



Civil Society Budget Advocacy Group

Issue Brief On

**The Report Of The Auditor General  
On The Financial Statements Of  
Abim District Local Government**

**Fy 2016/17**

*This issue brief is derived from the Report of the Auditor General on the Financial Statements of Abim district Local Government for the year ended 30<sup>th</sup> June 2017*

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## Acronyms

<b>OAG</b>	Office of the Auditor General
<b>LG</b>	Local Government
<b>FY</b>	Financial Year
<b>GoU</b>	Government of Uganda
<b>HC</b>	Health Center
<b>MDAs</b>	Ministries Department and Agencies
<b>EMHS</b>	Essential Medicines Health Service
<b>NMS</b>	National Medical Stores
<b>MMHSM</b>	Management of Medicines and Health Supplies Manual
<b>OPD</b>	Out Patient Department
<b>YLP</b>	Youth Livelihood Programme

# 1 Introduction

In the FY 2016/17, the Auditor General as mandated conducted an audit of the financial of Abim District Local Government and some outstanding issues were noted. The office also looked at the Statement of Financial Performance, Statement of Changes in Equity and statement of Cash flows together with other accompanying statements for the same year.

In an effort to popularize the findings by the Officer of the Auditor General (OAG) in the FY 2016/17, Civil Society Budget Advocacy Group (CSBAG) has compiled a summary some of the issues for the public to know about with the conviction that this will be a contribution enhancing transparency and accountability at Local Government Level.

This policy brief hence forth highlights the issues identified and the recommendations by the Auditor General in the Local Governments of Abim.

## 1.1 Roles of the Auditor General

**The Auditor General is mandated by Article 13 of the Constitution of the Republic of Uganda 1995 (as amended) and Sections 13 and 19 of the National Audi Act, 2008.**

According to these legal instruments, the objectives of the Auditor General include obtaining 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 General's report that includes the Auditor General's opinion. The Auditor General also;

- Identifies 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 our opinion.
- Obtains 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.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concludes 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 municipals' ability to deliver its mandate.
- Evaluates 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.

## 2. Key Issues Identified in the Audit

In the process of auditing there were issues identified, these were considered as the most significant by the Auditor General. However, this brief will focus on only issues that were identified to be existent in the social sectors. This section also includes recommendations by the OAG and the citizen's actions where necessary.

### 2.1 Utilization of Medicines and Health Supplies

The Auditor General noted that the Management of Medicines and Health Supplies Manual indicates that Medicines and Health Supplies form the second biggest expenditure in the health sector after human resources. Auditor General emphasized that the security of medicines must be ensured at all levels to prevent theft, abuse, misuse and wastage. In the audit, focus was on the procedures, processes, tools and documentation used to manage medicines and medical supplies which included;

- Involving external expertise in identifying the sample of tracer medicines and medical supplies, and developing data collection tools.
- Selecting medicines and medical supplies to trace their utilization in the hospital.
- Analysing the delivery cycles, balances on stock cards and order levels to ascertain stock outs.
- Obtaining and checking the records relating to the expired medicines and also inspecting the storage practices.
- Establishing the availability of key human resource personnel to ensure that medicines and medical supplies are not wasted. In this case, the Auditor General obtained the approved structure and compared it with the list of existing staff.

A case in point for the above was the assessment of management of Medicines and Health supplies at sample of one (Hospitals) Abim Hospital; below were the observations;

#### 2.1.1 Unaccounted for Medicines and Health Supplies.

In assessing utilization of essential medicines and commodities, the Auditor General obtained and reviewed various documents used in stock management like NMS Delivery invoices, Stock cards, Requisition & Issue Vouchers and Dispensing Logs and also conducted physical verification of available stock. Based on the procedures performed, the following shortcomings were identified:

- Variance between opening stock, what was received from NMS, total quantity issued out and the physical count at drug store of UGX 22,933,672.
- Variance between quantities delivered on the delivery notes from NMS and quantities recorded on stock cards worth UGX 4,333,674.

These shortcomings were attributed to mismanagement or poor record keeping which lead to rampant medicine stock outs which also hampers service delivery and occasioned widespread public outcry. On the other hand the Accounting Officer attributed the shortcoming to lack of skilled personnel to manage drugs utilization and explained that the district had recruited a Pharmacist to streamline the recording of drugs in all the units in the Hospital.

## 2.2 Recommendation by the OAG

The Accounting Officer was advised to ensure that all the necessary records for the Items are properly maintained monitored and any variances investigated to ensure that the optimum amount of medicines and supplies are available at health facilities at all time.

### 2.2.1 Stock outs

According to the Management of Medicines and Health Services (MMHS) manual part 3, it is required that management establishes policies, procedures and techniques to maintain an optimum amount of stock of each item at all Health Facilities to minimize stock outs and expiry. The Auditor General analyzed the delivery cycles, balances on stock cards and observed that 6 (six) items out of the 11 (eleven) selected indicator Essential Medicines and Health Services (EMHS) experienced stock outs within the audit period. Noticeably Coatem was out of stock for 15 days and sutures for 270 days.

He attributed the stock to failure of NMS to supply drugs in the quantities ordered by Health centres and lack of reliable information on drugs usage and stocking positions. He also pointed out that the stock out erodes patient confidence in the health sector which leads patients to explore alternative and inappropriate and expensive systems of health care. However, the Accounting Officer explained that lack of essential medicines as a result of delays by NMS or stock outs at NMS.

#### Recommendation by the OAG

The Accounting Officer should liaise with National Medical Stores (NMS) to ensure continuous optimum stock of medicines and supplies.

### 2.2.2 Expired Drugs

The Management of Medicines and Health Supplies (MMHS) manual part 3 requires that Expired items should be properly recorded, placed in designated area and destroyed in accordance with the local regulations. Records relating to the expired medicines were obtained, checked and inspected by the v on how they are stored. OAG observed stock piles of expired drugs which had stayed for a period of 3 years in the store without destruction, and attributed this to the excess stocking of slow moving drugs.

OAG also pointed out that the Cost of destruction of expired drugs is high and there is a risk of them getting redistributed back to the market. On the other hand according to the Accounting Officer, the National Drug Authority had been notified about the expired drugs and promised to destroy them.

#### Recommendation by the OAG

The entity should liaise with NMS to ensure that expired or damaged stock is destroyed in accordance with the regulations

### 2.2.3 Human Resources

Comparing the approved structure with the staff available, the v observed that out of 190 approved positions; only 136 (72 %) posts were filled, leaving 54 (28 %) positions vacant, and among the vacant positions, is the critical position of a dispenser relating to medicines management.

He noted that understaffing overstretches the available staff beyond their capacity, creates job-related stress to the fewer staff and negatively affects the level of public service delivery to the community. However, according to the Accounting Officer this was due to a ceiling on recruitment by the government and had affected the level of health service delivery at the hospital through staff work overload and reduced effectiveness.

#### Recommendation by the OAG

The Auditor General advised the Accounting Officer to engage the Ministries of Finance, Planning and Economic Development and Public Service and ensure that the vacant positions are filled.

### 2.2.4 Irregularities in Renovation of Abim Hospital

A contract for renovation of Abim Hospital was undertaken in phases at a total cost of UGX.1, 036,651,594. By the time of audit in September 2017 a total of UGX.1, 050,249,995 had been paid for the renovations. However, the Auditor General observed that:

- Phase one contract price was varied by UGX 31,092,272, raising the contract price to UGX 697,866,435 from UGX 666,774,163 without contracts committee approval. This resulted into an excess payment of UGX 31,092,272.

- Audit inspection revealed that works both in phase one and two costing UGX 252,103,000 paid to the contractor were noted to be defective or incomplete.

The Accounting Officer explained that the works had not been handed over and that the contractor would be compelled to rectify some of the defects noted before retention money was paid.

#### Recommendation by OAG

The Accounting Officer should ensure that the contractor rectifies all the defects or recover the amounts paid for the defective works.

## 2.2.5 Low Recovery of Youth Livelihood programme funds

Section 6(1) of the Youth Livelihood Programme (YLP) document 2013 requires all Project Funds disbursed to each Youth Interest Group to be treated as a Revolving Fund to be repaid in accordance with the Project Financing Agreement between the District Local Government and the beneficiary Youth Interest Group witnessed by the Area resident State Attorney.

However, an analysis of recovery of the programme funds revealed that the district expected to recover UGX 186,143,440 but only UGX 31,278,000(17%) was recovered leaving UGX 154,865,440(83%) outstanding.

Low Recovery adversely impact on Government objectives of setting up the programme as Revolving Fund to empower the Youth in Uganda to harness their socio-economic potential and increase self-employment opportunities and income levels. According to the Accounting Officer the Council had made written demands notes to all the beneficiary groups urging them to repay the loans.

#### Recommendation by the OAG

The Accounting Officer should ensure that land titles are secured to safeguard public land.

## 3. Conclusion

The Office of the Auditor General is mandated by Law to audit Government MDAs and LGs. The relevancy of these audits is to ensure that government expenditure towards programs meant to uplift the livelihoods of citizens is not put to waste. It is therefore necessary for the responsible accounting officers to effectuate the Auditor General's recommendations so as to realize value for money from all government expenditures meant to rise the socio-economic status of the citizens.

## Reference

Office of the Auditor General Uganda (2017), Report of the Auditor General on the Financial Statements of Abim district Local Government for the year ended 30<sup>th</sup> June 2017

#### Recommendation by the OAG

The Accounting Officer should initiate recovery measures in line with the programme guidelines and recover the funds.

## 2.2.6 Lack of land titles for School Land

It was observed that land for 21 primary schools sampled lack titles. Besides, ten (10) of the sampled primary schools had running land conflicts with surrounding communities. In the absence of land titles, school land was at risk of encroachment. The Accounting Officer explained that the district was in the process of acquiring Land Titles for all institutional land within the district, schools inclusive.

#### Primary school Infrastructure and status of land

S/n	Name of school	Land title
	ORWAMUGE P/S	No title, Conflict over land
	LOTUKEI P/S	No land title
	AYWEE P/S	No
	KIRU P/S	No land title
	KANU P/S	No land title
	ALEREK P/S	No land title
	LOYOROIT P/S	No land title
	GULOTWORO P/S	No land title
	KOYA P/S	No title, Land conflict
	AWACH P/S	No land title, Land conflict
	ADEA P/S	No title, Land conflict
	OBOLOKOME P/S	No land title
	OPOPONGO P/S	No title- no conflict
	ORWAMUGE P/S	No title, Land conflict
	GANGMING P/S	No title
	ATING P/S	No title, Land conflict
	ABIM P/S	Surveyed, but no title
	OTALABAR P/S	No title, Land conflict
	ORYEOTYENE P/S	No land title
	GOTAPOU P/S	No title, Land conflict
	PUPU-KAMUYE P/S	No title
	ROGOM P/S	No title, Land conflict
	Total	



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