

THE REPUBLIC OF UGANDA

REPORT OF THE AUDITOR GENERAL
ON THE FINANCIAL STATEMENTS OF BUGIRI MUNICIPAL COUNCIL
FOR THE YEAR ENDED 30TH JUNE, 2023

ORIGINAL COPY

OFFICE OF THE AUDITOR GENERAL
UGANDA

DECEMBER, 2023

Table of Contents

Table of Contents.....	ii
List of Acronyms.....	iii
Opinion	1
Basis for Opinion	1
Key Audit Matters.....	1
1.0 Implementation of the Approved Budget.....	1
2.0 Management of the Government Salary Payroll.....	6
Other Matter	11
3.0 Education Development Grant	11
Other Information	12
Management’s Responsibility for the Financial Statements.....	12
Auditor’s Responsibility for the Audit of Financial Statements.....	12
Other Reporting Responsibilities.....	13
Report on the Audit of Compliance with Legislation.....	13
4.0 Implementation of the Parish Development Model	13

List of Acronyms

Acronym	Meaning
DLG	Municipal council Local Government
GoU	Government of Uganda
HCMS	Human Capital Management System
ICT	Information and Communication Technology
INTOSAI	International Organization of Supreme Audit Institutions
IPPS	Integrated Personnel and Payroll system
ISSAIs	International Standards of Supreme Audit Institutions
LGFAM	Local Government Financial and Accounting Manual, 2007
LGFAR	Local Government Financial and Accounting Manual, 2007
LGPPDA	Local Government Public Procurement and Disposal Authority
LLG	Lower Local Governments
LR	Local Revenue
MDAs	Ministries, Departments and Agencies
MoES	Ministry of Education
MoFPED	Ministry of Finance, Planning and Economic Development
MoGLSD	Ministry of Gender, Labour and Social Development
MoLG	Ministry of Local Government
NAA	National Audit Act
NTR	Non-Tax Revenue
OAG	Office of the Auditor General
PBS	Program Budgeting System
PCA	Payroll Consults Africa
PDMS	Payroll Deduction Management System
PDU	Procurement & Disposal Unit
PFMA	Public Finance Management Act
PFMR	Public Finance Management Regulations
PPDA	Public Procurement & Disposal of Public Assets
PS/ST	Permanent Secretary / Secretary to Treasury
TSA	Treasury Single Account
TSSA	Treasury Sub Single Account
UBA	Uganda Banker's Association
UCF	Uganda Consolidated Fund
UCLA	Uganda Consumer and Lender's Association
UgIFT	Uganda Intergovernmental Fiscal Transfers Program for Results
UGX	Uganda Shilling
USMID	Uganda Support to Municipal infrastructure Development
UWEP	Uganda Women Empowerment Project
YLP	Youth Livelihood Program

REPORT OF THE AUDITOR GENERAL
ON THE FINANCIAL STATEMENTS OF BUGIRI MUNICIPAL COUNCIL
FOR THE YEAR ENDED 30TH JUNE, 2023

THE RT. HON. SPEAKER OF PARLIAMENT

Opinion

I have audited the accompanying financial statements of Bugiri Municipal Council, which comprise the Statement of Financial Position as at 30th June 2023, 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 Bugiri Municipal Council for the year ended 30th June 2023 are prepared, in all material respects, in accordance with section 51 of the Public Finance Management Act (PFMA), 2015 (as amended), the Financial Reporting Guide, 2018 and as guided by the Accountant General.

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 Bugiri Municipal Council 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 Implementation of the Approved Budget

Paragraph 2 of schedule 5 of the PFMA 2015 requires Accounting Officers to prepare an Appropriation Account showing the services for which the moneys expended were voted, the sums actually expended on each service, and the state of each vote compared with the amount appropriated for that vote by Parliament.

Entities prepare budgets every year which provide expected revenue and expenditure for the year. The budgets are supported by work plans that show what specific activities and out-puts the funds will be spent on in order to deliver services to citizens.

In arriving at my findings, I reviewed documents such as work plans, budgets, performance reports and payment records. I also conducted interviews and physical inspections to corroborate my findings from the review of the documents.

The mandate of Bugiri Municipal Council to apply the principle of decentralization to establish a sound financial base with reliable sources of revenue, and ensure that appropriate measures are taken to enable Municipal Council plan, initiate and execute policies in respect of all matters affecting the people within its jurisdiction.

During the financial year 2022/2023, the Municipality had a budget of UGX 6,423,409,883 out of which UGX. 5,606,469,303 was warranted as shown below;

Sn	Details	Budget	Warrants	% age
		UGX	UGX	
1	Recurrent (Wage)	3,770,041,000	3,770,041,000	100%
2	Recurrent (Non-wage)	2,161,929,880	1,609,751,115	100%
3	Development	491,439,003	471,438,952	100%
	Total	6,423,409,883	5,606,469,303	99.99%

Out of the total warrants of UGX.5,606,469,303, I reviewed expenditure on activities/outputs worth UGX.4,448,181,578 (79%) as summarised in the table below;

Table showing expenditure on activities/outputs sampled for review

Details	Actual expenditure (UGX)	Cumulative Actual expenditure	Cumulative %age out of total warrants
Wage expenditure	3,305,704,060	3,305,704,060	58.9%
PDM	4,002,000	3,309,706,060	59%
Education Development Grant	112,895,000	3,422,601,060	61%
DDEG	164,771,859	3,587,372,919	63.9%
Municipal council, Urban and Community Access Road Maintenance	283,584,632	3,870,957,551	69%
Primary Health care services	219,241,753	4,090,199,304	72.9%
Finance and Accounting	56,260,875	4,146,460,179	73.9%
Others	301,721,399	4,448,181,578	79%
Total of the utilized warrants audited	4,448,181,578		
Total warrants	5,606,469,303		

Out of the total warrants of UGX.5,606,469,303 in the financial year 2022/2023, UGX.3,305,704,060 (59%) was spent on wage costs. I issued a separate detailed special audit report on salary payroll and a summary of the key findings reported in **Section 2.0** of this report.

Below are my findings from the performance of revenues/warrants, absorption of warrants and implementation of out-puts and activities under the budget performance review.

No	Observation	Recommendation																				
1.1	<p>Revenue Performance Performance of Local Revenue</p> <p>According to the approved budget, the MC planned to collect Local revenue of UGX. 263,410,000, however; by the end of the year, only UGX.99,789,500 had been collected representing 38% performance. Appendix 1.</p> <table><tr><th>No</th><th>Source</th><th>Approved budget</th><th>Actual Collections</th><th>Variance</th></tr><tr><td>1</td><td>Taxes</td><td>18,410,000</td><td>18,410,000</td><td>0</td></tr><tr><td>2</td><td>Non-Tax Revenues</td><td>245,000,000</td><td>81,379,500</td><td>163,620,500</td></tr><tr><td></td><td>Total</td><td>263,410,000</td><td>99,789,500</td><td>163,620,500</td></tr></table> <p>Under collection of local revenue limited the Municipality's resources and ability to execute the year's planned activities.</p> <p>I noted that the outputs funded by locally raised revenues were not identified in the entity's approved work plan; I hence couldn't identify the activities that were partially/un –implemented as a result.</p> <p>The Accounting Officer attributed the underperformance to;</p> <ul style="list-style-type: none">• The valuation exercise of properties that took a substantial period of time to be completed and disrupted the collection efforts,• Non- receipt of Local service tax from Bugiri DLG and negative attitude of Tax payers. <p>The Accounting Officer explained that the district is undertaking vigorous revenue mobilization strategies such as sensitization timely issuance of demand notices and sealing of some businesses to enhance Local revenue collections.</p>	No	Source	Approved budget	Actual Collections	Variance	1	Taxes	18,410,000	18,410,000	0	2	Non-Tax Revenues	245,000,000	81,379,500	163,620,500		Total	263,410,000	99,789,500	163,620,500	<p>The Accounting Officer should devise strategies to ensure that budgeted revenue is fully collected.</p>
No	Source	Approved budget	Actual Collections	Variance																		
1	Taxes	18,410,000	18,410,000	0																		
2	Non-Tax Revenues	245,000,000	81,379,500	163,620,500																		
	Total	263,410,000	99,789,500	163,620,500																		
1.2	<p>Performance of GOU warrants</p> <p>The MC had an approved budget of UGX.6,423,409,883 from the various programmes out of which UGX.5,506,679,803 was warranted resulting in a shortfall of UGX.916,730,080 representing 86% performance.</p> <p>The performance of warrants from each of the programmes from which the entity was allocated funds is detailed in Appendix 2</p> <p>The UGX.916,730,080 that was not warranted was meant for activities which were either partially or not implemented at all as detailed in Appendix 3. The main programmes affected included the following;</p> <ul style="list-style-type: none">• Human Capital Development,• Community Mobilization and Mind-set Change,• Governance and Security,• Public Sector Transformation,• Integrated Transport Infrastructure and Services. and	<p>The Accounting Officer should liaise with MoFPED, and Other agencies to ensure that all budgeted funds are released.</p>																				

	<ul style="list-style-type: none"> Development Plan Implementation. <p>The Accounting Officer explained that the responsibility for release of funds lies with the MoFPED for which the Municipal Council has no control.</p>	
1.3	<p>Utilization of Warrants</p> <p>Out of the total warrants of UGX.5,606,469,303 availed during the year, UGX.5,273,304,591 was utilized by the entity resulting in un-utilized warrants of UGX.333,164,712 representing utilization of 94% as detailed in Appendix 4.</p> <p>Included in the appendix is an unusual case of expenditure worth UGX. 328,315,056 in excess of the warranted amount under 'Integrated Transport Infrastructure and Services'.</p> <p>The warrants that were not utilized were meant for the activities that were partially or not implemented at all as detailed in Appendix 5</p> <p>As a result of failure to utilise warrants;</p> <ul style="list-style-type: none"> There was a heavy workload on existing staff since the entity didn't recruit and maintain enough staff to fully absorb the wage bill. This subsequently affected service delivery; and The livelihoods of staff and pensioners were affected by salary and pension underpayments. 	<p>The Accounting Officer should explain the general under-utilisation of warrants and the particular case of expenditure in excess of warrants under 'Integrated Transport Infrastructure and Services'.</p>
1.4	<p><u>Lack of Appropriate Performance Indicators and Targets in the Work Plans</u></p> <p>Regulation 11 (2) b of the Public Finance Management Regulations, 2016 states that the work plan of a vote shall indicate the key performance indicators to be used to gauge the out-puts.</p> <p>Part A of the performance contract for Accounting Officers outlines the core performance requirements against which their performance should be assessed in regard to achievement of planned results. This requires the Accounting Officer to be assessed on the extent to which annual key performance indicators and targets are achieved for key projects and/or programs.</p> <p>I reviewed the approved work plan and sampled 10 outputs with a total of 10 activities. I noted the following;</p> <ul style="list-style-type: none"> 4 outputs with 4 activities had clear performance indicators and targets. 6 outputs with 6 activities did not have clear performance indicators and targets as summarized in the table below and detailed in Appendix 6. <p>Table showing performance indicators and targets</p>	<p>The Accounting Officer should ensure that going forward proper guidance shall be sought from the MoFPED to ensure that the indicators and targets are clearly set.</p>

	<table><tr><th>Category of outputs</th><th>No. of outputs sampled</th><th>No of activities in the outputs</th><th>No. of Activities with clear performance indicators and targets</th><th>No of activities without clear performance indicators and targets</th><th>Expenditure Amount (UGX)</th><th>% Quantification of outputs</th></tr><tr><td>Fully quantified outputs</td><td>4</td><td>4</td><td>4</td><td>0</td><td>0.594</td><td rowspan="2">52%</td></tr><tr><td>Substantially quantified Outputs</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td></tr><tr><td>Outputs not fully quantified</td><td>6</td><td>6</td><td>0</td><td>6</td><td>0.548</td><td>48%</td></tr><tr><td>Total</td><td>10</td><td>10</td><td>4</td><td>6</td><td>1.142</td><td>100%</td></tr></table>	Category of outputs	No. of outputs sampled	No of activities in the outputs	No. of Activities with clear performance indicators and targets	No of activities without clear performance indicators and targets	Expenditure Amount (UGX)	% Quantification of outputs	Fully quantified outputs	4	4	4	0	0.594	52%	Substantially quantified Outputs	0	0	0	0	0	Outputs not fully quantified	6	6	0	6	0.548	48%	Total	10	10	4	6	1.142	100%		
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Total	10	10	4	6	1.142	100%																															
	<p>Without clear performance indicators and targets, I could not ascertain the level of achievement of outputs/activities and this is likely to result in inaccurate performance information.</p> <p>The Accounting Officer explained that this was due to the fact that the performance indicators and targets were aggregated in the system set up.</p>																																				
1.5	<p>Implementation of outputs</p> <p>I assessed the implementation of four (04) outputs with four (04) activities worth UGX.594,324,760 and noted that;</p> <ul style="list-style-type: none">Two (02) outputs with two (02) activities and expenditure worth UGX.318,822,132 were fully implemented.Two (02) outputs with two (02) activities worth UGX.275,502,628 were partially implemented. Out of the two (02) activities, the entity partially implemented all.There were no unimplemented outputs. <p>Table showing performance indicators and targets</p> <table><tr><th>Category of outputs</th><th>No. of outputs assessed</th><th>No of activities in the outputs</th><th>No. of Activities fully implemented</th><th>No of activities partially implemented</th><th>No of activities not implemented</th><th>Expenditure Amount (UGX)</th></tr><tr><td>Fully implemented outputs</td><td>2</td><td>2</td><td>2</td><td>0</td><td>0</td><td>0.318</td></tr><tr><td>Partially implemented outputs</td><td>2</td><td>2</td><td>0</td><td>2</td><td>0</td><td>0.275</td></tr><tr><td>Not implemented outputs</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td></tr><tr><td>Total</td><td>4</td><td>4</td><td>2</td><td>2</td><td>0</td><td>0.593</td></tr></table>	Category of outputs	No. of outputs assessed	No of activities in the outputs	No. of Activities fully implemented	No of activities partially implemented	No of activities not implemented	Expenditure Amount (UGX)	Fully implemented outputs	2	2	2	0	0	0.318	Partially implemented outputs	2	2	0	2	0	0.275	Not implemented outputs	0	0	0	0	0	0	Total	4	4	2	2	0	0.593	<p>The Accounting Officer should ensure that planned outputs are fully implemented.</p>
Category of outputs	No. of outputs assessed	No of activities in the outputs	No. of Activities fully implemented	No of activities partially implemented	No of activities not implemented	Expenditure Amount (UGX)																															
Fully implemented outputs	2	2	2	0	0	0.318																															
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Not implemented outputs	0	0	0	0	0	0																															
Total	4	4	2	2	0	0.593																															

	<p>Partial implementation of planned activities implies that the expected services to the beneficiary communities were not fully attained. For example, efforts aimed at ensuring health centres are provided with all the 41 essential medicines was only implemented partially.</p> <p>Refer to Appendix 7 for details.</p> <p>The Accounting Officer did not provide a response to the anomaly.</p>	
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2.0 **Management of the Government Salary Payroll**

In a letter to the Auditor General dated 29th November 2022 referenced HRM 155/222/02, the Minister of Finance, Planning and Economic Development (MoFPED) highlighted that, despite the reforms introduced by Government to mitigate against persistent supplementary requests for additional funds to cater for wage shortfalls, there has not been significant results and yet expenditure on wage is a substantial percentage of all entity budgets. Other anomalies highlighted included: payments for non-existent employees, underpayments to staff and irregular overpayments to staff, among others.

Accordingly, I carried out a special audit on wage payroll in Local Government (LG) entities to establish the root causes of the identified challenges and propose remedial measures. The audit covered four (4) FYs from 2019/2020 to 2022/2023 to which I issued a separate detailed audit report and below is a summary of the key findings from the special audit;

Bugiri MC had a wage budget of UGX.3,686,465,138, out of which UGX.3,686,465,138 was utilised for the period under review. Below is a summary of the key findings from the special audit;

No	Observation	Recommendation												
2.1	<p><u>Utilization of the Wage Budget</u></p> <p>The MC had an approved wage budget of UGX.2,870,099,680, and obtained supplementary funding of UGX.899,941,120 resulting into a revised wage budget of UGX.3,770,041,100 which was all warranted</p> <p>Out of the total warrants, UGX.3,305,704,060 was utilized by the MC resulting in un-utilized warrants of UGX.464,337,040 representing utilization of 87% as summarized in the table below and detailed in Appendix 8.</p> <table><tr><th>Approved Budget UGX. Bn</th><th>Supplementary UGX. Bn</th><th>Revised Budget UGX. Bn</th><th>Warrants UGX. Bn</th><th>Payments UGX. Bn</th><th>Unspent Balance UGX. Bn</th></tr><tr><td>2.87</td><td>0.89</td><td>3.77</td><td>3.77</td><td>3.30</td><td>0.46</td></tr></table> <p>From the analysis, I noted that there was an under absorption of UGX. 464,337,040.</p> <p>The Accounting Officer explained that some recruitments were supposed to be made but were delayed.</p>	Approved Budget UGX. Bn	Supplementary UGX. Bn	Revised Budget UGX. Bn	Warrants UGX. Bn	Payments UGX. Bn	Unspent Balance UGX. Bn	2.87	0.89	3.77	3.77	3.30	0.46	<p>The Accounting should ensure that funds for recruitment are rolled over to the next financial year and the recruitment process concluded.</p>
Approved Budget UGX. Bn	Supplementary UGX. Bn	Revised Budget UGX. Bn	Warrants UGX. Bn	Payments UGX. Bn	Unspent Balance UGX. Bn									
2.87	0.89	3.77	3.77	3.30	0.46									

2.2	<p><u>Validation of employees on the entity payroll</u></p> <p>The Municipal council had 257 employees on the IPPS payroll of which 254 (99%) were fully verified, 1 (0.2%) not verified, and 02 (0.8%) did not show up.</p> <p>In addition, 11 individuals had not accessed the payroll by end of June, 2023. These were captured as new records in my determination of the Municipal council wage bill.</p> <p>The summary of the validation exercise is shown in the table below;</p> <table border="1" data-bbox="454 548 1157 1120"> <thead> <tr> <th>Details</th><th>No. of Individuals</th><th>Annual base (UGX)</th></tr> </thead> <tbody> <tr> <td>Number of staff as per the payroll (June 2023)</td><td>257</td><td>3,686,465,138</td></tr> <tr> <td colspan="3">Validated as follows;</td></tr> <tr> <td>Total number of staff verified (complete/fully verified) (A)</td><td>254</td><td>3,446,661,096</td></tr> <tr> <td>Partially verified (<i>individuals whose information availed at the physical verification did not fulfil all the requirements</i>) (B)</td><td>0</td><td>0</td></tr> <tr> <td>Not verified (appeared for validation but not verified) (C)</td><td>1</td><td>26,400,000</td></tr> <tr> <td>The total number of individuals who did not appear for headcount (no-shows) (D) (<i>Accounted for and not accounted for</i>)</td><td>2</td><td>16,867,020</td></tr> <tr> <td>Subtotal (A+B+C+D)=E</td><td>257</td><td>3,489,928,116</td></tr> <tr> <td>Employees who appeared for head count but were not on payroll-New records (F)</td><td>11</td><td>209,179,068</td></tr> <tr> <td>Overall total covered (E+F)**</td><td>266</td><td>3,682,240,164</td></tr> </tbody> </table> <p>The following observations were made;</p> <ol style="list-style-type: none"> Out of 254 (99%) employees appeared for the validation exercise and presented all the pre-requisite documents to confirm their existence and regularity of recruitment. One (1) (0.22%) employee on the payroll appeared for validation but did not satisfy the requirements of the validation exercise, hence was not verified. A total of 2 (0.78%) employees on the payroll did not appear for the validation and were categorised as follows; <ol style="list-style-type: none"> 1 employee who did not appear for the headcount were accounted for by the Accounting Officer as being away for genuine reasons which included study leave abroad, staff who had no National IDs at the time of validation. 1 employee was confirmed to have exited the Municipal council due to: death, dismissal, abscondment, retirement, transfer of service, and those who are known to the Accounting Officer but failed to appear for validation without justification. 	Details	No. of Individuals	Annual base (UGX)	Number of staff as per the payroll (June 2023)	257	3,686,465,138	Validated as follows;			Total number of staff verified (complete/fully verified) (A)	254	3,446,661,096	Partially verified (<i>individuals whose information availed at the physical verification did not fulfil all the requirements</i>) (B)	0	0	Not verified (appeared for validation but not verified) (C)	1	26,400,000	The total number of individuals who did not appear for headcount (no-shows) (D) (<i>Accounted for and not accounted for</i>)	2	16,867,020	Subtotal (A+B+C+D)=E	257	3,489,928,116	Employees who appeared for head count but were not on payroll-New records (F)	11	209,179,068	Overall total covered (E+F)**	266	3,682,240,164	<p>The Accounting Officer should;</p> <ul style="list-style-type: none"> Engage the concerned Service Commissions and obtain minute extracts of the partially verified employees within an appropriate time frame for the validation of the employees by Ministry of Public Service. For the case of staff who appeared for the headcount but were not verified, regularly review the entity payroll to ensure prompt removal of such employees and avoid continued loss to government. In addition, the cases in question should be followed up with a view of recovery. The Ministry of Public Service should make arrangements to validate any Employees who did not appear for the headcount but have been genuinely accounted for by the Accounting Officer.
Details	No. of Individuals	Annual base (UGX)																														
Number of staff as per the payroll (June 2023)	257	3,686,465,138																														
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Overall total covered (E+F)**	266	3,682,240,164																														

	<p>iii. A total of UGX.13,793,962 was paid as salary to 1 employee in question after exit and this is considered a financial loss to Government.</p> <p>d) 11 individuals whose names were not on the Municipal council's payroll by June 2023, appeared for the validation exercise. These individuals were included on the validated payroll, upon confirmation by the Accounting Officer regarding their status.</p> <p>The Accounting Officer explained that ; for employees not verified ,the Accounting Officer confirmed that all the staff that appeared for validation are genuine and should therefore be included on the validated payroll for Bugiri Municipal Council.</p>	<ul style="list-style-type: none"> • In regards to employees who did not appear for the headcount but were confirmed to have exited the district, initiate the process of deleting these names from the payroll. For staff on transfer of service, the Accounting Officer should initiate a process of transfer of salary payment to their new duty stations. • The Ministry of Public Service and the Accounting Officer should delete employees who did not appear for headcount and were not accounted for and the matter be investigated. • Always liaise with the relevant stakeholders to ensure prompt updates of the payroll with employees not on the entity payroll, the. In addition, a follow-up of the affected staff should immediately be made by management so as to have them
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		access the payroll.
2.3	<p><u>Inconsistencies in Employee Details</u></p> <p>A total of 43 employees on the payroll had inconsistencies in their dates of birth, captured in the payroll and data captured by NIRA on the National IDs. The information is critical in the identification of an individual.</p> <p>Inconsistent information undermines the integrity of the Municipal council's records and may complicate the employee service history and retirement procedures. Where the errors in dates of birth increase the length of service, it may lead to the irregular extension of employee service.</p> <p>The Accounting Officer explained that that the Municipal council had communicated to the affected employee to reconcile their details with NIRA.</p>	<p>The Accounting Officer should engage the affected staff and ensure that employee records are duly updated and brought to the attention of the Ministry of Public Service within a specified timeline for appropriate action</p>
2.4	<p><u>Findings from Other Special Audit Procedures</u></p> <p>I undertook other special audit procedures to review the accuracy of the payroll including planning, budgeting and payments for the period of four years (2019/2020-2022/2023).</p> <p>I noted that;</p> <p>a) 200 employee records were captured on wrong scale/notches leading to an over computation of UGX.25,060,903 and under computation of UGX.266,335,614.</p> <p>b) Over-remittance of UGX.217,786,088 and under-remittance of UGX. 202,411,352 of statutory deductions were made by the entity during the period.</p> <p>c) Over-remittance of UGX.76,225,282 and under-remittance of UGX.8,429,714 of non-statutory deductions were made by the entity during the period.</p> <p>The Accounting Officer explained that ;</p> <ul style="list-style-type: none"> • For wrong notches, annual salary increments are an individual employee's responsibility whose anomalies can be resolved by automating the annual increment by the Ministry of Public service. • For over and under remittance of statutory deductions, this was caused by inconsistencies/errors in the payroll files generated by the Ministry of Public Service and that the Municipal Council did not have control over the preparation of the payrolls. • For over and under remittance of non-statutory deductions, Management didn't have much control as these are controlled by the PDMS system spearheaded by UCLA/UBA. 	<ul style="list-style-type: none"> • For employee records were captured on wrong scale/notches The Accounting Officer should, reconcile payrolls on a monthly basis to ensure that salaries are paid accurately as per the salary scales and budget for annual salary increments where necessary. In addition, the HCM system should be reviewed to automate the increments since they are based on individual appointment anniversaries. • For over and under remittance of statutory deductions, the Accounting Officer should

		<p>ensure timely reconciliation of the amounts before effecting payments. In addition, the amounts over remitted should be followed up with a view of recovery.</p> <ul style="list-style-type: none"> • For over and under remittance of non-statutory deductions, the Accounting Officer should put in place controls to ensure that non-statutory deductions are always accurately computed and promptly paid as per the payroll register. In addition, the amounts over remitted should be followed up with a view of recovery.
2.5	<p><u>Review of the MC Staff Establishment</u></p> <p>Review of the establishment revealed;</p> <ol style="list-style-type: none"> Out of 110 approved positions, a total of 68 positions were filled leaving a gap of 42 vacant positions. In addition, 2 positions were over-filled. The entity did not have an approved and costed staff establishment for primary education. <p>The Accounting Officer explained that the staffing level now stands at 62% and pledged to continue engaging the relevant authorities/ ministries and lobby for additional wage to reduce manpower gap.</p>	<p>The Accounting Officer should re-assess the Municipal Council's establishment and liaise with the responsible stakeholders with a view to mobilizing resources to fill critical positions to enhance service delivery. In addition, the Accounting Officer should engage relevant stakeholders to develop and implement a costed staff structure for</p>

		the Municipal Council within a specified timeframe.
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Other Matter

In addition to the matter(s) raised above, I consider it necessary to communicate the following matters other than those presented or disclosed in the financial statements;

3.0 Education Development Grant

The Education Development Grant, formerly School's Facilities Grants (SFG) aims at assisting the neediest communities' complete unfinished classrooms and build new classrooms to achieve the classroom ratio: pupil ratio of 1:55.

In the year under review, the Municipal Council received education development grant of UGX.112,897,000 for the construction of classroom blocks, pit latrines, and supply of desks to various primary schools.

I designed audit procedures to assess whether the implementation of the planned activities was in accordance with the Grant Guidelines and noted the following:

3.1 Positive observations

- The allocation of grant funding was done in accordance with the grant guidelines.
- I noted that allocations were consistent with guidelines
- The Municipality received and spent all the budgeted funds of UGX. 112,897,000 representing 100% funding.
- I noted that the MC maintained an up-to-date asset register of education facilities and their condition to ensure informed prioritization in selection of schools to benefit from the Education Development grant.

3.1.1 Areas of Improvement

3.1.1.1 Review of Budgeting and allocation

a) Failure to undertake mitigation measures for projects/programs with related environmental and social impacts

Section 6.2.3.1 of the Planning, Budgeting and Implementation Guidelines for Local Governments for the Education and Sports Sector 2021 also requires that contracts should include a) measures to mitigate environmental and social risks identified in the checklist as the responsibility of the contractor; and b) standard clauses in the contract outlining the contractor's responsibilities in terms of mitigating environmental and social risks.

I however, noted that;

- Two (02) projects worth UGX.96,297,000 were not screened for likely environmental and social impacts as per details in **Appendix 9**.
- There were no environment and social management plans for the 2 projects.

Failure to screen projects for the likely environmental and social impacts may result into environment deterioration in case mitigation measures are not identified and implemented.

The Accounting Officer explained that this was due to inadequate funding.

Recommendation

The Accounting Officer should liaise with MoFPED to ensure that planned projects access adequate funding for their implementation.

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 MC.

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 MC's 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 MC's 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 MC's 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 MC 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;

4.0 Implementation of the Parish Development Model

The Parish Development Model (PDM) is a strategy for service delivery by the Government of Uganda to improve the incomes and welfare of all Ugandans at the household level by transforming 39% of households from a subsistence economy to

a money economy as approved by Parliament; whose outcomes will be measurable in the FY 2024/2025 at the closure of the NDP III.

In the FY 2022/2023, Parliament appropriated UGX.1.061 trillion for the PDM Programme, of which UGX.1.059 trillion was for the PDM revolving fund while, UGX.1.6 Bn was for Financial Sector Deepening (FSD)- Support PDM implementation at Ministry of Finance. This amount was to cater for 10,594 parishes in Uganda as per the national gazette of July 2020.

The primary pillar being the Agriculture Value Chain Development (Production, Storage, Processing, and Marketing). The other six pillars which support the primary pillar include; Infrastructure and Economic Services, Financial Inclusion (FI), Social Services, Community Mobilization and Mind-set Change, Parish Development Management Information System (PDMIS) and Governance and Administration.

My previous year report on government's preparedness to implement the PDM revealed a number of shortcomings. In addition, media reports continued to highlight emerging issues around the PDM, and delayed access to funds by the intended beneficiaries.

It is against this background that I identified the Management of the PDM as a thematic audit area in the FY 2022/2023 with an overall objective of assessing the management of the PDM, and identify program implementation bottlenecks and provide recommendations to Government.

I designed audit procedures to assess whether the PDM Pillars have been implemented in accordance with the PDM policy and guidelines with a specific focus on the financial inclusion pillar. Below are my findings;

4.1 Funding of PDM Activities in the Municipal council

MoFPED released a sum of UGX.430,689,200 to finance 4 PDM SACCOs in Bugiri MC in the financial year 2022/23 with each SACCO receiving UGX.100,000,000 to develop and implement viable community led income generating activities. The Municipal council also received UGX.4,002,265 for the PDM Administrative costs, which was paid to PDCs.

4.2 Positive Observations

- The HLG Core Implementation team was fully constituted as per the guideline.
- All the 4 quarterly performance reports were prepared
- There was evidence of; Mobilization and sensitization of the various stakeholders at all levels including communities,
- There was Support for the continuous formation of PDM enterprise groups,
- There was training of the PDM enterprise groups and SACCOs, and,
- There was continuous data collection at household and community levels.
- The PDCs were fully constituted as per the Guidelines.
- The PDCs held 4 quarterly meetings and other routine meetings as need arose
- The SACCOs prepared parish priorities and action plans for the FY 2022/2023.
- The SACCO prepared 4 quarterly performance reports.
- The SACCO received funding for the PDC activities worth UGX. 4,000,000.
- In all the SACCOs, a leadership vetting committee was elected and inaugurated.
- In all the PDM SACCOs, the vetting criterion following the PDM SACCO byelaws was approved and included in the minutes/agenda.

- All the PDM SACCOs had training of the PDM SACCO members during the meeting.
- I noted that all the 4 PDM SACCOs operated with fully constituted Boards which held regular Board meetings.
- I reviewed the personal files of the members of the board and noted that they filled expression of interest forms prior to being elected board members.
- Training of local experts was carried out centrally on 27th June, 2022.
- The training was attended by the Town Agents, CDOs, Commercial Officers, and Extension officers.
- The HLG core implementation team trained households and enterprise group leaders in 4 on household visioning and enterprise analysis.
- 4 SACCOs were registered under the Cooperative Societies Act
- All the 4 SACCOs selected flagship projects;
- All the 4 PDM SACCOs included the bank account opening resolution in the minutes.
- All the sampled PDM SACCOs' bank accounts were opened in a bank as per the board resolutions.
- In all the PDM SACCOs, the SACCO bank account number provided was captured in the signed PRF Financing Agreement as guided by Budget execution circular for FY 2022/2023, June 2022.
- All the PDM SACCOs included resolution for the bank account signatories in the minutes.
- In all the PDM SACCOs, the signatories to the bank account are the ones approved in the board resolutions.
- In all 4 10 PDM SACCOs, the approved signatories were the ones authorising payments.
- I noted that all the 28 enterprise groups in the 4 PDM SACCOs were registered by the Community Development Officers at the Division as Community Based Organizations (CBOs).
- I noted that all the 4 SACCOs had updated PDM member registers as required by the guidelines.
- I noted that funds were transferred to any of the 4 SACCOs with a signed PRF financing agreement.
- I noted that funds were transferred to any of the 4 SACCOs without submission of attestation forms.
- I further noted that no beneficiaries in all the 4 PDM SACCOs received PRF multiple times.
- I noted that the approved budget allocation for PDM administrative costs for the FY 2022/23 was UGX. 4,002,265, out of which, UGX. 4,002,265 (100%) was received, leading to no shortfall.
- The training of trainers (Core Implementation team) was carried out; and, the consolidated report was prepared
- I noted that 212 beneficiaries in 4 wards who accessed loans before 5th June 2023 were selected through the PDMIS.

4.3 Areas of Improvement

4.3.1 Planning and Budget Performance

A review of the Bugiri Municipal council approved work plans and budgets revealed that the production department had an approved budget of UGX 4,002,265 for direct transfers to Parish Development Committees (PDCs). I noted the following;

4.3.1.1 Alignment of the Municipal Council Budgets to the PDM

Paragraph 1.7 of the Users Handbook for the Parish Revolving Fund (PRF) under PDM Pillar 3 - Financial Inclusion (Version: October 2022) requires all LGs through their respective Core Implementation Teams, to align their plans, interventions and budgets to the implementation of the PDM. In addition, Paragraph 3.4 of the Implementation Guidelines for PDM, 2021 requires PDCs to identify and prioritise social services needed at parish level and share them for approval and consolidation at the Sub County and Municipal council levels.

My review of the Municipal budget and work plans revealed that priorities were not received from sub-counties for incorporation into the Municipal council budget and work plan.

The Accounting Officer explained that PDM was a new project with new and ever changing implementation guidelines and by design all the funds allocated to PDM activities had not been aligned in the budget/work plans.

Recommendation

The Accounting Officer should ensure that priorities from Divisions are identified and incorporated in the MC budget and work plans to enable alignment of PDM activities for proper implementation.

4.3.1.2 Release of Funds to PDM SACCOS

Paragraph 3.0 of the users' handbook for the Parish Revolving Fund (PRF) under PDM Pillar 3 - Financial Inclusion, October 2022 provides that the PDM Pillar 3- Financial Inclusion includes a Parish Revolving Fund (PRF), through which Government shall provide a conditional Grant, of UGX.100 million per annum, to each of the gazetted 10,594 parishes in Uganda.

I noted that 4 PDM SACCOS received PRF in excess of UGX. 100 million leading to over release of UGX 30,689,200 as detailed in **Appendix 10**.

The excess PRF related to funds that were not transferred to the PDM SACCOS during FY 2021/2022.

The summary is presented in the table below and details are in **Appendix 10**

SN	Description	No. of SACCOS	Expected amount	Actual amount	Variance	Appendix
1.	SACCOS over funded	4	400,000,000	430,689,200	30,689,200	10

Over release of PRF may lead to diversion of funds to non-priority activities by the PDM SACCOS. This may also lead to failure to fund and/or under funding of other SACCOS which will affect the achievement of PDM objectives.

The Accounting Officer explained that over release was a directive from MoFPED instructing Accounting Officers to transfer funds worth UGX.30,689,200 for gadgets to SACCO accounts as first revolving funds. This documentation wasn't seen at verification.

Recommendation

The Accounting Officer should ensure that activities are implemented as per the approved work plan.

4.3.1.3 Disbursement of Parish Revolving Fund

Paragraph of the Users Handbook for the Parish Revolving Fund (PRF) under PDM Pillar 3 - Financial Inclusion October 2022 stipulates that the money for each Parish under the PRF shall be disbursed directly from the consolidated fund (at Bank of Uganda) to the PDM SACCO bank account solely for on-lending to subsistence households in the parish who are members of a registered PDM Enterprise Group in that parish.

I noted that all the 4 PDM SACCOs had disbursed UGX.428,000,000 (99.4%) out of the PRF received of UGX.430,689,200, leaving UGX.2,689,200 (0.6%) undisbursed as detailed in **Appendix 11**.

The low rate of disbursement of Parish Revolving Fund (PRF) may undermine the achievement of the pillar objective of eradicating poverty. Furthermore, there is a likely loss of funds due to the un-accounted for funds.

The Accounting Officer explained that PDM program was initially mishandled as guidelines were ever changing.

The Accounting Officer should ensure that the PRF beneficiaries access the PRF funds entitled to them. In addition, the PDM Secretariat should be consulted for a possibility of top-up funds to beneficiaries who received less funds.

4.4 Review of the PDM Governance Structures

The PDM Governance Structures are guided under: Paragraph 21 of the PDM - A Local Government (LG) Guide for Supporting Households & Enterprise, Jan 2023; Paragraph 4.1 of the Governance and administration Pillar Operations Manual, February, 2022; Paragraph 2.6.4, 3.0 of the PDM Users' Handbook for PRF under Pillar 3, (22nd version, October 2022); Paragraph 15 of the PDM Local Government guide to convening the first General Meetings for Registered PDM SACCOs (Guide No.1/2022) of October 2022); Section 18 of the Cooperatives Societies Act, 2020; and Paragraph 91 of the Parish Development Model, Guide 2;

The structures are summarized as below;

- The HLG Core Implementation Team shall constitute: the LG Accounting Officer (AO) as Chairperson, the Municipal council Production Officer (DPO), Municipal council Commercial Officer (DCO), Municipal council Planner, and the Municipal council Community Development Officer (DCDO).
- The Parish Development Committee (PDC), which comprises 7 members of the community, inclusive of the Parish Chief as the Secretary, is responsible for overseeing and coordinating the development activities within the Parish, mobilize the community, identify development priorities, monitor resource utilization and hold quarterly meetings.
- A PDM SACCO shall hold a General meeting to; pass bye-laws, admit new members, elect board of the PDM SACCO, Supervisory board and subcommittees and pass resolutions.
- The Supervisory Board checks the efficiency & effectiveness of the Cooperative internal control systems.

- The Production Sub-committee shall comprise of 3 farmers selected from the community who shall coordinate all farming related activities for the Parish on behalf of the PDM SACCO and that there is a Marketing subcommittee.
- Each Parish shall have a PDM SACCO and a PRF designated bank account for that PDM SACCO, in a branch of a supervised financial institution that is convenient for the members of the PDM SACCO.

I reviewed the existence and functionality of the PDM governance structures at the MC, Parish and SACCO level and made the following observations;

SN	Governance Structure	Observations	Recommendation
1.	General Meetings by PDM SACCOs	<p>All the SACCOs held their first general meeting more than 1 month after their registration.</p> <p>The Accounting Officer explained that SACCO leaders lacked adequate knowledge on the management of these SACCOs in regard to PDM program since the project was still new.</p>	The Accounting Officer should sensitize SACCO leaders to ensure AGMs are timely held as per the byelaws.
2.	SACCO Committees and Sub Committees	<p>I noted that all the 4 SACCOs had functional committees but lacked subcommittees, namely; Production Subcommittee, Marketing Subcommittee, Business Development Services Subcommittee, Finance and investment Subcommittee.</p> <p>Failure to have a functioning Board/Committees/Sub-Committees may lead to mismanagement of the SACCOs due to the lack of appropriate oversight</p> <p>The Accounting Officer explained that this was due to lack of clear guidelines</p>	The Accounting Officer should liaise with the relevant authorities and ensure that guidelines are clearly understood by recipients.

4.4.1 Registration of PDM SACCOs and Enterprise Groups

Paragraph 2.6.2, 2.6.3, 3.10 of Users' Handbook for the Parish Revolving Fund (PRF) under PDM Pillar 3 - Financial Inclusion October 2022; and Section 36(1, 2 &3) of Tier 4: Microfinance Institutions Money Lenders Act, 2016 requires that;

- The LG and more specifically the TILED department shall support the Office of the Registrar of Cooperative Societies at the MoTIC, to complete the PDM SACCO registration process.
- A SACCO shall not carry on the business of provision of financial services to its members unless it is a registered society and licensed under this Act or it is

operating on a probationary period pending registration under the Cooperatives Societies Act or it has applied for a licence under this Act.

- The PDM Enterprise Groups shall be registered by the Community Development Officers at the Sub-County, as a Community Based Organization. A copy of the certificate of Registration of the Enterprise Group (together with details of the members of the Group) shall be sent to the Chairperson of the PDM SACCO and to the DCO.
- A SACCO shall sign PRF Financing Agreement with the Accounting Officer. The purpose of this Agreement is to formalise the relationship between Government and the PDM SACCOs.
- The Chairperson PDM SACCO shall from time to time update the PDM Member Register and at any available General Meeting shall present the new members to the general assembly for admission into the PDM SACCO
- The Accounting Officer shall submit an Attestation Form to confirm that the PDM SACCO was formed in accordance with the issued PDM Pillar 3 guidelines. This was further emphasised by the PSST in the budget execution circular for FY 2022/2023 dated June 2022.

I made the following observations;

SN	Nature of registration	Observations	Recommendation
1.	Licensing of PDM SACCOs Under the Microfinance Institutions Money Lenders Act	<p>4 SACCOs were not licensed to take on the business of lending under Microfinance Institutions money lenders act as detailed in</p> <p>As a result, enforcement of recovery of PRF from beneficiaries by the PDM SACCOs may be legally challenged leading to loss of funds.</p> <p>The Accounting Officer explained that this was still an ongoing activity.</p>	The Accounting Officer should ensure that all PDM SACCOs are registered and licensed societies under the Microfinance Institutions money lenders act, 2016.

4.4.2 PDM SACCO Operations

Paragraph 2.3 (C) of the operational manual; Paragraph 3.7 & 3.8 of the users' handbook for the parish revolving fund (PRF) Under PDM pillar 3 - Financial Inclusion, October 2022; Instruction 10.1.6 (a-h) of the Treasury instructions, 2017; Paragraph 4.1.1 of the Parish Development model users handbook under the parish revolving fund; Annex 2 of PDM - A Local Government Guide for Supporting Households & Enterprise Groups in Accessing Loans under the PRF (Guide No.2), January 2023; and the guidance letter from the PDM National Coordinator ref: HRM/133/292/01 of 5th June 2023 require that;

- The identification of subsistence households shall be carried out using the wealth ranking tool, a participatory community appraisal tool which will enable the community to find out the poor and the rich. This should be carried out at village and parish level by the CDO, Parish Chief, and LC1 chairpersons.
- Each Parish shall select flagship projects that will benefit all interested subsistence households in a participatory manner as guided by the Commercial Officer, Community Development Officer (CDO) and relevant sector experts.

- No payment shall be made for goods, services and works outside properly authorised commitments and without adequate supporting documents. For example, Purchase orders, Signed Contract/agreement, Original invoices, Goods Delivery Notes, Goods Received Notes and Certificates of completion of works among others.
- A loan applicant must be a member of a registered subsistence household on the PDMIS, be a member of a PDM Enterprise Group that is a member of the PDM SACCO.
- All beneficiaries should be members of a registered subsistence household on the Parish Development Management Information System (applies before 5th June 2023).
- Subsistence households applying to access PRF should be determined and selected at village level through a vetting meeting convened by the enterprise groups and attended by LC1 Chairpersons (applies after 5th June 2023).
- For farming enterprises, the borrower must obtain an agriculture insurance policy under the Uganda Agriculture Insurance Scheme (UAIS).

I made the following observations;

SN	Activity	Observations	Recommendation
1.	Wealth Ranking of Households	<p>4 parishes did not carry out wealth ranking during identification of subsistence households.</p> <p>Failure to identify subsistence households using the wealth ranking tool and select and implement prioritized projects may undermine the achievement of pillar objectives</p> <p>The Accounting Officer explained that is was due to the fact that program guidelines hadn't been fully understood by the key implementers</p>	The Accounting Officer should ensure that wealth ranking during identification of subsistence households is carried out.
2.	Selection and Implementation of Prioritized/F lagship Projects	<ul style="list-style-type: none"> • All 4 parishes selected flagship projects that were partially inconsistent with the LG selected priority commodities of rice, maize, Nile perch, tilapia, local cattle and local chicken; and • 70 out of 428 farmer households from all the 4 wards implemented projects that are not from the priority commodity list. This is detailed in Appendix 12. • Failure to select and implement prioritized projects may undermine achievement of the pillar objectives appendix 12 refers. <p>The Accounting Officer explained that there was no clear guidance on the management of PDM activities as the secretariat frequently changed and issued contradicting guidance</p>	The Accounting Officer should liaise with the secretariat to be directed on the new changes in the existing guidelines.
3.	Loan Application and Approval Process	1084 beneficiaries in 10 SACCOs who accessed loans after 5 th June 2023, there was no evidence that they had been vetted by a village meeting convened by the enterprise groups as detailed in the table below. Details are in	The Accounting Officer should ensure that Loan Application and Approval Processes are followed.

		Failure to follow the stipulated loan application and approval process may result into ineligible beneficiaries accessing PRF. No explanation was provided by the Accounting Officer for the anomaly.	
4.	Insurance Policy for Farming Enterprises	All PRF beneficiaries who carried out farming enterprises in 4 PDM SACCOs did not obtain agricultural insurance policies from UAIS. Lack of recourse in form of insurance will expose the farming enterprises to the adverse effects of climate change and may result into failure to recover the loan funds. The Accounting Officer explained that this was an oversight since the program was new	The Accounting Officer should incorporate or enhance the requirement of insurance policy into the continuous training program to equip farmers with insurance knowledge.

a) Physical Inspection of Household Project Implementation

I reviewed loan files and carried out physical inspections where I observed the following;

- Two (02) beneficiaries in two (02) PDM SACCOs had projects that had completely failed;
- One (01) beneficiary in one (01) PDM SACCO had a project at a high risk of failure;
- One (01) beneficiary in one (01) PDM SACCO had diverted from the initially planned enterprise. Details in **appendix 13**.

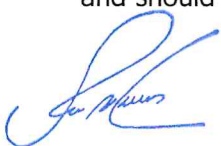
The above challenges imply that some projects will collapse thereby making it hard for beneficiaries to sustain the revolving fund through repayments.

Furthermore, there is also a risk that the PDM programme will end up benefitting the already well-off at the expense of the targeted beneficiaries.

The Accounting Officer did not provide a response to the matter.

Recommendation

The Accounting Officer should ensure proper beneficiary identification and selection, and should enforce effective monitoring and supervision of beneficiary projects.


John F.S. Muwanga
AUDITOR GENERAL

28th December, 2023

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List of Appendices

Appendix 1: Performance of Local Revenue

N o.	Source	Approved Budget	Actual Collection	Variance	Reasons for Under/Over Collection
	Taxes				
1	Local Services Tax	2,000,000	1,000,000	1,000,000	<i>Management to explain</i>
2	Local Hotel Tax	0	0	0	<i>N/A</i>
3	Business licenses	16,410,000	16,700,000	-290,000	<i>Management to explain</i>
4	Liquor licenses	0	0	0	<i>N/A</i>
5	Other tax revenues	0	710,000	-710,000	<i>Management to explain</i>
	Sub-total	18,410,000	18,410,000	0	
	NTR				
	Other Property income	170,000	0	170,000	<i>Management to explain</i>
	Sale of goods and services	1,600,000	1,500,000	100,000	<i>Management to explain</i>
	Administrative fees and licenses	204,230,000	67,331,100	136,898,900	<i>Management to explain</i>
	Court fines and Penalties	0	0	0	<i>Management to explain</i>
	Other fines and Penalties	26,000,000	0	26,000,000	
	Miscellaneous Revenue	13,000,000	12,548,400	451,600	
	Sub-total	245,000,000	81,379,500	163,620,500	<i>Management to explain</i>
	Grant Total	263,410,000	99,789,500	163,620,500	

Appendix 2: Performance of GOU warrants

Programme	Approved Budget	Warrants	Variance	%age performance
Agro-Industrialization	147,103,955	145,903,954	1,200,001	99%
Community Mobilization And Mindset Change	163,004,006	44,314,005	118,690,001	27%
Development Plan Implementation	296,197,347	236,340,222	59,857,125	80%
Governance And Security	643,861,471	393,408,524	250,452,947	61%
Human Capital Development	3,768,810,918	3,707,580,917	61,230,001	98%
Integrated Transport Infrastructure And Services	511,442,000	121,942,000	389,500,000	24%
Natural Resources, Environment, Climate Change, Land And Water	103,000,000	96,300,000	6,700,000	93%
Private Sector Development	35,468,733	27,868,733	7,600,000	79%
Public Sector Transformation	735,521,453	714,021,448	21,500,005	97%
Sustainable Urbanisation And Housing	19,000,000	19,000,000	-	100%
Total	6,423,409,883	5,506,679,803	916,730,080	86%

Appendix 3: Impact of under-warranting

Programme	Amount not warranted	Activities not /partially implemented	Purpose and impact of the partially/un-implemented activity
Agro-Industrialization	1,200,001	Printing, Stationery, Photocopying and Binding.	Farmer mobilization and sensitization. Impact Efforts aimed at improving agricultural productivity were hampered.
Community Mobilization And Mindset Change	118,690,001	Travel inland; Payment of allowances; Workshops, Meetings and Seminars; Welfare and Entertainment; Printing, Stationery, Photocopying and Binding; Investment in Information and Communication Technology Services.	<ul style="list-style-type: none"> Strengthening institutional support Community sensitization and empowerment Impact Efforts aimed at mental re-orientation of citizens for social and economic advancement were hampered.
Development Plan Implementation	59,857,125	Staff Training; Payments for Books, Periodicals & Newspapers; Printing, Stationery, Photocopying and Binding; Litigation and related expenses; Water expenses; Travel inland; and Fuel, Lubricants and Oils.	<ul style="list-style-type: none"> Planning and Budgeting; Inspection and Monitoring. Impact Efforts aimed at ensuring all planned goals are attained were hampered.
Governance And Security	250,452,947	Advertising and Public Relations; Printing, Stationery, Photocopying and Binding; Investment in Information and Communication Technology Services; Travel inland Transfer to Other Government Units; Payment of allowances; and Fuel, Lubricants and Oils.	Institutional Coordination. Impact Efforts aimed at ensuring effective administration were hampered.
Human Capital Development	61,230,001	Travel inland; Payment for Fuel, Lubricants and Oils; Payment of General Staff Salaries; Welfare and Entertainment; Printing, Stationery, Photocopying and Binding; and Acquisition of Structures.	<ul style="list-style-type: none"> Response to Gender based violence Malaria Control and Prevention Reproductive and Infant Health Services Prevention and rehabilitation services Support to special interest Groups Immunization Services Impact Efforts aimed at improving

			general community livelihood by preventing/limiting death/suffering by preventable disease, gender violence, and social factors were hampered.
Integrated Transport Infrastructure And Services	389,500,000	Travel inland; Payment for Fuel, Lubricants and Oils; Maintenance of Transport Equipment; Payment of Allowances; Investment in Information and Communication Technology Services; Maintenance of Buildings and Structures; Maintenance of Other Fixed Assets; and, Printing, Stationery, Photocopying and Binding.	<ul style="list-style-type: none"> • Road Maintenance • Road Equipment and Fleet Management <p>Impact Efforts aimed at ensuring Municipal council roads are constantly in a good state were hampered.</p>
Natural Resources, Environment, Climate Change, Land And Water	6,700,000	Workshops, Meetings and Seminars; Welfare and Entertainment; Printing, Stationery, Photocopying and Binding; and Travel inland.	<p>Planning and budgeting.</p> <p>Impact Efforts aimed at conserving and harnessing the environment were hampered.</p>
Private Sector Development	7,600,000	Payments for Welfare and Entertainment; Printing, Stationery, Photocopying and Binding; Small Office Equipment; and Travel inland.	<p>Fostering economic integration and market access.</p> <p>Impact Efforts aimed at improving trade and industry for local development were hampered.</p>
Public Sector Transformation	21,500,005	Purchase of Books, Periodicals & Newspapers; Welfare and Entertainment; Purchase of Small Office Equipment; Litigation and related expenses; Travel inland; and Payments for Fuel, Lubricants and Oils.	<p>Managing public service performance.</p> <p>Impact Efforts aimed at enhancing human resource management for better service delivery were hampered.</p>
Total	916,730,080		

Appendix 4: Utilisation of Warrants

S/N	Programme	Warrants	Utilization of warrants	Variance	%age performance
1	Agro-Industrialization	245,693,651	114,721,410	31,182,544	47%
2	Community Mobilization And Mindset Change	44,314,005	47,131,781	(2,817,776)	106%
3	Development Plan Implementation	236,340,222	219,204,365	17,135,857	93%
4	Governance And Security	393,408,524	389,527,038	3,881,486	99%
5	Human Capital Development	3,707,580,917	3,325,401,300	382,179,617	90%
6	Integrated Transport Infrastructure And Services	121,942,000	450,257,056	(328,315,056)	369%
7	Natural Resources, Environment, Climate Change, Land And Water	96,300,000	96,270,164	29,836	100%
8	Private Sector Development	27,868,733	26,121,819	1,746,914	94%
9	Public Sector Transformation	714,021,448	585,669,658	128,351,790	82%
10	Sustainable Urbanisation And Housing	19,000,000	19,000,000	-	100%
	Total	5,606,469,303	5,273,304,591	333,164,712	94%

Appendix 5: Impact of Under-Utilisation of Warrants

No.	Programme	Warrants not Utilized	Activities affected by the under utilization	Reason for the under-utilization of warrants
1	Agro-Industrialization	130,972,044	Payment of general staff salaries	<i>Management to explain</i>
2	Community Mobilization And Mindset Change	(2,817,776)	n/a	<i>Management to explain</i>
3	Development Plan Implementation	17,135,857	Payment of general staff salaries	<i>Management to explain</i>
4	Governance And Security	3,881,486	Payment of general staff salaries	<i>Management to explain</i>
5	Human Capital Development	382,179,617	Payment of general staff salaries, and construction of residential buildings.	<i>Management to explain</i>
6	Integrated Transport Infrastructure And Services	(328,315,056)	n/a	<i>Management to explain</i>
7	Natural Resources, Environment, Climate Change, Land And Water	29,836	Payment of general staff salaries	<i>Management to explain</i>
8	Private Sector Development	1,746,914	Payment of general staff salaries; and payments for Fuel Lubricants and Oils.	<i>Management to explain</i>
9	Public Sector Transformation	128,351,790	Payment of general staff salaries, pensions and gratuity	<i>Management to explain</i>
	Total	333,164,712		

Appendix 6: Out-puts without appropriate indicators and targets

No.	Programme	Budget Output Code	Budget Output	Out-put budget (UGX)	Activities	Audit comment on indicators	Audit comment on targets	Management Response
1	Human Capital Development	320003	Assets and Facilities Management	112,897,296	Construction of classrooms to improve pupil-to-classroom ratio	Indicator stated.	The 4% target doesn't have enough context to show how it relates to quantity of classrooms to be constructed.	Management to respond
2	Public Sector Transformation	010008	Capacity Strengthening	7,090,000	Training of officers under National Service Scheme	Indicator stated.	The 15% target doesn't have enough context to show how it relates to quantity of officers to be trained.	Management to respond
3	Governance And Security	000014	Administrative and Support Services	557,128,471	Management of assets	Indicator stated.	The 18% target doesn't have enough context to show how it relates to management of assets.	Management to respond
4	Integrated Transport Infrastructure And Services	000017	Infrastructure Development and Management	40,542,000	Availing Municipal council and zonal equipment	Indicator stated.	The 10% target doesn't have enough context.	Management to respond
5	Sustainable Urbanization And Housing	280006	Land Use Compliance	19,000,000	Compliance to physical planning regulatory framework	Indicator stated.	The 50% target doesn't have enough context.	Management to respond
6	Development Plan Implementation	000006	Planning and Budgeting services	55,679,347	Building capacity in development planning	No indicator.	The target of 12 doesn't have enough context and there's no indicator.	Management to respond
			Total	792,337,114				

Appendix 7: Implementation of planned outputs

Fully implemented out-puts

No.	Program	Sub-program	PIAP	Budget Out-put	Total Out-put expenditure UGX '000"	Total No activities in the out-put	Number of fully implemented activities
1	Agro-Industrialization	Institutional Strengthening and Coordination	01041101 Extension workers trained in entire value chain focused skills	37,247,955	35,237,500	1	1
2	Integrated Transport Infrastructure And Services	Transport Asset Management	09040106 Community access & feeder roads constructed & maintained to facilitate market access	315,000,000	283,584,632	1	1
Total				352,247,955	318,822,132		

Partially Implemented out-puts

N o.	Program	Sub-program	PIAP	Budget Out-put	Total Out-put expenditure	Total No activities in the out-put	Number of fully implemented activities	Number of partially implemented activities	Number of activities not implemented
1	Human Capital Development	Population Health, Safety and Management	1203010501 Basket of 41 essential medicines available	227,595,831	219,241,753	1	0	1	0
2	Development Plan Implementation	Resource Mobilization and Budgeting	18010601 Tax compliance improved through increased efficiency in revenue administration	105,000,000	56,260,875	1	0	1	0
Total				332,595,831	275,502,628	2	0	2	0

Appendix 8: Utilization of the wage budget

Departmental name	Approved Budget	Revised Budget	Warrant	Payments
Production	78,000,000	100,800,000	101,599,999	70,431,710
Community based services	90,000,000	90,000,000	90,000,000	89,970,164
Commercial	20,000,000	20,000,000	20,000,000	18,502,119
Works	76,000,000	76,000,000	76,000,000	69,777,696
Education	727,026,738	727,026,738	727,026,738	645,707,142
Education	618,346,917	996,835,932	905,648,989	876,384,226
Education	326,834,252	665,921,257	734,708,202	578,902,969
Education	32,000,000	32,000,000	32,000,000	29,345,124
Health	352,329,448	465,694,848	487,294,848	377,962,131
Administration	325,511,325	371,711,325	371,711,324	348,251,923
Planning unit	32,000,000	32,000,000	32,000,000	29,384,086
Statutory bodies	33,000,000	33,000,000	33,000,000	32,103,582
Trade, industry and local development	23,533,000	23,533,000	23,533,000	20,599,045
Internal audit	38,000,000	38,000,000	38,000,000	37,753,535
Finance	97,518,000	97,518,000	97,518,000	80,628,608
TOTAL	2,870,099,680	3,770,041,100	3,770,041,100	3,305,704,060

Appendix 9: Education Grant Procurements

	Procurement Serial Number	Details	Amount	Mitigation measures for environmental and social impact	Appointment of contract managers from sector specialists	Frequency of Monitoring
1	BMC 702/WKS/ 22- 23/00003	Two Classroom Block at Bugubo Butambula P/S	80,397,000	No	No	2
2	BMC 702/WKS/ 22- 23/00006	Water tank at Bugubo Butambula P/S	15,900,000	No	No	2
		Total	96,297,000			

Appendix 10: Over-release of PRF to PDM SACCOs

SN.	Name of SACCO	Expected PRF (UGX.)	Actual PRF (UGX.)	Variance (UGX.)	Remarks
1	Nkusi Eastern Division PDM SACCO	100,000,000	107,672,300	7,672,300	PRF not transferred to the PDM SACCOs in the F/Y 2021/22
2	Naluwerere Eastern Division PDM SACCO	100,000,000	107,672,300	7,672,300	PRF not transferred to the PDM SACCOs in the F/Y 2021/23
3	Bwole Western Division PDM SACCO	100,000,000	107,672,300	7,672,300	PRF not transferred to the PDM SACCOs in the F/Y 2021/24
4	Ndifakulya Western Division PDM SACCO	100,000,000	107,672,300	7,672,300	PRF not transferred to the PDM SACCOs in the F/Y 2021/25
	Total	400,000,000	430,689,200	30,689,200	




Appendix 11: Delayed disbursement of Parish Revolving Fund (PRF)

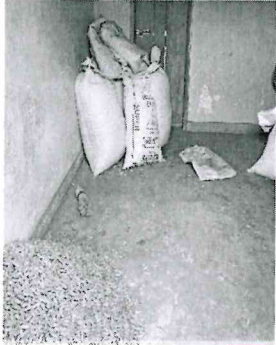
SN	Vote Name	Parish Name	PDM SACCO Name	Total PRF received (2021/2022 & 2022/2023)	Total Disbursements (Loans)	%age disbursed	Remarks
1	Bugiri MC	Nkusi	Nkusi Eastern Division PDM SACCO	107,672,300	107,000,000	99.38 %	672,300 outstanding
2	Bugiri MC	Naluwerere	Naluwerere Eastern Division PDM SACCO	107,672,300	108,000,000	100.30 %	
3	Bugiri MC	Bwole	Western Division PDM SACCO	107,672,300	106,000,000	98.45 %	1,672,300 outstanding
4	Bugiri MC	Ndifakulya	Western Division PDM SACCO	107,672,300	107,000,000	99.38 %	672,300 outstanding
			Total	430,689,200	428,000,000	99.38 %	

Appendix 12: Selection and implementation of prioritized/flagship projects

S N .	Vot e Na me	Pari sh Na me	Name of SACCO	List of flagship projects per SACCO	Are the flagship projects consistent with the priority commodities selected by the LG?	Num ber of hous ehol ds	Number of households implementing items from the priority commodity list
1	Bug iri MC	Nkus i	Nkusi Eastern Division PDM SACCO	<ul style="list-style-type: none"> • Dairy farming • Piggery • Poultry • Horticulture • Coffee • Fish farming • Fruit trees 	<p>Partially.</p> <p>The commodities of rice and maize don't fall under any of the priority projects.</p>	107	87
2	Bug iri MC	Nalu were re	Naluwerere Eastern Divison PDM SACCO	<ul style="list-style-type: none"> • Dairy farming • Piggery • Poultry • Horticulture • Coffee • Fish farming • Fruit trees 	<p>Partially.</p> <p>The commodities of rice and maize don't fall under any of the priority projects.</p>	108	75
3	Bug iri MC	Bwol e	Western Division PDM SACCO	<ul style="list-style-type: none"> • Dairy farming • Piggery • Poultry • Horticulture • Coffee • Fish farming • Fruit trees 	<p>Partially.</p> <p>The commodities of rice and maize don't fall under any of the priority projects.</p>	106	106
4	Bug iri MC	Ndif akul ya	Western Division PDM SACCO	<ul style="list-style-type: none"> • Dairy farming • Piggery • Poultry • Horticulture • Coffee • Fish farming • Fruit trees 	<p>Partially.</p> <p>The commodities of rice and maize don't fall under any of the priority projects.</p>	107	90
			Total			428	358

Appendix 13: Irregularities in PDM inspections

SN.	Parish Name	Name of SACCO	Name of PRF beneficiary	Loan Amount	Project State	Audit Comment
1	Nkusi	Nkusi Eastern Division PDM SACCO	Auma Mariam	1,000,000	 <p>Beneficiary's residence with nothing on ground photographed on 5th Dec, 2023.</p>	<ul style="list-style-type: none"> Total project failure. <p>Claimed to have bought chickens and all died. Probably diverted the funds.</p>
2	Nkusi	Nkusi Eastern Division PDM SACCO	Kaudha Khadija	1,000,000	 <p>Chicken shelter photographed on 5th Dec, 2023.</p>	<ul style="list-style-type: none"> High risk of failure. <p>Claimed to have bought 70 chickens and set up a shelter; but they died of disease and only 20 are left. However, there were no chickens on site.</p>
3	Bwole	Western Division PDM SACCO	Mohamed Sande	1,000,000	 <p>Beneficiary's residence with nothing on ground photographed on 5th Dec, 2023.</p>	<ul style="list-style-type: none"> Total project failure. <p>Claimed to have bought chickens and all died. Probably diverted the funds.</p>
4	Ndifakulya	Western Division PDM SACCO	Nangobi Moureen	1,000,000		<ul style="list-style-type: none"> Likely not targeted beneficiary. Diversion from planned enterprise. <p>Diverted from piggery into Ground</p>

					 <p>nut cultivation and sale. Has a ground nut store and seems to have been doing the business successfully before PDM.</p> <p>Ground nut store photographed on 5th Dec, 2023.</p>
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