

OFFICE OF THE AUDITOR GENERAL



THE REPUBLIC OF UGANDA

REPORT OF THE AUDITOR GENERAL

ON THE FINANCIAL STATEMENTS OF UGANDA CANCER INSTITUTE

FOR THE YEAR ENDED 30TH JUNE 2017

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UGANDA

REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS
OF UGANDA CANCER INSTITUTE FOR THE
YEAR ENDED 30TH JUNE 2017

THE RT. HON. SPEAKER OF PARLIAMENT

Opinion

I have audited the accompanying Financial Statements of Uganda Cancer Institute (UCI), which comprise the Statement of Financial Position as at 30th June 2017, the Statement of Financial Performance, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 11 to 40.

In my opinion, the financial statements of the Uganda Cancer Institute 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.

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 Institute 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 Matter

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 taken as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters; I have determined the matters described below as key audit matter to be communicated in my report:

Utilization of Medicines and medical Supplies

The Management of Medicines and Medical Supplies Manual (MMMSM) indicates that Medicines and medical supplies form the second biggest expenditure in the health sector after human resources. The security of medicines must be ensured at all levels to prevent theft, abuse, misuse and wastage.

Uganda Cancer Institute's mandate includes establishing a modern cancer institute with international standards to address the challenges of treating cancer and cancer related diseases; reducing the referral of cancer patients abroad; ensuring timely access to highly specialized cancer medication; and increasing the capacity of the Ugandan oncologists to handle specialized cancer conditions and to empower the institute to will oversee the management of other health units which handle cancer related conditions.

Anti-cancer medicines are relatively expensive and there is a wide spread public outcry about failure to access medicines in the institute. During the year the Institute budget for medical supplies was UGX.8,349,008,406.

Consequently in the course of auditing Uganda Cancer Institute Financial Statements, I considered this matter as an area of focus.

The audit focused on the procedures, processes, tools and documentation used to manage medicines and medical supplies which included;

- Involving external expertise in identifying the sample of tracer medicines and medical supplies, and developing data collection tools.

- Selecting medicines and medical supplies to trace their utilization in the hospital.
- Analysing the delivery cycles, balances on stock cards and order levels to ascertain stock outs.
- Obtaining and checking the records relating to the expired medicines and also inspecting the storage practices.
- Establishing the availability of key human resource personnel to ensure that medicines and medical supplies are not wasted as explained in the Management of Medicines and Medical Supplies Manual (MMMSM). I obtained the approved structure and compared it with the list of existing staff.

I observed the following;

- **Stock outs and Non-delivery of Medicines and Health Supplies**

Part 3 of the MMMSM requires that management establishes policies, procedures and techniques to maintain an optimum amount of stock of each item at all Health facilities to minimize stock outs and expiry.

I analysed the delivery cycles, balances on stock cards and observed that the 5 (five) items selected as tracer EMHS experienced stock outs within the audit period ranging from 5 to 365 days.

The stock outs were attributed to failure by NMS to supply drugs in the quantities ordered and lack of reliable information on drugs usage and stocking positions.

Stock outs erode patients' confidence in the health sector which leads to opting for inappropriate and expensive systems of health care.

Management explained that it was engaging Government and other stakeholders to have the drugs and sundries budget increased so as to reduce on the ever recurring drug stock outs. In addition, the process of establishing the Institute as an autonomous body is underway and this will enable efficient procurement of the specialized medicines.

I await results of Management actions in this regard.

- **Expired Medicines**

Part 9 – of the MMMSM requires that expired items should be properly recorded, placed in a designated area and destroyed in accordance with the local regulations. Review of the records relating to the expired medicines and inspection of their storage revealed that 4 short dated medicines worth UGX.50,367,879 expired during the year under review. Expired medicines result into stock-outs, loss of money invoiced by NMS and further loss is incurred on their destruction.

Management explained that although medicines for treatment of cancer are used in combinations of two, three or more, most times NMS supplies only one of the items that are required.

I advised Management to liaise with NMS to ensure that medicines are supplied in the prescribed combinations.

- **Staffing levels**

Out of 272 approved positions in the establishment, only 184 posts were filled, leaving 88 (32%) vacancies. Some of the key vacant positions were those of Medical Officer Special Grade.

Understaffing overstretches the available staff beyond their capacity, creates job-related stress to the few staff and negatively affects the level of public service delivery.

Management attributed the vacant positions to underfunding of the wage component. It further explained that 5 positions of Medical Officer Special Grade had been filled after the audit and more funding had been provided in the 2017/2018 budget to address some of the staffing gaps.

I await the results of Management efforts in this regard.

Emphasis of Matter

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

- **Revenue shortfall**

The Statement of Revenue collected during the year ended 30th June 2017 indicated that only UGX.1,040,972,914 was collected as Non-tax revenue (NTR) out of the budgeted amount of UGX.1,700,000,000 resulting into a shortfall of UGX.659,070,086 (38%).

The shortfall in NTR was attributed to inadequate budgeting.

The under-collection of NTR resulted into shortfall in carrying out some key activities such as comprehensive oncology clinical care, lumbar punctures, gynae operations and physiotherapy services.

Management attributed the failure to realize the entire NTR to the breakdown of the Radiotherapy machine and the stock outs of EMHS.

I advised management to fast-track the installation of the Radiotherapy machine and to liaise with NMS to ensure consistent availability of EMHS.

Other Matter

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

- **Delayed constitution of the Board**

Section 7(4) of the Uganda Cancer Institute Act, 2016 requires the Minister of Health to appoint members of the Board with the approval of Cabinet.

However, the Board had not been constituted by the time of audit and this implies that the Institute is not benefiting from the strategic direction expected from a Board.

The Executive Director stated that the Minister had been notified of the absence of the Board.

I await results of Management action in this regard.

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 Institute.

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 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 misstatements, whether due to fraud or error.

In preparing the financial statements, the Accounting Officer is responsible for assessing the Institute ability to continue delivering its mandate, disclosing, as applicable, matters related to delivery of services, unless Government either intends to discontinue the Agency'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 Institute 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 Institute'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 Institute 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.F.S. Muwanga', with a large, stylized flourish above the name.

John F.S. Muwanga

AUDITOR GENERAL

11th December 2017