

**OFFICE OF THE AUDITOR GENERAL**



**THE REPUBLIC OF UGANDA**

**REPORT OF THE AUDITOR GENERAL**

**ON THE FINANCIAL STATEMENTS OF UGANDA VIRUS RESEARCH INSTITUTE**

**FOR THE YEAR ENDED 30TH JUNE 2017**

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**UGANDA**

**REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS**  
**OF UGANDA VIRUS RESEARCH INSTITUTE**  
**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2017**

**THE RT. HON. SPEAKER OF PARLIAMENT**

**Opinion**

I have audited the accompanying Financial Statements of Uganda Virus Research Institute, which comprise the Statement of Financial Position as at 30<sup>th</sup> 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 8 to 38.

In my opinion, the financial statements of Uganda Virus Research Institute for the year ended 30<sup>th</sup> 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.

## **Emphasis of Matter**

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

- **Outstanding commitments**

Review of the statement of outstanding commitments indicated that the Institute had an outstanding payable of UGX.3, 857,024,608 as at 30<sup>th</sup> June 2017 comprising of UGX 3,807,400,238 due to UMEME Ltd and UGX 49,624,370 to National Water and Sewerage Corporation (NWSC). These commitments have been outstanding for over 2 financial years.

However, review of the Ministerial Policy Statement for 2016/2017 revealed that this amount had not been budgeted for and as a result, remained unfunded.

Failure to settle outstanding commitments can result into disconnection and penalties.

Management indicated that the Institute had been granted supplementary funds to enable them clear outstanding utility bills.

I advised management to follow up with Ministry of Finance to ensure that the funds in the supplementary are released.

## **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:

- **Lack of Enabling Legislation**

The Uganda Virus Research Institute (UVRI) was established in 1936 by the International division of the Rockefeller Foundation as a Yellow Fever Research Institute. In 1950, the Institute became the East African Virus Research Institute under the East African High Commission and later was designated as WHO Regional Center for Arboviruses Reference and Research.

In 1977 the East African Community collapsed and the Institute was subsequently named the Uganda Virus Research Institute. After the discovery of the Human Immunodeficiency Virus (HIV) in Uganda, research work with collaborators on HIV started in 1987.

In 2009, UVRI became a constituent research institute of the Uganda National Health Research Organization (UNHRO), an umbrella organization for health research within Uganda established under the UNHRO Act, 2011, to coordinate, promote and provide guidance for health research and development in Uganda.

According to Part IV, section 19 (4) of the UNHRO Act, 2011, a constituent research institute shall have semi- autonomous status with regard to the management of resources which shall be in accordance with research programmes and budgets approved by the Board (UNHRO Board).

The Institute has been receiving subventions from vote: 014 (Ministry of Health) under vote function output 080352- Support to Uganda National Health Research Organization (UNHRO) until last financial year (2016/2017) when it was granted a vote status (Vote: 304–Uganda Virus Research Institute) and allocated UGX.1,661,000,000 by Parliament.

Despite the above changes, the Institute is still operating under the UNHRO Act, 2011 and therefore, does not have a governing law to clearly spell out its mandate.

Management promised to consult relevant stakeholders about the proposed UVRI Act.

I advised the Accounting Officer to expedite the consultations about the proposed UVRI Act.

- **Expired Strategic Plan**

In pursuit of Uganda Vision 2040 which aims at producing a healthy and productive population that effectively contributes to socio-economic growth, the Institute is mandated to develop a strategy to enhance the capacity for integrated disease surveillance, detection and control.

The Institute had a 3 year strategic plan (UVRI Strategic Plan 2012-2015) that expired in 2015. However, I noted that the plan has not been reviewed since then.

This implies that the Institute is operating without a clear strategic direction, and activities being implemented may not feed into an overall strategic objective.

Management indicated that the draft plan is now in place and was awaiting further consultations and approval.

I advised management to expedite the consultations and approval of the draft strategic plan.

- **Staffing Gaps**

Out of 156 approved positions in the establishment, only 93 (59.6%) posts were filled, leaving 63 (40.4%) vacancies.

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

Management indicated that they had been cleared by Ministry of Public Service to fill vacant positions however; this will be done in a phased approach starting with heads of departments in the financial year 2017/18 and then other cadres in the financial year 2018/2019.

I await management action in this regard

- **Asset Management**

- Untitled Land**

The Institute occupies 4 plots of land covering 73.250 acres along Nakiwogo Road that are not titled.

In the absence of titles, the land is exposed to encroachers.

Management indicated that the Institute has been in a proactive process of securing the land in liaison with local authorities i.e. RDC's office Entebbe, the police and other relevant stakeholders. The survey for the 73.250 acres was completed however; the Institute is still waiting for authority from Ministry of Lands to erase the unmarked plots occupied by staff who wanted to buy staff houses then.

I advised management to follow up with the Ministry of lands to ensure that the titling process is completed expeditiously.

- **Encroachment on the Institute's Land**

Review of an extract of findings from the SM GEO TEAM survey report revealed that 10 plots of land measuring 1.266 Hectares are registered in names other than those of the Institute. In addition, plots, 58, 59, 108, 109, 110, and 114, which also form part of the Institute's land had been captured in the Wakiso District Land Board data base without the consent of the Institute.

Management indicated that they held a meeting with squatters on 11<sup>th</sup> August 2016 and agreed in principle that the land belongs to UVRI and therefore the Institute would compensate all squatters who had valid titles.

I advised the institute to compensate the squatters and ensure that they vacate the land.

### **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 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's ability to continue delivering its mandate, disclosing, as applicable, matters related to delivery of services, unless Government either intends to discontinue the Institute'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'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 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 'John F.S. Muwanga', with a large, stylized flourish extending to the right.

John F.S. Muwanga  
**AUDITOR GENERAL**

20<sup>th</sup> December 2017