OFFICE OF THE AUDITOR GENERAL

THE REPUBLIC OF UGANDA

REPORT OF THE AUDITOR GENERAL

ON THE FINANCIAL STATEMENTS OF ADJUMANI TOWN COUNCIL

ADJUMANI DISTRICT LOCAL GOVERNMENT

FOR THE YEAR ENDED 30TH JUNE 2015
REPORT OF THE AUDITOR GENERAL
ON THE FINANCIAL STATEMENTS OF ADJUMANI TOWN COUNCIL
FOR THE YEAR ENDED 30TH JUNE 2015

THE RT. HON. SPEAKER OF PARLIAMENT

Introduction
I have audited the accompanying financial statements of Adjumani Town Council for the year ended 30th June 2015. These financial Statements comprise of the statement of financial position as at 30th June 2015, statement of financial performance, statement of changes in equity, cash flow statement together with other accompanying statements, notes and accounting policies.

Management Responsibility for the Financial Statements
Under Article 164 of the Constitution of the Republic of Uganda, 1995 (as amended) and Section 45 of the Public Finance Management Act, 2015, the Accounting Officer is accountable to Parliament for the funds and resources of Adjumani Town Council. The Accounting Officer is also responsible for the preparation of financial statements in accordance with the requirements of the Local Governments Financial and Accounting Manual, 2007, 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.

Auditor’s Responsibility
My responsibility as required by Article 163 of the Constitution of the Republic of Uganda, 1995 (as amended), section 87 of the Local Governments Act, and Sections 13, 16 and 19 of the National Audit Act, 2008 is to express an opinion on these statements based on my audit. I conducted the audit in accordance with International Standards on Auditing. Those standards require that I comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain evidence about the amounts and disclosures in the financial statements as well as evidence supporting compliance with relevant laws and regulations. The procedures selected depend on the Auditor’s judgment
including the assessment of risks of material misstatement of the financial statements whether due to fraud or error. In making those risk assessments, the Auditor considers internal controls relevant to the entity’s preparation of financial statements in order to design audit procedures that are appropriate in the circumstances but not for purposes of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my unqualified audit opinion.

Part “A” of my report sets out my unqualified opinion on the financial statements. Part “B” which forms an integral part of this report presents in detail, all the significant audit findings made during the audit which have been brought to the attention of management.

**PART "A"**

**Unqualified Opinion**

In my opinion, the financial statements of Adjumani Town Council as at 30th June 2015 are prepared, in all material respects, in accordance with the Local Governments Financial and Accounting Manual, 2007, Section 51(3) of the Public Finance Management Act, 2015, the Local Governments Financial and Accounting Regulation, 2007 and the Local Governments’ Act cap 243 (as amended), of the Laws of Uganda.

[Signature]

John F.S. Muwanga
**AUDITOR GENERAL**

30th November, 2015
PART "B"

ADJUMANI TOWN COUNCIL DETAILED REPORT OF THE AUDITOR GENERAL FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2015

1.0 Introduction
In accordance with Article 163(3), of the Constitution of the Republic of Uganda 1995 (as amended), I am required to audit and report on the public accounts of Uganda and of all public offices, including the courts, the central and the local government administrations, universities and public institutions of the like nature and any public corporation or other bodies or organizations established by an Act of Parliament. Accordingly, I carried out the audit of Adjumani Town Council to enable me report to Parliament.

2.0 Audit Objectives
The audit was carried out in accordance with International Standards on Auditing and accordingly included a review of the accounting records and agreed procedures as was considered necessary. The audit was carried out with regard to the following objectives:-

a. To verify whether the financial statements have been prepared in accordance with the requirements of the Local Governments Financial and Accounting Manual 2007 and the Local Governments Financial and Accounting Regulations 2007; and fairly present the income and expenditures for the year and of the financial position as at the end of the year.

b. To verify whether all the funds of the entity were utilized with due attention to economy and efficiency and only for the purposes for which the funds were provided.

c. To verify whether goods and services financed have been procured in accordance with the PPDA Act.

d. To evaluate and obtain sufficient understanding of the internal control structure of the entity, assess control risk and identify reportable conditions, including material internal control weaknesses

e. To verify whether the management of the funds of the entity was in compliance with the Government of Uganda financial regulations.
f. To verify whether all the necessary supporting documents, records and accounts have been kept in respect of all activities, and are in agreement with the financial statements presented.

3.0 AUDIT METHODOLOGY

The following audit procedures were undertaken:

a. **Revenue**
   Obtained all schedules of all revenues collected and reconciled the amounts to the cashbooks and bank statements of the entity.

b. **Expenditure**
   The payments vouchers of the entity were examined for proper authorization, eligibility and budgetary provision, accountability and support documentation.

c. **Internal Control System**
   Reviewed the internal control system and its operations to establish whether sound controls were applied throughout the period.

d. **Procurement**
   Reviewed the procurement of goods and services under the various departments during the period under review and reconciled with the approved procurement plan.

e. **Fixed Assets Management**
   Reviewed the use and management of the assets of the entity during the period under review.

f. **Financial Statements**
   Examined, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessed the accounting principles used and significant estimates made by management; as well as evaluated the overall financial statement presentation.

4.0 ENTITY FINANCING

Adjumani Town Council is financed by grants (Conditional and Unconditional) from Central Government and locally generated revenues from taxes, fees, licenses and charges. During the year, the Council received grants totalling to UGX.500,401,288 from Central Government and UGX.553,988,400 from locally generated revenues realising a total revenue of UGX.1,054,389,688 constituting 85% of its approved
budget estimates of UGX.1,236,155,948. Out of the funds received, UGX.1,067,820,171 were spent on service delivery and administration costs.

5.0 DETAILED AUDIT FINDINGS

This section outlines the detailed audit finding, management response thereof and my recommendation.

5.1 Local revenue short fall

Regulation 18(3) of the Local Governments Finance and Accounting Regulations 2007 requires Local Councils to prepare budget estimates basing on objectives to be achieved for the financial year and during its implementation, effort to be made to achieve the agreed objectives or targets as per Council priority Programmes.

It was noted that management of the council budgeted to collect UGX.640,511,528 from 15 local revenue sources. However, a total of UGX.553,988,400 was realized from 15 revenue bases resulting into a short fall of UGX.86,523,128 representing 14% of the budgeted Local Revenue.

Failure to collect all the budgeted revenue may affect the implementation of the planned activities.

The Accounting Officer explained that the shortfall was partly due to closure of business by some traders during the course of the year, non-payment of property taxes by Government and late operationalization of the lockups which denied the council revenue from rental fees.

I advised the Accounting Officer to initiate measures to ensure that all budgeted local revenue is collected.