

INDEPENDENT ANNUAL AUDITORS' REPORT ON THE AUDIT OF



Audit Report and Financial Statements
For the Period of 1st October 2022 to 30th September, 2023

Issued: November, 2023

Audited and Submitted by:
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CERTIFIED PUBLIC ACCOUNTANT
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Better Health for Mothers and Children and Community Health System Strengthening for Increased access to Quality HIV/AIDs and TB Services,
Implemented by Child Hug Uganda
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a. Transmittal Letter

The Director,
Child Hug Uganda,
P.O. Box 996,
Lira -Uganda
Lira City West Ward.

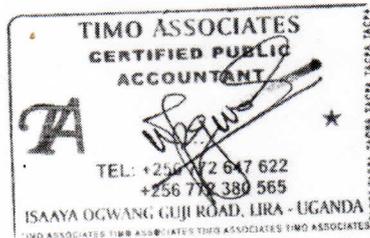
Dear Sir,

AUDIT OF CHILD HUG UGANDA FOR 12 MONTHS (1ST OCTOBER 2022 – 30TH SEPTEMBER 2023)

We refer to the Engagement Letter dated 17th November 2023 in which we were appointed to audit on your behalf, and our subsequent acceptance of the appointment for the audit of Child Hug Uganda for 12 months Period covering the period 1st October 2022 to 30th September 2023.

We are pleased to inform you that we completed the audit of Child Hug Uganda and through this letter; we present our report to you for consideration.

Yours faithfully,



Timo Associates
Certified Public Accountant



b. Abbreviation Used

IFRS	-	International Financial Reporting Standards
HCT	-	HIV Counseling and Testing
HIV	-	Human Immune Virus
HIV/AIDS	-	Human Immune Virus/ Acquired Immune Deficiency Syndrome
M&E	-	Monitoring and Evaluation
NGO	-	Non Governmental Organization
OVC	-	Orphaned and Vulnerable Children
PLWHA	-	People Living With HIV/AIDS
P.O	-	Post Office
CHU	-	Child Hug Uganda
Ugshs	-	Uganda Shillings (The legal tender of Uganda)
VHTs	-	Voluntary Health Trainers
USAID	-	United States Agency for International Development



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PART 1: BACKGROUND INFORMATION



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1.1 Information on the Organization

- i. **Registered Organization** - Child Hug Uganda
- ii. **Project Duration** - Project Start Date: 1st October 2022.
Project End Date: 30th September 2023.
- iii. **Reporting Period of Agreement** - 1st October 2022 to 30th September 2023.
- iv. **Physical and Postal Address** - Along Lira- Kampala Highway, Lira City West Ward, Lira City - Uganda.
Tel +256-393252184 /782-799947
E-mail: childhuguganda@gmail.com
- v. **Project Title** - Better Health for Mothers and Children and Community Health System Strengthening for Increased access to Quality HIV/AIDS and TB Services.
- vi. **Implementing Organization** - Child Hug Uganda.
P.O Box 996
Lira.
- vii. **Bankers** - DFCU Bank – Lira Branch
- viii. **Auditors** - TIMO Associates
Certified Public Accountant,
B&J Building, First Floor
Plot 13A, Isaaya Ogwang Guzi Road,
Lira Municipality,
P. O. Box 232, Lira, Uganda
E-mail: timoassociates@gmail.com



1.2 Background

Child Hug Uganda came into existence through establishing a community-Based day care clinic called *Child Hug Mission Medical Clinic* in 2011, with the objective of providing quality health care services to the surrounding communities in Lira district, and other districts of Kole and Oyam through conducting community health integrated outreaches targeting infants, children, women of reproductive age group and vulnerable groups of people.

Child Hug Uganda (CHU) is a not-for-profit Community Based Organisation established in 2011, in Lira, Northern Uganda. CHU is legally registered under the non-governmental Organisation registration statute 1989, Regulation 1990 and the Local Government Act 1997 and amendment 2001 and licensed to operate as a community Based Organization in Lira (Reg No: LDLG/2013/236), Kole (Reg No: KDLG/022) and other districts in Lango sub-region. CHU is a youth-led organization with a primary focus on health and education.

CHU's **Mission** is to creatively empower and transform the lives of the vulnerable people in the community through empowerment, respect and promotion of their rights. **Vision** is to ensure a transformed and empowered community that respects and values the rights of vulnerable groups of people in the community.

CHU has implemented a number of program interventions in the areas of health and Education which has been possible with a number of collaborations and partnerships with the districts of Lira, Kole and Oyam, as well as development partners to include; Voluntary Service Overseas (VSO), Danida Fellowship Center and Ministry of Foreign Affairs of Denmark, USAID-RHITES N, Lango, USAID-LPHS-kigezi and Lango and Homes of Living Hope USA.

The "**Better Health for Mothers and Children and Community Health System Strengthening for Increased access to Quality HIV/AIDS and TB Services**" project was implemented in Kole District in Northern Uganda for a period of 1 year started in October 2022 and ended in September 30th 2023. The project directly reached over 21000 households in the communities of Kole District.

1.3 Audit objectives

Timo Associates was contracted by Child Hug Uganda to carry out a financial audit for the period October 1, 2022 to September 30th 2023 in accordance with the International Standards on Auditing.

The audit accordingly, included such tests of the accounting records as deemed necessary.

The specific objectives were to:

- Express an opinion on whether the Financial Statements (FS) for the CPU presents fairly, in all material respects, grants received and expenditure incurred by the project for the period October 1, 2022 to September 30th 2023 in conformity with the terms of the project agreement and the accounting policies of Child Hug Uganda.
- Evaluate and obtain sufficient understanding of Child Hug Uganda' internal controls related to its activities, access control risk, and identify reportable conditions, including material internal control weaknesses.



- Perform tests to determine whether Child Hug Uganda complied, in all material respects, with agreement terms and applicable laws and regulations related with any funded project.

1.4 Audit scope

The audit scope required us to carry out sufficient audit steps and procedures to ensure that the audit objectives were met for the year ended September 30th 2023. Details of the steps and procedures are given below:

Financial Statements (FS)

- Reviewed grants transferred to the program during the period October 1, to September 30th 2023
- Verified expenditure by checking sampled amounts against supporting documents.

Internal control structure

Evaluated significant internal controls to obtain a sufficient understanding of the design of relevant controls, policies and procedures and whether they have been placed in operation during the year under audit.

Compliance with agreement terms and applicable laws and regulations

Reviewed, assessed and reported on compliance with the terms and conditions of the agreement, applicable standard provisions and recommendations contained in budgets and financial or program evaluations and correspondence.

Evaluation of fraud and corruption

We evaluated the risks of material misstatements in the Financial Statements due to fraud as required by ISA 240: The Auditor's Responsibility to Consider Fraud in an Audit of Financial Statements. We identified and assessed these risks of material misstatement of the Financial Statements due to fraud, obtained sufficient appropriate audit evidence about the assessed risks and responded appropriately to identified or suspected fraud.

Evaluation of risks

We determined the overall responses to assessed risks at the financial statements level, and designed and performed further audit procedures to respond to assessed risks at the assertion level as required by Internal Standard on Auditing 330: the Auditor's Procedures in Response to Assessed Risks.



1.5 Audit methodology

The audit methodology principally comprised:

(a) Audit of the Financial Statements (FS)

Determine whether specific costs incurred are allowable, allocable and reasonable under agreement terms, and to identify areas where fraud and illegal acts have occurred or are likely to have occurred as a result of inadequate internal control.

We performed the following procedures:

- i. Reviewed sampled costs identifying and quantifying any questioned costs. All costs that are not supported with adequate documentation or are not in accordance with the agreement terms are to be reported as questioned.
- ii. Reviewed sample general and program ledgers to determine whether costs incurred were properly recorded. Reconciled direct costs to the general ledgers.
- iii. Reviewed the procedures used to control the funds, including their channeling to other implementing entities. Reviewed the bank accounts and the controls on those bank accounts. Performed positive confirmation of balances where necessary.
- iv. Determined whether advances of funds were justified with documentation, including reconciliations of funds advanced, disbursed, and available. Ensured that all funding received was appropriately recorded in Child Hug Uganda' accounting records and that those records were periodically reconciled.
- v. Reviewed procurement procedures to determine whether sound commercial practices including competition were used, reasonable prices were obtained, and adequate controls were in place over the qualities and quantities received.
- vi. Reviewed direct salary charges to determine whether salary rates were reasonable for that position in accordance with those approved by Child Hug Uganda.
- vii. Documented findings, observations and recommendations.

(b) Reviewed the partner's budget and expenditure reports

- i. Agreed grants received to supporting documents on a 100% test basis.
- ii. Agreed sampled expenditure to supporting documents on a sample basis and compared actual expenditure to budget.
- iii. Reviewed the reconciliation of the balance with actual balances at bank and at hand.



iv Documented findings, observations and recommendations.

(c) Evaluation of the adequacy and effectiveness of the internal controls structure.

We performed the following procedures:

- i. Obtained a sufficient understanding of internal control to plan the audit and to determine the nature, timing and extent of tests to be performed.
- ii. Assessed inherent risk and control risk and summarized the risk assessments for each assertion.
- iii. Evaluated the control environment, the adequacy of the accounting systems, and control procedures with emphasis on the policies and procedures that pertain to the recipient's ability to record, process, summarize, and report financial data consistent with the assertions embodied in each account of the FS. This included control systems for:
 - Ensuring that charges to the program are proper and supported.
 - Managing cash on hand and in bank accounts.
 - Procuring goods and services.
 - Managing personnel functions such as timekeeping, salaries and benefits.
 - Ensuring compliance with agreement terms and applicable laws and regulations that collectively have material impact on the FS.
 - Documented findings, observations and made recommendations.

d) Evaluation of compliance with Cooperation agreement terms

We performed the following tests:

- i. Identified the Cooperation agreement terms and pertinent laws and regulations and determined which of those, if not observed, could have a direct and material effect on the FS.
- ii. Assessed the inherent and control risk that material non-compliance could occur.
- iii. Determined the nature, timing and extent of audit steps and procedures to test for errors, fraud, and illegal acts that provide reasonable assurance of detecting both intentional and unintentional instances of non-compliance with Cooperation agreement terms and applicable laws and regulations that could have a material effect on the FS.
- iv. Documented findings, observations and made recommendations.



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PART 2: AUDIT REPORT AND FINANCIAL STATEMENTS

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PHONE NO: +256772647622, 0779-473633, 0772-380565
E-mail:timoassociates@gmail.com
The Firm is Licensed and Regulated by ICPAU

2.1 Report of the Independent Auditors to the Members of CHU

We have audited the accompanying Financial Statements of Child Hug Uganda which comprise; the Statement of Financial Position as at 30th September 2023, the Statement of Changes in Equity, the Financial Statements and the Statement of Cash Flows for the Period ended 30th September 2023; plus the summary of significant accounting policies, other explanatory notes and annexes during the year then ended.

Members of Child Hug Uganda responsibility for the financial statements.

Members of Child Hug Uganda are responsible for preparation and fair presentation of these financial statements in accordance with the reporting requirements of CHU, other applicable laws and regulations including the International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility.

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform our audit so as to obtain reasonable assurance that the Financial Statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the preparation and fair presentation of the 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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and reasonableness of accounting estimates made by Child Hug Uganda as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, The Financial Statements referred to above presents fairly, in all material respects, project Income and Expenditures incurred under the Cooperation Agreement with FORA for the period 1st October 2022 to 30th September 2023 in accordance with the terms of the Cooperation Agreement and in conformity with Child Hug Uganda Finance Policy Manual.

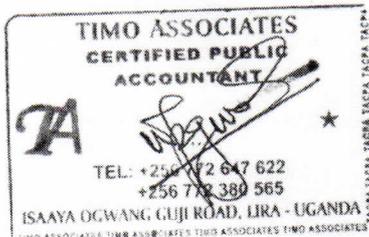
Report on other legal requirements:

As required by the Terms of Agreement, we report to you, based on our audit, that:

- i) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- ii) In our opinion, proper books of account have been kept by Child Hug Uganda as far as it appears from our examination of those books; and
- iii) The Financial Statements prepared by the Child Hug Uganda are in agreement with the books of account.

Basis of Accounting and Restriction on Distribution and Use

We draw your attention to note 2.7 of the Financial Statements which describes the basis of accounting. The Financial Statements is prepared to comply with Child Hug Uganda Finance Policy. This report is intended for the information of Child Hug Uganda and may not be suitable for another purpose. This report is intended solely for the parties and should not be distributed to or used by any other parties without our concern.



TIMO ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANT



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Statement of Financial Position as at 30th September, 2023.

Details	Notes	2023	2022
		Actual U Shs	Actual U Shs
Assets			
Cash and Cash Equivalent	2.1	22,090,307	5,615,638
Total Assets		22,090,307	5,615,638
Financed by:			
Reserves		22,090,307	5,615,638
Payables		-	-
Total Liabilities		22,090,307	5,615,638

These financial statements were read and approved by Child Hug Uganda on

26th November 2023 and signed on its behalf by:

.....
**The Chairman
Child Hug Uganda**

.....
**Executive Director
Child Hug Uganda**





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Statement of Income and Expenditure for the year ended 30th September, 2023.

Details	Notes	2023	2022
		Actual U Shs	Actual U Shs
INCOME			
Grants	3.1	374,768,732	357,816,023
Other Sources	3.2	309,113	15,173,390
Total Income		375,077,845	372,989,413
EXPENDITURE			
Salaries & Wages	4.01	132,897,870	131,683,850
Travel, Transport & Perdiem	4.02	44,160,000	64,241,000
Equipment, Materials & Supplies	4.03	-	8,500,000
Other Direct Costs	4.04	49,119,668	62,307,925
Programmes	4.05	126,810,000	100,641,000
Total expenditure		352,987,538	367,373,775
Profit/Loss		22,090,307	5,615,638



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Cash Flow Statement for the Period ended 30th September, 2023.

	Notes	2023 U Shs	2022 U Shs
Cash Flows From Operating Activities:			
B/f		-	-
Total Income	3.00	375,077,845	372,989,413
Total Receipts		375,077,845	372,989,413
Payments for Operating Costs			
Project Activities	4.00	352,987,538	367,373,775
Total Fund Applications		352,987,538	367,373,775
Net Cash Inflow/(Outflow) From Operating Activities		22,090,307	5,615,638
Opening Cash and Cash Equivalents		-	-
Closing Cash and Cash Equivalent		22,090,307	5,615,638
Represented By:			
Cash at Bank		22,090,307	5,615,638
Cash at Hand		-	-
Closing Cash and Cash Equivalent		22,090,307	5,615,638



NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30TH SEPTEMBER 2023

1.1 Accounting Entity

Child Hug Uganda is a legally registered not-for-profit Community Based Organisation established in 2011, in Lira and Kole districts in Northern Uganda

1.2. Principal Accounting Policies

The principal accounting policies adopted in the preparation of these financial statements are set out below:

a. Basis of Preparation of the Financial Statements

The financial statements are prepared under the historical cost convention on accrual basis; and are in compliance with the International Financial Reporting Standards.

b. Revenue Recognition

Revenue is recognized when an irrevocable commitment is made with third parties.

c. Foreign Currency Translation

Foreign currency transactions occurring during the year are translated into Uganda Shillings at the rates ruling on the dates of the transactions.

Non-monetary items in the Statement of Financial Position are translated and recorded at the rate of exchange ruling at the date of the transaction and are not re-translated at the Statement of Financial Position date.

Monetary items are translated using the closing rate of exchange at the Statement of Financial Position date. Any exchange loss or gain is recognized in the statement of comprehensive income for the Year.

d. Accounts Receivable

Receivables are stated after making specific provisions for bad and doubtful debts. Bad debts are written off when all reasonable steps to recover such debts have been taken without success.

e. Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents comprise cash on hand and deposits held at call with banks.

1.3 Presentation Currency

The financial statements are presented in Uganda Shillings (UShs/UgShs).



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH SEPTEMBER 2023

2.1 Cash and Cash Equivalents

The balance on this account relates to cash in hand and bank balance by the end of the accounting Year.

	2023	2022
Details	U Shs	U Shs
Bank Balances		
DFCU Bank	22,090,307	5,615,638
Cash at Hand	-	-
Totals to Page 13	22,090,307	5,615,638



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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH SEPTEMBER 2023

3.00 DETAILS OF INCOME

		2023	2022
Details			
		U Shs	U Shs
3.01	Grants		
	Grants (USAID RHITES N LANGO)	-	330,684,583
	USAID/LPHS	374,768,732	27,131,440
	Sub Totals Page 14	374,768,732	357,816,023
3.02	Other Sources		
	Directors Contribution	309,113	15,173,390
	Sub Totals Page 14	309,113	15,173,390



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH SEPTEMBER 2023

4.00 Details of Expenditure.

Note	2023	2022
	U Shs	U Shs
4.01 Salaries & Wages		
Paye	30,541,370	-
Local Staff	82,472,250	113,376,725
Finge Benefits- 10% NSSF	19,884,250	18,307,125
Totals to Page 14	132,897,870	131,683,850
4.02 Travel, Transport & Perdiem		
Transport Refund	-	520,000
Meals	18,365,000	4,183,000
Fuel Motor Bike	25,795,000	6,348,000
Vehicle Hire	-	41,860,000
Fuel Vehicle Hire	-	11,330,000
	-	-
Totals to Page 14	44,160,000	64,241,000
4.03 Equipment, Materials & Supplies		
Motorcycles	-	7,000,000
Digital Camera	-	-
Laptops	-	1,500,000
Desktops	-	-
Scanner-Copier- Printer	-	-
Modems	-	-
Totals to Page 14	-	8,500,000
4.04 Other Direct Costs		
Internet Subscription	4,450,000	1,780,000
Airtimr to Technical Staff	4,155,000	285,000
Airtime to Office	-	2,970,000
Rent- Kole	3,400,000	3,800,000
Bank Charges	516,935	654,925
Audit fees	1,500,000	2,000,000
Office Stationery	13,360,000	15,037,000
Production of Banners	-	-
Utilities	5,700,000	4,000,000
Mobile Money Charges	4,501,500	2,470,000
Motorcycle Repair	11,470,000	311,000
Other Direct Costs	66,233	29,000,000
Totals to Page 14	49,119,668	62,307,925



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4.05 Programmes		
District & Sub County entry meetings	-	390,000
Orientation of VHTs	-	1,016,000
Integrated Outreaches	-	4,230,000
Monthly review meetings	-	-
Stipend for 60 VHTs	-	-
Community Dialogue	-	1,695,000
MNCH activities	-	1,500,000
Nutrition activities	-	11,545,000
Facilitate FP	-	10,355,000
G.ANC Formation	-	16,660,000
Support MPDSR	-	810,000
Nutrition activities	-	11,545,000
Outreaches	-	10,250,000
Child Health	-	34,305,000
HIV/TB Activities- High YID Modality	-	1,335,000
CDDP & CCLAD Group	-	1,045,000
Home Based IAC	-	455,000
Dialogues	-	835,000
TB Contact Tracing	-	1,405,000
Moi & Hotspot Scree	-	950,000
Awareness Creation	-	645,000
Quarterly Reviews	-	1,215,000
APN Activities	32,055,000	-
Access to community Services	52,085,000	-
Initiation to ART	9,580,000	-
Strengthen Data Management	6,475,000	-
Year1 HIV/TB Activities	26,615,000	-
Totals to Page 14	126,810,000	112,186,000