

OFFICE OF THE AUDITOR GENERAL



THE REPUBLIC OF UGANDA

REPORT OF THE AUDITOR GENERAL
ON THE FINANCIAL STATEMENTS OF KALANGALA DISTRICT LOCAL GOVERNMENT
FOR THE YEAR ENDED 30TH JUNE, 2022

OFFICE OF THE AUDITOR GENERAL
UGANDA

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List of Acronym

Acronym	Meaning
DLG	District Local Government
ESC	Education Service Commission
FY	Financial Year
HC	Health Centre
HCMS	Human Capital Management System
HR	Human Resource
IESBA	International Ethics Standards Board for Accountants
IFMS	Integrated Financial Management System
INTOSAI	International Organisation of Supreme Audit Institutions
IPPS	Integrated Personnel and Payroll System
ISSAIs	International Standards of Supreme Audit Institutions
LGFAM	Local Government Financial and Accounting Manual
LST	Local Service Tax
MoFPED	Ministry of Finance, Planning and Economic Development
MoPS	Ministry of Public Service
NDP	National Development Plan
NIRA	National Identification and Registration Authority
NPA	National Planning Authority
OPD	Outpatient Department
PAYE	Pay as You Earn
PCA	Payroll Consults Africa
PDM	Parish Development Model
PDMS	Payroll Deduction Management System
PFMA	Public Finance Management Act
PS/ST	Permanent Secretary/Secretary to the Treasury
SACCO	Saving and Credit Cooperative
UBA	Uganda Bankers Association
UCLA	Uganda Consumers and Lenders Association
UgIFT	Uganda Intergovernmental Fiscal Transfers Program for Results
UGX	Uganda Shillings
UNATU	Uganda National Teachers Union

REPORT OF THE AUDITOR GENERAL
ON THE FINANCIAL STATEMENTS OF KALANGALA DISTRICT LOCAL GOVERNMENT
FOR THE YEAR ENDED 30TH JUNE, 2022

THE RT. HON. SPEAKER OF PARLIAMENT

Opinion

I have audited the accompanying financial statements of Kalangala District Local Government which comprise the Statement of Financial Position as at 30th 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 Kalangala District Local Government for the year ended 30th 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.

The District had an approved budget of UGX.22,894,657,653, of which a total of UGX.19,255,578,562 (84%) was warranted by year end. The total expenditure for the year was UGX.17,414,057,912, out of which UGX. UGX.10,207,542,193 (58.6%) was spent on salaries, pension and gratuity as detailed below;

Account code	Particulars	Amount (UGX)
211101	Salary	9,608,171,702
212102	Pension	414,086,146
213004	Gratuity	185,284,345
	Total	10,207,542,193

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	Recommendations																												
1.1	<p>Funding and Absorption of wage, pension and gratuity</p> <p>I reviewed the approved wage, pension and gratuity estimates for the financial year 2021/2022 and noted that Kalangala District budgeted and received UGX.10,643,092,806 with no variance representing 100% performance.</p> <p>Table showing the District Budget and releases for the year</p> <table border="1"> <thead> <tr> <th>Category</th> <th>Approved Estimates (A) (UGX)</th> <th>Releases/Warrant (B) (UGX)</th> <th>%age funding received</th> </tr> </thead> <tbody> <tr> <td>Salary</td> <td>9,804,901,192</td> <td>9,804,901,191</td> <td>100</td> </tr> <tr> <td>Pension</td> <td>440,353,561</td> <td>440,353,560</td> <td>100</td> </tr> <tr> <td>Gratuity</td> <td>397,838,056</td> <td>397,838,055</td> <td>100</td> </tr> <tr> <td>Pension and gratuity arrears</td> <td>0</td> <td>0</td> <td>0</td> </tr> <tr> <td>Salary arrears</td> <td>0</td> <td>0</td> <td>0</td> </tr> <tr> <td>Total</td> <td>10,643,092,809</td> <td>10,643,092,806</td> <td>100</td> </tr> </tbody> </table>	Category	Approved Estimates (A) (UGX)	Releases/Warrant (B) (UGX)	%age funding received	Salary	9,804,901,192	9,804,901,191	100	Pension	440,353,561	440,353,560	100	Gratuity	397,838,056	397,838,055	100	Pension and gratuity arrears	0	0	0	Salary arrears	0	0	0	Total	10,643,092,809	10,643,092,806	100	<p>I advised the Accounting Officer to ensure that Pensioners are advised to have necessary documents six months before retirement.</p> <p>As for the staff who had not accessed the payroll, the Accounting Officer should ensure that their challenges are resolved as soon as possible to avoid return of funds to the UCF.</p>
Category	Approved Estimates (A) (UGX)	Releases/Warrant (B) (UGX)	%age funding received																											
Salary	9,804,901,192	9,804,901,191	100																											
Pension	440,353,561	440,353,560	100																											
Gratuity	397,838,056	397,838,055	100																											
Pension and gratuity arrears	0	0	0																											
Salary arrears	0	0	0																											
Total	10,643,092,809	10,643,092,806	100																											

Out of the total receipts for the financial year of UGX.10,643,092,806, UGX.10,207,542,193 was spent by the entity resulting in an unspent balance of UGX.435,550,613 representing an under absorption level of 4% as shown in **table below**;

Category	Approved Estimates (A) (UGX)	Releases/Warrant (B) (UGX)	Expenditure (C) (UGX)	Unspent (UGX)	% absorption
Salary	9,804,901,192	9,804,901,191	9,608,171,702	196,729,489	98
Pension	440,353,561	440,353,560	414,086,146	26,267,414	94
Gratuity	397,838,056	397,838,055	185,284,345	212,553,710	47
Pension and gratuity arrears	0	0	0	0	0
Salary arrears	0	0	0	0	0
Total	10,643,092,809	10,643,092,806	10,207,542,193	435,550,613	96

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

Under absorption of released funds results in non-payment of staff and pensioners.

The Accounting Officer attributed the unspent balance in salaries to staff positions that were not filled, staff who were recruited and could not access payroll during the financial year and un-spent balances in gratuity and Pension to lack of necessary documents like first appointment letters and letters of administration.

1.2 **Payments of Salary, Pension and Gratuity**

a) **Under payment of pension and gratuity**

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, regular, and easily accessible to pensioners.

My review of the payroll registers (IPPS) and IFMS payments revealed there were under payments of Pension totalling to UGX.17,200,004 and Underpayments of Gratuity totalling to UGX.92,516,779 as shown in the **table below**;

Category	Number of staff/pensioners	Under payment (UGX)
Pension	3	17,200,004

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

Government (MoFPED) should consider paying pension and gratuity obligations as a statutory charge without subjecting it to budget ceilings.

	<table border="1"> <tr> <td>Gratuity</td> <td>1</td> <td>92,516,779</td> </tr> <tr> <td>Total</td> <td>4</td> <td>109,716,783</td> </tr> </table>	Gratuity	1	92,516,779	Total	4	109,716,783													
Gratuity	1	92,516,779																		
Total	4	109,716,783																		
<p>b)</p>	<p><u>Payment of salary using wrong salary scales and salary bands/levels/notches</u></p> <p>Section B – a (6) & (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>I compared the base pay as per IPPS payroll registers with the base pay as per salary structure for 2021/2022 and noted that 106 staff were paid using wrong scale leading to over payments of UGX.4,327,751 and under payments of UGX.1,717,422</p> <table border="1"> <thead> <tr> <th rowspan="2">Category</th> <th rowspan="2">Number of pensioners</th> <th colspan="2">Variance</th> </tr> <tr> <th>Over payment (UGX)</th> <th>Under (UGX)</th> </tr> </thead> <tbody> <tr> <td>Staff</td> <td>47</td> <td>4,327,751</td> <td></td> </tr> <tr> <td>Staff</td> <td>59</td> <td></td> <td>1,717,422</td> </tr> <tr> <td>Total</td> <td>106</td> <td>4,327,751</td> <td>1,717,422</td> </tr> </tbody> </table> <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 attributed the above to:</p> <ul style="list-style-type: none"> • Non-automation of the incremental dates in the IPPS by MoPS for which the Accounting Officer has no control. • Inadequate staff capacity in the Human Resource Departments to monitor staff appointment anniversaries considering the overwhelming numbers. • Failure by staff who qualify for salary increments to 	Category	Number of pensioners	Variance		Over payment (UGX)	Under (UGX)	Staff	47	4,327,751		Staff	59		1,717,422	Total	106	4,327,751	1,717,422	<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>In addition, the Accounting Officer was advised to recover overpayments and consider remitting funds to under paid staff.</p>
Category	Number of pensioners			Variance																
		Over payment (UGX)	Under (UGX)																	
Staff	47	4,327,751																		
Staff	59		1,717,422																	
Total	106	4,327,751	1,717,422																	

	notify the Human Resource department.	
C)	<p><u>Payment of ineligible persons</u> Section (B - a) (1) & (2) of Uganda public service standing orders 2021 requires that the public officer should have been properly appointed, deployed and assumed duty of the post and with a right to receive a salary in return for the services he or she renders to Government.</p> <p>For the financial year under review, I noted that all 59 secondary school and tertiary employees had no inconsistencies with minute extract numbers and were on the payroll for the Financial Year reviewed.</p> <p>I noted that 6 individuals with a forged minutes purportedly from Education Service Commission and had earned UGX.447,269,302 in the year under review. These individuals had been on the payroll for an average of 6 years.</p> <p>This has led to a financial loss to Government.</p> <p>The Accounting Officer explained that the District realised the irregularity during this year's audit exercise and the District Management undertook the exercise of stopping their salaries and then discovered that their salaries had already been ended on the IPPS by the MoPS effective 21/10/2022.</p> <p>However, Management had undertaken efforts to have all Secondary School Teachers in Kalangala verified by the Ministry of Education as the author of the appointment letters and the posting instructions and the appointment letters were stamped verified.</p>	<p>I advised the Accounting Officer to always validate newly recruited staff with the ESC before deployment and accessing payroll.</p> <p>The matter should be addressed to the relevant investigative organs for necessary action.</p>
d)	<u>Delayed Access to the payroll</u>	
	<p><u>Delayed access of newly recruited or transferred staff to the payroll</u> Section B-a (11) of the Uganda Public Standing Orders, 2021 states that the Accounting Officer shall ensure that the Public officer accesses the payroll within four (4) weeks from the date of assumption of duty.</p> <p>I noted that 16 newly recruited employees delayed to access payroll, with delays ranging from 1 to 2 months.</p> <p>I further noted that UGX.30,122,334 relating these staff was as a result of the delay to access payroll was combined with salaries of May and June, 2022 and paid and therefore there were no unpaid salaries as at the close of the of the Financial year 2021/2022.</p>	<p>I advised the Accounting Officer to ensure that the Human Resource and Information Technology staff support new employees in obtaining necessary documentation for set up.</p>
	<p><u>Delayed access to the pension payroll.</u> Paragraph 5.1 of establishment notice no. 1 of 2020 requires responsible officers to initiate and complete the processing of retirement benefits within six months to the</p>	<p>I advised the Accounting Officer to ensure that the</p>

	<p>mandatory retirement date. In case of death or early retirement, the process should be initiated immediately the Letters of Administration are issued and/or the early retirement has been granted.</p> <p>Paragraph 5.1.2 of establishment notice no.3 of 2019 provides that pensioners' retirement benefits are authorised 5 days after retirement for payment</p> <p>I noted that 3 new pensioners/beneficiaries delayed to access pension payroll, with delays of 13 months.</p> <p>I further noted that UGX.13,670,891 relating to 1 pensioner/beneficiary was unpaid as a result of the delayed access to Pension payroll and this issue is covered Audit issue 1.2 (b) above</p> <p>Failure to access pension payroll affects pensioners' livelihood and frustrates them and others die disillusioned. The Accounting Officer attributed this to mismatches in national IDs details in the IPPS and Personnel records as well as delays in accessing letters of probate by beneficiaries' from Courts of Law for death cases.</p>	<p>Human Resource staff supports the new pensioners/beneficiaries in starting the process six months before the retirement date.</p>
1.3	<u>Payroll deductions.</u>	
1.3.1	<p><u>Management of non-statutory deductions</u></p> <p>Government of the Republic of Uganda represented by the Ministry of Public Service entered into a service agreement with UCLA/UBA on 3rd 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>	
a)	<p><u>Lack of letters of undertaking or Consent</u></p> <p>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>In addition, only deductions consented by employees in writing should be submitted to MoPS (employer) for timely monthly payroll processing or as advised by the employer. I observed that loan/savings deductions amounting to UGX.42,843,106 relating to 45 employees lacked letters of undertaking or consent letters as a prerequisite of approval</p>	<p>I advised the Accounting Officer to approve all letters of undertaking prior to employees accessing loans/savings</p>

	<p>of the deductions.</p> <p>Loans/savings not supported by letters of undertaking/consent may lead to; unauthorized deductions and lack of assurance/guarantee to lending institutions, which may limit access to loan services and affects the livelihoods of civil servants.</p> <p>The Accounting Officer explained that Salary loans are approved after letters of undertaking are signed by officers designated by the Accounting officer but could not provide the Letters of Understanding for the queried officers.</p>	
<p>b)</p>	<p><u>Deduction past the deduction end date</u></p> <p>I observed from the active deductions report (downloaded on 22nd November, 2022 at 4:00pm), that UGX.3,161,180 relating to 16 employees was deducted past the end date.</p> <p>However, there were no correspondences from 43 employees who were affected by past the deduction end date</p> <p>Deductions past the end date reduce the net pay of the affected employees.</p> <p>The Accounting Officer explained that Management has no control over salary loan deductions by PCA. However, efforts are being made to contact the management of PCA to ensure that amounts deducted are duly refunded to the affected staff.</p>	<p>I advised the Accounting Officer to ensure that all Loan deductions are regularly captured in My Approvals and Active deductions report.</p>
<p>c)</p>	<p><u>Irregular loan end dates</u></p> <p>Analysis of the active deductions report (downloaded on 22nd November, 2022 at 4:00pm) revealed that UGX.9,042,408 deducted from 9 employees had irregular end dates ranging from 129 months to 463,846 months.</p> <p>Irregular end dates mislead the user's decisions regarding the approval of loans that have ended, could lead to deductions past the actual end dates, affects staff morale and productivity thus hindering service delivery.</p> <p>The Accounting Officer explained that Loan end dates on PDMS are determined by the instalments versus loan balance captured on the PDMS. The bigger the difference between the two amounts, the longer the loan end date. An instalment captured on the system is limited by the available affordable amount.</p>	<p>I informed the Accounting Officer that these matters would be brought to the attention of the relevant authorities.</p> <p>Government through 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>

<p>d)</p>	<p><u>Unapproved loan deductions by Accounting Officer in the PDMS</u></p> <p>Section 2.1.2 & 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.40,572,513 from 34 employees without approval of the Accounting Officer from the PDMS.</p> <p>The Accounting Officer explained that the unapproved loans come in as a result of disagreements between the clients/staff and the Financial Institutions. This is because the Financial institutions are giving out loans without authority from the management.</p>	<p>I informed the Accounting Officer that these matters would be brought to the attention of the relevant authorities.</p> <p>Government through 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>
<p>e)</p>	<p><u>Reliability of the Payroll Deduction Management System</u></p> <p>"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 Comparisons of the "my approvals" monthly deductions and "my active deductions" deductions revealed that 34 employees had different deductions amounts resulting into over deduction of UGX.549,758 and under deduction of UGX.6,941,157.</p> <p>I compared monthly loan/savings in the "my active deductions" report and the deductions in IPPS payroll and noted variances relating to 40 employees leading to an over deduction of UGX.1,035,898 and under deduction of UGX. 1,480,219.</p> <p>I compared monthly loan/savings in the "my approval" report and the deductions in IPPS payroll and noted variances relating to 68 employees leading to over deduction of UGX.729,301 and under deduction of UGX.8,772,016.</p> <p>The inconsistencies in the PDMS undermines the relevance of the system, affects the integrity of the data there in, while, over deductions affects staff morale and productivity thus hindering service delivery.</p> <p>The Accounting Officer explained that the difference between My approvals report amounts and the active</p>	<p>I informed the Accounting Officer that these matters would be brought to the attention of the relevant authorities.</p> <p>Government through 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>

	<p>deductions report amounts; happens when employees take loan top-ups, they may agree with the lender to increase the instalment amount. The new agreed on amount will be recorded in my active deductions report but my approvals report will maintain the original instalments.</p> <p>He further stated that Management has written to PCA and to the concerned staff to avail details on top-up loans, so that follow up can be made to ensure that the staff loans are reconciled and where refunds are due, they are reimbursed to these staff.</p>	
<p>1.3.2</p>	<p><u>Management of Statutory Deductions</u></p>	
<p>a)</p>	<p><u>Failure to deduct LST</u></p> <p>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>I observed that LST of UGX.28,171,250 was deducted from all the District employees.</p> <p>I noted that Kalangala District had wrongly deducted the LST of 588 employees resulting into an over deduction of UGX.187,500 and under deduction of UGX.23,663,750.</p> <p>Wrong computation of LST leads to misstatement of expenditure and receivables. Failure to deduct LST leads to overstatement of expenditure and understatement of receivables.</p> <p>The Accounting Officer explained that LST deduction are automated by MoPS for the months of July to Oct. However, the system sometimes goes beyond the recommended 4 months. Other times they deduct 3 months (which are below the recommended) Management will continue to engage MoPS to improve the system</p>	<p>I informed the Accounting Officer that these matters would be brought to the attention of the relevant authorities.</p> <p>Government through MoPS should ensure that the HCMS accurately deducts LST from all employees in accordance with the relevant laws.</p> <p>In the meantime, the Accounting Officer should make recoveries of LST from the affected staff.</p>
<p>b)</p>	<p><u>Computation and deduction of Pay As You Earn (PAYE)</u></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. An analysis of the IPPS register and re-computation of PAYE revealed the following;</p> <ul style="list-style-type: none"> • PAYE was deducted from all staff. • The District wrongly computed the PAYE in respect of 359 employees resulting into an over payment of UGX.735,254 and under deduction of UGX.6,067,532. 	<p>I advised the Accounting Officer to ensure that all statutory deductions are deducted from Payroll and remitted to URA.</p>

	The Accounting Officer explained that PAYE was computed after LST had been deducted in the period between July and October using the Income Tax Act and therefore was not the same throughout the year.	
1.4	<u>Payroll Management System Issues</u>	
a)	<p><u>Inconsistencies between interface files and payroll registers</u></p> <p>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.</p> <p>I compared the payroll registers (IPPS file) with the IFMS interface files and observed that there were variances of UGX.58,921,568.</p> <p>This creates an opportunity for manipulation and misappropriation of salary/pension funds and could also lead to over/under payments of salary.</p> <p>The Accounting Officer attributed these inconsistencies to the fact that in some instances the Interface comes with errors that have to be adjusted before paying. For the month of August 2021, we received 2 interface files. Each file had different figures compared to what was on each payroll. So we used the Payroll register to pay rather than interface.</p>	<p>I advised the Accounting Officer to involve the head of internal audit in verifying consistency of Payroll information on payroll registers and interface files before payments are effected on IFMS.</p> <p>Government through MoPS should fast track the rollout and implementation of the Human Capital Management system.</p>

Emphasis of Matter

Without qualifying my opinion, I draw attention to the following matters disclosed in Note 25 to the financial statements and captured in the Statement of Financial Position:

2.0 Accumulated Payables

The District disclosed accumulated verified payables figure of UGX.828,085,537, arising from failure to repay the YLP and UWEP funds.

There is risk that the District may not settle these obligations and deny opportunity for revolving these funds, given the poor recovery of funds.

Low recovery was attributed to lack of operation costs for the staff to make follow-ups on the youth and women groups.

The Accounting explained that the budget allocation under Local Revenue was made within the current year to cater for operations and follow up on the Youth and Women Groups by the Community Development Sector as a responsible department. The funds were not adequate to follow up these groups.

I advised the Accounting Officer to liaise with the responsible line Ministry to ensure that adequate funds are provided to the Community Development Sector Department to ensure adequate follow up.

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:

3.0 Implementation of the Approved Budget

3.1 Overall Revenue Performance

I noted that out of budgeted total revenue of UGX.22,894,657,653 for the year 2021/2022, UGX.19,255,578,562 (84%) was realized. The performance of each revenue source is summarised in the **table below;**

Revenue Source	Approved Budget (UGX)	Warrants (UGX)	Variance (UGX)	%age of performance
Local Revenue	624,837,273	515,843,345	108,993,928	83%
Central Government grants	16,205,566,265	16,083,344,000	122,222,265	99%
Transfers received from other government units	3,083,545,000	1,484,737,848	1,598,807,152	48%
External Assistance	2,980,709,115	1,171,653,369	1,809,055,746	39%
Total	22,894,657,653	19,255,578,562	3,639,079,091	84%

Failure to realize all the planned revenue negatively affected provision of services to the communities.

The Accounting Officer explained the causes of not realizing all revenue as planned as shown in the **table below;**

Category	Management response clearly indicating causes	Effects on service delivery
Local Revenue	UGX.108,993,928 was not collected by the district because of COVID 19 lock down and intensified control on fishing activities on Lake Victoria by the Army.	<ul style="list-style-type: none"> As a result, activities like monitoring and supervision of government programs which were to be funded from local revenue were not properly done.
Central Government Grants	Non release of PDM Funds of UGX.122,222,265 due to budget cuts.	<ul style="list-style-type: none"> 10 SACCOs did not get funding.
Transfers received from other government units	UGX.1,598,807,152 where the following entities did not release funds as planned; URF UGX.610,174,000, National oil project UGX.796,320,000, OPM UGX.189,197,000, Support to Women Councils UGX.98,197,000.	<ul style="list-style-type: none"> Due to underfunding Routine Maintenance was not carried on a total of 97 km roads.
External Assistance	UGX.1,809,055,746 where the following entities did not release funds as planned; Rakai Health Sciences Program UGX.404,782,000,	<ul style="list-style-type: none"> Health services were negatively affected in terms of immunization, treating of Tuberculosis and Malaria

	Global Fund UGX.354,132,000, Global Alliance for Vaccine (GAVI) UGX.55,535,000, GIZ UGX.583,000,000, UNCIEF UGX.87,000,000.	
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I advised the Accounting Officer to liaise with MoFPED, other agencies and donors to ensure that all budgeted funds are realized.

3.2 Absorption of funds

Out of the total receipts for the financial year of UGX.19,255,578,562, UGX.17,414,057,912 (88%) was spent by the entity resulting in an unspent balance of UGX.1,841,520,650 (09.5%). 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 key activities which were subsequently partially or not implemented at all.

No	Activity	Amount-Unspent (UGX)	Causes for failure to spend
1.	Salary, Pension and Gratuity	435,547,613	Staff under disciplinary cases could not be paid, failure to fill planned staff positions and Pensioners that were not validated.
2	Seed School - Mulabana	1,405,970,037	Delayed procurement of the contractor.
	Total	1,841,520,650	

The Accounting Officer attributed the failure to absorb realised funds to staff on disciplinary cases whose salaries were suspended

I advised the Accounting Officer to ensure that procurements and recruitments are under-taken in time. The Accounting Officer was also advised to liaise with Ministry of Ministry of Education expedite the procurement process of the Seed School.

4.0 Implementation of selected Service delivery activities

Out of the district budget of UGX.22,894,657,653, 44.6% 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;

- Parish Development Model
- Ex-gratia Payments
- Uganda Road Fund
- Uganda Intergovernmental Fiscal Transfers Program (UGIFT)
- Procurement

4.1 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 Kalangala DLG has 17 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;

4.1.1 Budget allocation

I reviewed the approved/ revised PDM budget allocation for the Financial Year 2021/2022 and noted that Kalangala DLG had an approved budget of UGX.295,614,499 and the District received UGX.172,936,965 (58.5%) leaving a balance of UGX.122,222,265 (41%). Refer to the **table below**;

SN	Purpose	Budgeted amount (UGX)	Released amount (UGX)	Shortfall (UGX)
1	Revolving fund	203,088,541	101,089,001	101,999,540
2	Administrative costs	17,009,628	11,382,651	5,624,977
3	Gadgets and tools	28,884,274	19,256,182	9,628,092
4	Staff costs	46,632,056	32,417,862	14,214,194
5	Data Collection	-	8,334,000	(8,334,000)
	Total	295,614,499	172,936,965	122,222,265

Source: OAG Analysis

As a result, funds available for implementation of PDM activities were not sufficient to meet the original activity planned targets. For instance, Only 7 parish SACCOs received the money instead of 17 parish SACCOs as per the original target.

The Accounting Officer explained that the ministry of Finance Planning and Economic Development released less fund than expected and in the letter ref-BPD /86/150/01 dated 20th May 2022, the PS/ST explains how the funding had changed following change of PDM policy guidelines.

I advised the Accounting Officer to follow up with MoFPED to ensure that funds are always released as budgeted.

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

4.1.2 Repurposing and utilization of PDM funds

The district repurposed funds meant for gadgets & tools to the revolving funds as shown in the table below:

	Administrative costs (UGX)	Gadgets and tools (UGX)	Staff costs (UGX)	Revolving fund (UGX)	Remarks
Release	11,382,651	19,256,182	23,316,028	101,544,270	
Funds repurposed	0	(19,256,182)	32,417,862	19,256,182	UGX.19,256,182 for gadgets and tools was repurposed to the revolving fund.
Funds available to spend	11,382,651	0	32,417,862	120,800,452	

I undertook a review of the utilization of funds for Revolving fund UGX.120,800,452 and administrative costs of UGX.11,382,651, staff costs of UGX.32,417,862 and observed the following;

4.1.3 Revolving fund

The district was supposed to disburse UGX.120,800,452 to 17 registered SACCOS. I undertook analysis of the disbursement and noted the following;

a) Funds diverted

I noted that a sum of UGX.19,256,182 was diverted from gadgets and tools 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 were hindered.

The Accounting Officer explained that the diversion from gadgets and tools was based on a PS/ST circular dated 20th 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.

I informed the Accounting Officer that the matter will be brought to the attention of the relevant authorities. I advised the PS/ST to ensure that repurposing funds is done within the law.

b) Failure to transfer funds directly to the PDM SACCO

Guideline 3.6.1(c) of the step-by-step guide for rolling out the PDM at the community level issued in May 2022 by the PDM secretariat requires that the funds should be channelled directly to beneficiary PDM SACCO's accounts.

I noted that UGX.120,800,452 was released by MoFPED to the beneficiary PDM SACCO accounts through the district.

This caused delays, and exposed the funds to mismanagement thus affecting implementation of PDM activities.

The Accounting Officer explained that he had no control of the remittance of funds directly to the district account. He further stated that Kalangala District had 17 gazetted parishes. All the gazetted parishes opened up SACCO accounts and 7 SACCOs benefited and the remaining 10 SACCOs were not funded as a result of insufficient funds.

I informed the Accounting Officer that the matter will be brought to the attention of the relevant authorities. I advised the PS/ST to ensure that funds are channelled directly to the PDM SACCOs in line with the guidance.

4.1.4 Administrative costs

A review of expenditure related to the administrative costs revealed that the district had spent UGX.19,718,651 for administrative costs. Funds were utilized in accordance with the prescribed guidelines and sufficiently supported.

4.1.5 **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.

I noted that the entity received UGX.32,417,862 meant to recruit and pay salaries for Parish chief and I noted it was spent on the intended purpose.

4.6 **Contradictory PDM implementation guidelines/directives**

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

Subject/Area	Issuing Authority	Guideline
Transfer of funds to PDM SACCOs	PDM Secretariat	Fund should go direct to PDM SACCO accounts in commercial banks.
	PS/ST	Funds to be sent to entity General Fund Accounts.
Diversion/ re-allocation of funds	PS/ST	letter Referenced BPD86/150/01 and dated 20 th May 2022 stated that funds budgeted for under gadgets and tools should be repurposed to the Parish Revolving Fund.
	Public Finance Management Regulation, 2016	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.

4.2 **Implementation of the Uganda Road Fund (URF)**

4.2.1 **Funding for road activities under URF**

The District budgeted to receive UGX.542,326,576. However, only UGX.282,766,769 was received from Uganda Road Fund out of which, UGX.81,886,945 was transferred to its Town councils and sub counties. The balance of UGX.200,879,824 was to be utilized on District Roads.

A review of the District work plans revealed that UGX.382,836,000 was budgeted to cater for District roads activities using Road gangs and the force Account mechanism as indicated in the table below.

I noted that the district did not receive all its budget funds. Out of the total budget, only UGX.200,879,824 (52.5%) was received resulting into a shortfall of UGX.181,956,176 (47.5%) as indicated in the table below.

Category	Planned Annual Expenditure (UGX)	Actual Expenditure (UGX)	Variance Expenditure (UGX)
Routine Manual Maintenance	94,679,000	30,718,000	63,961,000
Routine Mechanized Maintenance	173,568,000	91,962,000	81,606,000
Periodic Maintenance	0	0	0
Other Structures (Culvert Installation)	10,531,000	2,633,000	7,898,000
Equipment repairs	68,202,000	46,310,824	21,891,176
District road committee operations	8,800,000	2,200,000	6,600,000
Supervision/Administration costs	27,056,000	27,056,000	0
Total	382,836,000	200,879,824	181,956,176

The failure to fully fund the budget resulted into failure to implement planned activities such the road works of Kiwungu-Iwanabatya-Nakibanga 18.5 KM.

The Accounting Officer explained that the shortfall in the release of funds by URF was due to budget cuts. Following budget call circulars, unimplemented activities were carried over to the next financial year. The district has also has written to MoWT requesting for support.

The Accounting Officer is advised to continue liaising with the Uganda Road Fund to ensure funding is secured for planned road activities.

4.2.2 **Status of implementation of road activities**

A review of URF annual work plan and the respective quarterly performance reports revealed that the district planned to undertake Routine Manual Maintenance and Routine Mechanized Maintenance road works totalling to 85 km at cost of UGX.268,247,000, however, only 61.4 km (72.2%) were undertaken at a cost UGX.122,680,000 (45.7%) as indicated in the **table below**;




Category	Planned Length (KM)	Planned Annual Expenditure (UGX)	Actual length (KM)	Actual Expenditure (UGX)
Routine Manual Maintenance	47	94,679,000	23.4	30,718,000
Routine Mechanized Maintenance	38	173,568,000	38	91,962,000
Periodic Maintenance	0	0	0	0
Total distance	85	268,247,000	61.4	122,680,000


Source: URF work plan and quarterly performance reports

According to my inspection carried out on 24th November 2022 and progressive performance reports, I have observed the following;

- The district planned to maintain 38 km under routine mechanized maintenance at a cost of UGX.173,568,000. I noted that the district maintained all the 38 km at cost UGX.91,962,000. There is a risk that the qualities of the roads were compromised.

- The district also planned to maintain 47 km under routine manual maintenance at a cost of UGX.94,679,000. However, only 23.4 km were maintained at a cost of UGX.30,718,000. The Accounting Officer attributed the underperformance to budget cuts.
- The District did not budget for periodic maintenance of roads despite the destruction of a number of roads by the rainy seasons. There is a risk that the roads will further deteriorate given the meagre resources. Access to service delivery centres like Schools, Hospitals and Markets is hindered.

Road	Planned Activities	Picture	Observations
Bumangi-Njoga 7KM UGX.33,295,000	<ul style="list-style-type: none"> • Bush clearing • Compaction • Heavy and Light grading • Channels/Off shoots creation • De-silting • Gravelling selected areas 		<ul style="list-style-type: none"> • Bush clearing done • Compaction done • Heavy and Light grading done • De-silting done • Gravelling selected areas done
Beta-Mutambala 3Km UGX.4,500,000	<ul style="list-style-type: none"> • De- silting of culverts • De- silting of channels • Bush clearing • Cut and remove trees • Removal of termites • Patching of eroded Sections 		<ul style="list-style-type: none"> • De- silting of culverts done • De- silting of channels done • Bush clearing done • Cut and remove trees done • Removal of termites done • Patching of eroded Sections done
Beta-Senero 5Km UGX.6,500,000	<ul style="list-style-type: none"> • Establishment of road alignment • Bush clearing • Cut and remove trees • Opening of chocked culverts • De-silting • Provision of fill materials • Road widening 		<ul style="list-style-type: none"> • Establishment of road alignment done • Bush clearing done • Cut and remove trees done • Opening of chocked culverts done • De-silting done • Provision of fill materials done • Road widening done.

Lusozi-Buzinga 5KM UGX.7,540,000	<ul style="list-style-type: none"> • Grubbing • De- silting of culverts • De- silting of channels • Bush clearing • Cut and remove trees • Removal of termites • Patching of eroded Sections 		<ul style="list-style-type: none"> • Grubbing done • De- silting of culverts done • De- silting of channels done • Bush clearing done • Cut and remove trees done • Removal of termites done • Patching of eroded Sections
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The Accounting Officer explained that the district had planned for mechanised routine maintenance of 38km network road to be done once every quarterly however due to release shortfall it was done once in the entire year based on roads maintenance standards. He further indicated that un done works have been given upfront priority in the current financial year.

4.3 **Implementation of UGFIT**

4.3.1 **Status of implementation of Kachanga Seed Secondary School (UGFIT Project)**

The District awarded the contract for the construction of Kachanga Seed Secondary School to M/s MMACKS Investments Ltd at a cost of UGX.2,125,417,275 on 28th April 2019 with completion date of 27th April 2021.

The project has had a number of time extensions the latest was communicated by the Accounting Officer 4th July, 2022 to the contractor extending the project for a period of five to 6th December 2022.




At the time of audit, I noted that the contractor had so far been paid UGX.2,106,201,855 (99%) of the total contract amount of UGX.2,125,417,275.

I reviewed the project and noted the following;

- The School location is about 30 meters from the Lake shore however there is no fence around it. The students can easily be attacked by animals from the lake.
- The Seed School located in Bufumira Sub County is meant to serve about fifteen other islands however there is no provision for the Boarding facilities. It's difficult for students to commute from their respective homes to the School on daily basis while travelling on water.
- The School location is on hill and much of the compound is full of stones and the construction design left out the levelling of the Compound.

On 23rd November, 2022, I carried out inspections for the project was undertaken and noted the following;

A view of Kachanga seed school		<ul style="list-style-type: none"> • Classroom blocks fully constructed. • Furniture supplied.
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Two science laboratories fully completed.		<ul style="list-style-type: none"> Laboratory equipment fully supplied.
ICT laboratory fully constructed		<ul style="list-style-type: none"> No power supply to run computers. Computers fully supplied but not yet installed because the place is not secure.
Staff houses		<ul style="list-style-type: none"> Staff houses fully constructed.

The Accounting Officer explained as follows;

- The designs were standardized nationally without factoring the peculiarities of the geographical set up of Kalangala hence such exclusions identified by the audit team.
- The recruitment of school teachers to teach in Seed Secondary schools nation-wide is ongoing at the Education Service Commission and the District expects deployments to the school very soon.
- The district leadership plans to interface with the funding agency (MoES) to discuss the effective functionality of the school.

I advised the Accounting Officer to ensure that these additional needs are discussed with the key funding stakeholders so that additional works are done to ensure that the school is optimally beneficial to the community.

4.3.2 Lack of land titles for the school land

Circular from the PS/ST dated 4th November, 2020 on Confirmation of land for the Uganda Inter-Governmental (UGIFT) Programme required that all projects must be seated on titled land.

I noted that the land on which the project was constructed is not titled. There is a risk of litigation in case of disagreements with former land owners.

The Accounting Officer explained that there is a memorandum of understanding between the person that donated land and the district as they process the land title.

I advised the Accounting Officer to ensure that the process of securing land titles is expedited.

4.4 Procurement issues

4.4.1 Award of a contract to a company that was not issued the Bid

Regulations 73 (1) (2) (3) of the Local Government (PPDA) Regulation 2006 require;

- A procuring and disposing entity to determine a bid's compliance and responsiveness basing on the contents of the bid.
- Indicates that a substantially compliant and responsive bid shall be the one that conforms to all the instructions, requirements, terms and conditions of the bid documents without material deviation, or omission.
- And that if a bid is not substantially compliant and responsive to the bid documents, it should be rejected by the procuring and disposing entity and may not subsequently be made compliant or responsive by the bidder by correction of the material deviation, or omission.

Contrary to the above, I noted that the procurement of Medical Equipment under the Ministry of Health Central Region evaluated three (3) Companies that had not been issued a bid.

The three Companies (A.K Estates Ltd, SAGE Wood Ltd and RIMA Ltd) were not on the record of receipt of bids (LG PP Form 9) that were evaluated and one Rima (EA) LTD was declared the Best evaluated bidder and won the Contract.

The details of the procurement are as per the **table below**;

Sn	Procurement Reference No	Subject of Procurement	Provider / Purchaser	Contract Value (In Uganda Shillings)	Audit review remarks
1	MOH/SPLS/2021-2022/00220/3	Supply and installation of Medical Equipment to Bubeke Health centre III under UGIFT	Rima (EA) Ltd	170,275,246	Rima (EA) Ltd that was evaluated and won the Contract was not on the record of issue of Bid. However, Rima appeared on the receipt of Bid, record of bid opening, evaluated and eventually won the contract.

I established that the company has not supplied the equipment since 25th May, 2022 when the contract was signed.

Evaluating the bids of companies that had not been issued with bids may result into awarding contracts to companies that are incompetent, unable to supply and may eventually result into supply substandard equipment.

The Accounting Officer explained that this was a centralized procurement under Ministry of Health funded by UGIFT, and Kassanda DLG. Our procurement unit contacted the head procurement Kassanda Local Government on delays to supply the equipment's and were informed that the first two containers containing some of the

equipment are at Ministry of Health, while other three are in transit and the last two are still being loaded. Our head of procurement requested the Head procurement Kassanda to communicate with the mother Ministry to come up with an official communication to all Accounting officers in the central region about the status of the procurement since they are aware of the delays.

The Accounting Officer further explained that Procurement Unit contacted the Kassanda in regard to the issue of bid document to M/s. Rima (EA) Ltd, yet on the issue form the company was not appearing on LGPP Form 6 R48(6). In response the head procurement Kassanda district noted that this was an error of omission that could have occurred during the photocopying and compilation of procurement file.

This matter requires urgent attention.

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 Kalangala 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 District'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 District'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 District'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 District 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; 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;

5.0 Preparation of risk register and mitigation plans

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 promised to put in place the risk asset register.

I advised the Accounting Officer to ensure that the risk register is in existence in the next financial year.



John F.S. Muwanga
AUDITOR GENERAL

16th December, 2022