REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF
THE UGANDA CANCER INSTITUTE
FOR THE FINANCIAL YEAR ENDED 30TH JUNE, 2015

OFFICE OF THE AUDITOR GENERAL
UGANDA
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<tr>
<th>Acronym</th>
<th>Description</th>
</tr>
</thead>
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<tr>
<td>UCI</td>
<td>Uganda Cancer Institute</td>
</tr>
<tr>
<td>UGX</td>
<td>Uganda Shillings</td>
</tr>
<tr>
<td>NTR</td>
<td>Non Tax Revenue</td>
</tr>
<tr>
<td>PPDA</td>
<td>Public Procurement and Disposal of Public Assets Authority</td>
</tr>
<tr>
<td>TAIIs</td>
<td>Treasury Accounting Instructions</td>
</tr>
</tbody>
</table>
REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF
UGANDA CANCER INSTITUTE FOR THE FINANCIAL YEAR ENDED 30TH JUNE, 2015

THE RT. HON. SPEAKER OF PARLIAMENT

I have audited the financial statements of Uganda Cancer Institute for the year ended 30th June, 2015. These financial statements comprise of the Statement of Financial Position, the Statement of Financial Performance, and Cash flow Statement together with other accompanying statements, notes and accounting policies.

Management Responsibility for 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 Uganda Cancer Institute. The Accounting Officer is also responsible for the preparation of financial statements in accordance with the requirements of the Public Finance Management Act 2015, and the Financial Reporting Guide, 2008, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

Auditor’s Responsibility

My responsibility 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 is to audit and express an opinion on these statements based on my audit. I conducted the audit in accordance with International Standards on Auditing. Those standards require that I comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain evidence about the amounts and disclosures in the financial statements as well as evidence supporting compliance with relevant laws and regulations. The procedures selected depend on the Auditor’s judgment including the assessment of risks of material misstatement of financial statements whether due to fraud or error. In making those risk assessments, the Auditor considers internal control relevant to the entity’s preparation and fair presentation of 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 entity’s internal control. An
audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management as well as evaluating the overall presentation of the financial statements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Part “A” of this report sets out my opinion on the financial statements. Part “B” which forms an integral part of this report presents in detail all the significant audit findings made during the audit which have been brought to the attention of management and form part of my Annual Report to Parliament.

PART “A”

Opinion
In my opinion, the financial statements of the Uganda Cancer Institute for the year ended 30th June 2015 are prepared, in all material respects in accordance with Section 51(1) of the Public Finance Management Act, 2015 and the Financial Reporting Guide, 2008.

Other matter
Without qualifying my opinion, I consider it necessary to communicate the following matter other than those that are presented or disclosed in the financial statements.

Staffing Gaps
Examination of records revealed that the wage budget for the financial year 2014/2015 was UGX.2,199,500,000 compared to UGX.1,299,266,000 in 2013/2014 because of planned recruitment. However, it was noted that out of the 272 approved posts only 153 were filled leaving a staffing gap of 122 (44.8%). Under staffing negatively affects service delivery.

John F.S. Muwanga
AUDITOR GENERAL

7th December, 2015
PART "B"

DETAILED REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS
OF THE UGANDA CANCER INSTITUTE FOR THE YEAR ENDED 30\textsuperscript{TH} JUNE, 2015

This Section outlines the detailed audit findings, management responses, and my recommendations in respect thereof.

1.0 INTRODUCTION

Article 163 (3) of the Constitution of the Republic of Uganda, 1995 (as amended) requires me to audit and report on the public accounts of Uganda and all public offices including the courts, the central and local government administrations, universities, and public institutions of the like nature and any public corporation or other bodies or organizations established by an Act of Parliament. Accordingly, I carried out the audit of the Uganda Cancer Institute (UCI) to enable me report to Parliament.

2.0 BACKGROUND INFORMATION

Uganda Cancer Institute is responsible for treatment of cancer, care, research and teaching/training activities in the country. The Institute is located at Plot – along upper Mulago road Kampala. The Institute’s Vision is “To be an internationally recognized Centre of Excellence advancing Comprehensive Cancer management in Africa” and its mission is “Provision of state of the art Cancer care and prevention by advancing knowledge, fostering the use of research as a resource in training and professional development”.

3.0 ENTITY FINANCING

The Uganda Cancer Institute was financed by Grants from Central Government to the tune of UGX.11,126,282,986. Non-tax revenue of UGX.632,950,600 was also collected, bringing the total revenue to UGX.11,759,233,586. The total grants revenue of UGX.11,126,282,986 constituted 85.2 % of its approved budget estimates of UGX.13,055,505,913.

4.0 OBJECTIVES OF THE UGANDA CANCER INSTITUTE

The objective of the Uganda Cancer Institute is to provide Cancer Care and Research through various clinical services including medical oncology services, specialised oncology pharmaceutical services, hematology clinical care services, screening services, laboratory services, physiotherapy services, and ambulance services.
5.0 **AUDIT OBJECTIVES**

The audit was carried out in accordance with International Standards on Auditing and accordingly included a review of the accounting records and agreed procedures as was considered necessary. In conducting my reviews, special attention was paid to establish:

a. Whether the financial statements have been prepared in accordance with consistently applied accounting Policies and fairly present the revenues and expenditures for the period and of the financial position as at the end of the period.

b. Whether all funds were utilized with due attention to economy and efficiency and only for the purposes for which the funds were provided.

c. Whether goods and services financed have been procured in accordance with the Government of Uganda Procurement regulations.

d. To evaluate and obtain a sufficient understanding of the internal control structure of the organization, assess control risk and identify reportable conditions, including material internal control weaknesses.

e. Whether the management complied with the Government of Uganda financial regulations in their operations.

f. Whether all necessary supporting documents, records and accounts have been kept in respect of all activities, and are in agreement with the financial statements presented.

6.0 **PROCEDURES PERFORMED**

The following audit procedures were undertaken:-

(a) **Revenue**

   Obtained schedules of all revenues collected and reconciled the amounts to the cashbooks and bank statements.

(b) **Expenditure**

   The payment vouchers were examined for proper authorization, eligibility and budgetary provision, accountability and support documentation.

(c) **Internal Control system**

   Reviewed the internal control system and its operations to establish whether sound controls were applied throughout the period audited.
(d) **Procurement**
Reviewed the procurement of goods and services by the Ministry during the period under review and reconciled with the approved procurement plan.

(e) **Fixed Asset Management**
Reviewed the use and management of the Ministry assets during the period under audit.

(f) **Financial Statements**
Examined on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessed the accounting principles used and significant estimates made by management; as well as evaluating the overall financial statement presentation.

### 7.0 FINDINGS

#### 7.1 Categorization of Audit findings

The following system of profiling of the audit findings has been adopted to better prioritize the implementation of audit recommendations.

<table>
<thead>
<tr>
<th><strong>Category</strong></th>
<th><strong>Description</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>1 High significance</td>
<td>Has a significant / material impact, has a high likelihood of reoccurrence, and in the opinion of the Auditor General, it requires urgent remedial action. It is a matter of high risk or high stakeholder interest.</td>
</tr>
<tr>
<td>2 Moderate significance</td>
<td>Has a moderate impact, has a likelihood of reoccurrence, and in the opinion of the Auditor General, it requires remedial action. It is a matter of medium risk or moderate stakeholder interest.</td>
</tr>
<tr>
<td>3 Low significance</td>
<td>Has a low impact, has a remote likelihood of reoccurrence, and in the opinion of the Auditor General, may not require much attention, though its remediation may add value to the entity. It is a matter of low risk or low stakeholder interest.</td>
</tr>
</tbody>
</table>

#### 7.2 Summary of audit findings

<table>
<thead>
<tr>
<th>No</th>
<th>Observation</th>
<th>Significance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Staffing gaps</td>
<td>Moderate</td>
</tr>
<tr>
<td>2</td>
<td>Mischarge of Expenditure</td>
<td>Moderate</td>
</tr>
<tr>
<td>3</td>
<td>Lack of Contract’s Committee Approval</td>
<td>Moderate</td>
</tr>
<tr>
<td></td>
<td><strong>Procurement Anomalies</strong></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Unplanned procurements</td>
<td>Moderate</td>
</tr>
</tbody>
</table>
8.0 **DETAILED FINDINGS**

8.1 **Staffing Gaps**

Sec.15 (d) of the Public Finance Management Act 2015 states that a Ministerial Policy Statement shall contain the annual recruitment plan of the vote to facilitate filling of staff gaps.

The institute wage bill budget for the financial year 2014/2015 was UGX.2,199,500,000 compared to UGX.1,299,266,000 in 2013/2014 because of planned recruitment. The recruitment never materialized because only UGX.1.79bn was warranted for spending. Out of the 272 approved posts only 153 were filled leaving a staffing gap of 119 (44%). Under staffing of the institute especially in the key areas of Nursing, oncology, diagnostics, imaging and radiology, pharmacy and cancer research negatively affects service delivery.

The Accounting Officer attributed the under staffing to the Institute’s lack of direct control over recruitment which is currently done based on availability of funds provided by Ministry of Finance, Planning and Economic Development and on selective recruitment basis in accordance with the needs of the affected departments.

I advised the Accounting Officer to liaise with other stakeholders and adequately plan for recruitment of key staff to fill the vacant positions in order to meet the increasing demand for services.

8.2 **Mischarge of Expenditure**

The Treasury Accounting Instructions 2003 (TAIs) require all transactions to be recorded in the books of account applying the Government of Uganda Chart of Accounts as prescribed by the Accountant General; and the Accounting Officers shall ensure that all financial transactions are properly coded.

It was however noted that out of the total payments of UGX.13,055,505,913 made during the financial year, an amount of UGX.54, 829,686 (0.4%) was coded under inappropriate items resulting into mischarge of expenditure as summarized below;
### Mischarge of Expenditure

<table>
<thead>
<tr>
<th>Account Code</th>
<th>Account Code Description</th>
<th>Amount Allocated (UGX)</th>
<th>Amount mischarged (UGX)</th>
<th>Account Areas to which funds were diverted</th>
</tr>
</thead>
<tbody>
<tr>
<td>221012</td>
<td>Small Office Equipment</td>
<td>33,000,000</td>
<td>18,117,102</td>
<td>Allowances</td>
</tr>
<tr>
<td>223007</td>
<td>Other Utilities- (fuel, gas, firewood, charcoal)</td>
<td>9,000,000</td>
<td>7,099,835</td>
<td>Allowances</td>
</tr>
<tr>
<td>227004</td>
<td>Fuel, Lubricants and Oils</td>
<td>50,800,000</td>
<td>12,370,000</td>
<td>Air tickets and advances</td>
</tr>
<tr>
<td>228001</td>
<td>Maintenance - Civil</td>
<td>12,000,000</td>
<td>5,672,536</td>
<td>Allowances</td>
</tr>
<tr>
<td>228002</td>
<td>Maintenance - Vehicles</td>
<td>42,000,000</td>
<td>1,740,000</td>
<td>Allowances</td>
</tr>
<tr>
<td>228004</td>
<td>Maintenance – Other</td>
<td>16,000,000</td>
<td>9,830,213</td>
<td>Allowances</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>162,800,000</strong></td>
<td><strong>54,829,686</strong></td>
<td></td>
</tr>
</tbody>
</table>

Mischarge of expenditure contravenes the intentions of the appropriating authority. The anomaly was attributed to restrictive budget ceilings prescribed by the Ministry responsible for Finance.

I advised the Accounting Officer to ensure realistic budget ceilings and allocations for the items.

### 8.3 Non-performance of the oversight roles by the Audit Committee

Regulation 30 (20(g) of the Public Finance and Accountability Regulations (PFAR) 2003 and paragraph 4.2 of the charter for Audit Committees, 2008 require the Audit committees to discuss with Accounting officers the findings in the internal audit and the Auditor General’s reports with a view of assessing implementation of the
respective recommendations. However there was no evidence of performance of this function by the responsible Audit Committees.

As a result, audit recommendations are not implemented in a timely manner.

I advised the Accounting Officer to liaise with the Ministry responsible for finance and ensure that the Audit Committee is facilitated to perform its role.

8.4 Unplanned Procurements

PPDA regulation 96 (1) of 2003, requires the user department to prepare multi-annual, rolling work plan for procurement based on the approved budget, which shall be submitted to the procurement and disposal unit to facilitate orderly execution of annual procurement activities.

It was noted that the institute procured Station Wagon Vehicles and motorcycles at UGX.382,452,461 (exclusive of taxes) which were not in the procurement plan. Procurement outside the annual procurement plan can also lead to diversion of funds planned for other activities and priorities.

I advised the Accounting Officer to always ensure that all procurements for the year are included in the annual procurement plan. Any amendments should be approved by the Accounting Officer and included as addendum.

8.5 Expiry of Drugs

An inspection conducted at the Institute’s drug store revealed that an assortment of drugs delivered during financial year 2014/15 worth UGX.100,448,232 had expired by May 2015. In the previous year I reported expiry of drugs worth UGX.425,825,877. Management attributed the expiry to the long procurement processes and short shelf life of some of the drugs.

The Accounting Officer explained that the National Drug Authority had been requested to undertake destruction of the expired drugs.

I advised management to closely liaise with National Medical Stores (NMS) to ensure supplies have a realistic shelf life. Meanwhile expired drugs should be promptly incinerated to avoid contamination.
8.6 **Lack of pre-and post inspection reports for vehicle repairs and servicing**

Paragraph 181 of the Treasury Accounting Instructions stipulates that all vouchers will contain full particulars of each service or goods and will be accompanied by such supporting documents as may be required so as to enable them to be checked without reference to any other documents. A review of the accounting documents of the Institute however revealed that a total of UGX.18,360,694 was incurred on repairs and servicing of the Institutes motor vehicles and equipment during the year under review. However, it was noted that the repairs and servicing were not supported with pre and post inspection reports or service reports. In the absence of such reports, it was not possible to ascertain whether the repairs and maintenance were satisfactorily done.

The anomalies are attributed to management’s laxity in enforcing accountability regulations.

In response, the Accounting Officer stated that Management normally relies on expiry of the recommended mileage as a basis for taking the vehicles for service and that both pre and post inspection reports for major repairs are prepared by Ministry of works.

At the time of audit the inspection reports were not in place.

I advised management to avail the inspection reports for verification and ensure independent certification of motor vehicle servicing.
FINANCIAL STATEMENTS