

**OFFICE OF THE AUDITOR GENERAL**



**THE REPUBLIC OF UGANDA**

**REPORT OF THE AUDITOR GENERAL**

**ON THE FINANCIAL STATEMENTS OF IMPROVEMENT OF HEALTH SERVICES  
DELIVERY AT MULAGO HOSPITAL AND IN THE CITY OF KAMPALA PROJECT  
(MKCCAP)**

**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2017 PROJECT ID NO. P-UG-IBO-006**

**LOANS NOS. ADF: 2100150025094 & NTF: 2200160000889**

**OFFICE OF THE AUDITOR GENERAL**

**UGANDA**

**REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF  
IMPROVEMENT OF HEALTH SERVICES DELIVERY AT MULAGO HOSPITAL AND IN THE  
CITY OF KAMPALA PROJECT (MKCCAP) FOR THE YEAR ENDED 30<sup>TH</sup>JUN 2017.**

**THE RT. HON. SPEAKER OF PARLIAMENT**

**Opinion**

I have audited the accompanying Financial Statements of Improvement of Health Services Delivery at Mulago Hospital and in the City of Kampala Project (MKCCAP) Project ID No. P-UG-IBO-006, Loans Nos: ADF: 2100150025094 and NTF: 2200160000889 for the year ending June 30 2017. These financial statements comprise the Statement of Income and Expenditure, and Statement of Financial Position for the period then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 21 to 36.

In my opinion, the financial statements of the Improvement of Health Services Delivery at Mulago Hospital and in the City of Kampala Project (MKCCAP) Project ID No. P-UG-IBO-006, Loans Nos: ADF: 2100150025094 and NTF: 2200160000889 for the year ending June 30 2017 are prepared, in all material respects in accordance with section 51 of the Public Finance Management Act, 2015.

**Basis of Opinion**

I conducted my audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Entity in accordance with the Constitution of the Republic of Uganda (1995) as amended, the National Audit Act, 2008, the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B) (IESBA Code), the International Organization of Supreme Audit Institutions (INTOSAI) Code of Ethics and other independence requirements applicable to performing audits of Financial Statements in Uganda. I have fulfilled my other ethical responsibilities in accordance with the IESBA Code, and in accordance with other ethical requirements applicable to performing audits in Uganda. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### **Key Audit Matters**

Key audit matters are those matter that, in my professional judgment, are of most significance in my audit of the financial statements of the current period. I have determined that there are no key audit matters to communicate in my report.

### **Other Matter**

I consider it necessary to communicate the following matters other than those presented or disclosed in the financial statements:

- **Under funding**

Out of the Contract price of USD.29,617,820.64 for remodelling and upgrading of Lower Mulago, African Development Bank (ADB) committed to contribute USD.23,741,778.28 while the Government of Uganda (GoU) was to contribute USD.5,876,042 to cater for VAT of USD.4,517,972.67 and a short fall in external financing of USD.1,358,069. During the year I noted that only UGX.10,784,016,974 was extended to the project out of an approved budget of UGX.16,800,000,000. This resulted into underfunding of UGX.6,015,983,026, failure to settle invoiced VAT of USD.343,400.20 and an unfunded shortfall in external financing of USD 1,358,069.

Management explained that the invoiced VAT arrears of USD.343,400.20 will be handled as domestic arrears and that dialogue with the Ministry of Finance, Planning and Economic Development continues to ensure that the budget shortfall of USD.1,358,069 is incorporated in financial year 2018/2019.

I await the results of Management efforts in this regard.

### **Responsibilities of the Accounting Officer 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 the Agency.

The Accounting Officer is responsible for the preparation of the financial statements in accordance with the requirements of the Public Finance Management Act, 2015 and for such

internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements, the Accounting Officer is responsible for assessing the Entity's ability to continue delivering its mandate, disclosing, as applicable, matters related to delivery of services, unless Government either intends to discontinue the Entity's operations, or has no realistic alternative but to do so.

### **Auditors' Responsibilities for the audit of the Financial Statements**

My objectives are to obtain 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 my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement, when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users, taken on the basis of these financial statements.

As part of an audit in accordance with ISSAIs, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:-

- Identify 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 my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain 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 Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude 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 Entity's ability to

deliver its mandate. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Entity to fail to deliver its mandate.

- Evaluate 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.

I communicate with the management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide the management with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with management, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



John F.S. Muwanga

**AUDITOR GENERAL**

15<sup>th</sup> December, 2017

**REPORT OF THE AUDITOR GENERAL ON THE INTERNAL CONTROL STRUCTURE OF  
IMPROVEMENT OF HEALTH SERVICES DELIVERY AT MULAGO HOSPITAL AND IN THE  
CITY OF KAMPALA PROJECT (MKCCAP) FOR THE YEAR ENDED 30<sup>TH</sup>JUN 2017**

**THE RT. HON. SPEAKER OF PARLIAMENT**

**Opinion**

I have audited the accompanying Financial Statements of Improvement of Health Services Delivery at Mulago Hospital and in the City of Kampala Project (MKCCAP) Project ID No. P-UG-IBO-006, Loans Nos: ADF: 2100150025094 and NTF: 2200160000889 for the year ending June 30 2017. In planning and performing the audit, I considered the internal control structure in order to determine the auditing procedures for the purpose of expressing an opinion on the financial statements.

In my opinion, no material reportable condition was observed as management had put in place a satisfactory internal control system and measures to ensure proper accountability for all project funds.

**Basis of Opinion**

I conducted my audit in accordance with International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the audit of the Financial Statements section of my report. I am independent of the PSFU in accordance with the Constitution of the Republic of Uganda (1995) as amended, the National Audit Act, 2008, the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B) (IESBA Code) and other independence requirements applicable to performing audits of Financial Statements in Uganda. I have fulfilled my other ethical responsibilities in accordance with the IESBA Code, and in accordance with other ethical requirements applicable to performing audits in Uganda. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### **Management's Responsibilities for the Internal Controls**

Management is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgment are required to assess the expected benefits and related costs of internal control structure policies and procedures.

### **Auditors' Responsibilities for the audit of the Special Account Statement**

My examination was made in accordance with International Standards on Auditing (ISA) and accordingly included such tests of the accounting records, verification of assets and liabilities and such other auditing procedures I considered necessary in the circumstances.

For the purpose of this report, I have classified the significant internal control structure policies and procedures in the following categories:

- Control over preparation of withdrawal applications for funds from the Grant account
- Bank and cash
- Purchases and payments
- Monitoring, evaluation and reporting.

For all the internal control structure categories listed above, I obtained an understanding of the design of the relevant policies and procedures and whether they have been placed in operation and I assessed control risk.

John F.S. Muwanga

**AUDITOR GENERAL**

15<sup>th</sup> December, 2017

**REPORT OF THE AUDITOR GENERAL ON THE SPECIAL ACCOUNT OF IMPROVEMENT  
OF HEALTH SERVICES DELIVERY AT MULAGO HOSPITAL AND IN THE CITY OF  
KAMPALA PROJECT (MKCCAP) FOR THE YEAR ENDED 30<sup>TH</sup>JUN 2017**

**THE RT. HON. SPEAKER OF PARLIAMENT**

**Opinion**

I have audited the Special Account Statement of Improvement of Health Services Delivery at Mulago Hospital and in the City of Kampala Project (MKCCAP) Project ID No. P-UG-IBO-006, Loans Nos: ADF: 2100150025094 and NTF: 2200160000889 for the year ending June 30 2017 as set out on page 26.

In my opinion, the Special Account Statement of Improvement of Health Services Delivery at Mulago Hospital and in the City of Kampala Project (MKCCAP) Project ID No. P-UG-IBO-006, Loans Nos: ADF: 2100150025094 and NTF: 2200160000889 for the year ending June 30 2017 gives a true and fair view of the operations of the project for the year ending 30<sup>th</sup> June 2017, in accordance with the terms of agreement and in conformity with the modified cash basis of accounting described in accounting policy 2(a) of the financial statements.

**Basis of Opinion**

I conducted my audit in accordance with International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the audit of the Financial Statements section of my report. I am independent of the PSFU in accordance with the Constitution of the Republic of Uganda (1995) as amended, the National Audit Act, 2008, the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B) (IESBA Code) and other independence requirements applicable to performing audits of Financial Statements in Uganda. I have fulfilled my other ethical responsibilities in accordance with the IESBA Code, and in accordance with other ethical requirements applicable to performing audits in Uganda. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### **Management’s Responsibilities for the Special Account Statement**

Management of the project is responsible for the preparation and fair presentation of the special account statement on the basis of cash deposits and withdrawals for the purpose of complying with the credit Agreement. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the special account statement that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### **Auditors’ Responsibilities for the audit of the Special Account Statement**

My objectives as required by Article 163 of the Constitution of the Republic of Uganda, 1995 (as amended) and Sections 13 and 19 of the National Audit Act, 2008, are to obtain reasonable assurance about whether the special account statement is free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement, when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users, taken on the basis of this special account statement.

John F.S. Muwanga

**AUDITOR GENERAL**

15<sup>th</sup> December 2017