

OFFICE OF THE AUDITOR GENERAL



THE REPUBLIC OF UGANDA

REPORT OF THE AUDITOR GENERAL

**ON THE FINANCIAL STATEMENTS OF THE ITALIAN SUPPORT TO THE
UGANDAN HEALTH SECTOR STRATEGIC PLAN III (HSSP III) AND THE
PEACE, RECOVERY AND DEVELOPMENT PLAN (PRDP) FOR NORTHERN
UGANDA- KARAMOJA REGION STAFF HOUSING PROJECT (KRSHP)
FOR THE PERIOD ENDED 30TH JUNE 2017**

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(HSSP III) AND THE PEACE, RECOVERY AND DEVELOPMENT PLAN (PRDP)
FOR NORTHERN UGANDA - KARAMOJA REGION STAFF HOUSING PROJECT
(KRSHP) FOR THE PERIOD ENDED 30TH JUNE 2017THE**

RT. HON. SPEAKER OF PARLIAMENT

Opinion

I have audited the accompanying Financial Statements of The Italian Support to the Ugandan Health Sector Strategic Plan III (HSSP III) and the Peace, Recovery and Development Plan (PRDP) for Northern Uganda - Karamoja Region Staff Housing Project (KRSHP) for the period ended 30th June, 2017. The Financial Statements comprise the Declaration of Funds Utilisation Statement, the Statement of Receipts and Expenditures, the Fund Accountability Statement and other explanatory notes as set out on pages 18 to 22.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Italian Support to the Ugandan Health Sector Strategic Plan III (HSSP III) and the Peace, Recovery and Development Plan (PRDP) for Northern Uganda - Karamoja Region Staff Housing Project (KRSHP) as at 30th June 2017 and its financial performance for the period then ended in accordance with the IPSAS.

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 Project 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

Other Matter

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

- **Project stalemate**

The Grant Financing Agreement between the Italian Republic and the Government of Uganda dated 23rd December 2010 indicated that Italy committed a grant of Euros.4,200,000 to the project disburseable in three equal instalments over a three year period. The Project Document indicated that Government of Uganda was to co fund the project with Euros.739,112.

Document review showed that by 18th April, 2017 the project had received only one disbursement of Euros.1,400,000 in February 2015 and the Financing Agreement had expired. This meant that the second instalment of UGX.5,120,000,000 in the approved estimates for the year under review could not be released without a valid agreement. The expiry of the agreement before disbursement of the entire Grant was caused by delayed procurement and handing over of the sites to the contractor.

This led to the stalling of the project when the contractor stopped works on 6th March 2017 due to failure to settle certificates of works. The contractor also claimed an extra USD.1,043,169.16 in respect of interest on unpaid certificates and demobilization costs in accordance with the contract.

Management attributed the expiry of the agreement before disbursement of all funding to the delayed implementation of the project, and added that negotiations were made and a new Financing Agreement extending the project to 19th June 2019 had been signed while the extra costs were as a result of breach of the contract in respect of non-payment of USD.1.3million for over 10 months.

Management is advised to liaise with the funder to have outstanding instalments disbursed and where possible support the settlement of the extra claim from the contractor

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 project.

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 Project's ability to continue delivering its mandate, disclosing, as applicable, matters related to delivery of services, unless Government either intends to discontinue the Project'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 project'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 Project'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 Project 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.

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

20th December, 2017