

OFFICE OF THE AUDITOR GENERAL



THE REPUBLIC OF UGANDA

REPORT OF THE AUDITOR GENERAL

ON THE FINANCIAL STATEMENTS OF KAKIRI TOWN COUNCIL

FOR THE YEAR ENDED 30TH JUNE 2016

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LIST OF ACROYNMS

DLG	District Local Government
ICT	Information Communication Technology
ISSAI	International Standards of Supreme Audit Institution
LGFAM	Local Government Financial and Accounting Manual 2007
LG FAR	Local Government Financial and Accounting Regulations 2007
MoESTS	Ministry of Education Science and Technology and Sports
MoFPED	Ministry of Finance Planning and Economic Development
NMS	National Medical Stores
PFMA	Public Finance Management Act 2015
PPDA	Public Procurement and Disposal of Assets
UGX	Uganda Shillings
URA	Uganda Revenue Authority
USMID	Uganda Support to Municipal Infrastructure Development
VAT	Value Added Tax
WHT	Withholding Tax

REPORT AND OPINION OF THE AUDITOR GENERAL
ON THE FINANCIAL STATEMENTS OF KAKIRI TOWN COUNCIL
FOR THE YEAR ENDED 30TH JUNE 2016

THE RT. HON. SPEAKER OF PARLIAMENT

Introduction

I have audited the accompanying financial statements of Kakiri Town Council for the year ended 30th June, 2016. These financial statements comprise of the statement of financial position as at 30th June, 2016, statement of financial performance, statement of changes in Equity, cash flow statement together with other accompanying statements, notes and accounting policies.

Management's 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 Kakiri 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 controls as management determines necessary to enable the preparation of financial statements that are free from material misstatements 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 financial statements based on my audit. I conducted the audit in accordance with International Standards on Auditing (ISA). Those standards require that I comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

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 the risks of material misstatements 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 controls. 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 this report sets out my 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 Kakiri Town Council as at 30th June, 2016 are prepared, in all material respects, in accordance with the Local Government Financial and Accounting Manual, 2007, Section 51(3) of the Public Finance Management Act, 2015, the Local Governments Financial and Accounting Regulations, 2007 and the Local Governments Act cap 243 (as amended), of the Laws of Uganda.

Other Matters

I consider it necessary to communicate the following matter other than those that are presented or disclosed in the financial statements.

Understaffing

The Town Council has an approved staff structure of 67 posts. However, out of the 67 approved positions only 23 posts are filled leaving 44 vacant posts representing 66%. Understaffing adversely affect service delivery.

A handwritten signature in black ink, appearing to read 'J. Muwanga', with a large, sweeping flourish extending to the right.

John F. S. Muwanga
AUDITOR GENERAL

7th December, 2016

PART "B"

DETAILED REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF KAKIRI TOWN COUNCIL LOCAL GOVERNMENT FOR THE YEAR ENDED 30TH JUNE 2016

This Section outlines the detailed introduction, background information, entity financing, audit findings, management responses and my recommendations in respect thereof.

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 Kakiri Town Council to enable me report to Parliament.

2.0 ENTITY FINANCING

Kakiri Town Council is financed by grants (Conditional and Unconditional) from the Central Government and locally generated revenues from taxes, fees, licenses and charges. During the year, the Town Council received grants totaling to UGX.379,164,463 from the Central Government and UGX.250,867,839 from locally generated revenues. The total revenue of UGX.630,032,302 being 98% of its approved budget estimates of UGX.643,137,836 was realised.

3.0 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 Government 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 2003 (as amended)
 - d. To evaluate and obtain sufficient understanding of the internal control structure of the entity, assess control risks 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.

4.0 AUDIT PROCEDURES PERFORMED

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 payment 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 statements presentation.

5.0 **FINDINGS**

5.1 **Categorization of findings**

The following system of profiling of the audit findings has been adopted to better prioritize the implementation of audit recommendations:

<i>No</i>	<i>Category</i>	<i>Description</i>
1	High significance	Has a significant/material impact, has a high likelihood of reoccurrence, and in the opinion of the Auditor General, it requires urgent remedial action. It is a matter of high risk or high stakeholder interest.
2	Moderate significance	Has a moderate impact, has a likelihood of reoccurrence, and in the opinion of the Auditor General, it requires remedial action. It is a matter of medium risk or moderate stakeholder interest.
3	Low significance	Has a low impact, has a remote likelihood of reoccurrence, and in the opinion of the Auditor General, may not require much attention, though its remediation may add value to the entity. It is a matter of low risk or low stakeholder interest.

5.2 **Summary of findings**

No	Finding	Significance
6.1	Understaffing	High
6.2	Un updated valuation list	High
6.3	Debtors/Receivables	Low

6.0 DETAILED AUDIT FINDINGS

This section outlines the detailed audit findings, management responses and my recommendations.

6.1 Understaffing

The Town Council has an approved staff structure of 67 posts. However, it was observed that out of the approved structure of 67 posts only, 23 positions were filled leading to a shortage of 44 posts representing 66% vacant as shown below;

	Department	Approved	Filled posts	Unfilled posts
1.	Office of the Town Clerk	3	2	1
2.	Administration	22	10	12
3.	Finance and Planning	13	6	7
4.	Works	15	2	13
5.	Production and Marketing	3	0	3
6.	Community Based Services	3	1	2
7.	Internal Audit	3	1	2
8.	Public Health	5	1	4
	Total	67	23	44

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 effects of staffing gaps were already manifested in the declining performance levels experienced by the Town Council since its inauguration in 2007 but indicated that this was communicated to the Chief Administrative Officer for action.

I advised the Accounting Officer to engage the Ministry of Public Service and Ministry of Finance, Planning and Economic Development and ensure that all vacant posts are filled.

6.2 Lack of up-to-date Valuation List

Section 4 of the Local Government (Rating) Regulations, 2006 requires the Local Government to produce a valuation list every five years. It was however observed that property valuation was last done in 2009 which means that the current values may not be at the prevailing market rates and that all the new premises established after April 2009 were not included on the property valuation list.

Lack of un-updated valuation list may lead to under collection of local revenue.

The Accounting Officer explained that a request had been made to the District Procurement unit for the identification of a valuer to carry out the valuation exercise.

I advised the Accounting Officer to expedite the process of producing a current valuation list.

6.3 Debtors/ Receivables

Section 2.3.2.3 of the Local Governments Financial and Accounting Manual (LGFAM), 2007 requires that debtors to be minimized by following up the collection of debts in a timely, systematic and vigorous manner. However, receivables totaling to UGX.18,500,369 remained outstanding by the year end.

Debtors represent an asset that is idle as it denies the Council the opportunity of using the money to provide services promptly.

I advised management to ensure that all outstanding receivables are collected promptly.