



THE REPUBLIC OF UGANDA

REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF
INSURANCE REGULATORY AUTHORITY
FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2017

OFFICE OF THE AUDITOR GENERAL
UGANDA

REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF
INSURANCE REGULATORY AUTHORITY
FOR THE YEAR ENDED 30TH JUNE, 2017

THE RT. HON. SPEAKER OF PARLIAMENT

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the financial statements of Insurance Regulatory Authority for the year ended 30th June, 2017. These financial statements comprise of the statement of financial position as at 30th June 2017, statement of financial performance and cash flow statement for the year then ended together with other accompanying statements, notes and accounting policies.

In my opinion, the financial statements of the National Planning Authority for the year ended 30th June 2017 are prepared, in all material respects, in accordance with Section 51 of the Public Finance Management Act 2015, and the Financial Reporting Guide 2008.

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 Statement's section of my report. I am independent of the Authority 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 matters that, in my professional judgment, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my

opinion thereon, and I do not provide a separate opinion on these matters. 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 matter other than that presented above:

- **Transfer of Capital reserve requirement**

Section 6 (4) of the Insurance Act, CAP 213 requires every insurer to transfer from its profits each year, before any dividend is declared and after provision has been made for taxation, a sum of 5 % of the profits, to be paid-up capital of the insurer to facilitate capital base growth.

It was observed that eight (8) insurance companies did not fulfill the above requirement for the period ending December 2016 because they made losses to the tune of UGX.20,512,600,000. However, the Act does not also provide for situations where companies make losses. There is a risk that the interests of the policy holders, shareholders or members of the public could be prejudiced in situations where the above insurance companies are unable to compensate them.

Management indicated that the paid up capital for Non-Life Insurance and Life Insurance Companies had both been increased from UGX.1 billion to UGX.4 billion and UGX.3 billion respectively. This would provide better protection for the policy holder as the amounts are higher than the percentage of capital reserves that would have been set aside. This will be reviewed after every three (3) years.

I look forward to see the implementation and monitoring of this minimum financial requirement and eventual amendment of the Act.

- **Establishment of the Insurance Appeals Tribunal**

Section 92 (A) (1) of the Insurance Act, CAP 213 requires the establishment of an Insurance Appeals Tribunal to review decisions made by the Authority in circumstances where aggrieved person(s) not satisfied with the Authority's decision can appeal. It was noted that the Insurance Appeals Tribunal has not been established. As such, there is no opportunity to appeal against the decisions made which is contrary to the principles of natural justice.

Management of the Authority agreed with the observation and stated that a number of steps were under way to address the matter.

I advised management to continue liaising with the relevant parties to ensure that the Insurance Appeals Tribunal is established.

Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standards and in the manner required by the Insurance Act (Cap 213), and for such internal control as the directors determine 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 directors are responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so. The Accounting Officer is responsible for overseeing the Authority's financial reporting process.

Auditor's 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 the 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 judgment and maintain professional skepticism 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 our 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 Ministry's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by 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 Authority'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 Authority 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 Directors 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 Directors with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with him/her 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 the Directors, 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.

Report on other legal requirements

As required by the Insurance Act (CAP) 213 and the National Audit Act, 2008, I report to you, based on my audit that;

I have obtained all the information and explanations, which to the best of my knowledge and belief were necessary for the purpose of my audit.

- i. In my opinion, proper books of account have been kept by the Director's so far, as appears from my examination of those books; and
- ii. The statement of financial position and statement of Support, Revenue and Expenses are in agreement with the books of account.



John F.S. Muwanga

AUDITOR GENERAL

KAMPALA

14th December, 2017

FINANCIAL STATEMENTS