



Civil Society Budget Advocacy Group

Issue Brief On

On The Report Of The Auditor General On The Financial Statements Of Agago District Local Government

F 2016/17

*This Issue Brief is derived from the Report of the Auditor General on the
Financial Statements of Agago district Local Government for the year ended
30th June 2017*

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Acronyms

OAG	Office of the Auditor General
LG	Local Government
FY	Financial Year
GoU	Government of Uganda
HC	Health Center
MDAs	Ministries Department and Agencies

1. Introduction

In the FY 2016/17, the Auditor General as mandated conducted an audit of the financial of Agago District Local Government and some outstanding issues were noted. The office also looked at the Statement of Financial Performance, Statement of Changes in Equity and statement of Cash flows together with other accompanying statements for the same year.

In an effort to popularize the findings by the Officer of the Auditor General (OAG) in the FY 2016/17, Civil Society Budget Advocacy Group (CSBAG) has compiled a summary some of the issues for the public to know about with the conviction that this will be a contribution enhancing transparency and accountability at Local Government Level.

This policy brief hence forth highlights the issues identified as well as the recommendations by the Auditor General in the Local Government of Agago.

1.1 Roles of the Auditor General

The Auditor General is mandated by Article 13 of the Constitution of the Republic of Uganda 1995 (as amended) and Sections 13 and 19 of the National Audi Act, 2008. According to these legal instruments, the objectives of the Auditor General include obtaining reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes the Auditor General's opinion. The Auditor General also;

- Identifies and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control.
- Evaluates the appropriateness of accounting policies used and the

reasonableness of accounting estimates and related disclosures made by management.

- Concludes on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the municipals' ability to deliver its mandate.
- Evaluates the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

2. Key Issues Identified in the Audit

In the process of auditing there were issues identified, these were considered as the most significant by the auditor. However, this brief will focus on only issues that were identified to be existent in the social sectors. This section also includes recommendations by the OAG and the citizen's actions where necessary.

2.1 Inadequate Controls Surrounding Management of Domestic Arrears

Domestic arrears refer to the total value of unpaid bills for goods and services rendered to a government entity, including wages and pension that remain outstanding at the closure of a financial year. According to the OAG, there has been persistent accumulation of domestic arrears to unmanageable levels which has led to settlement of arrears that are not authorized, unbudgeted for, inadequately supported and in some instances there has been inadequate recognition and disclosure of the domestic arrears. The variances between the reported figures in the financial statements and the amounts verified by Internal Auditor General formed a basis of the OAG's qualification of consolidated GOU financial statements for the year ended 30th June 2016. Domestic arrears as a key audit matter needed to be examined

to assess: the appropriateness of recording, recognition and disclosure of domestic arrears; the trend and the underlying factors; and the adequacy of the internal controls surrounding management of domestic arrears.

The OAG noted that, during audit planning, he focused on examination of domestic arrears in regard to goods and services, salaries and wages, and pension and gratuity and hence he undertook the following procedures in relation to domestic arrears: a trend analysis over a period of three years to ascertain the underlying causes of accumulation; reviewed budget and commitment control procedures to assess their effectiveness; ascertained the authenticity of the supporting documentation and assessed the appropriateness of the accounting treatment.

From the performed procedure, OAG observed that an amount of UGX 435,001,603 was irregularly incurred as domestic arrears outside the approved estimates appropriated by Parliament, and attributed this to the existence of a weak and ineffective internal control system over the control and management of domestic arrears. On that note the Accounting Officer promised to engage Ministry of Finance Planning and Economic Development to handle the matter.

3. Recommendation by the OAG

The Accounting Officer was advised to comply with the Commitment Control Procedures.

3.1 Unaccounted for funds

Regulation 43(2) of the Local Governments Financial and Accounting Regulations 2007 requires that administrative advances to be accounted for within one month. However, expenditure amounting to UGX 86,923,474 remained unaccounted for. The OAG was however unable to confirm that the funds were utilized for the intended purposes.

Recommendation by the OAG

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

Funds Wrongly Paid Out

An amount of UGX 30,500,000 wrongly paid out to two service providers as shown below;

No	Contract	Contracted firm	Amount over paid
1	Akado west road	Expert limited road	1,055,000
2	Patongo-Kotomor road	Dabs engineering company	29,670,000
Total		30,500,000	

According to the accounting officer, the District was making efforts through the District Police Commander of Agago District to look for the Director of the Companies whose whereabouts were not known and Attorney General's Office, Gulu to initiate legal action to recover the funds from both Companies.

Recommendation by the OAG

The Accounting Officer was advised to ensure that the funds are recovered.

3.2 Understaffing

The District has an approved staff structure of 115 positions but according to the audit results, out of the approved structure, only 38 (33%) posts are filled leaving a staffing gap of 77 (67%) positions. 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.

However, according to the Accounting Officer the district has made efforts to recruit more staff especially Heads of Departments. Citizens should hence endeavor to apply for the advertised vacancies so that they are filled up.

Recommendation by the OAG

The Accounting Officer was advised to continue engaging the Ministry of Public Service, Ministries of Local Government and Ministry of Finance, Planning and Economic Development to address the challenge.

3.3 Non Functional HC III

Inspection of the health services at Abilnino HC III situated in Lapono Sub-County revealed the facility was non-functional and abandoned. The OAG also noted that the Communities have no access to the health services. The Accounting Officer explained that the Health Centre has staff shortages, Equipment and facilities are not enough.

Recommendation by the OAG

The Accounting Officer was advised to liaise with the relevant authorities to address the matter.

4. Conclusion

The Office of the Auditor General is mandated by Law to audit Government MDAs and LGs. The relevancy of these audits is to ensure that government expenditure towards programs meant to uplift the livelihoods of citizens is not put to waste. It is therefore necessary for the responsible accounting officers to effectuate the Auditor General's recommendations so as to realize value for money from all government expenditures meant to rise the socio-economic status of the citizens.

5. Reference

Office of the Auditor General Uganda (2017), Report of the Auditor General on the Financial Statements of Agago district Local Government for the year ended 30th June 2017



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