



Civil Society Budget Advocacy Group

CSO Issue Brief

On The Report Of The Auditor General On The Financial Statements Of Pader District Local Government

Fy 2016/17

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

Contents

1. Introduction	3
1.1 Roles of the Auditor General	3
2. Key Issues Identified in the Audit	3
2.1 Utilization of Medicines and Health Supplies	3
2.2 Medicines and Health Supplies Accountability	3
3. Recommendation by the OAG	3
3.1 Stock outs	3
3.2 Failure to Implement Budget as approved by Parliament	4
3.3 Low Recovery of Youth Livelihood program funds.	4
3.4 Under Collection of Local Revenue	4
3.5 Understaffing	4
4. Conclusion	4
Reference	4

Acronyms

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

Issue brief on the report of the Auditor General on the Financial Statements of Pader District Local Government FY 2016/17

was produced by the Civil Society Budget Advocacy Group (CSBAG) with support from the Democratic Governance Facility. The contents of this publication are the responsibility of CSBAG and not our development partners.

© September 2018

Civil Society Budget Advocacy Group (CSBAG)

P.O. Box 660, Ntinda,

Plot 11 Vubya Close, Ntinda Nakawa Rd

Fixed Line: 256-755-202-154

E-mail: csbag@csbag.org

Web: www.csbag.org

 @CSBAGUGANDA  CSBAG.UGANDA

All rights reserved. No part of this publication may be reproduced, or reprinted in any form by any means without the prior permission of the copyright holder. CSBAG encourages its use and will be happy if excerpts are copied and used. When doing so, however please acknowledge CSBAG.

1. Introduction

In the FY 2016/17, the Auditor General as mandated conducted an audit of the financial of Pader 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 Pader.

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'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 municipalities' 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. 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 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. He 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 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 Pajule HC IV; below were the observations;

2.2 Medicines and Health Supplies Accountability

Medicines and Health Supplies worth UGX.68, 908,286 as a summation from the OPD, Theatre, Laboratory and Maternity Departments were not accounted for as stock cards and dispensing logs were not maintained contrary to the Management of Medicines and Health Supplies Manual (MMHSM). There was no record of opening stock of medicines and health supplies and therefore the auditor could not ascertain the actual stocks of medicines and health supplies handled by the Health Centre during the year under review.

3. Recommendation by the OAG

Besides the training done to improve record keeping in the health facilities, management should expedite the implementation of the necessary improvements to overcome the capacity gaps in the maintenance of stock cards in health units.

3.1 Stock outs

The auditor observed that 5 (five) items out of the 11 (eleven) selected indicator Essential Medicines Health Service (EMHS) experienced stock outs within the audit period. Items noted were Mama Kits which had been out of stock for 272 days and Coaterm 6 for 140 days still at Pajule HC IV. The stock out was attributed to failure of National Medical Stores (NMS) to supply drugs in the quantities ordered by the hospital and lack of reliable information on drugs usage and stocking positions. The stock outs erode patient confidence in the health sector which leads patients to explore alternative and inappropriate and expensive systems of health care. The Accounting Officer also attributed the stock outs to the limited supply of medicines and health supplies by NMS.

Recommendation by the OAG

Accounting Officer should liaise with NMS and ensure that orders and deliveries are in line with the most required or commonly used medicines and supplies at the health center or in the district.

3.2 Failure to Implement Budget as approved by Parliament

Section 45 (3) of the Public Finance Management Act, 2015 states that " An Accounting Officer shall enter into an annual budget performance contract with the Secretary to the Treasury which shall bind the Accounting Officer to deliver on the activities in the work plan of the vote for a Financial year, submitted under section 13 (15)". The auditor observed that out of the budgeted revenue of UGX 22,473,421,664 the district received UGX 19,049,386,879 (85%) resulting into a shortfall of UGX 3,424,034,785 (15%), also a number of planned outputs for an amount of UGX 280, 125,000 were not implemented. The most greatly 8 affected outputs included classroom construction and district periodic and routine road maintenance. See table below;

Department	Item Description	Planned Output/Quantity	Actual Output/Quantity	Amount Budgeted (UGX)	Amount Released (UGX)	Variance (UGX)
Education	Classrooms constructed under UPE	07	04	359,569,000	225,000,000	134,569,000
Works	District road periodic maintenance	36.3	18.9	254,100,000	168,286,000	85,814,000
	District road routine maintenance	420	400	260,072,000	200,330,000	59,742,000
Sub-Total				0	0	0
Total				1,654,163,688	1,366,090,016	280,125,000

The failure to implement all the planned activities may have been a result of inadequate releases or may be an indication of inefficiency. Failure to implement activities denies service to the beneficiary communities and defeats the purpose for which budgeting and budgetary controls are instituted. The Accounting Officer attributed the failure to implement activities as planned to budget cuts by the Central Government.

UGX 225,243,661(29%) was realized resulting into a shortfall of UGX 547,885,339 (71%). The under collection of local revenue adversely affect service delivery. The Accounting Officer attributed the shortfall to unrealistic budgeting by management of the District but promised to prepare more realistic estimates in the subsequent financial years.

Recommendation by OAG

The auditor advised the Accounting Officer to engage the relevant authorities and ensure that budget deficiencies are addressed and that all the allocated funds are released and all activities implemented according to the budget as approved by parliament and the District Council.

Recommendation by OAG

The Accounting Officer was advised to initiate measures to ensure that all budgeted Local Revenue is collected.

3.3 Low Recovery of Youth Livelihood program 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 in Pader District revealed that out of UGX 338,561,900 disbursed in the financial year 2014/15 and was due for Recovery only UGX 60,143,100 (18%) was recovered leaving UGX 278,418,800 (82%) outstanding. Low recovery adversely impacts on Government objectives of setting up the programme as a revolving fund to increase the youth's self-employment opportunities and income levels. The Accounting Officer explained that management had involved the political and law enforcement officers to effect recovery of the outstanding amounts.

3.5 Understaffing

The District has an approved staff structure of 225 positions. Out of the approved staff structure, only 94 (42%) are filled leaving a staffing gap of 131 (58%) positions. 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. The Accounting Officer explained that the understaffing challenge would be handled after the structure is approved but recruitment on replacement basis was on-going.

Recommendation by OAG.

The Accounting Officer was advised to ensure that all the outstanding monies are recovered.

Recommendation by OAG

The Accounting Officers is advised to continue engaging the Ministry of Public Service, the Ministry of Local Government and the Ministry of Finance Planning and Economic Development to address the challenge.

4. 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.

3.4 Under Collection of Local Revenue

Regulation 32 of the Local Governments Financial and Accounting Regulations (LGFARs) 2007 requires prompt collection of revenue due to the Council and bank it intact. However, it was observed that out of the budgeted local revenue of UGX 773,129,000 only

Reference

Office of the Auditor General Uganda (2017), Report of the Auditor General on the Financial Statements of Pader district Local Government for the year ended 30th June 2017