



# SUMMARY OF LOCAL GOVERNMENT ISSUES FROM THE AUDITOR GENERAL'S REPORT FOR FY 2022/23

## Factsheet

### INTRODUCTION

The fact sheet summarises the key findings of the Auditor General's Report for FY2022/2023 on local governments. This fact sheet is drawn from the Auditor General's Annual Report to Parliament for the Financial Year (FY) that ended on June 30, 2023. The Office of the Auditor General is critical in fighting corruption, mismanagement, and proper accountability of public funds.

### BACKGROUND

One of the core principles behind Uganda's decentralization policy is the promotion of local accountability. Objectives II and IV of this policy underscore the role of local governments in maintaining financial accountability. This is further enhanced by devolving political and administrative control over service delivery, thereby improving effectiveness and accountability. The Auditor General's report for FY

2022/2023 on local governments is a key document in this process, providing insights for policy recommendations. In adherence to the accountability ethos, local governments are mandated to maintain proper books of accounts annually and produce financial statements. This audit process involves scrutiny by both an internal auditor and the Auditor General. The latter, established under Article 163 of the Constitution of the Republic of Uganda, Section 4 of the National Audit Act, 2008, and Section 47 of the Public Finance Management Act, 2015, holds the primary responsibility of auditing and reporting on public accounts at various levels, including local government entities. Section 87 (1) of the Local Governments Act, Cap 243 (as amended), specifically directs the Auditor General to audit the accounts of every local government council and administrative unit. In the fiscal year ending June 2023, the Auditor General examined 176 local governments, comprising 135 districts, and 41 municipal, and city councils.

**A total of 133 districts and 41 municipal and city councils, received unqualified audit opinions; only two district councils received qualified audit opinions.**

## **KEY AUDIT ISSUES RAISED FOR LOCAL GOVERNMENTS**

In the financial year ending June 2023, the Auditor General identified key audit issues for local governments as highlighted below:

### **1. Budget execution**

#### **a) Underutilization of approved warrants**

Ministries Departments Agencies (MDAs) and Local Governments that do not fully utilise funds allocated to them at the close of a financial year are required to return the unutilised fund to the treasury. In FY 2022/23, local governments failed to utilize, and returned UGX 216 billion meant for development expenditure, significantly affecting the implementation of planned activities and, as a result, service delivery.

**Out of the UGX 6.125 trillion warranted for local governments, only UGX 5.796 trillion was utilized, representing a variance of 5.4% of the unspent balance.**

The Auditor General recommended the re-voting of the unexpended fund in accordance with Section 17(3) of the Public Finance Management Act, 2015.

#### **b) Unfunded approved budget**

The Public Finance Management Act of 2015 mandates the Secretary to the Treasury to produce an annual government cash flow plan, aligning with Parliament-approved procurement, work, and recruitment plans. In the FY 2022/23, Parliament allocated UGX 6.286 trillion for local government expenditures. However, a portion of this budget, amounting to UGX 161 billion (2.5%) of the revised total, was not disbursed.

## **2. Management of the Salary Payroll**

A review of the payroll data and IFMS payments revealed that 28 Local Governments made irregular transfers worth UGX 6.63 billion, which were not satisfactorily accounted for and may have caused the government financial loss.

## **3. Management of the Parish Development Model (PDM)**

**In FY 2022/23, Parliament allocated UGX 1.086 trillion for the PDM, but only UGX 1.080 trillion was disbursed, resulting in a deficit of UGX 6.257 billion.**

This affected 21 activities, including training, mobilization, and monitoring. The Auditor General identified issues like unfunded SACCOs, delayed fund disbursement, misallocation, and ineligible projects, as illustrated in Table 1.

**Table 1: Key Auditor General's findings in the implementation of PDM**

Key issue	Finding
Unfunded PDM SACCOs	<ul style="list-style-type: none"> <li>Total amount released UGX 1,059.40 billion</li> <li>10,594 is the total number of PDM SACCOs</li> <li>10,586 SACCOs received money</li> <li>8 SACCOs were unfunded</li> </ul>
Late Disbursement of Funds	<ul style="list-style-type: none"> <li>No funds were disbursed to any of the 10,594 SACCOs in quarter 1, yet UGX 264.85 billion was expected per quarter.</li> <li>Only 8,860 out of the 10,594 SACCOs received PRF of UGX 221.5 billion in quarter 2</li> <li>Only 905 out of the 10,594 SACCOs received UGX, 22.625 billion.</li> <li>10,585 SACCOs received a sum of UGX 814.350 billion instead of UGX 264.85 billion quarterly disbursements in quarter 4.</li> </ul>
Utilization of PDM Funds at MDAs	<ul style="list-style-type: none"> <li>Out of the total receipts of UGX 1.080 billion, UGX 1.078 billion (99.81%) was spent by four participating MDAs, resulting in unutilized funds of UGX 2.022 billion (0.2%).</li> </ul>
Disbursement of Parish Revolving Fund (PRF) to the Households	<ul style="list-style-type: none"> <li>6,911 PDM SACCOs in 138 LGs had disbursed UGX 478.304 billion (58%) out of UGX 820.798 billion PRF received; leaving UGX 342.493 billion (42%) was not disbursed by the end of the financial year 2022/2023.</li> <li>1,303 SACCOs in 28 LGs had not disbursed any of the PRF funds received of UGX 28.479 billion to households.</li> <li>62 PDM SACCOs in KCCA had not disbursed PRF funds worth UGX 6.2 billion to households by 14th November 2023.</li> </ul>
Implementation of Ineligible and Non-Existent Projects	<ul style="list-style-type: none"> <li>In 68 LGs, 604 beneficiaries in 242 PDM SACCOs had implemented ineligible projects.</li> <li>In 20 LGs, 53 beneficiaries in 44 PDM SACCOs had non-existent projects.</li> </ul>

## 4. Revenue Administration

In the FY 2019/2020, the government introduced an automated local revenue Management System, including the Integrated Revenue Administration System (IRAS), implemented in 124 sites with a budget of UGX 20.07 billion. Additionally, the Ministry of Local Government launched the E-LogRev system in 49 government sites, funded by

GoU, with an expenditure of UGX 6.28 billion. However, the Auditor General's report highlighted several implementation challenges. These include delayed installation, underutilization of the systems, and lack of training, failure to integrate the systems, insufficient Information Communication Technology (ICT) infrastructure and personnel. These issues impede the effective implementation and utilisation of the revenue systems, potentially hampering revenue collection and management efforts. The auditor general advised the government to address the current challenges by training the users, providing the necessary gadgets, and setting up information technology structures in local governments to realise full enrolment and operationalisation of these systems in all local governments.

**Table 2: Status of Implementation of Digital Revenue Management Systems**

Key issues	IRAS	e-LogRev
Roll out of the system	<ul style="list-style-type: none"> <li>• 124 sites enrolled</li> <li>• 11 sites fully embraced the system</li> <li>• 107 partially utilising</li> <li>• 06 not using</li> </ul>	<ul style="list-style-type: none"> <li>• 49 sites enrolled</li> <li>• 41 fully embraced the system</li> <li>• 08 partially utilising the system</li> </ul>
Impact on revenue collection	<ul style="list-style-type: none"> <li>• FY 2019/20- UGX 31.6 billion</li> </ul>	<ul style="list-style-type: none"> <li>• FY 2019/20- UGX 21.63 billion</li> </ul>
	<ul style="list-style-type: none"> <li>• FY 2022/23- UGX 56.35 billion</li> <li>• % Increment- 78%</li> </ul>	<ul style="list-style-type: none"> <li>• FY 2022/23- UGX 34.17 billion</li> <li>• % Increment- 58%</li> </ul>
Operation of the system	<ul style="list-style-type: none"> <li>• Staff in 52 out of 124 sites trained in the use of the system</li> <li>• All sites had not integrated system on IFMS</li> <li>• None of the nine (9) IRAS sites visited had an approved IT staff structure or IT personnel to handle IT-related matters.</li> <li>• 39 out of the 124 activated local governments had not been availed sufficient gadgets to operate the revenue system</li> </ul>	<ul style="list-style-type: none"> <li>• No information on the number of staff trained in the use of the system</li> <li>• All sites had not integrated the system into IFMS</li> <li>• All the 49 sites for which E-LogRev had been installed had no approved IT staff structure.</li> <li>• Not all the users of E-LogRev had also been availed with sufficient gadgets.</li> </ul>

## 5. Education Development Grant

The education development grant, previously known as the School Facilities Grants (SFG), aims to support the neediest communities in local

governments in completing unfinished classrooms and constructing new ones to meet specified ratios of classroom, pupil, desk, latrine, and teacher-house. In FY 2022/23, Parliament allocated UGX 86.63 billion for the grant, of which UGX 86.61 billion was disbursed. However, LGs utilized only UGX 82.63 billion (95%) by year-end, resulting in an under-absorption of UGX 3.97 million. The auditor general identified key issues with the implementation of the Grant such as; failure to maintain asset registers for education facilities, under allocation, low absorption of funds, and incomplete projects.

**Table 3: Status of Implementation of Education Development Grant**

Key issues	Findings
Compliance	<p>Positives</p> <ul style="list-style-type: none"> <li>• 137 out of 157 LGs allocated the grant funding following the grant guidelines.</li> <li>• 138 out of 157 LGs undertook mitigation measures for environmental and social risks.</li> <li>• All the entities received the project funds as budgeted for except for Mityana Municipal Council, which did not receive UGX 18.9 million</li> <li>• All the planned and implemented education development grant activities were incorporated in all of the Local government's work plans and budgets.</li> </ul> <p>Negatives</p> <ul style="list-style-type: none"> <li>• 49 (31%) out of 157 LGs did not maintain an up-to-date asset register of education facilities and their condition to ensure informed prioritization in selecting schools to benefit from the Education Development grant.</li> <li>• 20 (13%) out of 157 LGs allocated less funds to capital investment than the required (95%) leading to under-allocation by UGX 0.49 billion while the investment service costs were allocated more by the same amount.</li> <li>• 94 (9%) out of 1,113 projects worth UGX 5.2 billion in 19 LGs were not screened for likely environmental and social impacts and as such there were no environment and social management plans and reports to prescribe and mitigate the implementation measures.</li> </ul>
Fund absorption	<ul style="list-style-type: none"> <li>• A total of UGX 86.61 billion (99%) was received in 157 LGs, out of the budgeted UGX 86.63 billion.</li> <li>• Out of the funds received, the LGs utilized UGX 82.63 billion (95%) by the end of the year, resulting in an under-absorption of UGX 3.97 million.</li> </ul>

Key issues	Findings
Project completion	<ul style="list-style-type: none"> <li>• Construction of 42 projects in 19 LGs had not been completed at the time of inspection, indicating that the projects had been delayed by an average of 180 days.</li> <li>• Notably among the incomplete works were installing water collection facilities, addressing environmental aspects like planting grass and trees, plastering, painting works, and floor finishes.</li> <li>• 67 projects in 35 LGs had defects such as cracked walls, unpainted windows, uninstalled lightning conductors, delivery of substandard furniture, unfixed water gutters, etc.</li> <li>• Five projects worth UGX 336 million in 5 primary schools remained idle after their completion because they had not yet been commissioned. This denied the beneficiaries service delivery.</li> </ul>

For the issues above, the Auditor General recommended for timely release of funds, re-voting of the un-implemented activities to the financial year 2023/2024, and withholding of retention payments until contractors rectify all defects.

## 6. Micro-scale Irrigation

The micro-scale irrigation program funded by both the central government through UGIFT and farmers through co-funding faced budgetary challenges in FY 2022/23. Although Parliament allocated UGX 81.830 billion, only UGX 79.814 billion was disbursed, leading to the non-implementation of crucial activities such as irrigation equipment supply and installation. This shortfall hindered program targets, as released funds were not fully absorbed, resulting in partial or non-implementation of planned activities. Accounting Officers attributed under-absorption to farmers' inability to afford the 25% co-funding required for equipment provision. Additionally, delays from pre-qualified suppliers selected by MAAIF exacerbated the situation.

**Table 4: Status of Implementation of Micro-Scale Irrigation**

Key issues	Findings
Budget performance	<ul style="list-style-type: none"> <li>• A total of UGX 79.814 billion was received by 100 districts out of UGX 81.830 billion budgeted (97%).</li> <li>• Out of the funds received, UGX 21.147 billion (47%) was spent on capital development, while UGX 23.46 billion (53%) was on complementary activities leading to unutilized funds of UGX 35.206 billion.</li> </ul>
Program implementation	<ul style="list-style-type: none"> <li>• Out of UGX 65.208 billion received by 37 phase 1 districts, only 3 districts fully utilised all the funds, and the remaining 34 districts had unutilised funds of UGX 34.607 billion</li> <li>• Out of UGX 14.605 billion received by 63 phase 2 districts, only 34 districts fully utilised all the funds and the remaining 29 districts had unutilised funds of UGX. 599 million.</li> <li>• Out of the 2,750 planned irrigation equipment in 37 phase 1 (pilot) districts, 1,673 had not been delivered to selected farmers.</li> <li>• Out of the 194 planned demonstration irrigation sites in 63 phase 2 (rollout) districts, 12 had not been installed.</li> <li>• Out of the 1,058 farmers who received the irrigation equipment in 37 phase 1 (pilot) districts, training and technical support were not offered to 493 farmers in 9 districts in the warranty period.</li> </ul>

To address the above challenges, the Auditor General recommended reviewing the program’s co-funding and procurement arrangements to enhance the utilization of funds, timely procurements, and expansion of the list of prequalified suppliers to improve efficiency.

## **7. Utilisation of Discretionary Development Equalization Grant (DDEG) Non-USMID Grant**

The DDEG aims to equitably distribute resources to less-developed local governments, as Article 193(4) of the Constitution mandates. In FY 2022/23, 12 out of 19 Municipal Councils received UGX 6.499 billion out of the allocated UGX 7.476 billion, primarily for infrastructure projects, with allocations structured as follows: 70% for infrastructure, 15% for performance improvement, 10% for investment servicing and monitoring, and 5% for data collection. The auditor general raised key issues regarding adherence to grant guidelines in budgeting, fund transfer, and utilisation for infrastructure projects.



**Table 5: Status of Implementation of DDEG**

Key issues	Findings
Adherence to grant guidelines	<ul style="list-style-type: none"> <li>All the activities included in the Municipal Council (MC) work plans were eligible by the DDEG guidelines.</li> <li>All the procured infrastructure projects were within the procurement plans of the MCs.</li> <li>All funds were spent within the expenditure thresholds.</li> <li>Monitoring reports and site progress reports were prepared</li> </ul>
Budgeting	<ul style="list-style-type: none"> <li>Out of UGX 7.476 billion budgeted by the Municipal Councils, UGX 6.499 billion (87%) was received, leading to a shortfall of UGX.977 million (13%).</li> <li>Out of the received funds, UGX 5.994 billion (92%) was spent, resulting in an under-absorption of UGX 506 million (8%).</li> </ul>
Fund Transfer	<ul style="list-style-type: none"> <li>Nebbi MC received UGX.185 million for onward transfer to Divisions. However, only UGX 177 million was remitted, leading to an under-remittance of UGX 8 million (5%).</li> </ul>

The Auditor General recommended that all budgeted funds be released to MCs in a timely manner to facilitate the implementation of planned activities and the remittance of funds according to the guidelines.

## **8. Development Response to Displacement Impacts Project (DRDIP)**

DRDIP provides development and direct income support to the poor and vulnerable within refugee-hosting districts to improve access to basic social services, expand economic opportunities, and enhance environmental management. Fifteen (15) LGs received UGX 56.894 billion (39%), out of UGX 144.541 billion budgeted for the financial year 2022/23.

**Out of the UGX 56.894 billion received, the LGs spent UGX 53.193 billion (93%), leading to a balance of UGX 3.701 billion.**

**Table 6: Status of Implementation of DRDIP**

Key issues	Findings
Compliance with guideline	<ul style="list-style-type: none"> <li>• 14 out of 15 districts transferred all funds to the sub-projects except for Isingiro District.</li> <li>• All projects were evaluated and monitored by the district staff.</li> <li>• All Implemented subprojects were screened for their environmental impact, and environmental mitigation plans were drafted and executed.</li> <li>• All procurements in 14 of the 15 Districts were cleared by the Community Procurement Committees.</li> </ul>
Funding and absorption	<ul style="list-style-type: none"> <li>• A total of UGX 56.894 billion (39%) was released to 15 Districts out of UGX 144.541 billion that was budgeted, leading to a shortfall of UGX 87.646 billion (61%). The shortfall resulted in the non-implementation of 386 subprojects in 11 districts.</li> <li>• Out of UGX.53.750 released for subprojects, UGX.50.124 billion (93%) was disbursed to subprojects while UGX 3.626 billion was absorption under absorption led to the failure to implement six Subprojects in four (4) districts.</li> <li>• In addition, of the UGX 3.144 billion released for operational costs, UGX 3.069 billion (98%) was utilised, leaving UGX 75 million unutilised.</li> <li>• UGX 16.118 billion held in commercial bank accounts, mainly savings from cost variations and bank interest earnings, had not been utilised in nine districts. This is mainly a result of the lack of guidance from OPM regarding these balances and the incomplete status of some ongoing projects.</li> <li>• There were delays in the release of Social and Economic Services Infrastructure subproject funds from MoFPED approved by OPM to all 15 districts with disbursements happening in the 3rd and 4th quarters of the financial year.</li> <li>• Isingiro and Lamwo received UGX 2.724 billion and UGX 7.788 billion respectively in the last month (June) of the financial year to implement 67 subprojects, consequently, these projects could not be implemented.</li> </ul>

Key issues	Findings
Implementation of project activities	<ul style="list-style-type: none"> <li>• Out of 65 Infrastructure sub-projects 28 (43%) subprojects worth UGX 6.726 billion were fully implemented, 30 (46%) sub-projects worth UGX 25.886 billion were partially implemented and seven (11%) sub-projects worth UGX 5.743 billion were not implemented at all.</li> <li>• Out of 65 Livelihood sub-projects 23 (35%) subprojects worth UGX 462 million were fully implemented, 24 (37%) subprojects worth UGX 603 million were partially implemented and 18 (28%) sub-projects worth UGX 532 million were not implemented at all.</li> <li>• Out of 285 sustainable environment management sub-projects, 114 (40%) subprojects worth UGX 6.976 billion were fully implemented, 106 (37%) subprojects worth UGX 8.478 billion were partially implemented and 65 (23%) subprojects worth UGX 5.068 billion were not implemented at all.</li> <li>• Implementing Partners (IP) failed to implement 136 subprojects worth UGX 12.033 billion in 7 districts. The IPs had been appointed by OPM without the involvement of the implementing districts or the communities contrary to DRDIP regulations.</li> <li>• A non-existent sub-project in Moyo DLG was paid UGX 50 million. Furthermore, UGX 100 million meant for two subprojects in the district was not transferred to the respective subprojects.</li> <li>• In the Yumbe district, 39 procurements worth UGX 2.958 billion were not approved by the subproject Community Project Management Committees (CPMCs) and Community Procurement Committees (CPC) while 7 procurements worth UGX 3.788 billion did not seek guidance from district specialists. These procurements were not awarded by the communities but rather by OPM. Furthermore, a contract district worth UGX 423 million was awarded to a firm that could not execute the works.</li> <li>• In the Hoima district, a contract manager was not appointed for a reverse osmosis water project worth UGX 500 million while in the Yumbe district, the appointed contract manager failed to ensure timely approval of environment impact assessments for a valley dam project worth UGX 1.800 billion. This led to delayed implementation of the two projects.</li> <li>• In Moyo, Arua, and Hoima districts, the Community Procurement and Management Committees did not submit monthly physical progress reports or financial reports to their respective districts, which undermined timely interventions and accountabilities. Data in the DRDIP MIS was also not fully captured.</li> </ul>

For the above issues, the auditor general recommended that accounting officers rectify the identified snags.

## 9. Implementation of Uganda Intergovernmental Fiscal Transfers (UGIFT) Program

The Government introduced the UGIFT program to support the Intergovernmental Fiscal Transfers Reform Program (IGFTRP) to increase adequacy, improve equity, and efficiency of local government financing to service delivery. Out of 141 participating LGs, the Auditor General assessed the performance of the program in 125 (89%) LGs that had budgeted for UGX 359.511 billion and received UGX 348.410 billion (97%) in the financial year 2022/23. Out of the amount received, the LGs spent UGX 249.612 billion (72%), leading to unutilized funds of UGX 98.798 billion. The Auditor General's major findings about UGIFT activities included; implementation and monitoring according to the laws, regulations, and guidelines and observed the following;

**Table 7: Status of Implementation of UGIFT**

Key issues	Findings
Budgeting	<ul style="list-style-type: none"> <li>Out of 125 LGs, 114 (91%) LGs received all the funds budgeted.</li> <li>Activities implemented in the 125 LGs were budgeted for.</li> <li>In the 125 LGs, all funds were accounted for.</li> </ul>
Funding and Absorption	<ul style="list-style-type: none"> <li>A total of UGX 348.410 billion (97%) was released to 125 Districts out of UGX 359.511 billion budgeted, leading to underfunding of UGX 11.101 billion. This resulted in partial/ non-implementation of 57 key infrastructural facilities in schools and health centres.</li> <li>Out of the funds received, UGX 249.612 billion (72%) was utilised, leaving UGX 98.798 billion (28%) unutilised. The under-absorption led to the failure to upgrade/construct 14 health centres and 23 seed schools. As a result, this delayed the planned education and health services provision to the intended beneficiaries.</li> </ul>
UGIFT infrastructure Projects implemented on untitled Land	<ul style="list-style-type: none"> <li>75 LGs did not have land titles for various pieces of land on which 143 UGIFT infrastructure projects worth UGX 199.871 billion were implemented. There is a risk of loss of funds while settling land disputes including loss of the infrastructure.</li> </ul>
Inspection of UGIFT activities	<ul style="list-style-type: none"> <li>146 out of 230 projects inspected were not completed, while 116 had defects ranging from unfitted doors and windows to uninstalled water and electrical fittings.</li> <li>Project delays ranging from 20 to 365 days in 21 LGs.</li> <li>17 projects in 12 LGs were abandoned, and work had stalled.</li> </ul>

The Auditor General recommended timely funds release, re-budgeting for unimplemented activities, a review of the hybrid procurement approach, and land title processing. Adequate planning for land titling and strengthening the monitoring and supervision of construction projects are also recommended.

## 10. Implementation of Uganda Road Fund

The Auditor General audited 44 (25%) LGs out of 176 LGs to assess the performance of the Uganda Road Fund and noted that underfunding affected the road maintenance plans in the LGs.

**In FY 2022/23, local governments planned to maintain 8,994 km of roads. However, the actual length of the road maintained was 5,773 km, which was attributed to budget cuts from the Uganda Road Fund to the local governments.**

Furthermore, the inadequate and unmaintained road construction equipment hindered the road coverage maintenance.

**Table 8: Status of Implementation of Uganda Road Fund**

Key issues	Findings
Funding	<ul style="list-style-type: none"> <li>44 LGs budgeted to receive UGX 39.145 billion for routine manual, routine mechanized and periodic maintenance of roads. UGX 33.918 billion (87%) was received out of the budgeted amount, leading to a variance of UGX 5.227 billion.</li> <li>Out of the received funds, the LGs transferred UGX 9.301Bn to Lower Local Governments and retained UGX 24.618 billion.</li> </ul>
Status of implementation of road activities	<ul style="list-style-type: none"> <li>29 LGs planned to maintain 6,597 km under routine manual maintenance at a cost of UGX 3.287 billion; however, only 3,997km (61%) were maintained at UGX 2.369 billion (72%).</li> <li>32 LGs planned to maintain 2,075 km under routine mechanised maintenance at the cost of UGX 7,930 billion, however, only 1,601 km (77%) were maintained at the cost of UGX 6.428 billion (81%).</li> <li>14 LGs planned to maintain 322 km under periodic maintenance at a cost of UGX 6.587 billion. However, only 86 km (27%) were maintained at UGX 4.672 billion (71%) cost.</li> </ul>

For the above issues, the auditor general recommended adequate funding for planned road maintenance works and the timely release of

funds.

## 11. Uganda Support to Municipal Infrastructure Development, Additional Financing (USMID-AF).

This five-year program commenced in the financial year 2018/19 and ended in 2022/23. The purpose of the USMID-AF Program was to leverage institutional strengthening at the municipal LGs, improve municipal urban infrastructure, and support selected district LGs hosting refugees to improve planning, land tenure security, and small-scale infrastructure investments. The Auditor General audited 32 out of the 33 LGs which received UGX 459.819 billion (98%) out of UGX 470.681 billion budgeted for.

**Table 9: Status of Implementation of USMID**

Key issues	Findings
Compliance with the guideline	<ul style="list-style-type: none"> <li>32 out of 33 participating LGs' technical teams identified and prioritised gaps in the community-based services and specific infrastructure to be funded.</li> <li>There was no diversion of program funds in the 32 assessed LGs.</li> <li>All projects/subprojects implemented in the 32 LGs were captured in the entity work plans and budgets for the financial year under review.</li> </ul>
Planning	<ul style="list-style-type: none"> <li>Sixteen (16) funded projects of UGX 70.702 billion in 4 LGs were not included in the LG's budgets and work plans</li> </ul>
Funding and Absorption	<ul style="list-style-type: none"> <li>Out of the approved budget of UGX 470.681 billion for USMID AF activities, UGX 459.819 billion was released to 32 LGs during the period under review representing 98% performance.</li> <li>Out of the released amount, UGX 334.294 billion (73%) was spent by the 32 LGs leading to the under-absorption of UGX 125.526 billion. Budget shortfalls and failure to absorb funds affect service delivery.</li> </ul>
Implementation of Program activities	<ul style="list-style-type: none"> <li>Seventy-seven (77) out of the 129 projects in 29 LGs had been delayed, and works were still going beyond the expected end date.</li> <li>Two (2) projects out of the 129 projects in two LGs had road defects, which affected the useful life of the roads.</li> <li>Entebbe Municipal Council planned and completed the Entebbe Kitoro taxi park project. However, the taxi parking spaces and waiting shades did not match the current demands.</li> </ul>

Key issues	Findings
Utilization of the Wage Budget	<ul style="list-style-type: none"> <li>• 154 LGs had an approved wage budget of UGX 2.596 trillion and obtained supplementary funding of UGX 643.861 billion, resulting in a revised wage budget of UGX 3.240 trillion, of which UGX 3.192 trillion (98.5%) was warranted, resulting in unwarranted funds of UGX 47.987 billion.</li> <li>• Out of the total warrants, UGX 2.884 trillion was utilised by the 154 LGs, resulting in un-utilized warrants of UGX 307.711 billion, representing utilisation of 90%</li> <li>• There was an under-absorption of UGX 307,710,786,321 on the wage budget. As a result, staff recruitment could not be undertaken, thus affecting service delivery.</li> </ul>

For the above issues, the Auditor General recommended that the PSST ensure that only requested supplementary funds by the Accounting Officers are approved and released on time. Accounting Officers should ensure that the budgets are based on realistic human resource requirements of the entities and liaise with the Ministry of Public Service to ensure that the ban on recruitment is lifted. Meanwhile, the MoPS should consider a waiver for recruiting critical positions.

## **12. District Rural Water Supply and Sanitation Conditional Grant (DWSSCG)**

The grant aims to develop, rehabilitate, and conduct major rural water infrastructure repairs, enabling access to clean and safe water. The grant also aims to fund the operation and maintenance of piped water systems in small towns within a district. Out of the sampled 86 (64%) of the 135 Districts to assess the performance of the Grant, it was noted that the districts received UGX 51.026 billion (99.81%) out of UGX 51.123 billion budgeted for the FY 2022/23. Furthermore, UGX 48.916 billion (95.87%) was spent out of the received funds, leading to unutilised funds of UGX 2.109 billion. Table 10 shows a breakdown of the planned and actual activities implemented using the grant.

**Table 10: Status of Implementation of DWSSCG**

Key issues	Findings
Compliance	<ul style="list-style-type: none"><li>• 32 of the districts had their designs approved by the Ministry of Water and Environment</li><li>• 61 districts had activities derived from the five-year development per the grant requirement.</li><li>• Water tests for all new water sources were undertaken in all districts to ensure the water is suitable for human consumption.</li></ul>
Planning	<ul style="list-style-type: none"><li>• In Alebtong, Kapchorwa, and Kabarole Districts, 10 projects in the water grant work plan were not in the approved five-year development plan. This distorts planning and budgeting and may lead to diversion of funds to non-priority activities.</li><li>• The Accounting Officer explained that the limited resource envelope could not allow the extension of piped water.</li><li>• 54 Projects (Seed schools and Health Centres) in 28 Districts were not allocated water sources.</li></ul>
Budgeting	<ul style="list-style-type: none"><li>• A total of UGX 51.026 billion (99.81%) was received in 86 Districts out of UGX 51.123 billion budgeted.</li><li>• Out of the funds received, UGX 34.823 billion (68.25%) is related to the Rural Water and Sanitation Sub-Grant (traditional component), and UGX 16.202 billion (31.75%) is related to the Piped Water Sub-Grant (UglIFT component).</li></ul>
Absorption	<ul style="list-style-type: none"><li>• Of the funds received for the Rural Water and Sanitation Sub-Grant (traditional component), UGX 33.926 billion (97%) was spent, leaving UGX 896.71 million (3%) unutilized.</li><li>• Furthermore, of the funds received for the Piped Water Sub-Grant (UglIFT component), UGX 14.989 billion (93%) was spent, leaving UGX 1.212 billion (7%) unutilised.</li></ul>



Key issues	Findings
Implementation of the Grant activities	<ul style="list-style-type: none"> <li>• Out of the planned 1125 projects in 76 Districts, 1087 were fully implemented, 22 were partially implemented, and 16 activities were not implemented.</li> <li>• 16 projects in 10 Districts did not have their designs approved by the Ministry of Water and Environment.</li> <li>• A review of the annual District water sector performance reports revealed that 4,941 (14.43%) out of 34,240 existing water facilities in 40 districts were not functioning. The Accounting Officers explained that some existing boreholes were beyond repair and recommended decommissioning.</li> <li>• A review of the annual District water sector performance reports revealed that 19 (22.3%) out of 85 new water facilities in 11 districts were not functioning.</li> <li>• A review of the district water quality reports in 51 districts revealed that only 4,086 (12.27%) of the 33,313 existing water sources were tested contrary to the standard requirement of 20%. The Accounting Officers attributed the above to insufficient funds to procure water quality testing kits.</li> <li>• 85 inspected water facilities in 15 districts did not have functional water user committees to ensure sustainable water facility usage. The Accounting Officers attributed this to inadequate funds to facilitate monitoring of the water user communities.</li> <li>• Physical inspections of 571 water facilities in 67 Districts revealed that 535 (93.7%) were functional, 17 (2.98%) were not functional properly, and 19 (3.33%) were not functional.</li> </ul>

The Auditor General recommended that Accounting Officers should:

1. Expedite the connection of water sources under the UGIFT projects.
2. Engage the grant managers to increase funding to the piped water subcomponent.
3. Engage the Ministry of Water and Ministry of Finance, Planning and Economic Development to release funds as budgeted.
4. Engage the Ministry of Water and Environment to ensure that project designs are approved in time.
5. Enhance supervision of construction works to ensure that the projects are completed within the agreed timelines.
6. Ensure timely commencement of procurement processes as provided in the grant guidelines. In addition, the unimplemented activities should be rolled over to the subsequent financial years.
7. Adequately budget and prioritize the rehabilitation and maintenance of boreholes and facilitation of monitoring and supervision of water user communities.

8. Prioritize the replacement of boreholes that are beyond repair and due for decommissioning.
9. Ensure contractors correct all the defects identified before the expiry of the defect's liability period and payment of the final certificate.

## **ABOUT ACODE**

The Advocates Coalition for Development and Environment (ACODE) is an independent public policy research and advocacy think tank based in Uganda. ACODE's work focuses on four programme areas: Economic Governance; Environment and Natural Resources Governance; Democracy, Peace and Security; Science, Technology and Innovation. For the last eight consecutive years, ACODE has been ranked as the best think tank in Uganda and one of the top 100 think tanks in Sub-Saharan Africa and globally in the Global Think Tanks Index Report published by the University of Pennsylvania Think Tanks and Civil Societies Program (TTCSP).

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