OFFICE OF THE AUDITOR GENERAL

THE REPUBLIC OF UGANDA

REPORT OF THE AUDITOR GENERAL
ON THE FINANCIAL STATEMENTS OF AGAGO TOWN COUNCIL
AGAGO DISTRICT
FOR THE YEAR ENDED 30TH JUNE 2016
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# LIST OF ACRONYMS

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Meaning</th>
</tr>
</thead>
<tbody>
<tr>
<td>UGX</td>
<td>Uganda Shillings</td>
</tr>
<tr>
<td>ISA</td>
<td>International Standards on Auditing</td>
</tr>
<tr>
<td>LGFAR</td>
<td>Local Government Financial and Accounting Regulations</td>
</tr>
<tr>
<td>PPDA</td>
<td>Public Procurement and Disposal of Public Assets</td>
</tr>
<tr>
<td>LGFAM</td>
<td>Local Governments Financial and Accounting Manual</td>
</tr>
<tr>
<td>LGFAR</td>
<td>Local Governments Financial and Accounting Regulations</td>
</tr>
<tr>
<td>PFMA</td>
<td>Public Finance and Management Act</td>
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</table>
REPORT OF THE AUDITOR GENERAL
ON THE FINANCIAL STATEMENTS OF AGAGO TOWN COUNCIL
FOR THE YEAR ENDED 30TH JUNE 2016

THE RT. HON. SPEAKER OF PARLIAMENT

Introduction
I have audited the accompanying financial statements of Agago Town Council, Agago District 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 Agago 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 Accountability 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, 1997 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 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 qualified 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”

Basis for qualified opinion

Unaccounted for funds
An amount of UGX.2,966,000 advanced to Council staff remained unaccounted for by the year end contrary to the regulations. Consequently, I was unable to confirm that the funds were utilized for the intended purposes.

Qualified Opinion
In my opinion, except for the possible effects of matter described in the Basis for the Qualified Opinion paragraph, the financial statements of Agago 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.
Emphasis of matter
Without qualifying my opinion further, I draw attention to the following matter which is also presented in the financial statements.

Under-collection of local revenue
The Town Council had a local revenue collection shortfall of UGX.20,813,100 representing 79% of the budgeted local revenue.
Under-collection of local revenue adversely affects service delivery.

John F. S. Muwanga
AUDITOR GENERAL

2nd December, 2016
PART “B”

DETAILED REPORT FOR THE FINANCIAL STATEMENTS OF AGAGO TOWN COUNCIL FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2016

1.0 INTRODUCTION
In accordance with Article 163(3), of the Constitution of the Republic of Uganda 1995, 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 the Agago 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.
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 PROCEDURES PERFORMED
The following audit procedures were undertaken:-

a. Revenue
Obtained 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 statement presentation.
4.0 **ENTITY FINANCING**

Agago Town Council is financed by grants (Conditional and Unconditional) from the Central Government, donations and locally generated revenues from taxes, fees, licenses and charges. During the year, the Town Council received grants totaling to UGX.177,723,630 from Central Government, UGX.5,419,000 from locally generated revenues. The total operating revenue of UGX.183,142,630 realized constituted 37% of its approved budget estimates of UGX.499,950,983.

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:

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. High significance</td>
<td>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.</td>
</tr>
<tr>
<td>2. Moderate significance</td>
<td>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.</td>
</tr>
<tr>
<td>3. Low significance</td>
<td>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.</td>
</tr>
</tbody>
</table>

5.2 **Summary of findings**

<table>
<thead>
<tr>
<th>No</th>
<th>Finding</th>
<th>Significance</th>
</tr>
</thead>
<tbody>
<tr>
<td>6.1</td>
<td>Un-accounted for funds</td>
<td>High</td>
</tr>
<tr>
<td>6.2</td>
<td>Under-collection of local revenue</td>
<td>Moderate</td>
</tr>
</tbody>
</table>

6.0 **DETAILED AUDIT FINDINGS**

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

6.1 **Un-accounted for funds**

Regulation 43 (2) and (3) of the Local Government Financial and Accounting Regulations 2007 requires authorization and limits accountability of administrative
advances to council employees to within a month and restricts further advances being given before previous advances are accounted for. However, a total of UGX.2,966,000 advanced to various Council officials to carry out council activities were not adequately supported with accountability documents as shown in the Appendix. Consequently, I was unable to confirm that funds were properly utilized for the intended activities.

I advised the Accounting Officer to obtain the accountability or else recover the funds from the responsible officers.

6.2 Under-collection of local revenue

Regulation 32 of the LGFAR 2007 requires Councils to ensure collection of all budgeted revenue in an approved manner and the revenue banked intact in council accounts. It was however observed that out of the Council’s approved local revenue budget of UGX.26,232,100, only UGX.5,419,000 was realized leading to a shortfall of UGX.20,813,100 representing 79% of budgeted local revenue.

under-collection of local revenue adversely affects implementation of planned activities.

The Accounting Officer attributed the under-collection of local revenue to low revenue base and political interference during general elections.

I advised Accounting Officer to initiate measures to ensure that all budgeted local revenue is collected.
# Appendix: Unaccounted for funds

<table>
<thead>
<tr>
<th>Date</th>
<th>Voucher No.</th>
<th>Payee</th>
<th>Details</th>
<th>Amount</th>
<th>Verification Remark</th>
</tr>
</thead>
<tbody>
<tr>
<td>15/9/2015</td>
<td>16/9/2015</td>
<td>Ocan Peter</td>
<td>Being payment for supervisory work on Ngora Akworo road</td>
<td>1,736,000</td>
<td>No attendance lists</td>
</tr>
<tr>
<td>19/9/2015</td>
<td>16/9/2015</td>
<td>Ocan Peter</td>
<td>Being facilitation for technical monitoring of Ngora Akworo road</td>
<td>615,000</td>
<td>No attendance lists</td>
</tr>
<tr>
<td>22/9/2015</td>
<td>16/9/2015</td>
<td>Ocan Peter</td>
<td>Being facilitation for technical monitoring of Accleri pampa</td>
<td>615,000</td>
<td>No attendance lists</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td></td>
<td></td>
<td><strong>2,966,000</strong></td>
<td></td>
</tr>
</tbody>
</table>