

OFFICE OF THE AUDITOR GENERAL



THE REPUBLIC OF UGANDA

REPORT OF THE AUDITOR GENERAL
ON THE FINANCIAL STATEMENTS OF JOINT CLINICAL RESEARCH CENTRE
FOR THE YEAR ENDED 30TH JUNE 2017

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REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS
OF JOINT CLINICAL RESEARCH CENTRE (JCRC)
FOR THE YEAR ENDED 30TH JUNE 2017

THE RT. HON. SPEAKER OF PARLIAMENT

OPINION

I have audited the accompanying Financial Statements of Joint Clinical Research Centre (JCRC), which comprise the statement of Financial Position as at 30th June 2017, Statement of Financial Activities, Cash Flow Statement and Statement of Changes in Equity together with accompanying notes and accounting policies as set out on pages 7 to 24.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Joint Clinical Research Centre as at 30th June 2017 and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards.

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 Centre 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, 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.

Emphasis of Matter

Without qualifying my opinion, I draw your attention to the following matter in the financial statements:

- **Outstanding Receivables**

Review of note 22 revealed outstanding receivables totalling to UGX.3,045,210,000 owed by Government entities namely; Ministry of Health, Ministry of Defence, President's and Vice President's Offices and Ministry of Finance, Planning and Economic Development, some of which had been outstanding for more than a year. Failure to collect receivables constrains the cash position of the Joint Clinic Research Centre and its ability to settle obligations as and when they fall due.

Management explained that they had continued to engage Government entities while demand notices had been sent to the Non-Government entities to settle their debts.

I advised management to put in place a comprehensive debt management policy to effectively manage the receivables.

- **Long outstanding payables**

Review of note 23 and the payables ledger indicated that payables in the sum of UGX.2,001,510,000 had remained outstanding since 2010/2011. Included in the above payables was an amount of UGX.1,933,190,000 in respect of PAYE which attracts fines and penalties. Failure to settle the liabilities was largely caused by employment of staff without sufficient wage budget and initiation of procurements for goods and/or services without confirmation of availability of funds.

Management explained that they had written a reminder letter to the Ministry of Health about its commitment to settle the tax arrears and are awaiting a response.

I advised management to liaise with the Ministry to ensure that resources are set aside to settle the tax arrears without further delay.

- **Sustainability of services**

The Statement of Financial Activities for the year ended 30th June 2017 indicated that the Centre received income totalling to UGX.23,472,020,000 out of which UGX.19,419,840,000 (82.7%) was Grant Income.

Review of note 8 for the Grant Income revealed that the USAID funded THALAS Project that is scheduled to close in September 2017 contributed UGX.5,950,844,366 (30.6%) to the total JCRC's donor funding during the year under review rendering the Centre's sustainability of services doubtful.

Management explained that the Centre had continued to engage Government agencies through the Ministry of Health for increased funding to support the wage bill as they also solicit for more funding through development of proposals for research projects.

Management should closely follow up their initiatives to ensure that the Centre fully executes its mandate.

Other Matter

In addition to the matters raised above, I consider it necessary to communicate the following matters other than those presented or disclosed in the financial statements:

- **Un-utilized facilities**

JCRC operates a network of reference laboratories across the country that constitute Centres of excellence.

Inspection of the Regional Centres of Excellence (RCE) revealed that whereas Kakira Regional Centre of Excellence had good structures and well equipped laboratories, there was no activity carried out during the year under review despite the expenditure of UGX.32,103,279 on utilities, security and other expenses.

Management explained that a feasibility study conducted revealed that the Kakira Centre was not viable and recommended that the property be put on sale and the proceeds be put to another viable venture.

I advised management to always undertake feasibility study before investing funds as this will guide decision making. Meanwhile, I await the results of management action in this regard.

- **Undeveloped Land**

One of JCRC's strategic objectives is to build its own premises for its network of reference laboratories across the country.

Inspection of the Regional Centres of Excellence (RCE) revealed that although JCRC acquired 0.563 acres of land on plot 2-6 Nabuyonga Rise in Mbale Municipality in 2011 to set up a Regional Centre of Excellence, the land remained undeveloped. According to the Valuation Report dated October 31, 2012 by the Ministry of Lands, Housing and Urban Development, the plot was valued at UGX.813, 000,000. Failure to develop the plot means that proper planning was not done prior to its procurement and the land is not serving its intended purpose.

Management explained that this was due to lack of funds but that they were engaging Development Partners to have the plot developed.

I advised management to ensure that the plot is fenced off as it pursues funding for development.

Responsibilities of Directors for the Financial Statements

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards (IFRS) and the requirements of the Uganda Companies Act, 2012, 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, Directors are responsible for assessing the Centre'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 Centre's management either intend to liquidate the Centre or to cease operations, or have 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 Centre'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 Centre'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 Centre 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

18th December, 2017