used in accordance with the approved purpose set out at the entity.</p> <p>Use of land for unapproved purposes defeats the purpose for acquisition which may affect the entity's ability to achieve its intended objectives.</p> <p>The Accounting Officer explained that the District is in the process of fast tracking and resolving land issues to improve service delivery to the beneficiaries.</p>  | <p>I advised Accounting Officer to fast track resolving the issues relating to land so as to enable service delivery to the rightful beneficiaries</p> |
|                   | <p><b>b) <u>Unutilized Land</u></b></p> <p>Instruction 16.13.12 of the Treasury Instruction, 2017 requires that to control an asset, a government entity usually be the predominant user of the asset.</p> <p>I noted that 3 pieces of land measuring approximately 11.767 hectares valued at UGX.17,065,000,000 out of the total 92 pieces of entity land (total entity land not measured/costed) was not utilized by the entity at the time of audit.</p> <p>Vacant land if not secured is susceptible to encroachment hence depletion of Public Land.</p> <p>The Accounting Officer explained that the District was financially strained but with many development plans and continuing to engage members of the community who claim ownership the land in question. He also indicated that the entire community agrees to the fact that the land in Oroko belongs to the District.</p> | <p>I advised the Accounting Officer to have land issues pertaining the above land resolved for enhancement of service delivery.</p>                    |

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|                   | <p><b>c) <u>Unutilized buildings on entity land</u></b><br/> Instruction 16.13.12 of the Treasury Instruction, 2017 requires that to control an asset, a government entity usually be the predominant user of the asset.</p> <p>I noted that 2 blocks of 2 classrooms each at St Martin Primary School in Bungatira Sub County with unknown measure of size valued at UGX.80,000,000 were idle and losing value at a steady rate at the time of audit.</p> <p>Idle infrastructure is susceptible to misuse and loss in value due to non-maintenance hence write-off.</p> <p>The Accounting Officer explained that the matter was before court vide Miscellaneous Application No. 008 of 2022 arising from Civil Suit No. 07 of 2014 by Watwero Enterprises Ltd. Consequently, Gulu District was ordered by the High Court at Gulu to restrain from completion of the 2 blocks of classrooms at St. Martin Lukome Primary School pending the disposal of Civil Miscellaneous Application No. 008/2022.</p> | <p>I advised the Accounting Officer to expedite the process of resolving the court issues so that these assets are used to deliver services to the beneficiary communities.</p> |
|                   | <p><b>d) <u>Encumbrance on Public Land</u></b><br/> Instruction 16.13.12 of the Treasury Instruction, 2017 requires that to control an asset, a government entity should be the predominant user of the asset.</p> <p>I noted that 2 pieces of land measuring 5.946 hectares valued at UGX.10,065,000,000 out of the unknown hectares of land owned by the entity had encumbrances in the form of caveats, court injunctions and encroachment.</p> <p>This hinders management's ability to utilize the affected land for the intended purpose, and may pose a risk of loss of land.</p> <p>The Accounting Officer explained that;</p> <ul style="list-style-type: none"> <li>• For the Land in Oroko, a committee was formed to handle the matter and the complainant was invited for a dialogue with the District.</li> <li>• Whereas for Plot 84-92 Jomo Kenyatta Road, the issue was in court and awaits disposal.</li> </ul>  | <p>I advised the Accounting Officer to resolve all forms of encumbrances on the land to ensure uninterrupted utilization of land for service delivery</p>                       |
| <p><b>2.5</b></p> | <p><b><u>Disposal of Public Land</u></b><br/> <b>a) <u>Planning for land disposal</u></b><br/> Regulation 2(2) of the PPDA (Disposal of Assets) Regulation, 2014 requires the user Department to initiate a process for disposal of public assets or the board of survey to recommends the disposal of the asset.</p> <p>I noted that the entity donated 1 piece of land along Princess Road at Senior Quarters (Production Office) measuring 0.4420 hectares to Court of Appeal through a council resolution.</p>  |   |

|                   |   |   |
|-------------------|---|---|
| <p><b>2.6</b></p> | <p><b><u>Lease of Public Land</u></b><br/> <b>a) <u>Register of Leased land</u></b><br/> Guideline 8.4.4 of the GoU Asset Management Framework and Guidelines, 2020 requires a schedule of land or any other asset disposed through a lease arrangement to be maintained following the provided format.</p> <p>I noted that whereas the DLB leased out 5 pieces of land, 2 of which measured 6.958 hectares and 3 of unknown measurement during the period under review, all leased land was not traceable to the lease register.</p> <p>Failure to maintain a leased land register affects the entity's ability to properly manage and trace the public land, which may result into fraud.</p> <p>The Accounting Officer promised to update and maintain the lease land register.</p>  | <p>I advised the Accounting Officer to maintain a register of leased land and an updated schedule of land leased out.</p> |
|                   | <p><b>b) <u>Irregularities in Management of leased land</u></b><br/> Regulation 6 of the Land Regulations, 2004 requires a lease offer made by a board or the commission to communicate the offer stating the terms and conditions of the offer conditioned upon payment of fees and other charges, in full or by instalment.</p> <p>I reviewed a sample of 04 of lease files held by the DLB and noted the following;</p> <ul style="list-style-type: none"> <li>• None of the leases for land had expired at the time of audit.</li> <li>• Two (02) pieces of land, one measuring 5.821hectares leased out had not been developed as per conditions of the lease agreement.</li> <li>• Out of the lease rentals of UGX.30,300,000 expected in the period under review, the entity did not realise any revenue.</li> <li>• One (01) lease for land with unknown measure of hectares to Nsamizi Training Institute of Social Development was renewed on the 10<sup>th</sup> of May, 2021 without payment of ground rent arrears or development of land as per lease agreement.</li> </ul> <p>Irregularities in lease management processes lead to loss of revenue and public land.</p> <p>The Accounting Officer acknowledged the shortcoming and promised to put in place stringent measures to strengthen the lease management.</p> | <p>I advised the Accounting Officer to strengthen internal controls surrounding lease management.</p>                     |
|                   | <p><b>c) <u>Irregular allocation of Land by District Land Board (DLB).</u></b><br/> Regulation 23 (1) of the Land Regulations, 2004 on procedure in connection with allocation of land by the board requires a person to apply to the board to be</p>   | <p>I await the outcome of the court process.</p>  |

|                   |   |   |
|-------------------|---|---|
|                   | <p>allocated land in the district which is not owned by any person or authority. In addition, Regulation 23 (2) of the Land Regulations, 2004 requires the commission to advertise the application by giving notice in a newspaper with wide circulation to draw the attention of persons likely to be affected by the application, invite any person to comment on or object to the application and thereafter determine whether the applicant should be allocated the land for which the application is made;</p> <ul style="list-style-type: none"> <li>• I noted that the Board did not allocate/lease land that it did not have control over.</li> <li>• I noted that the Board allocated 2 pieces of land with un-approximated measures in hectares without; advertising or drawing attention to persons likely to be affected by the applications.</li> </ul> <p>Irregular allocation of Land by the DLB may lead to litigation and conflict.</p> <p>The Accounting Officer explained that, plots 23-25 Obia Road were leased by the former controlling authority (Gulu Municipal Council) in 1968 and 1994 respectively as the lessor. However, the district inherited whatever took place in the past. The matter on this, Civil Suit 0010 of 2011 was in court.</p>   |   |
| <p><b>2.7</b></p> | <p><b><u>Loss of Land and Buildings</u></b></p> <p>Regulation 9 (2(b)) of the Local Government Financial and Accounting Regulations 2007 stipulates that the responsibility of the Accounting Officer among other is to ensure that the public moneys, property and resources for which he or she is responsible as accounting officer are properly managed and safeguarded.</p> <p>Section 9(2)(J) of the Local Governments Financial and Accounting regulations requires the chief executive to establish proper storage facilities with accounting and financial control systems to ensure efficient receipt, issue and safe custody of stores, vehicles, plant and other assets.</p> <p>I noted during the period under review that Council lost properties including buildings and land worth over UGX.3,416,000,000 when court attached and disposed off properties vide Civil Suit No. 145 of 2003.</p> <p><b><u>Background</u></b></p> <ul style="list-style-type: none"> <li>• In 2003, 89 individuals (former staffs) sued Gulu DLG for special and general damages and costs arising from the respondent's illegal termination of their respective contracts of employment.</li> <li>• In 2011, 8 years after, the district was ordered to pay severance packages, gratuity, pensions and costs and interest of 18% gratuity per annum from 2002.</li> <li>• Due to the default of the district to comply with the court orders, the decretal sum had by 31<sup>st</sup> October,</li> </ul> | <p>I advised the Accounting Officer going forward to desist from taking drastic action in terminating district employees without exhausting all the necessary procedures.</p> |

|  |   |  |
|--|---|--|
|  | <p>2020 accrued to UGX.4,383,715,416.</p> <p><b><u>The attachment</u></b><br/> In July 2017, Court authorised Select Auctioneers and Court Bailiffs to attach and sell immovable property belonging to the District to realise the said sum of money.</p> <p><b><u>Irregularities noted</u></b></p> <ul style="list-style-type: none"> <li>• There was evidence that court sold off un-surveyed plots of land according to the letter of sale of un-surveyed plots of land addressed to the CAO- Gulu by High Court of Uganda, Gulu dated 03/03/2022.</li> <li>• There was no evidence that the district appealed the decision of court to have their properties attached.</li> <li>• There was no evidence that management reported the loss of properties to the Secretary to the Treasury, Accountant General, Internal Auditor General and Auditor General contrary to instruction no 21.1.3 of the Treasury Instructions 2017.</li> <li>• The valuation report was not availed by the entity to establish whether the attached properties were sold at a price not less than the force sale value in the report as directed in the court decree made on the 15<sup>th</sup> of August, 2017.</li> </ul> <p>In his response, the Accounting Officer explained that;</p> <ul style="list-style-type: none"> <li>• It was an auction of property ordered by court through Court Bailiffs following Court judgement issued.</li> <li>• The District appealed to Court of Appeal and court ordered for immediate attachment of council properties.</li> <li>• The District also filed their reports to Ministry of Finance who in turn sent technical team to verify the outstanding arrears/claims of the Plaintiffs.</li> <li>• There was no way they could value those properties because the entire process was handled by court and their agents.</li> </ul> |  |
|--|---|--|

**Emphasis of Matter**

Without qualifying my opinion, I draw attention to the following matters disclosed under Note 19, Note 24 and Note 25 on Pages 36 and 39 respectively of the financial statements;

**3.0 Misclassification of expenditure (Mischarges)**

Section 7.10.3 of the Treasury Instructions 2017 stipulates that the chart of accounts provides a basis for a uniform budget classification and execution, therefore, it is mandatory for all votes to use the coding structure to budget and execute the budget.

I noted that expenditure amounting UGX.146,888,000 was charged on wrong account item codes contrary to those in which they were budgeted. This therefore implies that the expenditure account balances were misreported.

The Accounting Officer explained that, the budget was planned for emergency responses and the funds were budgeted for under one line; transfers to lower local government on the PBS. However, when the funds were released to handle COVID-19

emergency responses, it was accompanied with guidelines and budget on how it should be utilized hence, the funds were spent based on the work plans not the budget.

I informed the Accounting Officer that I would bring this matter to the attention of the relevant authority.

I advised the MoFPED to ensure that the PBS system is mapped to the Chart of accounts item codes so that budgeting can be done appropriately.

#### **4.0 Accumulated Payables (Deposits Received)**

The District disclosed accumulated verified payables figure of UGX.1,140,500,268, arising from from failure to repay the YLP and UWEP funds and Trade creditors.

There is risk that the District may not settle these obligations, given the poor recovery of funds.

I advised the Accounting Officer to devise means of settling the creditors when they fall due.

#### **5.0 Accumulated Receivables**

Included in the statement of financial position on page 21 of the Financial Statements are accumulated receivables amounting to UGX.2,044,012,980 in respect of YLP & UWEP advances, accrued revenue and others.

However, there was no evidence that management made any effort to enforce YLP and UWEP recoveries. There is a risk that these funds may become uncollectible leading to a financial loss to the entity. Receivables represent an idle asset that denies the Council the opportunities to utilize the funds to implement planned activities.

I advised the Accounting to ensure recovery of the receivables from the various groups.

#### **Other Matter**

In addition to the matters raised above, I consider it necessary to communicate the following matters other than those presented or disclosed in the financial statements:

#### **6.0 Implementation of approved budget**

##### **6.1 Overall Revenue Performance**

I noted that out of budgeted total revenue of UGX.34,320,006,485 for the year 2021/2022, UGX.30,936,957,369 (90%) was realized.

The performance of each revenue source is summarized in the **table below**:

| <b>Revenue Source</b>                 | <b>Approved Budget</b> | <b>warrants</b>       | <b>Variance</b>      | <b>%age of performance</b> |
|---------------------------------------|------------------------|-----------------------|----------------------|----------------------------|
| Local Revenue                         | 497,453,999            | 497,004,131           | 449,868              | 99.9%                      |
| Central Government grants             | 28,113,411,068         | 27,467,424,781        | 645,986,287          | 98%                        |
| Transfers from other government units | 2,701,140,418          | 2,521,461,161         | 179,679,257          | 93%                        |
| External Assistance                   | 3,008,001,000          | 451,067,296           | 2,556,933,704        | 15%                        |
| <b>Total</b>                          | <b>34,320,006,485</b>  | <b>30,936,957,369</b> | <b>3,383,049,116</b> | <b>90%</b>                 |

I observed that the entity collected all local revenue as planned. Failure to realize all the planned revenue negatively affected provision of services to the communities.

The Accounting Officer explained as shown in the table below:

| Category                                       | Management response clearly indicating causes  | Effects on service delivery  |
|--|--|--|
| Local Revenue                                  | The district collected more than was budgeted.   | <ul style="list-style-type: none"> <li>All activities were fully funded to the full extent of the budget.</li> </ul>   |
| Central Government Grants                      | This was caused by budget cuts from MoFPED and the district had communicated to MoFPED for the funds to be revoked | <ul style="list-style-type: none"> <li>Construction works for schools and health centres remained incomplete which affected delivery of education and health services to the community.</li> </ul>   |
| Transfers received from other government units | This was caused by the fact that URF, UNEB, MGLSD, MOLG (PRELNOR) & MOH send money at their discretion.            | <ul style="list-style-type: none"> <li>Failure to fund URF, UWEP and You the projects negatively affected expected improvement of livelihoods</li> <li>Failure to fund Praelnor projects negatively affected expected improvement of livelihoods and health services were affected as well.</li> </ul> |
| External Assistance                            | This was caused by the fact that the donors send money at their discretion   | <ul style="list-style-type: none"> <li>Health services were negatively affected in terms of immunisation, treating of Tuberculosis and Malaria,</li> <li>Constructions of school facilities and rehabilitations of boreholes which affected education services and clean water services.</li> </ul>    |

I advised the Accounting Officer to liaise with MoFPED, Other agencies and donors to ensure that all budgeted funds are realized.

## 6.2 **Absorption of funds**

Out of the total receipts for the financial year of UGX.30,936,957,369, UGX.23,672,732,188 (77%) was spent by the entity resulting in an unspent balance of UGX.7,264,225,181 (23%). The unspent balance at the end of the financial year was subsequently swept back to the consolidated fund account.

The funds that were not absorbed were meant for the following activities which were subsequently partially or not implemented at all;

| No | Out-put  | Activity  | Amount-Unspent |
|----|--|---|----------------|
| 1  |  | Payment of wage, gratuity, pension gratuity arrears and development | 5,213,209,486  |
| 2  | Classroom construction and rehabilitation          | Transfers to Palaro Seed School (UGIFT)                             | 126,903,429    |
| 3  | Classroom construction and rehabilitation          | Transfers to Sir Samuel Baker Secondary school (UGIFT)              | 1,180,894,413  |
| 4  | Classroom construction and rehabilitation          | Transfers to Laminto P/s (non-wage)                                 | 62,622,508     |
| 5  | OPD and other ward Construction and Rehabilitation | Transfers to Omel Apem HCII   | 598,013,277    |

|    |              |                                |                      |
|----|--------------|--------------------------------|----------------------|
| 6  |              | Payments to individuals        | 6,917,737            |
| 7  |              | Jonako Investments Limited     | 8,258,840            |
| 8  |              | Estate of late Okema A Raymond | 61,776,251           |
| 9  |              | Kal Ali B Paicho PDM SACCO     | 7,051,875            |
| 10 |              | Payments to individuals        | 1,680,741            |
|    | <b>Total</b> |                                | <b>7,267,328,557</b> |

As a result of failure to absorb funds;

- Two classroom blocks at Laminto Primary school were not renovated.
- Renovation works at Sir Samuel Baker were not implemented.
- Students in Palaro Sub County have no access to education services due to limited education facilities.
- Citizens in Omel Sub county have to move long distances to attain health services from health centres in neighboring Sub counties due to incomplete health facilities
- Kal Ali B Paicho PDM SACCO was not funded hence demotivating the SACCOs.
- Estate of Late Okema A Raymond was not paid retirement/ death pension and gratuity.

The Accounting officer explained the following for the under absorption of funds;

| No | Activity  | Management explanations for unspent funds  |
|----|---|--|
| 1  | Payment of wage, gratuity, pension gratuity arrears and development | <ul style="list-style-type: none"> <li>• Delayed clearance to fill some key positions by the MoPS like position of District Planner.</li> <li>• Failure of the District to attract staff in key positions like District Engineer, District Health Officer, District Commercial Officer.</li> <li>• Some staff getting half pay due to disciplinary cases (Interdiction)</li> <li>• Some payments bounced due to wrong account details</li> </ul> |
| 2  | Transfers to Palaro Seed School (UGIFT)                             | <ul style="list-style-type: none"> <li>• This was caused by the delay by the contractor to complete the work for certificate to be raised; however the work is near completion.</li> </ul>   |
| 3  | Transfers to Sir Samuel Baker Secondary school (UGIFT)              | <ul style="list-style-type: none"> <li>• This was caused by the long process of hybrid procurement by the</li> </ul>   |
| 4  | Transfers to Laminto P/s (non-wage)                                 | <ul style="list-style-type: none"> <li>• This was caused by delay of the contractor to complete the renovation; hence funds could not be paid for incomplete work.</li> </ul>  |
| 5  | Transfers to Omel Apem HCII   | <ul style="list-style-type: none"> <li>• This was caused by the long process of hybrid procurement by the Ministry of Health.</li> </ul>   |

I advised the Accounting Officer to ensure that procurements and recruitments are undertaken in time and to also ensure that construction contracts are adequately managed.

## **7.0 Implementation of Selected Service Delivery Activities**

Out of the district budget of UGX.34,313,773,463, 71% was spent on employee costs (which has been reported above as KAM) and the balance was utilised in major interventions. I undertook a review of these interventions to assess the extent of service delivery;

1. Parish Development Model
2. Ex-gratia Payments



## 7.1 Parish Development Model

The Parish Development Model is a Government strategy for wealth creation and employment generation at the Parish level as the lowest economic planning unit. It is expected to cover 10,594 parishes, for which Gulu DLG has 47 gazetted parishes.

I designed audit procedures to establish whether Government instituted the institutional and operational frameworks/structure for the successful implementation of the PDM and whether the funds released had been put to intended use. Below are my observations;

### 7.1.1 Budget Allocation

I reviewed the approved/revised PDM budget allocation for the Financial Year 2021/2022 and noted that Gulu DLG had an approved budget of UGX.817,287,144. Out of this, the district received UGX.570,563,830 (70%) leading to a shortfall of UGX.246,723,326 (30%) as shown in the table below.

| SN | Purpose  | Budgeted amount    | Released amount    | Variance           |
|----|--|--------------------|--------------------|--------------------|
| 1  | Revolving fund   | 561,480,083        | 280,740,040        | 280,740,043        |
| 2  | Administrative costs   | 47,026,620         | 107,662,188        | (60,635,568)       |
| 3  | Gadgets and tools  | 79,856,523         | 53,237,683         | 26,618,840         |
| 4  | Staff costs  | 128,923,919        | 128,923,919        | 0                  |
| 5  | Repurposed funds–<br>Productions & Marketing<br>Circular BPD86/150/1 | 0                  | 56,000,000         | -56,000,0000       |
| 6  | Additional PDM fund–<br>Productions & Marketing                      | 0                  | 4,635,568          | -4,635,568         |
|    | <b>Total</b>   | <b>817,287,145</b> | <b>570,563,830</b> | <b>246,723,326</b> |

As a result, funds available for implementation of PDM activities were not sufficient to meet the original activity planned targets. For instance, only 46 (98%) of the planned 47 SACCOs were funded by the District with each receiving UGX.7,051,875, leaving out 01 (2%) SACCOs because they submitted wrong accounts information to the District out of the initially planned UGX.17,000,000.

The Accounting Officer acknowledged the shortcoming and explained that payment to Kal Ali B SACCO group bounced and management had written to MoFPED for the funds to be re-voted back in the financial year 2022/2023.

I advised the Accounting Officer to liaise with MoFPED to ensure that all budgeted funds are realized for appropriate implementation of the PDM activities. Additionally, unimplemented activities should be rolled over to the next financial year.

### 7.1.2 Repurposing and utilization of PDM funds

The district repurposed funds meant for gadgets & tools and staff costs to the revolving funds and Administrative Costs as shown in the table below:

| Description | Prodn & Mktng dept | Administrative costs | Gadgets and tools | Staff costs | Revolving fund | Remarks |
|-------------|--------------------|----------------------|-------------------|-------------|----------------|---------|
| Release     | 56,000,000         | 47,026,620           | 53,237,683        | 128,923,919 | 280,740,040    |         |

|                                 |               |                    |              |                    |                    |   |
|---------------------------------|---------------|--------------------|--------------|--------------------|--------------------|---|
| Funds repurposed                | (56,000,000 ) | 56,000,000         | (53,237,683) | 0                  | 53,237,683         | - All funds for gadgets and tools were repurposed to revolving funds.<br>- Repurposed funds from Prodn /Mrkting |
| Additional PDM funds            | 0             | 4,635,568          | 0            | 0                  | 0                  | Additional funding for Administrative costs   |
| <b>Funds available to spend</b> |               | <b>107,662,188</b> | <b>0</b>     | <b>128,923,919</b> | <b>333,977,723</b> |   |

I undertook a review of the utilization of funds for Revolving fund worth UGX.333,977,723, administrative costs of UGX.107,662,188 and staff cost of UGX.128,923,919; and observed the following:

### 7.1.3 **Revolving fund**

The district was supposed to disburse UGX.324,386,250 to 47 registered SACCOS. I undertook analysis of the disbursement and noted the following:

#### a) **Funds diverted**

I noted that a total of UGX.53,237,683 for gadgets and tools was diverted to revolving fund for subsequent disbursement to registered SACCOS contrary to Regulation 16(1) of the PFMR, 2016 that requires an Accounting Officer to request the Minister for approval to vary, within a vote, the amount of money allocated to the vote.

Initially planned procurement of gadgets and tools could not be implemented. As a result, monitoring and supervision of SACCO activities was hindered.

The Accounting Officer explained that UGX.53,237,683 diverted from gadgets and tools was based on a PS/ST circular dated 20<sup>th</sup> May 2022 ref.BPD86/150/01 where it was guided that part of the funds under staff costs, gadgets & tools be repurposed for the Parish Revolving funds with the same votes. Therefore, those funds were accordingly disbursed to the 47 PDM SACCOS as directed and the funds are still held in the respective SACCO accounts.

### 7.1.4 **Administrative Costs**

The administrative costs were meant for coordinating operations and implementing administrative structures at the district/municipality, sub county and parish level for the effective implementation of the PDM. A detailed breakdown of the administrative costs is shown in the table below:

| S/N | Description   | Amounts(UGX)      |
|-----|---|-------------------|
| 1   | Mobilization and community sensitization & Monitoring and Supervision by DEC/ senior management | 47,026,620        |
|     | <b>TOTAL</b>  | <b>47,026,620</b> |

I however, noted that an additional UGX.56,000,000 from production and marketing Department was diverted to the Administrative cost without the approval of the Minister of Finance and Parliament.

I however noted that the district expenditure of UGX.107,662,188 on administrative costs was adequately supported with required documents of accountability. For example, payment sheets, receipts, reports and attendance sheets were attached where necessary.

**7.1.5 Staff Costs**

These funds were meant for the recruitment and payment of salaries for the Parish Chiefs whose main role is to mobilize, sensitize and create awareness on PDM programs to the community, as well as coordinate and support implementation of PDM activities among others. The following were observed;

I noted that out of UGX.128,923,919 released, UGX.128,102,007 was spent and properly accounted for the balance of UGX.821,912 was bounced salary for one parish chief for the months of May 2022 and June 2022 which was swept back to the consolidated fund.

The affected parish chief was demoralized by this action.

The Accounting Officer indicated management had written to MoFPED for funds to be re-voted back in the financial year 2022/23.

I advised the Accounting Officer to make a follow up of unspent funds to have the missed salary paid.

**7.1.6 Contradictory PDM implementation guidelines/directives**

From my review of the implementation of PDM activities, I noted that the entity received numerous guidance’s from different authorities and at times they appeared contradictory therefore causing challenges during implementation. Some of these guidance’s include:

| <b>Subject/Area</b>               | <b>Issuing Authority</b>             | <b>Guideline</b>  |
|-----------------------------------|--------------------------------------|---|
| Transfer of funds to PDM SACCOs   | PDM Secretariat                      | Funds should go direct to PDM SACCO accounts in commercial banks  |
|                                   | PSST                                 | Funds to be sent to entity General Fund Accounts  |
| Diversion/ re-allocation of funds | PSST                                 | letter Referenced BPD86/150/01 and dated 20 <sup>th</sup> May 2022 stated that funds budgeted for under gadgets and tools should be repurposed to the Parish Revolving Fund   |
|                                   | Public Finance Management Regulation | Regulation 16(1) of the PFMR. 2016 states that an Accounting Officer may request the Minister for approval to vary, within a vote, the amount of money allocated to the vote. |

Contradictory guidance negatively affected progress of implementation of PDM activities.

I informed the Accounting Officer that the matter will be brought to the attention of the relevant authorities. I advised the PDM secretariat to review the various

guidance's issued with view of harmonizing guidance given to implementers of PDM activities.

## **7.2 Ex-Gratia payments**

According to the Local Government Act (as amended), District/City councillors are entitled to monthly allowance (ex-gratia) of UGX.250,000.

The PS/ST, in the 2nd budget call circular for the financial year 2021/22 noted that, a number of LGs continue to report shortfalls in councillors' allowances and ex-gratia for Political Leaders in their budgets. Therefore, PS/ST directed all Accounting Officers to adequately budget for ex-gratia and Councillor's allowance and pay accordingly.

I developed procedures to establish whether the ex-gratia in the DLD was adequately budgeted for, paid timely and in accordance with the rates prescribed by the Local Government Act. Below are my observations:

I noted that the District adequately budgeted for UGX.150,360,000 and paid ex-gratia and allowances for 22 District councillors under the LG Council Administration Services output (138201).

## **Other Information**

The Accounting Officer is responsible for the Other Information. The Other Information comprises the statement of responsibilities of the Accounting Officer and the commentaries by the Head of Accounts and the Accounting Officer, and other supplementary information. The Other Information does not include the financial statements and my auditors' report thereon. My opinion on the financial statements does not cover the Other Information and I do not express an audit opinion or any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially consistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information; I am required to report that fact.

I have nothing to report in this regard.

## **Management's Responsibility for the Financial Statements**

Under Article 164 of the Constitution of the Republic of Uganda, 1995 (as amended) and Section 45 of the PFMA, 2015, the Accounting Officer is accountable to Parliament for the funds and resources of Gulu District Local Government.

The Accounting Officer is also responsible for the preparation of financial statements in accordance with the requirements of the PFMA, 2015 (as amended), the Financial Reporting Guide, 2018 and for such internal control as management determines necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

In preparing the financial statements, the Accounting Officer is responsible for assessing the DLGs ability to continue delivering its mandate, disclosing, as applicable, matters affecting ability to deliver its mandate for the foreseeable future, unless the Accounting Officer has a realistic alternative to the contrary.

## **Auditor's Responsibility for the Audit of Financial Statements**

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISSAI's, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the DLGs internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the DLGs ability to deliver its mandate. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the DLG to fail to deliver its mandate.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Accounting Officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide the Accounting Officer with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with him/her all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with the Accounting Officer, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **Other Reporting Responsibilities**

In accordance with Section 19 (1) of the National Audit Act, 2008, I report to you, based on my work described on the audit of Financial Statements, that; except for the matters raised in compliance with legislation section below, and whose effect has been considered in forming my opinion on financial statements, the activities, financial transactions and information reflected in the financial statements that have come to my notice during the audit, are in all material respects, in compliance with the authorities which govern them.

### **Report on the Audit of Compliance with Legislation**

The material findings in respect of the compliance criteria for the applicable subject matters are as follows;

#### **8.0 Existence of Strategic plans that are aligned to NDP-III**

Regulation 26 (1) of the National Planning Authority (development of Plans) regulations requires entities to submit to NPA their five-year development plans for certification before approval. The purpose of the approval by NPA is to ensure that all strategic plans prepared by entities are well aligned to the National Development Plans.

I noted that the entity did have a strategic plan that had been approved by NPA.

There is a risk that the budgets prepared and activities implemented during the financial year were not aligned to the NDP- III which negatively affects the achievement of NDP-III objectives.

The Accounting Officer explained that the draft strategic plan had been submitted to NPA for review before approval.

I advised the Accounting Officer to urgently ensure that the entity's strategic plan is approved.

#### **9.0 Preparation of Risk Register**

Paragraph 6.5.2 (e) of the Treasury Instructions 2017 require the Accounting Officer to maintain a risk register indicating (i) source of the risk, (ii) type of the risk, (iii) mitigating strategy and (iv) the responsible officer for the mitigating strategy.

I noted that the entity did not maintain a detailed risk register of risks that may affect the implementation of activities as detailed in the approved work plans and budgets. As such, there were no strategies and officers responsible to mitigate the occurrence of such risks or to minimize the impact in the event that these risks materialized.

The failure to maintain risk registers implies that the entity does not have a mitigation or response strategy to risks that may affect the achievement of planned activities.

The Accounting Officer acknowledged the shortcoming and pledged to develop a risk register and assign an officer to manage the register.

I await the outcome of the accounting officer's commitment.

A handwritten signature in black ink, appearing to read 'J. Muwanga', with a large, sweeping flourish extending to the right.

John F.S. Muwanga  
**AUDITOR GENERAL**

25<sup>th</sup> November 2022