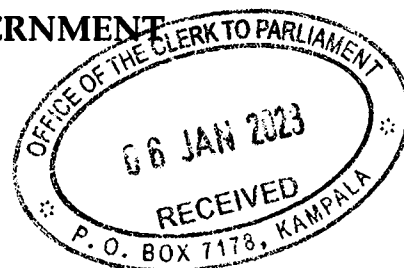


**RESPONSE TO ISSUES RAISED IN THE REPORT OF THE  
COMMITTEE OF PARLIAMENT ON PUBLIC ACCOUNTS (LOCAL  
GOVERNMENT) NOVEMBER 2022**

**BY THE MINISTER OF LOCAL GOVERNMENT**

Rt Hon. Speaker,



I thank the Committee of PAC (Local Government) for their report on the Report of the Auditor General on Local Government Accounts for the FY2020/21.

The Committee report on the 49 districts, 6 cities and 5 municipalities is detailed, its findings, observations and recommendations apply generally to all Local Governments. It will therefore, help Government and the Local Governments to improve in the management and accountability for funds utilised at local government level.

Government will implement the recommendations of the report and give feedback to Parliament in terms of actions taken at each entity. Nonetheless, there are critical general issues in the report that I find it imperative to give a response to, or comment on, for further information and guidance to the House, as the line Minister in charge of the Local Governments.

**1. Inadequate Funding of Local Governments**

The report points out that Local Governments received only 83% of the money appropriated in the budget. Therefore, they failed to implement some of the planned activities. The Local Government Associations have always pointed out that funds availed to Local Governments do not match the responsibilities which were devolved to them.

The Constitution (Art. 194) mandates the Local Government Finance Commission (LGFC) to advise Government on the distribution of revenue between the Government and Local Governments. On Monday 9<sup>th</sup> January 2023, I will submit to Cabinet proposal for appointment of a new LGFC. The Commission will be tasked to study this matter afresh and in detail and advise Government accordingly. My Ministry will also continue to engage the Ministry of Finance, Planning and Economic Development (MoFPED) to protect Local Government budgets from mid-year budget cuts.

## **2. Return of Funds to the Treasury**

The report notes that 87% of the funds released to the Local Governments was not spent. A total of Shs.229bn was returned to the Consolidated Fund. The reasons for failure of Local Governments to utilise the funds are given in the report. Return of funds to Treasury weakens further the capacity of the Local Governments to deliver services to the people.

Local Governments have been advised to indicate funds committed for development projects that they are unable to spend at the end of the financial year, so that the funds can be revoted to them through supplementary budget. Furthermore, districts should have fully operational Service Commissions, so that they are able to recruit staff in time and utilise their wage bill.

## **3. Cost of Services in Local Governments**

The report highlights the fact that 74% of the expenditure of Local Governments is on non-core activities, such as employee costs and transfers to other units. Only 26% of the Local Government budget is for development expenditure and services. This is a fundamental challenge

to devolution. It is a call on all stakeholders in the budget process to refocus attention on grassroots development financing.

Government socio-economic transformation programmes such as the Parish Development Model, Emyooga, etc are in the right direction. Government ban on creation of new administrative units will remain in force until further notice, so as to check multiplication of administrative structures which increase operational costs of service delivery.

#### **4. Local Revenue Performance**

The report shows that overall, LGs under-performed with respect to local revenue, collecting only 56% of the amount projected in their budgets. The Local Government Associations have argued that the requirement for LGs to remit their local revenue to the Consolidated Fund is a disincentive to local revenue generation. It causes delay in service delivery and increased public discontent, thereby lessening people's willingness to pay tax. This matter requires further guidance and action by the MoFPED.

My Ministry and the LGFC will continue to research into innovative solutions such as the IRAS (Integrated Revenue Administration System) and building capacity for LGs revenue enhancement, transparency and accountability.



#### **5. Deductions from Payroll to Pay Banks and Money Lenders**

The report notes that LG Accounting Officers are not in full control of deductions from staff salaries to pay banks and money lenders. Sometimes staff obtain multiple loans on high interest rates that leave little or nothing for their survival. LGs must protect staff from

manipulation, connivance, stringent repayment conditions and loan commitments beyond their capacity to repay.

We shall work with MoFPED and Ministry of Public Service (MoPS) to review the undertakings with the affected institutions and ensure protective terms and conditions for LG staff salary loans.

## **6. Court Cases Against Local Governments**

The Committee correctly observes that several LGs have Court cases over land and other issues. The Committee recommendation that LGs should adequately budget for legal representation, has been noted, but the source of funding to implement this recommendation is not clear.

It is advisable that, LGs being Government entities, should seek legal advice and representation from the Office of the Attorney General. Adequate facilitation of the Attorney General's office should be addressed, so that they can serve the LGs as required.

## **7. Titling District Land**

It is true that districts have vast land, as administrative units and institutions - health units, schools, sports facilities, etc,. Most of this land is not titled, hence easily encroached on.



Government, through Ministry of Lands, Housing and Urban Development, will assist districts to have their land titled. We have in the meantime put a halt on sale, exchange, mortgage or any other transaction on all Local Government land.

## **8. Payment of Administrative Advances into Staff Personal Bank Accounts**

The report has confirmed the existence of an unhealthy practice of payment into individual staff bank accounts money to facilitate various council activities and projects. This is tempting to LG staff and causes forgeries, accumulated advances and misappropriation of funds.

This practice must stop. Except for field staff allowances, funds for council activities are to be paid directly to service providers. All accounting officers shall be reminded them of this procedure.

## **9. Operationalisation of New Cities**

The report points out the need to ensure full Operationalisation of the new cities. This is particularly in terms of funding, staff structures and sharing of assets with the mother districts.

Government has taken steps to ensure that the new cities take off safely, albeit with a few challenges. Funding has been provided beyond the level of the former municipalities. The cities have each received Shs.2bn (Two Billion Shillings) to cater for the expanded wage bill; they are being supported to do physical planning including the annexed areas; a number of them have attracted development partner financing for e-governance, revenue enhancement, etc. Nonetheless, the cities need more funds for infrastructure development.

The Ministry of Public Service has provided manpower structures for the cities and they have been customised to suit the requirements of each city. Guidelines on sharing of assets and other aspects of city management are

in final stages, after the regulations that had been tabled in Parliament were withdrawn in December last year.

#### **10. Road Maintenance**

The Committee observation on the state of District Urban and Community Access Roads (DUCAR) is correct. They are poorly maintained in virtually all districts and urban councils, mainly due to inadequate financing of road maintenance. The big towns especially the cities and municipalities, require additional resources because of the high cost of maintenance of urban roads/streets.

#### **Conclusion**

Rt. Hon. Speaker, I thank you for giving me the opportunity to make the above comments/responses on issues raised in the report. Once again, I thank the Committee for a good job well done. I wish to reiterate our commitment and to assure Parliament that the recommendations of the report shall be implemented. A report on action taken shall be submitted to Parliament, as provided by Rule 220 of the Rules of Procedure of Parliament.



Raphael Magyezi  
**MINISTER OF LOCAL GOVERNMENT**