

OFFICE OF THE AUDITOR GENERAL



THE REPUBLIC OF UGANDA

REPORT OF THE AUDITOR GENERAL
ON THE FINANCIAL STATEMENTS OF KIGUMBA TOWN COUNCIL
KIRYANDONGO DISTRICT
FOR THE YEAR ENDED 30TH JUNE 2016

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LIST OF ACRONYMS

Acronym	Meaning
UGX	Uganda Shillings
RT. HON.	Right Honourable
ISA	International Standards on Auditing
LGFAR	Local Government Financial and Accounting Regulations
LGFAM	Local Governments Financial and Accounting Manual
PFMA	Public Finance Management Act
LGFAM	Local Governments Financial and Accounting Manual

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

THE RT. HON. SPEAKER OF PARLIAMENT

Introduction

I have audited the accompanying financial statements of Kigumba Town Council for the year ended 30th June, 2016. These financial statements comprise 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 Kigumba 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 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 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 Kigumba Town Council as at 30th June, 2016 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 Regulations, 2007 and the Local Governments Act cap 243 (as amended), of the Laws of Uganda



John F. S. Muwanga
AUDITOR GENERAL

15th December, 2016

KIGUMBA TOWN COUNCIL DETAILED REPORT OF THE AUDITOR GENERAL 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 Kigumba 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 schedules of all revenues collected and reconciled the amounts to the Cash books 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

Kigumba Town Council is financed by grants (Conditional and Unconditional) from Central Government, development partners and locally generated revenues from taxes, fees, licenses and charges. During the year, the Council received grants totaling to UGX.343,300,047 as grants from Central Government, VAT of UGX.11,326,234 and UGX 209,119,285 from locally generated revenues. The total revenue of UGX.563,745,566 constituted 59% of its approved budget estimates of UGX.952,401,073

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:

	Category	Description
1.	<i>High significance</i>	<i>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.</i>
2.	<i>Moderate significance</i>	<i>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.</i>
3.	<i>Low significance</i>	<i>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.</i>

5.2 Summary of findings

No	Finding	Significance
6.1	Under Collection of Local Revenue	Moderate
6.2	Receivables	Low

6.0 DETAILED AUDIT FINDINGS

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

6.1 Under Collection of Local Revenue

Regulation 32 of Local Government Financial and Accounting Regulation, 2007 requires Councils to ensure collection of all budgeted revenue in an approved manner and the revenue banked intact in Council accounts. However, a review of revenue performance revealed that out of the budgeted sum of UGX.267,440,864, only UGX 209,119,285 was collected resulting into a short fall of UGX.58,321,579 representing 22% of the budget.

The Accounting Officer attributed the shortfall to non payment of property tax which was a new tax to the property owners and promised to sensitize them so that in the proceeding years, revenue is realised fully.

I await to see the outcome of the sensitisation.

6.2 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.15,999,250 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.

The Accounting Officer explained that Council was planning to carry out sensitization for improved revenue and collection of arrears.

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