



# PARLIAMENT OF UGANDA

REPORT OF THE PUBLIC ACCOUNTS COMMITTEE – CENTRAL GOVERNMENT, ON THE REPORT OF THE AUDITOR GENERAL ON THE HEALTH SECTOR FOR THE FY 2020/21

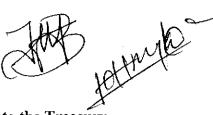
Office of the Clerk to Parliament, Kampala
August, 2022.

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#### LIST OF ACRONYMS AND ABBREVIATIONS

AG:

Auditor General

AO:

Accounting Officer

AIDS:

Acquired Immune Deficiency Syndrome

BFP:

Budget Framework Paper

BOU:

Bank of Uganda

CIID:

Criminal Investigation & Intelligence Directorate

CUFH:

China - Uganda Friendship Hospital

DPP:

Directorate of Public Prosecution

DT:

**Domestic Taxes** 

EA:

Executing Agency

EFT:

Electronic Fund Transfer

FY:

Financial Year

GSA:

Grant Support Agreement

HC:

Health Centre

HSC:

**Health Service Commission** 

IAS:

International Accounting Standards

IDA:

International Development Agency

IFMS:

Integrated Financial Management System

IFRS:

International Financial Reporting System

MDAs:

Ministries, Departments and Agencies

MNRH:

Mulago National Referral Hospital

MOFPED:

Ministry of Finance, Planning and Economic Development

MOH:

Ministry of Health

NMS:

National Medical Stores

NPA:

National Planning Authority

OAG:

Office of the Auditor General

PAC:

Public Accounts Committee

PCA:

Payroll Consults Africa

PDMS:

Payroll Deductions Management System

Mbume

PFMA:

Public Finance Management Act, 2015

PFMR:

Public Finance Management Regulations, 2016

PPDA:

Public Procurement & Disposal of Public Assets Act, 2003

PS:

Permanent Secretary

PS/ST

Permanent Secretary/Secretary to Treasury

RRH:

Regional Referral Hospital

TI:

Treasury Instructions

UBA:

Uganda Bankers Association

UCLA:

Uganda Consumers and Lenders Association

UCF:

Uganda Consolidated Fund

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#### 1.0. INTRODUCTION

Rt. Hon. Speaker and Honorable Members,

Article 163 (4) of the Constitution mandates the Auditor General to submit to Parliament, an annual report of the accounts audited by him/her for the FY immediately preceding.

The Constitution further, Under Article 163(5), requires Parliament to debate and consider the report and take appropriate action within six months after the submission by the Auditor General.

The Report of the Auditor General for the financial year 2020/2021 was presented on the floor on 3<sup>rd</sup> February, 2022 and referred to the Committee for consideration. In accordance to Rule 174 of the Rules of Procedure, the Committee on Public Accounts – Central Government considered the Auditor General's Report for FY 2020/21 on the Health Sector to satisfy itself among others that;

- a. The monies appropriated by Parliament and disbursed were legally available for, and applicable to the service or purpose to which they have been applied or charged;
- b. The expenditure conforms to the authority which governs it;
- c. Re-appropriation has been made in accordance with the provisions of the rules of a competent authority; and
- d. The intended value of the expended monies was attained.

2.0. SCOPE

The Report covers audit queries contained in the Report of the Auditor General for the period ended 30<sup>th</sup> June, 2021 in respect of the Health Sector, in particular focusing on the Ministry of Health, National Referral Hospitals of Mulago, Kiruddu, Butabika, China – Uganda Friendship, Naguru, Kawempe and all Regional Referral Hospitals. In addition, the report covers findings on other specialised health related institutions/votes and programs such as Uganda Heart Institute, Uganda Cancer Institute, Uganda Blood Transfusion Services, and Uganda Virus Research

Institute. Others include, Uganda National Health Research Organisation, Joint Clinical Research

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Centre and Uganda Reproductive, Maternal and Child Health Services Improvement Project (URMCHSIP).

#### 3.0. METHODOLOGY

The Committee held meetings with the AOs and staff of the following entities in the Health Sector;

- a. Ministry of Health
- b. Mulago National Referral Hospital
- c. Butabika National Mental Referral Hospital
- d. Kiruddu National Referral Hospital
- e. China Uganda Frienship Hospital, Naguru
- f. Kawempe National Referral Hospital
- g. Arua Regional Referral Hospital
- h. Gulu Regional Referral Hospital
- i. Lira Regional Referral Hospital
- j. Soroti Regional Referral Hospital
- k. Moroto Regional Referral Hospital
- 1. Mbale Regional Referral Hospital
- m. Jinja Regional Referral Hospital
- n. Masaka Regional Referral Hospital
- o. Mbarara Regional Referral Hospital
- p. Kabale Regional Referral Hospital
- q. Fort Portal Regional Referral Hospital
- r. Mubende Regional Referral Hospital
- s. Uganda Heart Institute
- t. Uganda Cancer Institute
- u. Uganda Virus Research Institute
- v. Uganda Blood Transfusion Services, and
- w. Joint Clinical Research Centre
- x. Uganda National Health Research Organisation

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The Committee further carried out field visits to selected Regional Referral Hospitals and district hospitals of Arua, Mbale, Mubende, FortPortal, Nebbi and Tororo respectively, to appreciate the

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conditions in which they operate, extent of implementation of development budget and general levels of service delivery to Ugandans. In the visits, the Committee observed the physical condition of the infrastructure and equipments. Members also interacted with hospital staff as well as other stakeholders with a keen interest in understanding service delivery related aspects as well as the working environment of the hospital staff.

The Committee further conducted desk research to understand the legal and policy provisions relating to appropriation, disbursement, expenditure and accountability of public funds.

The Committee examined the report of the AG in respect of the entities' accounts for the year under review, the memoranda/responses and other documents submitted by witnesses.

#### 4.0. General Observations and Recommendations

#### 4.1. Existence of approved Strategic Plans

The AG noted that a number of votes under the Health Sector had prepared their Strategic plans late and therefore had not been approved by National Planning Authority by the time of audit. The Committee notes that this was in breach of Paragraph 5 of the budget execution circular for FY 2020/21, which had noted poor alignment of Government budgets with the NDP III and had therefore urged all AOs to ensure that all activities for the year were aligned with NDP III and implemented accordingly.

The Committee noted that in a number of cases, approval of these Plans had been delayed as a result of sheer negligence on the part of AOs and their staff who had prepared their plans late and never made follow ups for necessary approvals. For example, Kawempe, Mubende and Lira Regional Referral Hospitals, and others only received their Certificates of Compliance from NPA in the third quarter of the FY 2020/21. In most of the other institutions the approvals were made in the subsequent Financial Years.

The Committee observes that failure to submit strategic plans in time could cause serious distortion of planning and implementation of Government programs thereby compromising service delivery.

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The Committee recommends that AOs should prepare institutions strategic plans in time and seek the necessary approval from NPA. This is to ensure that all implementation of Government activities are aligned to the NDP III.

The Committee further recommends that the AOs who failed to submit their strategic plans in time should be sanctioned by the appointing authority. These sanctions should include among others, stripping them of the function and mandate as AOs.

Further, the Committee recommends that NPA should for the future, expedite the review and approval process of the plans prepared and presented by the AOs.

# 4.2. Quantification of outputs/activities

Section 13 (15) of the PFMA provides that a policy statement shall contain -

"(a) the achievements of the votes of the previous Financial year

(b) the annual and three months' work plans and outputs, the objectives, output, targets and performance indicators of the work plans and outcomes"

- (c) the annual procurement plan
- (d) the annual recruitment plan

(e) a statement of the actions taken by the vote to implement recommendations of parliament in respect to the report of the Auditor General of the preceding financial year". Regulation 11(3) of the PFMR 2016 requires that a vote prepares work plans that indicate the outputs of a vote for the financial year.

The Committee observed that a significant number of votes failed and/or neglected to comply with these statutory provisions. This had serious implications on the alignment of activities to policy statements thereby distorting planning and implementation of Government programs thereby compromising service delivery.

The Committee notes that most AOs did not know how to quantify their activities so as to align them with the budget and the strategic plans. In most cases they reported performance in generic

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terms such as; medical supplies, maintenance and equipment purchased. This makes it difficult to ascertain in detail the activities/items.

The Committee further observes that failure to provide details of the "quantified" activities renders assessment of performance impossible which compromises accountability. The budget is distorted and proper planning is inhibited.

It was clear to the Committee throughout the hearings that the entities lacked qualified staff to properly handle the quantification function. In Soroti Regional Referral Hospital for example, the Officer charged with this function was an Orthopedic Officer.

# The Committee recommends as follows;

- 1. All entities should hire qualified personnel dedicated to the quantification function and should receive regular and adequate training.
- 2. All entities that fail to comply with section 13 (15) of the PFMA or that delay to submit their quantified outputs should be sanctioned and have their budgets rejected.
- 3. All entities, without exception, should (mandatorily) submit their quantified outputs for effective assessment of their performance in relation to the budget.

#### 4.3. Implementation of quantified outputs

Section 13 (15, b) of the PFMA 2015 states that a policy statement submitted by a vote shall contain the annual and three month's work plans, outputs, targets and performance indicators of work plans.

Equally, Regulation 11 (3) of PFMR 2016 requires that a Vote should prepare work plans that indicate the outputs of the Vote for the FY; the indicators that are to be used to gauge the performance of the outputs and funds allocated to each activity.

From the report of the Auditor General, most votes under the Health Sector did not implement their outputs fully. Many AOs the Committee interacted with attributed this partial implementation to the lockdown instituted by Government at the time, as a measure to curb the spread of COVID-19 pandemic. It should be noted, however, that although COVID-19 disruptions were a reality,

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health workers were categorized as "essential workers" at the time and therefore were expected to carry on implementing some of the planned activities.

The Committee notes that the number of staff at these institutions had been significantly reduced at the time of the lockdown which hampered the implementation of the quantified outputs.

In Kawempe National Referral Hospital for example, the Auditor General noted that out of eight (08) sampled outputs, only two (2) were fully implemented, leaving six (06) partially implemented, while Lira Regional Referral Hospital was noted to have partially implemented one (1) output with a total of six (6) activities worth UGX.2.32Bn. Out of the six (6) activities, only two were fully implemented, leaving four (4) partially implemented. The same cases of partial implementation can be cited in Mubende, Entebbe, Soroti and Jinja Regional Referral Hospitals.

The Committee recommends that AOs should ensure that the planned and approved outputs are implemented.

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# 4.4. Submission of accurate quarterly performance reports

The Auditor General reported disregard of timelines especially of submitting quarterly performance reports by most Regional Referral hospitals. This contravenes Section 21(3) of the PFMA, 2015 and Treasury Instructions of 2017, which require that AOs should prepare reports for each quarter of the FY, and that it should be submitted to Treasury not later than 15 days after the end of each quarter.

Most of the AOs the Committee interacted with showed demonstrated lack of awareness and appreciation of these timelines and seemed not briefed by their respective Hospital Administrators who in most cases equally demonstrated lack of knowledge of the processes.

The Committee observes that failure to submit performance reports in time and failure to prepare monitoring plans affects timely tracking and evaluation of performance.

The Committee recommends that AOs should prepare budget monitoring plans and reports to facilitate performance tracking within the stipulated timelines.

AOs should ensure that their Planners are up to date with all statutory submissions in terms of timelines and strictly adhere to them at all times.



#### 4.5. Absorption of Funds

A number of entities were noted in the report of the Auditor General to have failed to optimally absorb the funds that were allocated to them causing money to be swept back to the Treasury. These funds were mostly meant for wage, gratuity and pension that were not fully paid by the end of the financial year. Most AOs attributed this to delays in recruitment by the Health Service Commission/MoPS.

The Committee had a chance to interact with the Health Service Commission on the matter and noted that the long bureaucratic processes of recruitment that reportedly takes an average of 5months were partly to blame for the delay.

While interacting with some of these entities, the Committee discovered that majority of the affected AOs did not seek a revision of their budget and work plan as provided for under section 17 (3) of the PFMA, 2015.

For example;

Mulago National Referral Hospital had a total warrant of UGX.63,573,318,357 received during the financial year, out of which UGX.59,379,356,427 was spent resulting in an unspent balance of UGX.4,193,961,930, representing an absorption level of 93.4%.

Lira Hospital had total warrants of UGX.11,498,592,809 received during the financial year, out of which UGX. 9,631,737,017 was spent, resulting in an unspent balance of UGX.1,866,855,792, representing absorption level of 83.8%; and Mubende Hospital had total receipts for the financial year of UGX.11,297,149,897, out of which UGX.9,155,075,000 (81%) was spent by the entity resulting in an

unspent balance of UGX.2,142,074,897, representing an absorption rate of 19%.

The Committee also noted with concern a growing trend by the MoFPED of releasing money over and above what the entities request for. In a letter to the PS/ST dated 24<sup>th</sup> March 2020 for example, Lira Regional Referral hospital submitted gratuity estimates of UGX.138,204,004. However, the

MoFPED sent a sum of UGX.638,938,448 over and above what they requested.

Similarly, Mubende Hospital reported an unspent balance of UGX.2.15 billion, attributing it to the allocation of pension and gratuity funds by MoFPED over and above/the requirements of the vote.

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The Committee notes that this is one of the causes of under absorption. Section 17 of the PFMA states that any appropriation by Parliament shall expire by 30<sup>th</sup> June and cease to have any effect at the close of the FY for which it is made. The Committee observes that remittance of more funds than are required by the entity does not only distort budgetary planning but also starves other deserving entities which fail to implement their plans as a result of inadequate financing.

# The Committee recommends that;

- a. the Accountant General strictly enforces section 15 (2) of the PFMA, 2015 which requires that the annual cash flow plans issued under sub section (1) be the basis for release of funds to entities.
- b. the AOs should strictly adhere to the annual budget performance contract signed with the PS/ST pursuant to Section 45 of the PFMA, 2015. The contract binds AOs to deliver on the activities in the work plan of the vote for the FY submitted under section 13 (15) of the PFMA, 2015.
- c. The release of more funds than are required by the entities should be investigated by way of a forensic audit.

#### 4.6. Performance of NTR

The Auditor General noted in his report that in a review of approved revenue estimates for FY 2020/21 of the entities under the health sector, many AOs were found not to have budgeted for NTR during the year under review. These included Mubende Regional Referral Hospital, Mulago National Referral Hospital and the Ministry of Health among others.

While meeting with the Committee, the Ministry of Health explained that their mandate did not categorise them as an NTR, until the advent of COVID 19. For the other hospitals however, it was observed by the Committee that the NTR collections were significantly low compared to what had been budgeted despite getting appropriation in aid.

Many AOs attributed these shortfalls to the Covid19 disruptions and challenges in the IFMS that did not provide for budgeting of NTR. For example, Entebbe Regional Referral Hospital had budgeted to collect UGX 1bn in local revenue, but only managed to collect UGX 52m, representing a 5.2% performance. This was attributed to a decision by the Ministry of Health to close the hospital to all the other general services and handle only Covid-19 cases leading to a short fall in

revenue.

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Equally, Lira Regional Referral Hospital that had budgeted to collect UGX 80m during the year, managed to collect only UGX 43m, representing a performance of 54.6%. The entity equally attributed this to the disruptions caused by covid19 pandemic that affected their revenue collections from intern students from the various medical schools in Lira and beyond. This affected their NTR collections at the time.

The Committee notes that such shortfalls in revenue at the vote level results in aggregate revenue shortfalls at the treasury level, which in turn negatively affects the implementation of planned activities at a Government level.

The Committee notes that instruction 4.10.2 of the TI, 2017 requires planning and budgeting to be closely linked to the budget to reflect the entity's policies over the period covered and should represent a statement of intent against which performance is measured. Therefore, not budgeting for NTR undermines the importance of the budgeting process and affects the posting in the entity accounts.

The Committee therefore recommends that entities should strictly plan for NTR in their budgeting process to avoid distortions in economic planning.

The MoFPED should always provide technical assistance to entities in areas of economic planning and budgeting.

Entities should further look for ways of diversifying their revenue sources to ensure that they meet their targeted NTR thresholds.

# 4.7. Delayed remittance of deductions to Uganda Consumers' & Lender's Association (UCLA)/Uganda Banker's Association (UBA)

The Auditor General noted that in a significant number of referral hospitals, statutory payroll deductions were made but without making timely remittances to the lending institutions contrary to paragraph 4.6.1 of Establishment Notice No. 2 of 2019 which requires payroll deductions to be remitted concurrently with salary payments.

In the case of Mubende Regional Referral Hospital for example, deductions to a tune of UGX.

151m were not remitted in accordance with the above Establishment Notice. The AQ attributed it to system challenges. The Committee did not believe him

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For example Masaka RRH, Payroll deductions of UGX.223,282,880 were not concurrently remitted with the salary payments in 10 out of the 12 months with average delay of 11 days

Such delays to remit deductions arising out of loan obligations create accumulated arrears that expose the staff to increased loan burden through interest in surcharge. It also encumbers their financial cards thereby curtailing their ability to access credit facilities in future.

The Committee recommends strict adherence to paragraph 4.6.1 of the Establishment Notice No. 2 of 2019 failure of which should attract sanctions to the AO in question.

#### 4.8. Delayed remittance of PAYE deductions to URA

The Auditor General noted that a number of entities such as Mubende, Lira, Gulu, Kabale, Moroto RRHs and others, delayed remittance of PAYE deductions to URA for periods ranging from 13 – 27 days, disregarding section 123(1) of the Income Tax Act, 1997 that requires withholding agents to remit to URA any tax that has been withheld or that should have been withheld within fifteen days after the end of the month in which the payment subject to with-holding tax is made.

The Committee noted that a number of entities delayed remittances of deductions to URA contrary to the law. AOs attributed this to system failures although the Committee received no evidence of this communication to URA. It is also incomprehensible that these system failures would affect all the entities the same way so as to attract similar delays.

The Committee observed that;

- 1. The delays led to the accumulation of arrears that were not paid by 30<sup>th</sup> June 2021.
- 2. Delayed remittance of PAYE attracts fines and penalties from URA which may necessitate budget allocations to clear such arrears created by negligence of the responsible officers.

It should be noted that delayed remittance of PAYE attracts fines and penalties from URA which may necessitate budget allocations to clear such arrears created by negligence of the responsible officers.

Therefore, the Committee recommends that AOs be held responsible for fines accruing from the delays in submission of statutory deductions. Going forward, the AOs should ensure that all statutory deductions are remitted in time failure of which should attract sanctions. This duty should be included in their annual performance contracts by which they should be gauged.

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# 4.9. Delayed access to Salary/Pension payroll

#### a. Salary Payroll

The Auditor General noted that in a number of regional referral hospitals transferred and newly recruited employees experience delays ranging from 5 to 9 months to access the payroll. Such delays contravene Section B-a (11) of the Uganda Public Service Standing Orders, 2010, which require AOs to ensure that Public Officers access the salary payroll within four (4) weeks from the date of assumption of duty.

#### b. Pension Payroll

The Auditor General also noted that in a number of referral hospitals, pensioners experienced delayed access to the payroll, contrary to paragraph 5.1 of Establishment Notice No. 1 of 2020 requiring responsible officers to initiate and complete the processing of retirement benefits within six months to the mandatory retirement date (it should be prior to retirement). In case of death or early retirement, the process should be initiated immediately the Letters of Administration are issued and/or the early retirement has been granted.

For example in Masaka RRH, 4 pensioners delayed to access the pension payroll, with the average number days that pensioners took from the date of retirement to the date of accessing and subsequent payment of pension being 7 to 8 months. In Mubende RRH 3 pensioners took between 7 to 12 months before accessing the payroll.

The AOs generally attributed these delays to challenges in acquiring supplier numbers from the MoFPED and delays in the computation of retirement benefits by their HROs and delayed submission of the documents by the retirees. (Both case scenarios are inexcusable).

The Committee notes with dismay that Government continues to run a manual system where a retiree is required to produce among others an appointment letter issued 40 years back! It is the duty of Government as a prudent employer to keep proper records of employment in the employee's personal file. In modern times, that is basic corporate management through computerization.

The Committee notes that delayed access to salary/pension payroll is a disservice that can lead to demotivation of staff and equally poor wellbeing of affected retirees. It also leads to acgumulation

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of pension arrears and threats of litigation and associated costs. AOs attributed this non-payment to insufficient funding from the MoFPED.

The Committee further observed some cases of complete non-payment of pension, contrary to Section 9(1)<sup>1</sup> of the Pension Act 2014. Further, the current pension system shouldered by Government is expensive and cumbersome and causes difficulty in tracking the growth of the Fund.

The Committee recommends that the MoPS should fully computerise their tracking and information management systems that should enable automatic migration from salary to pension payroll upon retirement without further assurance.

The Government should develop a system of a contributory pension scheme for Government employees as opposed to a system where Government shoulders the entire burden of providing pension. Such a system is cumbersome and does not allow growth of pension funds for the civil servants unlike in the private social system where the Fund grows with the period of contribution and service.

# 4.10. Delayed deletion of staff from payroll

Contrary to Sec B-a (12) of the Uganda Public Service Standing Orders, 2010 which requires the payment of salary to public officers to be stopped immediately they cease rendering services to the Government under whatever circumstances, including death, the Auditor General noted that a number of entities under the Health Sector had delayed to delete staff who had either retired, been transferred, absconded or died.

Hoima Regional Referral Hospital for example was reported to have paid UGX18,438,987 to staff who could not be accounted for. Similarly, Jinja Regional Referral Hospital was reported to have paid UGX6, 149,095 to four (4) staff who had retired. In the case of Masaka RRH, UGX.896, 977 was paid as salaries to 2 staff who had retired.

Many AOs attributed the delays to transfers of some of the affected staff after the closing dates of the IPPS. The AO of Jinja Regional Referral Hospital particularly explained that the transferred

<sup>1</sup> Every officer employed in the Public service who has qualified for a pension shall be entitled to it.

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staff at the entity had to be delayed from reporting to their new stations because of the critical nature of their jobs. The AO could not however provide evidence to substantiate his assertions.

The Committee observed that such delays are acts of negligence of duty that can cause payments for services not rendered and thus, could result in loss of funds to the Government.

The Committee recommends that AOs, with the help of their Internal Auditors, should regularly examine the payroll to establish cases of near retirement and also ensure immediate removal of transferred, absconded or dead staff as soon as such cases occur.

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#### 4.11. Un-authorized loan deductions

The Auditor General noted that in most Regional Referral Hospitals, there were unauthorized loan deductions from employee's salaries without letters of undertaking from the responsible officers.

The AOs explained that this mainly arose from staff transferred to new stations without their personal files. In such cases, employees would have active deduction accounts without complete records at the new station(s). In some cases, non-transferred staff faced similar predicaments thus attracting the attention of the Auditor General. Indeed Hon. Colleagues in this Parliament have raised similar concerns of loan deductions on behalf of affected civil servants.

In Mubende Hospital for example, the Auditor General noted that 08 employees were not in "my approval report" but in the "active deduction report", while 39 employees were not in the "active deduction report" but in "my approval report".

At Lira Regional Referral Hospital, the AG noted that unauthorized loan deductions amounting to UGX.190,771,403 were made from 90 employees that neither had letters of undertaking, nor existed in the "active deduction" or the "my approval" reports on the PDMS.

The Committee observed that;

1. Government continues to maintain manual staff files which are not easily moveable upon transfer of the affected staff.

<sup>2</sup> "My Approval Report" shows all loans approved by the entity. If a loan is not in "My Approval Report", then the Accounting Officer did not approve.

<sup>3</sup> "Active Deductions Report" shows all loans which are active or running at a particular period.

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- 2. The practice poses a risk of causing deduction without liability thus, depriving staff of their hard-earned funds for instance, the Accounting Officer of Masaka Regional Referral Hospital had fallen prey to the said vice. This may also expose Government to litigation and in some cases industrial action.
- 3. 21 employees had inconsistencies between the loan amounts in the IPPS and the active deductions.

Further, the Committee is cognizant of clauses 2.1.2 & 2.1.4 of the service agreement between the Government (MoPS) and Uganda Consumer Lenders' Association/Uganda Bankers' Association, which require a letter of undertaking for each Government employee before making employee reservation on the PDMS. Therefore, under the said clauses, only deductions consented to by employees, in writing, should be submitted to the MoPS for timely monthly payroll processing or as advised by the employer/entity.

#### The Committee recommends that;

- 1. Accounting Officers should ensure that all loan applications are streamlined, with all data being reconciled in liaison with PCA management and approvals done through the PDMS.
- 2. The Hospital management(s) should within 2 months from the adoption of this report by Parliament seek for guidance from the MoPS on the usage of PCA and PDMS interface to accurately manage their loan database.

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# 4.12. Off-budget Receipt

The Auditor General reported that most of the entities received off-budget financing which were not declared to the PS/ST and accordingly was not appropriated by Parliament as required under Section 43 (1) of the PFMA 2015. There was no evidence that the entities obtained guidance from the Accountant General as required under Section 43 (5) of the PFMA, 2015. Such omission goes against the requirement of running an integrated budget and poses a risk of double financing. For example, Mbarara RRH received numerous funding including UGX. 4,164,571,391, delegated funds UGX.3,575,864,422 and EGPAF USAID Rhines of UGX. 588,707,269).



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Although, the AO for Mbarara RRH explained that the funds were for Intern Doctors' allowances, isolation building plus other activities relating to TB and HIV/AIDS and that the funds were spent as per the agreed MOU, they were not spent within the IFMS of Government, thus contradicting Sections 36(6), 43 and 44 (2) of the PFMA 2015, which require all the public resources including external financing to be paid into the consolidated fund and be availed through the Appropriations Act.

The Auditor General noted that Masaka RRH received off-budget financing to a tune of UGX.1,068,012,711, which was not appropriated to the entity by Parliament. Mubende RRH received UGX. 1,418,986,671 from MoH and Mildmay Uganda.

Off-budget financing is subject to Section 43 (1) of the PFMA 2015 and Budget Execution Circular issued by the PS/ST and any use of such funds in contravention of those provisions is illegal and actionable.

The Committee therefore recommends that the Accounting Officers should at all times adhere to the laws cited herein above and any non-compliance should attract sanctions to AOs.

#### 4.13. Internal Control Weaknesses

The Auditor General noted that a number of referral hospitals had internal control weaknesses in areas such as monthly wage, pension and gratuity performance analysis and remittance of quarterly returns to MoPS.

Other areas included payments of salaries, pension and gratuity off the IPPS in disregard of Establishment Notice No.2 of 2019 and No.1 of 2020.

The Committee notes that these internal control weaknesses are the leading cause of arrears, under absorption of wage, pension and gratuity as well as delays in granting clearance to recruit.

The Committee observed that in almost all regional referral hospitals, this audit query is outstanding and that the AOs who are medical professionals do not have and/or dedicate enough time to the HR and accounting function. This is attributed to their busy schedule in relation to their core appointment of professional service. In most cases they're Medical Consultants.

The Committee recommends that AOs should strengthen internal control measures by submitting quarterly returns in compliance with the Establishment Notices and ensure that salaries, pension and gratuity are processed and paid through the IPPS in an efficient manner.



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MoPS should review the structure of RRHs with a view to creating a key position of Hospital Planner and also ensure a uniform Human Resource Structure for all RRHs.

The PS/ST should consider appointing non-medical staff as AOs as opposed to the already laddened who dedicate little time to the accounting function.

# 5.0. Specific Observations and Recommendations

#### 5.1. Mulago National Referral Hospital

Mulago National Referral Hospital is a unique entity given its mandate to provide super – specialized healthcare, training and mandate to conduct operational research in line with the requirements of the Ministry of Health. The entity received a qualified opinion from the Auditor General with the following queries;

# 5.1.1. Non-recognition of transfers received from other entities

The Auditor General noted that Mulago National Referral Hospital received a transfer of UGX 3,867,161,000 from the Ministry of Health that was neither recognized in the statement of financial performance nor reported in Note 5<sup>4</sup> to the financial statement, thereby causing a misrepresentation in the operating results.

While interacting with the entity, the then AO admitted that they did not recognize, treat and disclose the amount in question received from another vote in their statement of financial performance. It should be noted that Accounting Policy 1(a) (x) (c) requires all transfers from the Consolidated Fund and other Government Units to be recognized when received by the AOs.

Similarly, the revised Financial Reporting Template (FRT) issued by the Accountant General through letter ref: AGO/144/288/01 of 26th May 2020 to all AOs, required that such transfers be recognized on the face of the Statement of Financial performance as part of the operating revenue and disclosed under Note 5 to the financial statements. Therefore, Non – recognition of transfers of funds received from other votes is non - accountability and could result into misappropriation of public funds or complicate scrutiny and is accordingly suspicious.

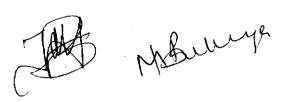
<sup>4</sup> As per the Accountant General's financial accounting templates, Note 5 refers to transfers received from other Government units.

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The Committee observed that the AO and his team did not provide accountability for the UGX3,867, 161,000 meant for the payment of interns and SHOs despite the Committee's request while meeting the team. The Committee required to have EFTs that could account for the said sum but instead received those that related to different financial years outside the scope of this inquiry, thus irrelevant. To that end therefore, the Committee observed that the sum of UGX 3,867,161,000 was not satisfactorily accounted for.

The Committee notes that the use of the account "Mulago Infrastructure Development" which was opened for a specific function to receive money for payments of Interns and SHOs was irregular and susceptible to abuse.

The Committee recommends that the then Dr. B.B Byarugaba and the Head of Accounts Mr. Nyeko Ponsiano be investigated by Police and if found culpable should be prosecuted for the loss of funds meant for payments of Interns and SHOs.

Further, Mulago National Referral Hospital should, going forward, open a specific account through which interns and Senior House Officers (SHOs) are paid.

#### 5.1.2. Misstated Liabilities

The Auditor General noted in his report that among the comparative figures included in the financial statements Notes 24 and 25, Mulago National Referral Hospital had liabilities of UGX 2,952,608,319 from the previous year in respect of payables to a tune of UGX 2,304,366,476(UMEME) and deposits of UGX 648,241,843. In their statement of cashflows, however, the Hospital reported payments totalling to UGX3,775,748,845 in respect of liabilities in the current year comprising of domestic arrears/payables of UGX 3,127,507,002) and deposits of UGX 648,241,843).

The Hospital therefore made payments for non-existent liabilities amounting to UGX 1,471,382,369. (UGX 823,140,526 in excess of the declared payables of UGX. 2,304,366,476 and UGX. 648,241,843 in unsupported deposits).

While interacting with the AO, the Committee was informed that the misstated liabilities stemmed from outstanding electricity liabilities in the FY 2019/20 where the Hospital owed UMEME UGX. 2,304,366,476 in arrears. In the budget execution of 2020/21, MOFPED released UGX. 3,127,507,002 in respect of electricity arrears, over and above what the entity owed UMEME.

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owed UMEME.



The Hospital Management went ahead and paid the entire amount of the release to UMEME Ltd, including the excess of UGX.823, 140,526.

The Committee observed that the Appropriation Account revealed that the entity had initially budgeted for UGX 1,747,672,233. This was subsequently revised to UGX 3,120,188,258 which was all warranted and actually spent. The Committee noted that the additional amount expended of UGX 7,318,744 in excess of the appropriated UGX 3,120,188,258 was unauthorized expenditure in respect of UMEME.

Additionally, the Committee noted a mismatch in the figures UMEME Ltd had billed the entity as at the end of the 4<sup>th</sup> quarter of FY 2020/21 and the figure quoted as outstanding electricity arrears by the entity at the end of FY 2019/20. In a letter dated 7<sup>th</sup> July 2021, that the Committee saw, UMEME Ltd quotes an amount of UGX.1,602,455,920 as the total bill as at the end of quarter four of FY 2020/21 whereas the entity quoted UGX.2,304,366,476 as outstanding liabilities for electricity at the end of the year.

This Committee therefore found these explanations unconvincing because the entity could not avail the invoices from UMEME Ltd indicating the bills on which basis the money was paid.

The Committee also noted that misstatement of liabilities could result into loss/ misappropriation of funds and renders the credibility of the accounts doubtful.

#### The Committee recommends as follows;

a. A forensic audit be undertaken to establish the systematic flow of funds from MoFPED through Mulago National Referral Hospital to UMEME Ltd with a view to establishing any possible misappropriation through collusion.

#### 5.1.3. Unexplained adjustments to prior year payables

The Auditor General noted that adjustment to the opening balance of the entity's payables amounting to UGX 2,097,368,767 were made. However, there was no explanation provided on the cause of the adjustment or the composition of this figure.

The AO admitted to this anomaly and noted that it was in respect of outstanding commitments for electricity for FY 2020/21 and was erroneously presented as an adjustment to the outstanding commitments at the beginning of the year as at 1<sup>st</sup> July, 2020.



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The Committee has, in the preceding query interrogated operations involving UMEME Ltd and payments involving electricity/UMEME Ltd. The presentation of this figure on the face of it presents a possibility of double payment and smacks of suspicion and fraud. Such unexplained adjustment of payables without accompanying explanation inhibits confirmation of correctness for the adjustments and is inimical to conventional accounting standards.

The Committee therefore, recommends that a forensic audit be undertaken to investigate the flow of these funds with the view and possibility of prosecuting any possible culprits.

# 5.1.4. Misstatement of transfers to the Treasury

The Auditor General further reported a misstatement relating to transfers to the Treasury by the entity. The Hospital reportedly declared an amount of UGX 1,808,626,491 as NTR collected during the year. However, figures in the Statement of Financial Performance showed that UGX 1,160,384,648 was transferred to the Treasury.

Further review of the statement of changes in equity showed transfers to the Treasury/Uganda Consolidated Fund (UCF) as UGX 1,808,626,491, which amount relates to only revenue collected in the year. However, Management indicated in the financial statements, a deposit of UGX 648,241,843 as transfers to the Treasury during the year.

The AO explained that the total of UGX 1,808,626,491 collected as NTR was wholly transferred to the consolidated account. He noted however that the entity had an outstanding Appropriation in Aid (AIA) of UGX 648,241,841 in the previous year payable to Treasury.

The Committee concurred with the Auditor General's observation which noted that out of the UGX 1,808,626,491 collected as NTR, UGX 1,160,384,648 was transferred to the Treasury leaving a balance of UGX 648,241,841 unremitted but further noted that during the prior year, the Collected UGX 1,149,546,376 and no transfers to Treasury was remitted.

The Committee therefore noted that misstated transfers to the Treasury and uncorrected errors results in misstatement of account balances and could be misleading to the users of the financial statements although there was no loss incurred. Whereas the Committee does not find this misstatement fraudulent, it is the view of the Committee that the same was negligent.

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The Committee recommends that AO should always reconcile the respective financial statements and the notes to the financial statements to ensure that the former provide a fair presentation of entity's financial position and performance for the year under review.

# 5.1.5. Re-allocation of Expenditure

The Auditor General noted that UGX 294,636,533 was diverted from activities for which they were budgeted by the entity and spent on other activities without seeking and obtaining the necessary approvals in accordance with Section 22 of the PFMA, 2015.

The AO admitted to re-allocating a total of only UGX 59,725,897 from other budget items like advertisement and public relations. He attributed this to the disruptions in operations caused by the COVID 19 pandemic, forcing them to incur unbudgeted costs of transporting medical workers and accommodating those on shifts.

Whereas the Committee is cognizant of the peculiar circumstances under which institutions were operating where panic and rush had become a norm, the practice of re-allocating funds without following statutory procedure is offensive to law and established accounting principles and undermines the importance of the budgeting process and of Parliament in appropriating monies to specific activities. It is a distortion to plans and budgets and it leads to unauthorized spending thereby exposing funds to misuse, more so when COVID 19 could not prevent the AO from seeking authority which was simply exchange of letters and mails. Indeed the Committee observed that no accountability was offered for the UGX. 59,725,897 conceded to have been re-allocated.

The Committee observes that whereas the AO confirmed to have vired only UGX. 59,725,897, the balance of the funds amounting to UGX.234,910,636 was and therefore deemed unaccounted for. The Committee recommends that Parliament finds that, subject to accountability, the virement of UGX. 59,725,897 excusable in light of the unique circumstances under which entities were operating at the time but that the then AO be strongly cautioned against virement without following established legal procedure.

The AO be held liable for the sum of UGX.234,910,636 which remains unaccounted for and that the same be refunded to the Treasury and at criminal investigations be commenced by the

Police against the AO with a possibility of prosecution.

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# 5.1.6. Expenditure on refurbishment of non-functional MRI Machine

The Auditor General noted that Mulago Hospital spent UGX. 474,479,100 on refurbishment of the MRI machine despite it being non-functional ever since its acquisition and installation in 2018, forcing patients to seek more costly services from private facilities. This cost intended beneficiaries a lot of money for the same services that had been planned and budgeted for by Government in addition to compromising quality and efficiency.

The Committee notes that the costs of maintenance of this machine had become wasteful in nature. The Auditor General reported that he carried out an assessment of key medical equipment in the hospital that focused on the functionality and availability of medical equipment in seven departments, that is; Central Sterile Services Department (CSSD), radiology, nuclear medicine, Intensive Care Unit (ICU), Laundry, clinical laboratories and accidents & emergencies.

The AG further noted that some vital medical equipment were in poor working condition, while others were not fully functional and required replacement. The equipment included: autoclaves in the central sterile service department; patient monitors in the accident and emergency surgical unit; blood coagulation machine in the clinical laboratory unit; ICU beds in the intensive care unit, and CT machine in the Radiology department.

The AO explained that the entity spent the sum of UGX. 474,479,100 on filing Helium gas that had leaked due to prolonged period of non-use and power outages during that period. He explained that any omission to carry out the said maintenance would lead to further collateral damage and possible loss of the entire machine.

He further informed the Committee that the failure to install and therefore use the machine resulted from the absence of housing for the same considering that the entire complex was still under renovation and the services relevant to the machine has since transferred to Kiruddu NRH which has no physical space and housing for the machine.

The Committee observed that;

a. The Government, through Ministry of Health procured this machine (using an ADB loan on which Government is paying interest) without putting in place the necessary infrastructure and without adequate planning.



- b. The Committee further established that Mulago National Referral Hospital shifted its services to Kiruddu Hospital where the MRI machine had no space for its operation, thus remaining redundant.
- c. Mulago Hospital incurred maintenance costs refurbish the non-functional machine. The Committee agrees with the AO on the necessity of maintaining the machine to avoid the possibility of a total loss. Further, the explanation given by the AO as to the non-use of the machine is credible and plausible. The Committee, however, was availed with no evidence in form of accountability for the sum of UGX.474,479,100 despite a request by the Committee.

The Committee recommends that going forward, the Ministry of Health should always ensure adequate planning before undertaking any procurement of medical equipment and supplies to avoid locking up huge sums in redundant capital equipment.

Government should, through MoH expedite the process of commissioning the refurbished Mulago Hospital complex and place the machine in its position for it to serve the intended purpose.

Government should procure another MRI machine and acquire space as an annex to Kiruddu NRH where the machine would be placed to serve the patients in need of such services.

The AO be held responsible for the failure to account for the sum of UGX. 474,479,100 allegedly spent on maintaining the machine for which no evidence was availed and criminal investigations be commenced against him and Mr. Ponsiano Nyeko the Head of Accounts with a view to possible prosecution.

# 5.1.7. Delayed Construction of 150 staff housing units

The Auditor General noted the delay in the construction of 150 houses meant for 150 staff at a cost of UGX.30, 228,600,856. The works were to take thirty six (36) months, from June 2020 – June, 2023. This has greatly impacted the beneficiaries who resorted to other accommodation alternatives at commercial market rates, which is expensive and inconvenient thereby compromising service delivery.

The AO attributed the delays in the construction of staff quarters to the inability of the management to fully pay the agreed advance at the beginning of the project and the restrictions of the covid19 pandemic. He noted that the contractor has since been paid the advance, plus two separate

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certificates for work done. He also submitted that funds have since been allocated in the FY 2021/22 budget to pay the contractor so that work can be finalized.

The AO informed the Committee that the delay was a result of the inability of Government to provide funding for the project within the contractual time and that funds have since been provided.

The Committee observed that the Covid19 pandemic caused significant disruptions in the normal operations of all sectors, including construction sites, notwithstanding the easing of lock down in subsequent presidential pronouncements.

The Committee also observed that the delay to release funds for the project had a significant effect on progress and completion of the same.

The Committee notes that delayed completion of works leads to cost and time overruns resulting into unnecessary project extensions and negatively impacting on the achievement of project objectives.

The Committee recommends that management should follow up with the contractor to ensure that the works are expedited since the funds have been provided for in the budget.

The MoFPED should always ensure timely release of funds to avoid delays in commencement and completion of project works which results into higher costs of execution and also negatively impacts on service delivery.

# 5.2. Butabikka National Mental Referral Hospital

5.2.1. Admission of patients beyond bed capacity of the hospital.

According to the patient admission schedule and the strategic plan, the Hospital currently handles between 750 and 780 in-patients per month compared to its bed capacity of 550 patients. This implies that 200 to 230 are admitted over and above the capacity of the hospital.

The AO informed the Committee that the high numbers were due to the poor referral system and Covid 19 pandemic which caused a spike in mental health issues. The AO further informed the Committee that plans were in place in the newly approved strategic plan and that work had started to expand the male acute ward at the hospital.

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The Committee observes that the excess over and above the bed capacity in form of 200 to 230 inpatients is exceedingly high considering the nature of ailment(s) treated at the facility. It is observed that such congestion may cause transmission of communicable diseases especially Tuberculosis and COVID -19. The Committee however notes that work has commenced to expand the facility which, if completed on schedule will decongest the hospital thereby improving the quality of service.

The Committee recommends that the AO ensures the timely completion of the facility's expansion as a way of mitigating the effects of congestion.

The Ministry of Health should ensure provision of psychiatric services to RRH and General Hospitals across the country in accordance with the Mental Health Act, 2018 as a way of mitigating the congestion at the national referral facility and also decentralizing the service for efficiency.

# 5.2.2. Failure to maintain motor vehicle service analysis records

The Auditor General noted that UGX.93,717,182 was utilized for repairs and service for vehicles during the year under review. However, there were neither repair and service analysis registers, nor did the Hospital Transport Officer maintain service charts for all the 13 vehicles maintained. The Committee notes that failure to keep track of vehicle service charts could lead to delayed servicing, which in turn could result in faster aging of vehicle maintenance and replacement costs. It also hinders proper tracking for accountability.

The Committee recommends that the AO should always ensure that the Transport Officer keeps proper vehicle service charts for the motor vehicles used by the facility.

# 5.3. Kiruddu National Referral Hospital

# 5.3.1. Drug Stock outs

The AG further reported that on several occasions, there were drug stock outs which left Kiruddu Hospital without several essential drugs as and when required by the patients.

The AO admitted to the drug stock out and attributed it to the funding gaps in the 2020/21 FY. He however noted that funding had been increased in the 2021/22 FY budget to cater for the drug shortfalls.



The Committee appreciates the increase in the entity's budget for medicines and consumables from UGX1.5Bn to UGX5.5Bn in the FY 2021/22 and recommend that the AO should consistently engage with National Medical Stores to ensure efficient delivery of the drugs as per the requisition of the entity.

# 5.3.2. Expired Drugs

The AG further reported that an inspection of the hospital drug stores had revealed that some drugs/chemicals had expired as at the time of the audit.

The AO acknowledged the observation of the AG and attributed it to donations received against previous consumption data that was eventually affected by low patient flows due to covid-19 pandemic restrictions.

The Committee notes that expired drugs are a loss to the public and a further cost in the process of transportation and destruction. Undestroyed drugs may also end up being issued out hence putting the patients' lives in danger.

The AO further noted that management had instituted systems for re-allocations of excess medicines to other sister institutions to avoid expiration, in addition to the introduction of a policy on donations that prescribes the procedures, acceptance and handling of donated essential medicines and health supplies.

The Committee observes that there is commendable progress in the management of drugs before and after expiry.

The Committee recommends that hospital management should always check and pre-inspect to ensure consumers.

The NMS should establish a monitoring tool for consistent and persistent tracking of lifes an of drugs procured.

# 5.4. Kawempe National Referral Hospital

#### 5.4.1. Re-allocation of funds without authorisation

The Auditor General reported that funds to the tune of UGX. 36,870,179 were irregularly reallocated from the activities on which they were budgeted and spent on other activities without

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seeking and obtaining the necessary approvals, contrary to the procedures prescribed under section 22(1) of the PFMA, 2015.

The AO admitted to this anomaly and attributed it to the dire need during the Covid19 pandemic and budgetary constraints at time forced them to make reallocations within their budgets to support the emergency services required at the time.

The Committee notes that although the situation then was of an emergency nature the same must not be used as a cloak to circumvent the law. Re-allocation of funds without authorization can only point to failure by the entity to adhere to sound financial management controls put in place for a reason. The Committee was further availed with no evidence of the expenditure and as such the same cannot be assumed.

The Committee recommends that going forward, the AO should ensure that spending is undertaken as per approved budget lines and the related amounts. Authority should always be sought for any virement or reallocation prior to spending in accordance with the PFM Act and regulations.

A forensic audit should be undertaken to ascertain the expenditure and any possible prosecution(s).

#### 5.4.2. Accumulation of domestic arrears

The AG noted that the entity had accumulated arrears worth UGX. 434,035,496 during the year, raising the total outstanding commitments from UGX. 365,151,250 as at 30<sup>th</sup> June 2020 to UGX.799, 186,746 as at 30<sup>th</sup> June 2021.

The AG noted that this was mainly due to failure by the entity to budget for the settlement of the outstanding commitments for the FY 2019/20 worth UGX 365,151,250 and failure to adequately project consumption during the year under review.

The AO admitted to the accumulation of arrears on payables such as UMEME bills, cleaning services etc, attributing it to high power tariffs for the case of UMEME bills that the entity's budget could fully support.

The Committee notes that failure to budget for the settlement of the outstanding commitments for the FY 2019/20 worth UGX 365,151,250 and failure to adequately project hospital consumption during the year under review points to less funding for the entity on matters that are so essential to

the survival and existence of the facility.



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The Committee recommends that Government should always ensure there is proper planning and provision of adequate funds to the entities.

# 5.4.3. Un-disposed expired drugs

The AG further noted that Kawempe Hospital stored expired medicines without disposing them as required by the law.

Failure to dispose expired drugs poses a threat to the lives of patients as these expired medicines could be put on the market by unscrupulous individuals.

The Committee recommends that the entity should make a follow up to a letter written to National Medical Stores with a view of destroying the expired drugs in the stores.

The Committee recommends that provision of a tracking tool by NMS to monitor the movement and lifespan of drugs provided to hospitals.

# 5.4.4. Congestion/overcrowding of the Hospital

The AG noted noted that the Hospital was heavily congested with patients crowded in the wards and some sleeping on the floors. This was further evidenced by the data collected on bed occupancy rates which showed an average of 113% for the year under review. The AG further noted congestion in the stores where some items were placed directly on the floor exposing them to damage.

The Committee recommends that AO budgets and seeks for support to address the challenges of congestion at the hospital.

Further, Government should find money to acquire land next to Kawempe NRH by way of compulsory acquisition for expansion of the facility as a way of combating congestion which has the risk of spreading communicable diseases and also affects service delivery.

Ministry of Health should develop and or streamline the national referral policy / system so that similar services may be sought and obtained from lower health units.

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# 5.5. Lira Regional Referral Hospital

# 5.5.1. Over payment of pension/ gratuity and payment of non-existent pensioners

The AG further reported variances between amounts on the payroll and payments to individual pensioners, leading to over payments of UGX.222,915,780, contrary to article 254 (1) & (3) of the Constitution.

The AG attributed this to challenges encountered as a result of enhancement of salaries for medical workers since they were paid suing the first call in quarter 1.

The AO also noted that UGX 48, 955,200 was paid to one purported pensioner who was neither on the IPPS payroll nor possessed the necessary documentation to support the existence of the pensioner. The AO insisted that the said Pensioner, Mr. Etumoryee Nicholas exists and all his files are in place.

The Committee deployed and detailed CID Staff attached thereto to investigate the existence of Etumoryee Nicholas and other pensioners identified in the AG's report whose existence and payment was doubtful and it was established that indeed, the said pensioners existed and received their pension and gratuity as presented by the AO.

The Committee recommends that in light of the discovery herein above, the query be dropped.

# 5.5.2. Over/Under-remittance of Deductions

# a. Under-Remittances

- i. The AG noted that whereas UGX.1,097,631,976 was deducted from employees' salaries to be remitted to URA, only UGX.1,002,738,678 was remitted, leading to under remittance by UGX.94,893,298 by the entity.
- ii. The AG noted that whereas the entity deducted UGX.4,662,680 from staff, only UGX.3,020,103 was remitted to Uganda Nurses and Midwives Union, thus an underremittance of UGX.1,642,577.
- iii. The AG noted that whereas the entity deducted UGX.190,771,403 from staff, only UGX.190,487,697, creating an under-remittance of UGX.283,706.
- iv. The AG further noted that the entity deducted UGX.20,678,750 from staff but nil was remitted, creating an under-remittance of UGX.20,678,750. The same was Local Service Tax payable to the Local Government.

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#### b. Over-Remittance

The AG noted that whereas the entity deducted a sum of UGX.3,020,103 the amount remitted was UGX.4,662,860 creating an over-remittance of UGX.1,642,577 to the Uganda Medical Workers' Union.

Over-payment and under-payment are distortions in the planning and budgeting process and have the effect of disrupting work as a result of liabilities that may arise including strikes and litigations. They are indications of lack of concentration or possible collusion.

The AO stated that this was a systems error as deductions payment file for PAYE to URA was rejected during the interface between IPPS and IFMS, and that all outstanding deductions have been fully paid to the respective suppliers.

It is the recommendation of the Committee that the Hospital ensures that accurate and timely statutory deductions are made and remitted in time to respective bodies.

#### 5.5.3. Misclassification of Salary, Pension and gratuity expenditure

The AG noted that UGX.53, 750,617 was charged on account codes other than those prescribed for salary, pension and gratuity contrary to Section 7.10.3 of the Treasury Instructions, 2017 that provides a basis for a uniform budget classification and execution using the Chart of Accounts. The AO attributed the anomaly to a payment file sent in error to MoPS with a wrong classification code, noting that it was later corrected and the pension eventually paid off with the right code.

The Committee notes that such misclassification of funds could distort the budget performance and bring doubts to the credibility of the financial statements.

The Committee recommends that AO, SHRO and the Accountant ensure that they crosscheck the codes used in payments before making any payments.

# 5.5.4. Payment of unverified salary, pension and gratuity arrears

The AG noted that that UGX. 18,767,338 was paid as residual arrears to 13 staff. However, these had not been verified and were not part of schedule provided by MoFPED for payment.

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The AO attributed the anomaly to various challenges to different individuals ranging from arrears accrued due to delay in annual revision of salary step, unpaid salary following restoration to payroll and underpayment due to salary enhancement.

It should be noted that unverified salary, pension and gratuity arrears could lead to overstatement of domestic arrears paid during the year and mischarge/diversion of funds from other expenditure lines.

The Committee recommends therefore that the AO should always get the necessary verification done by the MoFPED before payments are made.

# 5.5.5. Irregular payment for works not done

The AG noted that an examination of accounting records revealed that a sum of UGX.339, 276,432 had been paid by the entity to a contractor as advance payments in respect to a contract for construction of Maternal and Child Health (MCH) waiting shade. However, by 23<sup>rd</sup> November 2021, the project had not yet commenced.

The AO attributed the delays to the disruptions caused by COVID-19 pandemic and the resultant lockdown. That the site, however has been handed over to the Contractor. That AO wrote to Bank of Uganda and MoFPED seeking letters of credit but didn't receive a response. Management opted to secure the rest of the money through advance guarantees to complete the works which was done. The Committee observes that the delay was beyond the entity's control but is concerned about the amount quoted for the construction of a mere waiting shade is considerably exorbitant.

The Committee recommends a Value-for-Money Audit to be undertaken in respect to this project.

# 5.6. Fort Portal Regional Referral Hospital

#### 5.6.1. Inaccurate computation of gratuity

The AG, through a re-computation of gratuity benefits noted that the entity under paid two pensioners/beneficiaries to a tune of UGX.5,206,400.

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The AO attributed the underpayment to a system error in the payroll interface and insufficient funds to complete payment of UGX4,464,000 meant for one of the pensioner. He noted that provisions have been made in the current FY to clear the arrears.

The Committee notes that one of the major causes of misstatement in expenditure figures is over/under payments which raises suspicion of fraud.

The Committee recommends that the AO should always accurately calculate the amounts payable to avoid distortions in budgeting and causing unnecessary arrears.

# 5.6.2. Irregular payments of salaries

The AG reported that the Hospital Management paid UGX.19,290,156 to Dr. Kirunda Samuel who abandoned duty since November 2020. However, he was paid salary for November and December, 2020 worthg UGX.6,717,846, plus salary arrears worth UGX.12,572,310 and yet the Hospital Biometric data showed that the individual never clocked in for work throughout the whole financial year under Audit.

The AO explained that the said staff was available on duty till mid November 2020 when he went on leave and never returned, further added that staff were hesitant to clock in the biometric machine at the time due to fear of contracting COVID-19 virus.

The Committee found the AO's explanation plausible considering that at the time it was common for people to fear touching common areas which could transmit COVID-19. Considering the period the officer is said to have been away between mid-November to December when he was supposed to return for duty, payment of salary for December may be treated as justified.

The Committee recommends that the audit query be dropped.

### 5.6.3. Accountability for revenue from staff quarters (deducted from pay roll)

The AG noted that without authorization from MoH, the management collected UGX23,3335,000 from staff occupying staff quarters.

Out of the money collected, the AG noted that only UGX6,200,000 was spent on maintenance works, leaving an unspent balance of UGX17,135,000 which was not disclosed and could not be traced in the books of accounts.

The AO submitted that the collection is part of staff contribution toward maintenance, sanitation and security and it's done in line with Section H-b of the Standing Orders of Public Service.



The Committee is cognizant of the fact that its powers are limited to considering funds provided by Government to entities and whether the same have been applied for the intended purpose.

The Committee notes that the money in issue was collected by management from Staff towards maintenance, sanitation and security, all of which are meant to be provided by Government through a budget line. It was not clear to the Committee whether this was a Government contribution.

Standing Order H-b of the Uganda Public Service Standing Orders envisages payment of rent by staff occupying Government houses. The Standing Order requires determination of the rent in consultation with the Chief Government Valuer (CGV) and the same must be treated as NTR for purposes of remission to the Consolidated Fund.

The Committee received no evidence of such consultation with the CGV, no tenancy agreement and remission to the Consolidated Fund. Equally, there was no evidence of authority to spend the same amount on maintenance, sanitation and security which in any case have to be provided for by Government. Besides, the Committee received no evidence of accountability for the said funds.

The Committee notes that the AO could not satisfactorily account for UGX 17,135,000 and therefore recommend that he be held accountable for the unaccounted for funds and refund the same accordingly.

Going forward, the AO should make a follow up on a letter dated 30<sup>th</sup> May, 2022 to PS, Ministry of Health seeking guidance on the implementation of section H-b of the public service standing order to provide clarity.

#### 5.6.4. Unplanned procurement and lack of competition

The AG noted that the Hospital undertook a procurement worth UGX.31,932,000 for preparation of the Hospital Strategic Plan outside the Procurement plan, with only one bidder responding which casts doubts as to whether the process was competitive.

The Committee notes that implementing activities that were not originally planned raises suspicions of diversion of funds meant for other activities.

The AO explained that the funds for the development of Strategic Plan were realized from CDC funding after they had already developed a procurement plan. However the Procurement Officer did not update the plans despite reminders to him.

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The Committee observes that there were gaps in handling of this procurement considering that it was funded by the Development Partner and there is an apparent lack of clarity projects funded by Development Partners who come with their procurement plans.

The Committee recommends that the PPDA undertakes a review of the procurement regulations with a view to accommodating scenarios where funders come with their procurement plans.

# 5.6.5. Failure to prequalify providers

The report of the AG noted that the entity used several firms that were not on the prequalified list of service providers of various goods and services contrary to Regulations. The AO could not provide evidence justifying the choice of the firms selected for undertaking the procurements and why they opted for direct procurement, contrary to Regulation ... of the PPDA.

The Committee recommends that the Procurement Officer and the Accounting AO be held responsible for flouting procurement laws. Going forward, they should ensure that generate a list of all service providers and ensure that all procurements are done in accordance with the law.

# 5.7. Hoima Regional Referral Hospital

#### 5.7.1. Submission of Wage Estimates

Contrary to Establishment Notice No. 2 of 2019, that required the entity to submit salary, pension and gratuity estimates for the subsequent year to MoPS by the 30th of September of the previous year, the entity was reported not to have done so.

The Committee notes that failure to submit wage estimates may lead to wage shortfalls and over provision due to lack of clarity and analysis of wage estimates.

The entity submitted to the Committee that they did not get the necessary guidance from the MoPS on the matter.

The Committee observes that the entity did not properly appreciate what to do which points to either incompetence or lack of training. It is observed that the entity, like a number of others in the same generic string, lack staff professionally trained in planning to handle this crucial docket, instead the function is entrusted with medical professionals who are not trained in administration or who are too busy to attend to this critical function.



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The Committee recommends that the AO engages with the MoPS to get the necessary analysis done early enough to ensure submissions are done within the stipulated timelines to avoid shortfalls and overprovisions.

The Committee further recommends that MoPS undertakes adequate and sufficient training to entities to avoid excuses such as lack of knowledge and skill.

# 5.7.2. Over payment of Salary

The AG reported variances between amounts on the approved payroll of the entity and payments to individual employees, leading to over payment of UGX.3,138,332, contrary to Section B-a (7) of the Uganda Public Standing Orders, 2010.

Further, the AG noted that salary worth UGX 12,816,250 remained unpaid by the end of the year in question.

While meeting with the Committee, the AO acknowledged the query which he attributed to system error and explained that they had started full recovery from the overpaid officers.

The Committee notes that over payments leads to over statement of salary expenditure, which hinders proper implementation of planned activities and hence affecting service delivery.

The Committee observes that the hospital employs persons in form of human resource officers whose core duties inter alia, include preparing and examining payroll on a monthly basis. Such a mistake can only be attributed to either negligence or collusion. The fact that there has not been full recoveries since the AG's report is inconsistent with any hypothesis of innocence. There has not been any evidence placed before the Committee that the alleged recovery process has actually commenced. It is irresistible therefore for the Committee to find as we do that recovery has either not been resorted to or failed completely.

The Committee recommends that the AO refunds the amount in question within a period of two months from the date of adoption of this report.

The AO should always ensure adequate examination of the payroll before effecting payment.

#### 5.7.3. Nonpayment of pension and gratuity

The AG noted that the entity had accrued UGX 13,372,393 in pension and gratuit which had not been paid to pensioners by the end of the year, contrary to Article 254 (1) & (3) of the Constitution.

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The AO acknowledged this query and attributed it inadequate funds and delay in the release of funds to pay all approved pension benefits by year end.

The Committee observed that pension and gratuity are statutory in nature, nonpayment of which creates arrears and risks the entity to litigation. In addition, it distorts both planning and budgeting.

The Committee recommends that the AO should submit pension and gratuity estimates to the MoFPED in time to avoid accruing arrears.

The Committee further recommends that MoFPED fully and accurately provides for and makes timely releases for all statutory expenditure to avoid budgetary distortion, litigation and associated costs.

#### 5.7.4. Payment of salary using wrong scale

The AG noted that 3 staff were paid using wrong salary scales, leading to under payments of UGX.2,826,322, contrary to Section B-a (6) & (7) of the Uganda Public Service Standing Orders, 2010.

The AO explained that this was due to failure to reconcile salary payments with the approved salary structure.

The Committee observed that the wrong computation was an act of negligence of duty on the part of the Human Resource Officer and the AO. It also distorts planning in addition to demoralising staff.

The Committee recommends that the AO and Human Resource Officer be held liable for their negligence of duty. Going forward, they should capture the mismatch as payables in the final accounts and budget for it to be cleared in the subsequent years.

#### 5.7.5. Payment of unverified salary, pension and gratuity arrears

The AG noted that UGX.17 million was paid by the entity as residual arrears to 1 staff and 2 pensioners who had not been verified.

It is noted that the PS/ST, in a letter dated 28th July 2020 to all Accounting Officers, guided on the payment of verified salaries, pension and gratuity arrears for the financial year 2020/21, specifying the persons and the corresponding amounts to be paid. The entity did not take heed of this guidance from the PS/ST.

The Committee notes that payment of unverified salary, pension and gratuity arrears may lead to over/understatement of domestic arrears which is misleading.



The Committee recommends that the AO causes the verification of the said staff within one month from the date of adoption of this report, short of which he should refund the amount and be reprimanded in accordance with the Public Service Standing Orders.

# 5.7.6. Irregular procurement of Covid19 Goods and Services

The AG reported that the entity made procurements amounting to UGX.33,812,240 without following the procurement procedures stipulated in the PPDA regulatory framework.

The Committee observes that failure to follow procurement procedures eliminates competition which is aimed at achieving value for money and such omission raises suspicion of fraud in the procurement process.

The Committee recommends that the Procurement Officer and AO be held responsible for flouting procurement processes and be cautioned for the same.

# 5.8. China – Uganda Friendship Hospital – Naguru

# 5.8.1. Off-budget receipts

The AG reported that the entity received off-budget financing to a tune of UGX. 254,095,329, which was not declared to treasury and, therefore, not appropriated by Parliament. The funds were for undertaking activities not budgeted for, which poses a risk of duplication of activities for which Government could have budgeted. Off-budget financing is also contrary to Section 43 (1) of the PFMA, 2015 and budget execution guidelines issued by the PSST.

The Committee noted that the entity did not include funding worth UGX. 254,095,329 from development partners into their budget, although the AO explained that the money was received during the course of the FY that made it impossible to be captured in the budget.

The Committee observes that such explanation is implausible since the law has mechanisms for dealing with such financial interventions that come outside the concluded budget framework. It was incumbent on the AO to bring it to the attention of the MoFPED such that it gets into the budget framework through supplementary means in accordance with the PFMA, 2015.

The Committee recommends that the AO should at all times adhere to the law and guidelines issued by the PSST and ensure that in future-all funds received are appropriated by Parliament

as per the law.

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# 5.8.2. Inadequate staffing

The entity was reported to have 349 approved positions in its structures. However, only 297 (85%) positions were filled and 52 (15%) positions were vacant by the end of the year under review.

Notably, the hospital lacked a neurosurgeon to build capacity of the emergency services and reduce unnecessary referrals.

The AO explained that they had submitted their recruitment plan and was awaiting response from the HSC and the MoPS to fill the vacancies as well as restructuring the hospital to fit its new mandate.

The Committee notes that staffing gaps adversely affects service delivery and could prevent the hospital from achieving its goal of reducing morbidity and mortality of the top ten diseases by 25% by the year 2030 in the catchment areas<sup>5</sup>.

It is the recommendation of the Committee that Government should take the recruitment of specialists and other staff in the approved structure as a critical matter of urgency as it has a bearing on the lives of the intended beneficiaries.

The HSC should consider hiring specialists and schedule them to attend to more than one hospital on a rotational basis. This would ensure all hospitals get their much needed services.

#### 5.8.3. Failure to integrate the revenue billing system with the medical system

The AG reported that the information system at the hospital was manual, with no linkage between the point of admission of a patient, treatment, laboratory, pharmacy, billing, and payment to final discharge.

The Committee notes that this makes it difficult to confirm completeness of the fees billed since the current system cannot show the services consumed by a particular patient.

The Committee notes that this can be exploited by extortionists to get money from unsuspecting patients. Further, it complicates the process of monitoring patient movement as well as enforcement of accountability standards.

The Committee recommends that the entity fast tracks the installation of automated IHMIS system which is being undertaken by the MOH and should integrate all the other modes of

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# 5.8.4. Lack of budget for equipment maintenance

The AG reported that the hospital did not have an equipment maintenance workshop budget as stated in the Accounting Officers' commentary to the Financial Statements on page 5 to the financial statements and the water pipes in the hospital were rusty and require a major overhaul.

The AO confirmed this state of equipment at the hospital and noted that they had suffered budget cuts that could not allow them to carryout maintenance on equipment, let alone acquiring new ones.

The Committee notes that this, like many other health facilities visited, has non-functional equipment due to lack of maintenance. For example, Mbale RRH, Arua RRH and Nebbi Hospital had non-functional equipment.

The Committee recommends that the Ministry of Health should carry out a comprehensive needs analysis of all health facilities in the country.

Government should establish a tripartite Committee consisting of the ministries of Finance, Health and the Prime Minister's Office to ensure proper planning and budgeting for the provision of such critical medical equipment in a phased manner.

MoPS should undertake a comprehensive study of human resource gaps within all national and regional referral hospitals to ensure proper planning and budgeting, specifically the Government should ensure recruitment of adequate biomedical engineers for proper handling and maintenance of the equipment so provided.

# 5.9. Jinja Regional Referral Hospital

# 5.9.1. Payments of salaries, pension & gratuity off IPPS

The AG compared the payroll register and IFMS payment file for the entity and noted that 14 pensioners were paid a total of UGX. 622,229,852 off the IPPS,

The Accounting Officer acknowledged the shortcoming and explained that these were gratuity payments and submitted that they had sought for guidance and would ensure that all payments to pensioners are channeled through the IPPS.

The Committee notes that payments off the system poses a risk of payment to non-eligible persons

that could lead to loss of money to Government.

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Committee recommends that the AO should ensure that salaries, pension and gratuity are budgeted for separately, processed and paid through the IPPS.

#### 5.9.2. Inconsistencies between MoPS and entity payroll registers

The AG reported variances of UGX. 22,004,251 between the figures in the MoPS IPPS and the entity's payroll register. He further noted that one (1) staff was on the MoPS Payroll but did not appear on the entity's payroll register<sup>6</sup>.

While appearing before the Committee, the AO admitted to the query but did not provide sufficient reason for the anomaly. He committed, however to consult with MoPS with the aim of reconciling the figures in the system and the payroll.

The Committee notes that such inconsistencies between MoPS and entity's payroll registers undermine the integrity of the payment system which poses a risk of manipulation and misappropriation of salary/pension funds due to lack of reconciliatory controls between the entity information and IPPS master data at MoPS.

The Committee observes that the delay by the AO to harmonise the two payment systems for that long is inexcusably negligent.

It is therefore the recommendation of the Committee that the AO immediately liaises with the MoPS with the aim of harmonizing details in the payroll and the IPPS for consistency and integrity.

The AO should be cautioned against clumsy conduct in the maintenance of the payroll systems for the entity.

## 5.9.3. Inconsistencies between interface files and payroll registers

The AG further noted variances of UGX. 1,738,279<sup>7</sup> between the IPPS payroll register and interface files availed to the entity by the core File Transfer Protocol (FTP) system by MoPS, contrary to sections 13.1 and 13.2 of the guidelines and procedures for decentralised salary payment processing, 2014 which provide for an interface file to facilitate the automated transfer of information from IPPS to IFMS.

<sup>6</sup> See appendix 1

<sup>7</sup> Appendix 2

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The Accounting Officer acknowledged the query and explained that these were employees who had retired.

The Committee observes that inconsistencies between interface files and payroll registers creates an opportunity for manipulation and misappropriation of salary/pension funds and could lead to over/under payments.

The AO's explanation is implausible and not satisfactory. Every payroll must be consistent with all approved payment systems which is not the case with the entity under review.

The Committee recommends that the AO immediately liaises with the MoPS to remove the staff from the payroll.

#### 5.9.4. Accumulation of domestic arrears

The AG reported that the entity had payables to a tune of UGX1,184,835,800 as presented in the statement of financial position and disclosed in note 24 to the financial statements. The amounts related mainly to utilities, pension and gratuity.

The AO acknowledged the query and explained that the arrears arose due to insufficient budget release of funds, and that they had sought for supplementary funding to meet the obligations.

The Committee notes that accumulation of payables may be attributed to the fact that the AO disregarded the commitment control system of Government that is meant to stop entities from committing Government beyond the level of available resources, or to poor planning and budgeting by either the entity or the MoFPED.

# The Committee therefore recommends;

- 1. that the entity should ensure that the arrears are provided for in the entity's plans and budgets at all times to avoid their accumulation, which distorts the budget and risks the entity to litigation and agitation by unpaid staff/suppliers.
- 2. The AO should ensure adherence to the Government commitment control system.

## 5.9.5. Recognition of retention amounts in the financial statement

The report of the AG noted that UGX. 1,184,835,800 as indicated in the commentary by the head of finance as domestic arrears did not include retention for the year under review. The AG noted that the entity had retained UGX. 54,030,585 off the invoice payments made to the contractor of

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the staff house complex construction which was not also presented as part of the expenditure for the period under review.

The AG further noted that UGX. 118,395,934 had been cumulatively retained as per payment certificate number 14; however, the amount was not presented as part of the payables balance in the statement of financial position and disclosed in note 24 of the financial statements. This implied that the payables and expenditure were understated by UGX. 118,395,934 and UGX. 54,030,585 respectively.

The AO acknowledged the query and attributed it to omission in the financial statement which they had since submitted to the MoFPED for review.

The then AO, who is said to have retired, declined to interface with the Committee which relied only on the written submission and presentation of the current AO.

The Committee notes that understatement of payables/ domestic arrears renders the credibility and integrity of the final accounts doubtful and questionable. It may result from either fraud or negligence, both of which are inexcusable and would qualify the accounts.

The Committee recommends that the then AO and head of accounts be held liable for the misstatements of an amount that the Committee considers substantial.

The Committee recommends that Parliament returns a verdict of "Qualified Opinion" for the entity's accounts and the then AO be held accountable for misstatements and be investigated for any possible criminality.

The entity liaises with the MoFPED and make the necessary final accounts adjustments to capture the omitted/excluded liabilities/expenditure and rectify the anomalies.

# 5.9.6. Off-budget receipts

Audit revealed that the entity had received off-budget financing to a tune of UGX. 1,482,640,867, which was not declared to treasury and therefore not appropriated by Parliament.

The Accounting Officer explained that during the first wave of COVID 19, the money was channeled through Ministry of Health as COVID-19 funds for Capital Development and support to the Hospital for undertaking activities not included in the approved budget. Subsequent releases were sent through IFMS.

As earlier noted, off-budget financing distorts planning, may result in duplication of activities and is contrary to Section 43 (1) of the PFMS 2015 and budget execution guidelines issued by the

PS/ST.

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The AO should ensure that the entity declares all off-budget funds to treasury for appropriation as the law stipulates.

# 5.9.7. Review of Covid19 related expenditures

#### 5.9.7.1. Budgeting and receipt of funds

The AG reported that the entity received UGX. 581,089,500 during the year under review including a balance brought forward from the previous financial year of UGX. 173,878,500 as shown below;

Description	Amount(UGX)	Date received	Funding source
Balance b/f	173,878,500	01-07-20	МОН
Covid advance 2	107,211,000	30-09-20	МОН
Covid advance 3	300,000,000	16-12-20	МОН
Total receipts	581,089,500		

The audit noted that there was a work plan/guidance from the previous year for the balance brought forward of UGX. 173,878,500 to be followed in expensing the amount. Equally, the release of UGX. 107,211,000 was accompanied by a letter of disbursement from the MOH ADM.97/150/01, dated 1st September, 2020 which included a work plan/guidance for expenditure.

However, the release of UGX 300,000,000 neither had any accompanying letter nor a work plan provided for its implementation.

The AO admitted to the query and submitted that this was the last batch of funds released by the MoH.

The Committee received no evidence of accountability by the entity, but notes that Parliament has previously recommended a forensic audit into all covid19 funds provided to the sector.

The Committee recommends that the then AO be held responsible for the non-accountability of UGX 300,000,000.

The MoH should provide clarity whenever sending funds to entities, including provision of templates for accountability and enforcing timely accountability.

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# 5.9.7.2. Un-updated account records

The AG noted that out of UGX 581,089,500 that was available to the hospital during the financial year, UGX 385,881,400, (66%) was utilised leaving an unspent balance of UGX 195,208,100 (34%).

The AG noted that the hospital maintained a hard copy and softcopy cash book for the funds which were not up to date. The Softcopy cashbook had records up to January 2021 while the hard copy had records up to September 2020. There were also no ledgers in place.

Further, the funds released and their expenditure were not included in the trial balance and therefore did not form part of the revenue and expenditure in the financial statements of the entity for the year under review.

There were no bank reconciliations carried out throughout the year.

The Committee observes that the failure to observe basic accounting principles can only be attributed to fraud, ignorance or sheer negligence of duty that could result into misstated reported figures in the financial statements for funds released, expenditure and cash balances, all of which are inexcusable on the part of a person acting as an AO.

The Committee again painfully observes that for this, if not any other reason, the accounts of the entity for the year under review would attract a "Qualified Opinion".

The Committee recommends that the AO and Head of Accounts be held responsible for negligence of duty in failing to update the records of accounts and any loss of money resulting therefrom.

The Committee reiterates that a forensic audit already recommended by Parliament be expedited to achieve total accountability for the funds.

The Committee further recommends "Qualification" of the entity's accounts for the year under review.

5.9.7.3. Incompletely vouched COVID-19 Expenditure

The AG reported that a sum of UGX. 30,585,000 lacked adequate supporting documentation at the close of the financial year and in the absence of adequate accountability documents, it was difficult to ascertain whether the funds were utilised for the intended purposes.

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The AO conceded to the query and failed to provide convincing evidence and the documents to support the expenditure of the said amount. Indeed the former AO who would have provided the necessary documents evaded the proceedings of the Committee through deliberate non-appearance. The irresistible observation of the Committee is that this AO avoided the interface of the Committee for reason of inability to provide accountability for the funds in issue hiding under the cloak of retirement.

The Committee recommends that the AO and Head of Accounts for the year under review be held liable for the funds in issue and be subjected to a forensic audit as recommended earlier with all the attendant consequences including but not limited to possible prosecution.

# 5.9.8. Revenue (NTR) spent at source

The AG noted that a total of UGX.74,272,140 was irregularly withdrawn from the collections account and spent at source, which expenditures were not recognised in the books of accounts, therefore understating the expenditure reported in the financial statements.

The Committee notes that failure to remit or late remittance of the NTR collected exposes such revenue to the risk of being misused. This money was not accounted for by the then AO. Withdrawing NTR and spending the same at source (contrary to Sec.29 (2) (a), PFMA) on unknown items drove the Committee to an irresistible conclusion that this was a clear case of theft /embezzlement.

The Committee recommends that the AO and the Head of Accounts be held responsible for the possible loss of money.

As earlier recommended, the Committee reiterates that these funds be subjected to a forepsic audit as already resolved by Parliament.

# 5.9.9. Unsupported domestic arrears

The AG noted that UGX 76,523,500 was paid to M/s Rodek Enterprises Ltd, out of which UGX.41,914,100 lacked appropriate supporting documents. The payments also lacked certificates of work done rendering the payments doubtful.

The Committee notes that lack of supporting documents for domestic arrears renders them suspicious and doubtful and the integrity of such figures in the accounts renders them overly suspicious.



The AO claimed that by the time of audit, the documentation had been filed separately. The AO, however, did not provide the documentation as directed by the Committee.

The Committee recommends that the AO and Head of Accounts be held liable for the unaccounted for expenditure of UGX41,914,100 and should accordingly refund the same within one month.

The then AO and Head of accounts should be investigated for possible prosecution for the suspected theft of the funds in issue.

#### 5.10. Gulu Regional Referral Hospital

## 5.10.1. Misclassification of salary, pension and gratuity expenditure

The Audit revealed that UGX. 34,589,597 was charged on account codes other than those prescribed for salary, pension and gratuity.

The AO conceded to the query and explained that misclassification on salary code of UGX. 19,439,133 was a payment of disturbance and settlement allowance to staff that had been transferred to the entity within the financial year, yet there were no funds for settling them. He attributed the misclassification of UGX. 15,150,464 to error during the budgeting process, a period when he had not assumed duties at the station.

The Committee notes that misclassification of salary, pension and gratuity expenditure is a diversion of funds which is budgetary indiscipline. The AO did not follow the procedures stipulated in the PFMA, 2015 which require approval of the PS/ST

The Committee therefore recommends that the then AO be held liable for the diversion of UGX. 34,589,597 and be cautioned accordingly.

#### 5.10.2. Inconsistencies between MoPS and entity payroll registers

The Audit revealed variances of UGX. 28,053,2418 between the figures in the MoPS IPPS and entity's payroll register.

<sup>8</sup> Appendix 3



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Inconsistencies between MoPS and entity payroll registers undermine the integrity of the IPPS system and there is risk of manipulation and misappropriation of salary/pension funds due to lack of reconciliatory controls between the entity information and IPPS master data at MoPS.

The AO acknowledged the query and committed to reconcile the figures with the MoPS.

The Committee recommends that the AO should liaise with the MoPS with the aim of ensuring that the entity's IPPS payroll registers are consistent with MoPS master data.

#### 5.10.3. Off-budget receipts

The AG noted that the entity received off-budget financing to a tune of UGX. 1,092,948,429, which was not declared to treasury and, therefore, not appropriated to the entity by Parliament. These funds were received directly from Ministry of Health as COVID-19 funds for Capital Development and support to the Hospital for undertaking activities not included in the approved budget.

The AO admitted to the query and explained that these were donor funds which were very difficult to budget for since they do not give prior notices for activities and amount that they would be supporting during the financial year.

The Committee notes that off-budget financing distorts planning, may result in duplication of activities and is contrary to Section 43 (1) of the PFMS 2015 and budget execution guidelines issued by the PSST.

The Committee therefore recommends that the AO should always declare off budget support to the PSST so that it can be appropriated for by Parliament.

# 5.11. Arua Regional Referral Hospital

#### 5.11.1. Absorption of Funds

The AG noted that out of a total receipts of UGX.8.322Bn, the entity had spent UGX.8.209bn (98.6%), resulting in an unabsorbed balance of UGX.0.112 billion.

The Committee notes that under absorption of released funds results in non-implementation of planned activities and negates the purpose for which funds were disbursed.

The AO acknowledged the query and attributed it to failure to recruit additional staff and undertook

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to make follow-ups on the recruitment.

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The Committee recommends that the AO should always ensure that all planned activities are implemented, including recruitment. The AO should ensure that the activity whose funds are not absorbed are rolled over and implemented in subsequent financial year and that funds are provided for accordingly.

# 5.11.2. Wrong computation of pension/gratuity

The Audit further revealed variances of over payments of UGX 21,706,000 and under payment of UGX.19,700,433 in gratuity payments. Similarly, there were an over payment of UGX5,798,629 and under payments of UGX.10,401,528 in pension payments.

The AO explained that gratuity payments are automatically computed through the IPPS system and that he would seek to harmonize the figures with the MoPS.

The Committee reiterates its observation and reservations against over/under payments. The same arise out of poor planning and budgeting and are a vice to our accounting system.

The Committee recommends that the AO should liaise with the MoPS to harmonise the figures for both pension and gratuity payment.

# 5.11.3. Increased payables

From the analysis of domestic arrears in the statement of financial position of the entity, the AG reported an increase of payables from UGX 788,811,028 to UGX 1,255,228,566 between 2019/2020 and 2020/21. (An increase of UGX 466,417,538).

The Accounting Officer attributed the escalation of domestic arrears to covid-19 related expenses as a result of the restricted movements of would be reasonable suppliers.

Considering that these funds (arrears) are far beyond what Government had budgeted and committed, the Committee observes that the AO acted Ultra vires by committing beyond the resources availed/warranted to the entity.

The Committee recommends that AOs should always avoid committing Government beyond the

funds provided/warranted by Government.

#### 5.11.4. Off-budget receipts

The AG noted that the Hospital received off-budget financing to a tune of UGX1,925,620,637 which was not transferred to the consolidated fund as required by the law.

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The AO attributed it to a long outstanding challenge in the nature and timing of receipts of funds from donors which come at a time when the budget process is complete, making it impossible to declare and include it in the main budget.

The Committee notes that off-budget financing distorts planning, which may result in duplication of activities and is contrary to Section 43 (1) of the PFMA 2015 and budget execution guidelines issued by the PS/ST.

The Committee recommends that the AO should always manage off-budget receipts in accordance with the law by declaring the same to the MoFPED for proper budgeting and planning. Non-declaration of funds received outside the budget should be sanctioned by the PS/ST.

#### 5.11.5. Theft of ambulance

The AG reported that an ambulance Reg. number, UG- 6812M belonging to the entity had been stolen from the hospital yard and that by close of the audit, the ambulance had not been recovered. Furthermore, on verification of the entity's assets register, the value of the ambulance had not been updated to indicate the loss.

The AO confirmed the theft of the ambulance and noted that staff who were suspected to be involved in the theft had been interdicted, adding that the matter is before court.

The Committee notes that the loss of the ambulance impacts greatly on access to health services given the wide catchment area of the hospital. It also points to the laxity with which the entity's assets are managed.

The Committee recommends that the hospital updates its assets register by including the value of the lost ambulance. He should further ensure that investigations are concluded in the matter and that the case in court is expedited.

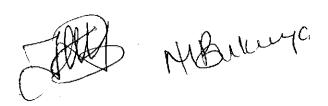
#### 5.11.6. Untitled hospital land

The Audit revealed that the Hospital did not have a land title for plot 43 – Hospital cell, on which it sits, with an estimated size of 13.478 acres.

The AO explained that it is true that the hospital had no land title, but only for a portion of the land on which it sits. He noted that they had titles for the majority of the land which they occupy. He however decried the encroachment by persons who had settled on part of the land, preventing the hospital from being fenced.

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The AO further explained that the entity had written to Uganda Land Commission with a view of acquiring a land title for the land under occupation but had not followed up the request.

The Committee recommends that the hospital follows up with the Uganda Land Commission with the aim of acquiring a title for the land on which it sits.

# 5.12. Entebbe Regional Referral Hospital

#### 5.12.1. Lack of a Hospital Board

The AG noted that guideline 1 of the guidelines for Regional Referral Hospitals' management Boards, 2019 requires Referral Hospitals to have a Board to promote participation and ownership of health services by the community, advocate for improved quality of service delivery and promote transparency in management of human, material and financial resources.

The AG noted that entity did not have the Board in place.

The AO informed the Committee that the entity, having been upgraded from a district to a regional referral hospital with changed mandate and catchment area, the appointment of the Board lies with the Minister of Health who is in the process of constituting a board from all the five districts within the catchment area.

The Committee observes that lack of an oversight Board could dis-empower communities from playing their role in line with corporate governance principles.

The Committee recommends that the Minister of Health expedites the process of appointing the Board to carry out its oversight function.

#### 5.13. Kabale Regional Referral Hospital

#### 5.13.1. Submission of wage estimates

The Auditor General noted that the hospital had delayed to submit wage estimates to MoPS as required.

The AO attributed the delay in submission to restrictions brought about by the Covid19 lock down.

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The Committee observed that delayed submission of wage estimates may lead to wage shortfalls or over provision.

The Committee further noted that the pandemic affected the number of staff available at the entity to execute their work efficiently. The Committee however notes that electronic submission of the reports could have been resorted to by the entity as an alternative to the physical submission of documents and that it was possible to carry out this function notwithstanding the reduction in the workforce.

The Committee recommends that the AO submits wage estimates to MoPS in time in to avoid any wage shortfalls and that all entities be computerised to allow flexibility in execution of their work including working at home in the event of a pandemic like Covid19.

# 5.13.2. Effectiveness and reliability of IPPS/NID interface

The Auditor General reviewed and noted ineffectiveness and unreliability of the IPPS/NID staff/pensioner/beneficiaries' verification interface and this may affect the integrity of the IPPS payroll.

The AO promised to endeavour to go to the main data centre at the Ministry of public service for technical assistance.

The Committee noted issues of lack of capacity and proper sensitisation in the use and navigation of the system by the Users.

The Committee recommends that the AO liaises with MoPS to ensure that verifications are effectively done.

# 5.14. Mubende Regional Referral Hospital

#### 5.14.1. Achievement of intended services from implemented outputs

The Auditor General noted that failure to achieve the intended services from the implemented outputs negates the purpose of budgeting and implementing these activities.

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It further curtails effective service delivery in the health sector for instance the infant mortality rate of 80 deaths per 1,000 live deliveries is high compared to the national average of 43 deaths per 1,000 live deliveries.

The Accounting Officer attributed the underperformance to covid-19 lockdown measures and the breakdown of the ultrasound machine

The Committee recommends that the Accounting Officer, MoH and MoFPED should fast track the repair of the ultrasound machine.

# 5.14.2. Preparation and Submission of Monitoring Plans and Reports

The Auditor General noted that contrary to Para 58 of the budget execution circular for 2010/21 which requires the Accounting Officer to prepare and submit annual monitoring plans for Government programs and or projects under his/her vote to the OPM with a copy to MoFPED, MoLG and NPA for harmonization to ensure proper coordination to avoid duplication.

Further, Accounting Officers are expected to submit quarterly monitoring reports to the OPM with a copy to the MoFPED for the attention of the director budget, by the time of audit, the hospital had not prepared annual monitoring plans nor submitted quarterly monitoring reports to the OPM and MoFPED

The Committee observed that other than contravention of the law, the act hinders efforts of timely monitoring of the implementation of the budget and distorts the projections in the NDP III.

The Committee recommends that the Accounting Officer should always pay strict adherence to the Law and going forward, should always ensure timely preparation and submission of reports.

#### 5.14.3. Staffing Gaps

The AG noted that the hospital had a staffing gap of 78 positions out of an established 356 positions contrary to Sec (A-a) 15 (a) of the Public Service Standing Orders, 2010 which mandates the responsible Permanent Secretary to determine the terms and conditions of service and the structures of the Public Service in consultation with the Secretary to the Treasury wherever proposals involve increased expenditure of Public funds,



The Accounting Officer attributed the problem to failure to attract senior consultants and other consultants to the hospital due to being an upcountry location and the low remuneration paid to consultants.

Further, that management had been liaising with MoPS, MoH and the HSC to fill the vacancies resulting into some positions being filled in 2020.

The Committee observed that understaffing gravely affects service delivery and fails the hospital in achieving its planned objectives.

The Committee recommends that the AO continues engaging the MoPS, HSC, MoH and MoFPED to fill the remaining gaps now that the remuneration to medical workers have been enhanced.

#### 5.15. Moroto Regional referral Hospital

## 5.15.1. Submission of wage estimates

The Auditor General noted that the hospital had delayed to submit wage estimates to MoPS as required.

The AO acknowledged the anomaly and pledged to comply in the subsequent financial year.

The Committee observed that delayed submission of wage estimates may lead to wage shortfalls or over provision.

The Committee recommends that the AO submits wage estimates to MoPS in time in to avoid any wage shortfalls which can easily accrue arrears.

# 5.15.2. Payment of unverified salary, pension and gratuity arrears

The Auditor General noted that UGX 168,066,631 was paid as residual arrears to 13 staffs. However, these had not been verified and were not part of schedule provided by MoFPED for payment.

The AO explained that the arrears paid were based on claims/letters, with a copy of bank statement.

The Committee observes that the AO paid arrears that had not been verified in total disregard of the guidance provided by the PS/ST with regard to payment of arrears.

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The Committee recommends that the AO follows the financial reporting guidelines 2018 issued by the Accountant General where only arrears that are verified should be paid.

The AO should be cautioned against circumventing procedure.

# 5.15.3. Effectiveness and reliability of IPPS/NID interface

The Auditor General reviewed and noted ineffectiveness and unreliability of the IPPS/NID staff/pensioner/beneficiaries' verification interface and this may affect the integrity of the IPPS payroll.

The AO promised to endeavour to go to the main data centre at the Ministry of public service for ease of technical assistance.

The Committee noted that the issue of lack of capacity and proper sensitisation in the use and navigation of the system by the users is a common problem.

The Committee recommends that the AO liaises with MoPS to ensure that verifications are effectively done through adequate training.

#### 5.15.4. Under Staffing

The Auditor General noted that the hospital had an approved structure of 420 staff at the Regional Referral Hospital and only 265 were filled leaving a gap of 155.

The AO attributed this to lack of wage for staff to be recruited.

The Committee observes that understaffing results in work overload and adversely affects service delivery.

The Committee recommends that the AO fast tracks the issue of recruitment to ensure efficiency

in the discharge of their work.



# 5.16. Mbarara Regional Referral Hospital

#### 5.16.1. Payments of salaries, pension & gratuity off IPPS

The Auditor General noted that contrary to Para 4.5 of the establishment notice no.2 of 2019, which requires the responsible officer to pay only salaries, pension and gratuity processed through the IPPS, 02 employees on the IPPS payroll did not receive salary of UGX. 79,001,901

The Accounting Officer explained that Mr. Agaba Elly had resigned as a medical officer special grade but remained on the payroll thus, could not be paid salary.

Further, Mr. Kiiza Favour had a disciplinary case due to rampant absenteeism and thus his salary had been manually suspended pending investigations and hearing by the Hospital Committee on rewards and sanctions.

The Committee observed that payments off the system pose a risk of payment to non-eligible persons that could lead to loss of money to Government

The Committee observes that the delay in concluding disciplinary cases and thus deletion of affected persons from the payroll is grossly inordinate and inexcusable.

Committee recommends that the Accounting Officer should fast track the deletion of Mr. Agaba Elly from the payroll and ensure expeditious conclusion of Mr. Kiiza Favour's case.

Further, the Accounting Officer should always ensure that salaries, pension and gratuity are budgeted for separately, processed and paid through the IPPS.

# 5.16.2. Effectiveness and reliability of the IPPS/NID interface

The Auditor General noted that a survey of the effectiveness and reliability of the IPPS/NID staff/pensioner/beneficiaries' verification interface revealed inadequate sensitization and training in system navigation and unreliable and ineffective system. A number of operational challenges were also noted including;

Mismatches of names that take long to be corrected by NIRA

Correction of mismatches by NIRA that removes the DOB of affected staff

The status of the under IPPS remains NOT VERIFIED even when the record is verified and approved.



The Committee observed that the above challenges affect the ability to timely access people on the payroll and challenges in securing exemption from MPS to verify the records, seeking MPS's intervention to be paid and above all affects the integrity of the IPPS payroll

While the Accounting Officer undertook to continue seeking support from MoPS to handle the highlighted matters, the Committee recommends that the MoPS should roll out a data cleaning exercise to eliminate cases of mismatching information of public servants

The Accounting Officer should liaise with MoFPED to build capacity of staff in the use of the systems.

#### 5.16.3. Outstanding Domestic Arrears

The Auditor General revealed arrears of UGX. 10,055,678,007 accrued from various goods and services consumed by the hospital.

The Accounting Officer explained that management continued to settle the domestic arrears using its recurrent budget inspite of the challenges of inadequate funding.

The Committee noted the Accounting Officer's submission and observed that the Accounting Officer did not adhere to the commitment control system of Government that is meant to stop entities from committing Government beyond the level of availed resources, did not adequately budget for the settlement of the outstanding commitments nor seek for a supplementary funding as provided for by the Law.

The Committee further observes that non-payment of arrears to such humongous amounts is a disincentive to suppliers which may affect service delivery if suppliers withhold supply.

The Committee recommends that the Accounting Officer should be cautioned against committing Government beyond the available resources and going forward, Government should ensure that sufficient budget provisions are made to enable settlement of the outstanding domestic arrears.

5.16.4. Asset Management

5.16.4.1. Delayed completion of perimeter wall construction



The Auditor General noted that the construction of the perimeter wall was delayed by 14 months i.e. planned commencement was 15<sup>th</sup> June 2019 and completion date 8<sup>th</sup> Oct 2020 but by 14<sup>th</sup> Dec 2021, work was still incomplete.

The Accounting Officer attributed that delay to unforeseeable adjustments done on the structure for the security of the hospital. Additionally, that the hospital prioritized the construction of the EA Public Health Laboratory near the gate, which had been funded by World Bank and this caused adjustments since it is near the gate. Thus, the completion of the gate had to wait for the completion of the laboratory.

The Committee noted the Accounting Officer's explanation but observes that there was no addendum to the contract for the adjustments made yet that of necessity comes with financial implications.

The Committee recommends that in future the Accounting Officer should always make addenda to any contract sought to be adjusted.

#### 5.16.4.2. Non-functional Auto-clave

Auditor General noted that UGX. 27,600,000 was spent to purchase a new autoclave however, physical inspections revealed that the autoclave was not functional due to a missing gasket that had not been delivered by the supplier.

The Accounting Officer explained that the autoclave was of low capacity to service the needs of the hospital e.g. the ICU, emergency and other units of the hospital thus, management decided to buy a new one of bigger capacity. Along the way, the gasket got burnt due to fluctuations in power and service provider was informed since it was still under warranty period. However, since the spare parts were not readily available on the Ugandan market, it had to be imported from abroad and this coincided with covid-19 restrictions, which affected the importation of the spare parts. Currently, the Autoclave has been repaired and now functional.

The Committee notes that the purchase of an autoclave bellow the required capacity points to poor technical evaluation of the project that should not be excused.

The Committee recommends that the accounting the submission of the Accounting Officer and other officers responsible for the procurement of the same be held personally liable.

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# 5.17. Mbale Regional Referral Hospital

#### 5.17.1. Payment of unverified pension and gratuity arrears

The Auditor General noted that UGX 235,196,547 was paid as residual arrears to 26 pensioners who had not been verified by MoFPED.

The AO explained that the Hospital received these funds at the year ended without a schedule therefore management relied on pension records at source to calculate and make payments to beneficiaries.

The Committee observes that payment of unverified Pension and gratuity arrears may lead to overstatement of domestic arrears paid during the year.

The Committee recommends that the AO always ensures that they follow the financial reporting guidelines 2018 issued by the Accountant General where only arrears that are verified should be paid.

# 5.17.2. Inconsistencies between MoPS and entity payroll registers

The Auditor General observed that there were variances of UGX 8,640,953 between the figures in the MoPS IPPS and entity payroll register. This undermines the integrity of the IPPS system and thereby exposing the entity to the risk of manipulation and misappropriation of salary/pension funds due to lack of reconciliatory controls between the entity information and IPPS master data at MoPS.

The AO explained that this was due to system failures.

The Committee recommends that the AO liaises with the MoPS to ensure that IPPS payroll registers are consistent with interface files.

#### 5.17.3. Non-functional Oxygen Plant

The Auditor General noted that the Oxygen Plant was partially functional and therefore, unable to produce adequate oxygen for use in the hospital and support to other health facilities around the region.



The AO explained that the plant was functional but operating below capacity since it fills only 8 cylinders instead of 25 a day. This was due to a malfunction which was yet to be fixed by the manufacturer.

The Committee observes that the plant is not yet rectified.

The Committee observes that the entity was slow in following up the matter regarding the fixing of the oxygen plant which is so central in the provision of services to the affected community and the laxity with which this matter is handled points to negligence of duty.

The Committee recommends that the AO follows up with the MOH to ensure that the maintenance and servicing of oxygen plant is expedited to provide the service for which it was procured.

# 5.17.4. Under Supply of drugs by the National Medical Stores

The Auditor General noted that drugs worth UGX 197,299,592 out of UGX 1,525,825,500 released were not delivered to the hospital.

The AO pledged to engage the relevant authorities to have the matter handled.

The Committee notes that the failure to supply the drugs for which funding has been provided compromises service delivery.

The Committee recommends that the AO follows up with NMS to ensure that the hospital receives all the medical supplies as budgeted for.



# 5.17.5. Delayed destruction/disposal of expired drugs

Upon inspection of the drug stores, the Auditor General found high quantities of expired drugs that required disposal/destruction according to the health **guidelines**.

The Committee observes that delay to dispose expired drugs may lead to use of expired drugs hence causing danger to the patients as the expired medicines could be put on the market by unscrupulous individuals.

The Committee recommends that the AO should regularly remind NMS to pick up expired drugs as and when they accumulate.

#### 5.18. Masaka Regional Referral Hospital

#### 5.18.1. Budgeting for Salary, Pension and Gratuity

## 5.18.1.1. Submission of wage estimates

Auditor General noted that the referral hospital delayed to submit wage estimates to MoPs, contrary to Paragraph 2.2 of the Establishment Notice No. 2 of 2019, which requires the entity to submit salary, pension and gratuity estimates for the subsequent year to Ministry of Public (MoPS) by the 30<sup>th</sup> of September of the previous year. The submission was made on 24th March 2020 which was 176 days (over 6months) after the required submission date.

The Committee notes that delayed submission of wage estimates leads to wage shortfalls/over provision due to lack of clarity and analysis of wage estimates by MoPS.

The Accounting Officer noted the observation and promised to ensure timely submissions of all MoPS submissions.

The Committee recommends that the Accounting Officer should always follow the guidelines and submit the wage estimates within the appropriate timeframe as required.

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# 5.18.2. Under payment of salary

A review of the payroll data (IPPS) and IFMS payments revealed variances between amounts on the approved payroll and payments to individual employees, leading to an under payment of UGX.737,280.Under payment of salary negatively affects staff morale and productivity which hinders services delivery.

The Accounting Officer responded that these were cases of interdiction awaiting resolution by the disciplinary Committee.

The Committee notes with regret that conclusion of disciplinary cases is punctuated with inordinate delays yet the affected staff are not receiving salary. Further, it poses the danger of the affected officers' salaries may be swept back to the consolidated fund upon the financial year ending thereby causing distortions in planning and budgeting.

The Committee recommends that the Accounting Officer should ensure expeditious conclusion of disciplinary cases.

The AO should disclose these as contingent liabilities in the financial statements for proper planning and budgeting.

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# 5.18.3. Over payment of pension

A review of the pension payroll data and IFMS payments, revealed a variance between amounts on the payroll and payment made to the personal account of Kalyesubula Esther, employee Number 729433, with supplier number 222867, leading to overpayment amounting to UGX.5,651,200.

The Committee noted that over payment of pension leads to financial loss to Government.

The Accounting Officer explained that the pensioner had issues with the birth date on IPPS that took long to be corrected by Ministry of Public Service on the IPPS. However, he promised to recover the over payment to the pensioner.

The Committee noted that this recovery took long considering the period the time of Auditor General's report and the appearance before the Committee for the submission. This is inexcusable delay.

The Committee recommends that the Accounting Officer should ensure that staff employment records are put right before they retire and the overpaid amount should be recovered within six (6) months from the adoption of this report.

## 5.18.4. Review of procurement for construction of Maternity and Children's Complex

The Auditor General noted that the Hospital signed a contract on 30/5/2014 with Tirupati Development (U) Limited for construction of maternity and children's complex with at a cost of UGX.10,612,395,786.

A review of the contract management revealed the following:

• Regulation 55(4) of the Public Procurement and Disposal of Public Assets (Contracts) Regulations 2014, states that a single contract amendment shall not increase the total contract price by more than 15% of the original contract price. However, the Director approved 24% price increment from UGX.10,612,395,786 to UGX.13,169,983,170 a variation of UGX.2,557;587,354 without the clearance of PPDA.

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- Although the project consultant recommended for increment of UGX.2,557,587,384, no
  independent technical audit on the project was undertaken by Ministry of Health
  Engineers to establish the cost of the remaining civil works and the condition of the
  contract.
- Regulation 55(6)(c) of the Public Procurement and Disposal of Public Assets (Contracts)
  Regulations 2014 states that a contract amendment shall not be issued to a provider
  without obtaining approval from other concerned bodies including the Attorney General.
  The AG noted that the Director communicated price increment to the contractor without
  the approval of the Attorney General.

The Accounting Officer explained that the contractor submitted a price variation of up to 33% after six years of executing the works but the submission was scaled down to 24% and no other price increment submissions were to be allowed until project completion. In addition, the submissions were supported by Bank of Uganda inflation data and UBOS price indices and verified by the project consultants.

The Committee observe that the delay to release funds affected the commencement and completion of the project thereby invariably increasing the project cost and delay in providing services to the intended beneficiaries.

The Committee recommends that the MoFPED should always ensure timely release of the funds to avoid distortions in the budget and planning.

The Committee recommends that the Accounting Officer should ensure that all contract variations comply with contract agreement and procurement laws.

#### 5.18.5. Payment of unverified pension and gratuity arrears

Auditor General noted that UGX.406,606,011 was paid as residual arrears to 17 pensioners who were not part of MoFPED schedule of verified arrears.

As a result of payment of unverified pensioners, UGX.214,683,964 was not paid to 6 verified

pensioners



Furthermore, a comparison of the approved residual arrears by MoFPED and the actual Payments on IFMS noted that UGX.214,561,937 was under paid to 3 pensioners whereas UGX.22,639,500 was over paid to 8 pensioners.

The Accounting Officer provided the following explanations:-

- That, so many pensioners were sent to the vote with uncalculated files and because of
  pressure manual calculations were done for only pensioners whose files were subsequently
  submitted to MoFPED in September 2019.
- During FY 2019/2020, some of the submitted pensioners as per the MoFPED list for arrears
  were finalized for payments and the six (6) unpaid verified pensioners were paid to avoid
  return of gratuity and pension funds. He further attributed the anomaly to late submission
  of the required details thus causing payment using wrong codes. The Committee notes that
  overpayments, underpayments and payment using wrong codes is a common practice
  among RRHs which practice must be thoroughly investigated and eliminated by the
  Ministry of Health

The Committee recommends that the Accounting Officer should ensure that the verified MoFPED list is strictly followed while paying the beneficiaries.

# 5.19. Soroti Regional Referral Hospital

# 5.19.1. Submission of wage estimates

AG's review of the entity's budgeting for salary, pension and gratuity established that the entity did not submit wage estimates to MoPs as required, which may lead to wage shortfalls/over provision due to lack of clarity and analysis of wage estimates by MoPs. As such, the Committee tasked the AO / and PHRO to explain the failure to adhere to the requirement of timely submission of wage estimates to MOPs.

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The AO explained that during the period of lockdown, which was also the period under review, MoPS had a number of offices closed that hindered timely submission despite early preparation by the entity.

The Committee observes with dismay that the AO could tell such a blatant lie to the Committee /Parliament. First, because it is not true, indeed no other entity failed to submit for the same reason. Secondly, submission online would not require physical appearance at MoPS. In addition, the Committee was not availed with any report that had been prepared but not submitted for the reason given. The Committee therefore did not believe this submission and rejected it without hesitation. The Committee recommends that the AO submits wage estimates to MoPS in time in to avoid

# 5.19.2. Misclassification of expenditure

any wage shortfalls which can easily accrue arrears.

The Audit noted that UGX.105,000,000 of pension payment was charged on the salary code contrary to accounting principles and instructions as enumerated herein above.

The Committee observed the Accounting Officer did not seek any clarification from MOFPED in relation to this issue given that there were no correspondences in the regard.

The Committee further observed that misclassification of salary, pension and gratuity expenditure is diversion of funds which impacts negatively on the delivery of services and negates the purpose of planning and budgeting. In addition, the integrity of the financial statements is rendered doubtful and shows budgetary indiscipline.

The act further, not only distorts budget performance but also the monitoring as well as the credibility of the financial statements.

The Committee recommends that the Accounting Officer should be held liable for the diverted funds amounting to UGX 105,000,000 and going forward, should always ensure that wage, pension and gratuity expenditure is charged on the appropriate codes.

#### 5.19.3. Funds not acknowledged

The Audit noted that although the funds were credited directly on the Hospital's Administration Account in Stanbic Bank, no form of acknowledgement of receipt was provided for review.

The Accounting Officer explained that management would always acknowledge by writing to

agencies sending money to the entity.

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The Committee observed that in the cases of non-acknowledgement were serious in the past however, with automation of transactions such is not a significant flaw.

The Committee recommends that the Audit Query be dropped.

#### 5.19.4. Accountability for funds

Contrary to Paragraph 10.10.1 of the Treasury Instructions, 2017 which requires that all payments must be adequately supported with sufficient details to enable them be checked without reference to other documents, expenditure records availed revealed that all funds were not fully accounted for.

The Accounting Officer explained that the original copies had been sent to Ministry of Health since they are the accounting entity of funds

The Committee recommends as earlier that this matter be subjected to a forensic Audit as already resolved by this house.

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# 5.19.4.1. Stock out of Essential Medicines for supportive treatment of Covid-19

Paragraph 1.1 of the Ministry of Health Strategy for 2016 to 2021 commits the Ministry to ensure that the right medicines of good quality are available in all health facilities, all the time when needed, stored and under acceptable conditions and prescribed rationally. Section 4.1 of the National Guidelines for Clinical Management of Covid-19 describes the potential therapeutics for treating COVID-19.

A review of stores records by the AG revealed that the Hospital had stock outs of Essential medicines for supportive treatment of Covid-19 during the year under review with an average stock out period of more than a month.

The Accounting Officer attributed the stock outs to high patient turn up due to the surge in Covid-19 cases in the region. Some of the drugs like Enoxaparin were particularly very expensive. He added that the current hospital budget allocations can't support its optimum availability and thus requested that medicines and medical supplies budget be increased.

The Committee observed that stock out of essential medicines and supplies limited and stretched the Hospital's capacity in the clinical management of Covid-19. The same should be a pointer to the urgent need for enhancement of facilities' capacity and readings to confront epidemics. it's a

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call for the revision of the National Corona Virus Disease Resurgence Plan (June 2021-June 2022) to match with the magnitude of resurgence.

The Committee recommends that the Accounting Officer should liaise with National Medical Stores to ensure that adequate medicines are provided.

The Committee further recommends that the Accounting Officer should liaise with MoFPED for its budget enhancement and this should apply to all regional referral hospitals.

# 5.19.5. Evaluation of Soroti Regional Referral Hospital's Capacity to manage Covid-19 Patients as a Quarantine Centre

The AG noted that the capacity of the facility in the effort to contain covid19 quarantine program is stretched beyond its capacity. The Committee agrees with the need to enhance the capacity of all RRHs in preparation for any resurgence. In particular, the provision of more ICU beds and space, training of staff and expansion of the physical infrastructure to separate Covid19 patients from other patients cannot be overemphasized.

The Committee recommends that a comprehensive study be undertaken by ministry of health to come up with a robust plan of confronting pandemics of any nature that may in future attack the country.

The MoFPED should continuously provide financial support to the ailing health sector and supporting research and innovation in the fight against pandemics.

# 5.19.5.1. Failure to supply ordered Medicines

The Audit noted that out of the 3,000 Mama kits ordered, only 2,400 were supplied, leaving 600 kits not supplied by the end of the financial year.

The Accounting Officer explained that management shall engage with NMS to address the anomaly and that items like mama kits are donor supported hence limited quantities.

The Committee observed that failure to deliver all the ordered medicines and health supplies may lead to stock outs at the health facilities hence affecting health services to people and ultimately loss of lives.

The Committee recommends that the Accounting Officer always follow up with National Medical Stores and donors to ensure that all ordered drugs and supplies are provided in a timely

manner.

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# 5.19.6. Failure to Repair Underground Water Pump

The Audit noted that the Hospital failed to repair an underground water pump despite the hospital spending UGX.411,558,153 on both water bills and domestic water arrears.

The Accounting Officer explained that the repairs had been considered in the five year development plan of the hospital. He further explained that once resources allow, underground solar water pump would be installed to supply water in the hospital.

The Committee attributed the anomaly to management's failure to prioritize the repair of the water pump during planning and budgeting noting that failure to repair the underground water pump led to increased domestic arrears arising from unpaid water bills which could have been avoided.

The Committee recommends that the Accounting Officer should fast track the procurement of a solar water pump as envisaged in the entity's plan and budget to cut down the anticipated escalation of domestic arrears.

# 5.19.7. Inspection of the Hospital

The Audit noted that some staff houses and wards were dilapidated and a posed a danger to the occupants and other users of the facility.

The Accounting Officer explained that the Hospital was lobbying Ministry of Health, MoFPED and Development partners like JICA for capital development funds to support rehabilitation and reconstruct the hospital in the newly acquired land in Arapai.

The Committee recommends that the MoFPED should commit funds to facilitate the construction of better structures for the Hospital so as to avoid calamities that may be associated with inhabitable buildings in a health facility.

#### 5.19.8. Non Functional Medical Equipment

The AG noted that a substantial number of medical equipment in the hospital were non-functional. The Accounting Officer promised to consult MoH and central workshop for allocation of more funds to repair medical equipment in the hospital.

The Committee observed that non-functioning equipment at the Regional Referral Hospital affects

the level of service delivery



The Committee recommends that the ministries of health and finance should ensure adequate allocation of funds for the acquisition and repair the equipment desired for the delivery of the required service. Accounting Officer should ensure that funds are allocated towards acquisition of major machine components to enable their functionality or dispose of the equipment to avoid further deterioration.

# 5.20. Uganda Cancer Institute (UCI)

#### 5.20.1. Lack of approved Strategic plans that are aligned to NDP-III

The Auditor General observed that the entity had prepared its Strategic Plan for the period 2020/21 – 2024/25. However, the plan was submitted but had not been certified by National Planning Authority (NPA).

AO explained that NPA had delayed in approving the entity's strategic plan in realignment with the NDP III.

The Committee notes that failure to align the activities for implementation in the financial year to the NDP-III negatively affects the achievement of NDP-III objectives. It also affects planning and delivery of services.

The Committee reiterates its earlier recommendation on the expedition of approvals by NPA to ensure timely implementation of activities by entities.

#### 5.20.2. Performance of Revenue

## 5.20.2.1. Performance of NTR

The AG reported that the entity budgeted to collect NTR of UGX.1.95Bn during the year under review. Out of this, only UGX.1.58Bn was collected resulting into a shortfall of UGX.0.37bn (representing under performance of 18.97% of the target).

The AO attributed short fall in collection to lock down of the country due to COVID 19 which affected the movement of clients.

The Committee noted that Shortfalls in NTR collections affect the implementation of the Hospital's planned activities although agrees with the AO on the effects of the covid19 pandemic



to the entity and also observes that in light of the pandemic, the underperformance is considerably low and within acceptable range.

The Committee recommends that the audit query be dropped.

# 5.20.2.2. Performance of GoU Receipts:

The AG noted that UCI budgeted to receive UGX.37.76Bn, out of which UGX.37.11Bn was warranted, resulting into a shortfall of UGX.0.65Bn (representing 1.72% of the budget).

AO attributed shortages in budget releases to the cash flow constraints at MoFPED.

The Committee observes that the provision of less than the budgeted funding for the sector endangers the targeted beneficiaries of the medical service.

The Committee recommends that the Ministry should endeavor adequate budget to fund the entities as appropriated by Parliament to enable implementation of planned activities.

# 5.20.3. Under absorption of Funds

AG revealed that out of the total receipts for the financial year of UGX.37.11 Bn, UGX.37.01 Bn was spent by the entity resulting in an unspent balance of UGX.0.1Bn representing an absorption level of 99.7%. The unspent balance at the end of the financial year was subsequently swept back to the consolidated fund account.

AO explained that the unspent balance was on contract staff salaries and this was mainly due to staff that had transferred their services elsewhere and others had been absorbed on the established payroll.

The Committee however established that under absorption occurred on gratuity budget item which is a statutory expenditure budget line.

The Committee recommends that the entity should plan properly to ensure timely processing of files to avoid distortion of the budget.

5.20.4. Implementation of quantified outputs

The Committee reiterates its earlier observations and recommendations.

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#### 5.20.5. Reallocation of Expenditure

AG noted that funds to the tunc of UGX. 82,520,767 were irregularly reallocated from the activities on which they were budgeted and spent on other activities without seeking and obtaining the necessary approvals.

Accounting Officer attributed the expenditures to emergencies due to COVID 19 and undertook to always endeavor to follow established procedures for virements and re-allocations.

The Committee reiterates its earlier observations and recommendations.

# 5.20.6. Utilization of contract staff salaries to pay permanent staff

The Audit revealed that funds to the tune of UGX 161,782,565 meant for contract staff salaries were reallocated and spent on permanent staff salary payments without seeking and obtaining the necessary approvals.

The Accounting Officer explained that during the financial year under review, UCI management requested for additional funding to cater for wage for the established and contract staff. However, Ministry of Finance released the money as a lump sum under the budget line item for the Contract staff salaries.

The Committee noted that the AO did not seek authority from the PS/ST in regards to moving funds from the contract staff salaries to cover the shortfall under the permanent staff salaries.

The Committee recommends that AO be held liable for Mischarge Committed

#### 5.20.7. Lack of a Medium Term NTR Plan

The Auditor General noted that the hospital did not have a comprehensive strategic plan to manage the private wing and NTR.

The Accounting officer explained that the Uganda Cancer Institute management is reviewing the existing policy and was in advanced stages of procuring a consultant to develop a strategic plan or NTR. However, no evidence of consultancy was provided.

The Committee recommends that management should expedite the process of developing a plan

on NTR.



# 5.20.8. Lack of Policy on Waivers

Audit revealed that the Accounting Officer waived off Radiography fees worth UGX.35,610,000 during the year under review. However, there was no policy in place to guide management on waivers.

The Accounting Officer conceded to the query and explained that the Plan for NTR that was being developed would take care of the management of waivers.

The Committee noted that waivers may be misused leading to loss of public funds.

It is recommended that AO should fast track the formulation and approval of the policy on waiver and a plan on NTR.

# 5.21. East Africa's Centers of excellence for Skills and Tertiary Education in Biomedical Sciences- Phase 1 Loan- Uganda Cancer Institute (UCI)

## 5.21.1. Low funds absorption

The Auditor General observed that Review of the receipts and expenditure revealed that out of USD 3,695,940 (UGX.13,501,165,610) that was available for the project annual expenditure, only USD 1,427,400 (UGX.5,527,285,120) was spent, leaving a balance of USD.2,268,540 (UGX.8,073,880,490) unutilized (representing an absorption level of 38.6%).

The Accounting Officer attributed the low funds absorption to COVID-19 outbreak. Most of the sectors of the economy were locked down and it became almost impossible to implement the project activities as per the work plan.

The Accounting Officer indicated that the bank was requested to extend the project time to 30<sup>th</sup> December 2022 to allow proper completion of the project activities. Accordingly, a No objection was received from the ADB and management was hopeful that the project activities will be completed by 30<sup>th</sup> December 2022.

The Committee observes that a decision on the query with regard to the project would be premature since the project time is still running.

The Committee recommends that the entity should endeavor to utilize the funds as per the approved plans and within the timelines provided.



# 5.21.2. Delayed Contract Execution

A review of the implementation of the Project Component Outputs revealed several delays in contract performance as follows;

#### 5.21.2.1. Magnetic Resonance Imaging (MRI)

The UCI on behalf of GOU on 1<sup>st</sup> November 2019 entered into a contract for the supply and installation of a Magnetic Resonance Imaging System - MRI" and Accessories at a contract price of USD.2,415,000 with the expected delivery period being 6 months as per the "delivery and completion schedule" in the bid data sheet. According to Section VIII (particular conditions) GCC 11.1, a 20% advance payment would be effected within 45 days of signing the contract, submission of a claim and bank guarantee and acceptance certificate issued by the purchaser.

The Auditor General noted that whereas a total of USD.483,000 (20%) was advanced to the supplier and a period of two years had elapsed since the contract signing date, the MRI scanner had not been delivered to UCI.

The Committee observes that the delay to supply the MRI affects service delivery and causes suffering to patients seeking services at the facility.

The Committee recommends that the AO vigorously pursues the delivery of the said MRI to provide the service required and enhance NTR collections for the entity.

#### 5.21.3. Laboratory Furniture

UCI, on behalf of the GOU, entered into a contract in November 2020 for the supply and installation of medical laboratory furniture at a contract price of USD 883,000, with the expected delivery period of 8 months as per the "delivery and completion schedule" in the bid data sheet. According to Section VIII (particular conditions) GC 11.1, a 20% advance payment would be effected within 45 days of signing the contract, submission of a claim and bank guarantee and acceptance certificate issued by the purchaser.

The Auditor General noted that a sum of USD.176,600 (20%) was advanced to the supplier, and a full year had elapsed since the contract signing, the furniture had not been delivered to UCI.

The Committee observes that there is a likelihood of the supplier increasing or creating contract price variations which will distort the earlier budget and plan. (current proposed variations at

USD.57,530.38 as per the Aide Memoire Jung 2021).

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The Committee recommends that the AO expedites the process of delivering the furniture as per plan.

# 5.21.4. ICT and Telemedicine Equipment

On 19<sup>th</sup> February 2020, UCI on behalf of the GOU entered into a contract for the supply and installation of ICT Equipment for training and telemedicine for center of Excellence in Oncology at a contract price of USD.1,064,510.49 with the expected delivery period being 7 months. According to Section VIII (particular conditions) GCC 11.1, a 20% advance payment would be effected within 45 days of signing the contract, submission of a claim and bank guarantee and acceptance certificate issued by the purchaser.

The Auditor General noted that whereas a sum of USD.212,902 (20%) was advanced to the supplier, and that over 18 months had elapsed since the contract signing, the ICT Equipment had not been delivered to the UCI.

The Committee observes that there is unconscionable delay on the part of the supplier to honor the agreement thereby distorting and deviating from the planned delivery schedule.

The Committee recommends that the AO pursues the supplier to deliver as per plan.

#### 5.21.5. Monitoring and Impact Evaluation (M&E)

On 30<sup>th</sup> July 2018, UCI on behalf of the GOU entered into a contract for consultancy for Monitoring and Impact Evaluation of the project for 24 months as per GC 14.1 at a contract price of USD.146,588.

The Auditor General noted that a sum of USD.87,953.60 (60%) was paid to the supplier and the remaining 40% was awaiting completion of the Multipurpose Building.

The Committee notes that the delay creates the risk of the supplier increasing or creating contract variations due to extension of time that may lack funding given that the loan has fixed terms, and hence this will ultimately affect the achievement of the initial loan funding objective as well as the projections in the plan.

The Committee recommends that the AO should endeavor to cause an expeditious completion

of the project to avoid escalation of costs.



# 5.21.6. Consultancy Services for Design and Construction Supervision

On 3<sup>rd</sup> April 2017, UCI on behalf of the GOU entered into a contract for the consultancy for design and construction supervision of the Multi-purpose building at UCI for 36 months as per GC 14.1 at a contract price of USD.962,165.

The contract expired in April 2020 and there was no evidence provided to confirm that it had been renewed.

The Auditor General noted that whereas the physical progress for the construction works on the Multi-Purpose Building was reported at 58% as at 30<sup>th</sup> June 2021, the sum of USD.785,693 (82%) was paid to the supplier and the remaining 18% was awaiting completion of the Multipurpose Building.

Under the circumstances, the delay has exposed the entity to additional costs. Indeed, the Consultant has already claimed a contract variation of USD 305,772 (see the June 2021 Aide Memoire).

The Committee recommends that the AO should cause and expeditious conclusion of the project to mitigate the escalating costs.

# 5.21.7. Works (Multipurpose Building)

On 28<sup>th</sup> November 2018, UCI on behalf of the GOU entered into a contract for the construction of a multipurpose building for cancer treatment and research for 18 months as per GC 1.1.3.3 at a contract price of USD.13,627,477. However, a number of areas of concern were noted as indicated below:

- Despite contract expiry, there was no evidence of renewal, although the contractor had not handed over the construction site, an indication that the works were still in progress.
- Review of the Aide Memoire of June 2021 revealed that the contractor had requested for contract variations of USD.2,574,481 (19%) despite a very slow works progress of 58%. No documentation was availed to support and justify these contract variations, which may ultimately lead to loss of funds as a result of abandonment of the works.
- Review of the status of payments revealed that the Contractor had been paid a cumulative amount of USD.7,713,519.40 (representing 56.6% of the contract sum of USD 13,627,477) by 30<sup>th</sup> June 2020. Further review revealed that the physical progress for the multipurpose building was at 58% and the contract for the main contractor had expired on 30<sup>th</sup> December 2020. This very slow works progress and a major contract

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breach by the contractor resulted into liquidation of the advance payment guarantee by UCI of USD.2,101,985.40. No justification was provided by UCI management for failure to pursue charging liquidated damages of 0.05% of the contract price per day with the maximum of 5% in accordance with GC 8.7.1 and 14.15.1 (b) due to the delayed execution of works from the contractor.

The current slow progress of the works has significantly affected the performance of other key contracts since most of the supplies such as the MRI system, the ICT and telemedicine equipment and the Laboratory furniture have to be delivered and installed in the building in addition to the consultancy service provider already claiming additional fees.

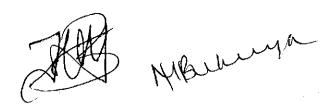
Likewise, this creates a risk of the supplier increasing or creating contract variations that may lack funding given that this is a loan with fixed terms and hence this will ultimately affect the achievement of the initial loan funding objective, given that the expected project closure time is 31<sup>st</sup> December 2021.

The Accounting Officer attributed the poor contract performance on the procurement of the Magnetic Resonance Imaging (MRI), Laboratory Furniture, ICT and Telemedicine Equipment, Consultancy for Monitoring and Impact Evaluation (M&E), Consultancy services for the design and construction supervision to the COVID-19 outbreak and delays in completing the multipurpose building where all this equipment is to be installed.

The Works (Multipurpose Building) was also affected by COVID 19 outbreak. It became almost impossible to implement the project activities as per the work plan. The main contractor also went into financial distress which caused further delays.

The AO further explained that the bank was requested by the Minister of Finance, Planning and Economic Development to extend the project time to 30<sup>th</sup> December 2022 to allow proper completion of the project activities. A No objection was received from the AfDB and management was hopeful that the project activities will be completed by the 30<sup>th</sup> December 2022.

The Committee observes that there is a likelihood of price variations due to delays in completion of the contracts. The Committee also noted that in case of any price variations after the signing of agreements with the contractors, these will have to be catered for under GoU through counterpart funding, since there is no evidence that AfDB had committed any additional funding.



The Committee also observes that the Attorney General's technical hand is conspicuously missing in the negotiations and drafting of all the agreements in issue.

The Committee recommends that the AO of the Institute continues engaging AfDB and the major contractors to ensure that the performance of key contracts is fast tracked to achieve the project's expected deliverables and milestones.

The Committee further recommends that MoFPED provides for any price variations through counterpart funding that may arise to avoid any further delays in execution of the project.

The Attorney General picks interest and peruses the main and all associated contracts to ensure compliance with the law and that the entity recovers what may have been lost in the negotiation and execution of the agreement(s).

A Value for Money audit should be carried out in respect of the project in issue to ascertain whether the amounts expended are commensurate with the work done so far (quantum meirut).

# 5.22. Uganda Heart Institute-UHI

# 5.22.1. Implementation of the Approved Budget 2020/2021

The Audit revealed that the Uganda Heart Institute had an approved budget of UGX.24.998Bn, of which UGX.24.714Bn was released.

The Institute planned to achieve its deliverables through implementation of eleven (11) outputs with a budget of UGX.24.998Bn. However, the entity had a delivery of eight (8) outputs with a budget of UGX.11.56Bn, representing 46% of the total budget and the following were observed;

#### 5.22.2. Revenue Performance

#### 5.22.2.1. Performance of NTR

The entity budgeted to collect NTR of UGX. 6Bn during the year under review, of which UGX. 6.6Bn was collected, representing a performance of 110% of the target. However, a review of NTR estimates issued by MoFPED for the year 2020/21 revealed that NTR target was set at UGX6.88Bn (representing 96% level of performance).

The AO explained that what was appropriated was UGX 6bn and not 6.88bn.



It was observed that the entity exceeded its NTR collection targets notwithstanding the covid19 pandemic that affected all other entities. Such effort should be commended.

The Committee recommends that the MoFPED should endeavour to fully finance the entity's budget considering the critical nature of the services provided by the entity in addition to its demonstrated ability in NTR collection.

#### 5.22.3. Off-Budget Receipts

Section 43 (1) of the PFMA 2015 states that all expenditure incurred by the Government on externally financed projects in a financial year shall be appropriated by parliament. Paragraph 29 of the Budget Execution Circular for the Financial year states that if an external agency provides funds in the course of implementation of the budget or any funds remain unspent at the expiry of an appropriation, these must be declared and a supplementary issued in line with the Public Finance Management Act 2015.

AG reported that the Institute received off-budget financing to a tune of UGX.1.76Bn, which was not declared to treasury and, therefore, not appropriated to the entity by Parliament. These funds were received directly from development partners for undertaking activities not budgeted for. Management admitted the issue raised and promised that for any subsequent offers, systems will be put in place to ensure that UHI complies with the law.

The Committee reiterates its earlier observations and recommendations on the subject.

#### 5.22.4. Quantification of outputs/activities

AG reported that Section 13 (15, b) of the PFMA 2015 states that a policy statement submitted by a vote shall contain the annual and three months' work plans, outputs, targets and performance indicators of the work plans. Regulation 11 (3) of PFMR 2016 requires that a vote prepares a work plan that indicates the outputs of the vote for the financial year; the indicators to be used to gauge the performance of the outputs and funds allocated to each activity. In order to assess the performance of an output, all activities supporting the output must be quantified.

A review of a sample of eight (8) outputs with a total of forty eight (48) activities and actual expenditure of UGX.11.50Bn revealed that Four (4) outputs with a total of thirty one (31) activities and expenditure worth UGX 4.306Bn were insufficiently quantified and out of the thirty one (31)

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activities, sixteen (16) activities (52%) were quantified while fifteen (15) activities (48%) were not clearly quantified to enable assessment of performance.

The Committee reiterates its earlier observations and recommendations.

#### 5.22.5. Implementation of Quantified Outputs

AG assessed the implementation of four (4) outputs that were fully quantified with a total of seventeen (17) activities worth UGX 7.196Bn and noted that Two (2) outputs with a total of fourteen (14) activities worth UGX 6.606Bn were partially implemented. Out of the fourteen (14) activities, the entity fully implemented four (4) (29%) activities; seven (7) activities (50%) were partially implemented while three (3) (21%) activities remained unimplemented.

The Accounting Officer attributed failure to implement all planned activities and outputs fully to delayed acquisition of accreditation of UHI ethics Committee, limited space in ICU and COVID 19 challenges that led to scale down of the work force among others.

The Committee reiterates its earlier observations and recommendations on the subject.

# 5.22.6. Irregular re-allocation of Expenditure

AG noted that funds to the tune of UGX. 24.13m were irregularly re-allocated from the activities on which they were budgeted and spent on other activities without seeking and obtaining the necessary approvals

The Accounting Officer explained that UHI is faced with a challenge of inadequate funding for its activities. The mischarges derived from compelling items/emergencies that required urgent funds. However, management undertook to continue seeking additional funding to avoid mischarges.

The Committee reiterates its earlier observations and recommendations on the subject.

# 5.22.7. Submission of Quarterly Performance Reports

AG reported that Paragraph 8.12 (4,5,6) of the Treasury Instruction 2017, require the Accounting Officer to prepare reports for each quarter of the Financial Year in respect of the vote for which he/she is responsible. These reports shall contain financial and non-financial information on the operformance of the vote and shall be submitted to Treasury not later than 15 days after the end of each quarter.

The entity submitted performance reports for Q1, Q2, Q3, and Q4 after the deadline given for

submission of the reports;



The Accounting Officer attributed the delays in reporting to restrictions arising from the COVID-19 outbreak between September and December.

The Committee reiterates its earlier observation and recommendation on the subject matter.

#### 5.22.8. Inadequate Budgetary allocation for Domestic Arrears

AG reported that there was no sufficient budget provisions made towards settlement of domestic arrears that cumulatively stand at 3,785,967,692 for FY 2019/20 and 2020/21.

Accounting Officer explained that they are restricted from budgeting for domestic arrears. Otherwise payment for domestic arrears had been on the first call on the new FY before restriction. However, management had been liaising with Treasury to allocate funds for domestic arrears with the latest letter being delivered on 24<sup>th</sup> November, 2021 requesting for domestic arrears to be included in the budget for the FY 2022/2023.

The Committee observes that the continuous failure by Government to settle domestic arrears is not only disincentive to investment, but also a poses a threat for the suppliers withholding the provision or supply of items that may be critical to the functioning of the entity.

The Committee recommends that Government should clear all domestic arrears to avoid unnecessary litigation and costs that may arise out of the delay in clearing the liabilities.

#### 5.22.9. Uncollected Non-tax Revenue

Audit observed that the Institute had debtors to the tune of UGX. 282.97million by the end of the financial year under review. These were receivables from various insurance companies, MDAs and institutions for services rendered by the Institute.

Management explained that the Institute was in touch with the debtors and the processes of developing a debt management policy to booster the debtor follow-up procedures were already in place.

The Committee notes that the laxity with which the entity manages its debt collection affects the financial performance of the entity in terms of NTR collections. It is observed that the absence of a debt collection cannot be a license for the delay in collecting what is due to the entity.

The Committee recommends that Accounting Officer should expedite the implementation of the debtor-follow up procedures to improve the Institute's efficiency in collecting outstanding receivables due.

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The Committee further recommends that the entity engages the services of the Attorney General to assist in its debt collection.

#### 5.22.10. Land encumbrances

Auditor General reported that His Excellency the President in his letter to the Chairperson Uganda Land Commission dated 14th October 2020 and referenced as PO/19, directed Uganda Land Commission to allocate the institute 10 acres of land in Nakawa-Naguru to facilitate the setting up of a Cardiac Centre of Excellence, with a 250 bed capacity facility.

The Committee was informed by the AO that sufficient provision has been made in the current FY 2022/23 budget for the planned construction.

The Committee recommends that the MoFPED proceeds to provide funds for the said construction with a view to reducing the cost of medical services abroad.

# 5.22.11. Delayed completion of the Intensive Care Unit (ICU)

The Audit established that whereas a total contract sum of UGX. 3.5bn had been paid out; works for the construction of the ICU at the facility were still incomplete. For instance, Part of the ICU is currently used for the storage of scaffolds, Doctors' room at the ICU was housing used paint cans and damaged ceiling panels. Under the circumstances, the Institute's capacity to execute its service delivery mandate is significantly impaired due to lack of space.

Management explained that they liaised with the Office of the Attorney General and the contract was terminated in February 2021 for breach and the process of seeking refund of the monies advanced was commenced.

The Committee recommended that the office of Attorney General should expedite the process of recovering the said funds together with interests and damages from the defaulting contractor. It is further recommended that management should undertake proper due diligence in the selection of contractors.

This contractor in reference should be blacklisted from undertaking any further Government projects until it has demonstrated capacity to deliver as per contract.

#### 5.22.12. Staffing Gaps

AG reported that out of the approved structure of 189 for UHI, only 160 positions were filled leaving 29 staff positions vacant.



Management attributed the vacant posts to limited wage budget for payment of salaries and failure to attract qualifying candidates on the labour market for the super-specialist positions.

The Committee reiterates its earlier observation and recommendation on the subject matter.

# 5.23. Uganda Nurses and Midwives Council (UNMC)

#### 5.23.1 Payments without supporting documents

The AG reported that the Council made payments worth UGX 1,465,751,440 in the year ended 30th June 2019 without supporting documents such as invoices, payment request forms and payment vouchers.

Management informed the Committee that Health Monitoring Unit had started investigations and caused prosecution of the alleged responsible officers before the anti-corruption court.

The Committee recommends that that management pursues the said Court case to its logical conclusion to ensure recovery of the amount in issue.

#### 5.23.1. Fraudulent cash outflows:

The Audit discovered a financial loss of UGX.444,400,000 during the year. The amount was transferred from UNMC's Stanbic Bank Account No. 9030005852950 to M/S RAM Engineering (U) Ltd under fraudulent circumstances.

AO explained that explained that UNMC as an entity has never contracted RAM Engineering (U) Ltd to carry out any business with Council and was shocked to discover the said amount was fraudulently transferred to the said company. Management further reported that it took action immediately the fraud happened by reporting to the Auditor General's Office, IGG, Police CID Headquarters and a formal complaint to Stanbic Bank was filed.

The Committee observed that there were weak internal controls in the management of council

funds.

It is therefore recommended as follows;



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- a) AO should pursue the case until its logical conclusion and report back to Parliament on the progress every six (6) months after adoption of this report, until final conclusion of the case.
- b) Strengthen the internal controls for the Council's finances.

# 5.23.2. Performance of Non-Tax Revenue (NTR)

The AG reported that the Council failed to collect budgeted revenue amounting to UGX 557,669,951 during the year under review.

Shortfalls in NTR Collections affect the implementation of the councils planned activities.

AO reported that attributed the budget performance to the COVID-19 pandemic.

The Committee reiterates its earlier observation and recommendation on the subject matter.

#### 5.23.3. Under absorption of Funds

Council had a total of UGX. 7.77bn available for implementation of planned activities. The total receipts for the financial year under review were UGX 2.71 bn. However, only UGX 1.84bn was absorbed (representing 23.7%) leaving a balance of UGX. 5.93bn unspent.

Under absorption of funds undermines the operational objectives of the council. For example the Council House was not acquired s planned during this financial year.

Management clarified that UNMCs approved budget was Shs.4,950,725,000 and not Shs.7.77Bn as indicated by Audit report.

The Committee reiterates its earlier observation and recommendation on the subject matter.

#### 5.23.4. Quantification of outputs /Activities

Auditor General observed that the Council partially implemented six (6) of its planned outputs with a total of Nineteen (19) activities worth UGX 268.41M. Similarly, seven (7) outputs with a total of twenty (20) activities were not implemented at all.

Management responded that it is working towards ensuring that all outputs are quantified

The Committee reiterates its earlier observation and recommendation on the subject matter.



# 5.23.5. Preparations and Presentations of Monitoring Plans and Reports

AG reported that the entity did not prepare and submit the annual monitoring plans to MoFPED and NPA as required. Para.58 of Budget execution circular 2019/20 and Further, the entity did not prepare and submit quarterly monitoring reports to the MoFPED as required.

The AO stated that UNMC does not have a direct vote from Government and therefore, it gets subvention from Ministry and hence reports to the sector Ministry.

The Committee reiterates its earlier observation and recommendation on the subject matter.

#### 5.23.6. Accuracy of Performance reports

A review of the Organization's Annual cumulative performance report and the entity work plan revealed cases where the reported set targets were not consistent with the set targets in the entity work plans.

The Committee reiterates its earlier observation and recommendation on the subject matter.

# 5.23.7. Non alignment of UNMC with the existing Legal Framework

The AG observed there are conflicts in the Council's governing laws. Section 51(2) of the Public Finance Management Act, 2015 requires the Accounting Officer of a public corporation, within two months after the end of each financial year, to prepare and submit to the Accountant-General, a summary statement of financial performance of the public corporation and give a copy of the summary statement to the Secretary to the Treasury. On the contrary, Section 18 (1) Part IV of the Nurses and Midwives Act, 1996 requires the Council to keep proper books of accounts and prepare the annual financial statements of accounts for the period immediately preceding the financial year not later than three months in the following year.

The Committee observes that the Conflict in the governing laws may be used as a cover for negligent execution of duties which in turn my hamper effective execution of UNMC mandate.

It is recommended that the Minister of Health should present an amendment Bill seeking to harmonise the Uganda Nurses and Midwives Council Act with the PFMA within six months

from the date of adoption of this report.



#### 5.23.8. Non secondment of council members by their respective bodies

Section 4 of the UNMC Act 1996, requires each Council member to be a seconded representative of a particular institution or body and must be appointed by the Minister. However, a review of Council Members records revealed that out of the seventeen (17) members, none was seconded by the respective bodies.

The Committee observed that non-secondment of council members by their respective bodies is contrary to Section 4 of the UNMC Act, 1996.

The Committee observes that the governing council is improperly and illegally constituted and the body's activities are null and void for being constituted contrary to the enabling law.

The Committee recommends that the Minister of Health should disband the purported Governing Council and appoint a new one in accordance with the law within a period of one month from the date of adoption of this report.

The verdict of qualified opinion should be maintained and the AO in issue should be banned from occupying any public office for a period of not less than seven years.

#### 5.23.9. Irregular composition of the Audit Committee

Good Corporate Governance practices require separation of duties of board members to ensure their independence in the discharge of duties.

The AG noted that the Chairperson of the council is also a member of the audit Committee which again reports to the council.

The Committee observed that all sub-committees report to the governing council in terms of their mandate and the membership of the chairperson to any sub-committee of the council compromises its independent oversight over the activities of the sub-committee.

The Committee therefore recommends that the Council should observe good corporate a governance principles by reviewing the governance structure to address the anomalies

highlighted herein.



# 5.24. Uganda National Health Research Organisation (UNHRO)

UNHRO is Uganda's umbrella for health coordination established under the UNHRO Act, in 2011 and is mandated to undertake basic epidemiological, applied, interventional, operational, chemotherapeutic research and provide guidance for health research and development in Uganda.

### 5.24.1. Delayed attainment of a Vote Status

The Auditor General noted that the Sessional Parliamentary Committee on Social Services recommended the granting of a vote status to UNHRO. This was followed by issuance of statutory instruments, gazetting and commencement of the Uganda National Health Research Organisation Act, 2011 on the 22nd day of January 2016. But contrary to the above, UNHRO has not attained a vote status.

The Committee observed that the delayed attainment of a Vote Status renders the organization's financial and operational independence limited and causes difficulty in the attainment of the intended objectives.

The Committee therefore, recommends again that MoFPED expedites the process of granting UNHRO a vote status for purposes of financial and operational independence.

#### 5.24.2. Lack of a Governing Board

The Auditor General noted that Section 8 of the Uganda National Health Research Organization Act 2011 requires the Organization to have a governing board comprising of seven members appointed by the Minister of Health. Section 9 (2) states that a member of the Board shall hold office for three years and is eligible for re-appointment for one other term.

The Committee observes that the entity does not have a governing Board, contrary to the law following the expiry of the term of office for the former Board Members in the year 2016. (Two consecutive terms).

The AO informed the Committee that the delay in appointing the Board was largely due to lack of a vote and dedicated funding for the entity and that negotiations were ongoing with MOH, MoFPED and Parliament.

The Committee noted that in the absence of oversight body in form of a Board, the Organisation's operations are likely to be negatively affected and delivery on its mandate as stipulated under

Section 6 of the Act would be greatly compromised:

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The Committee therefore recommends that the MOH ensures that the Governing Board of UNHRO is constituted as a matter of urgency for proper governance of the Organisation's funds.

The MoFPED should expedite the process of the organisation attaining its independent Vote for the proper execution of its mandate.

#### 5.24.3. Sustainability of Services at UNHRO

The Auditor General observed that review of the structure and current staff list of the Organisation had no technical personnel to carry out functions of the organization as no similar trainings were carried out. This casts doubt on both human and social sustainability for the entity.

The AO explained that the Director General was appointed on interim basis subject to granting of a vote status and funding for operationalization of UNHRO Act and appointment of the Board.

The Committee observes that the continued delay in granting UNHRO a vote continues to cast doubt on both human and social sustainability for the entity.

The Committee therefore recommends that the Vote approval process be fast tracked by both Lottern 16 ' MOH and MFPED.

#### 5.24.4. Inadequate Resources

The Auditor General noted that implementation of the UNHRO Act 2011 remained an unfunded priority in the Budget framework paper with no vote to fully implement its mandate. That's why a review of the Ministry of Health's Ministerial Policy statement indicated that the Organization was financed by a subvention of only UGX 0.240bn out of a budget of UGX 2.08bn. However, of the UGX 0.240bn received, 94% is earmarked for wage leaving only 6% for operational costs. The above challenges notwithstanding, AG noted that the entity was able to carry out selected priority activities through collaboration with partners and other relevant national agencies.

The Committee notes with concern that resource constraints impact on the delivery of the organization's mandate and the entity is forced to scale down its operations due to limited funding. Over dependence on other partners rather than having a vote on its own may result in UNHRO prioritizing the requests of the funders or failure to implement its planned activities when the

funders cease to provide for its activities.



The Committee recommends that MoFPED fully funds UNHRO as per their work plan for effective execution of its mandate.

# 5.24.5. Lack of a valid employment contract for the Director General

The Auditor General noted upon review of staff files that the employment contract on file for the Director General had expired in April 2018 and had not been renewed. The Director General is only operating as a care taker of the entity. This was attributed to lack of a governing Board.

The AO informed the Committee that the Director General was appointed on interim basis subject to granting of a vote status and funding for operationalization of UNHRO Act and appointment of the Board.

The Committee observed that the absence of a valid employment contract renders the Director General's actions and remuneration unlawful.

The Committee therefore recommends that the issue of confirming the contract of the Director General be considered urgently in order to avoid any future litigation with regard to the operations of the Organisation.

## 5.24.6. Under staffing

The Auditor General observed that Section 17 (1) of the Uganda National Health Research Organisation Act 2011 states that the Board may, on the advice of the Director General, appoint other officers and staff of the Organization as may be necessary for the effective performance of the Organization. However, a review of the organizational structure revealed by the AG that only 12 out of the approved 26 positions had been filled resulting into a staffing gap of 14 positions that entail critical technical posts of Chief Research and Knowledge Translation Officer, Principal Research Officer and Senior Research Officer among others. This was attributed to inadequate funding for salaries.

The AO informed the Committee that even the existing staffs were underpaid (less than 30% of the approved wages) and this was a big disincentive to attract technical expertise.

The Committee reiterates its earlier observation and recommendation on the subject matter.

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# 5.25. Uganda Blood Transfusion Services

# 5.25.1. Non Existence of Strategic plans that are aligned to NDP-III

Auditor General noted that the entity had prepared and approved its plan. However, approval and certification had not yet been obtained from the Authority.

Additionally, Paragraph 5 of the budget execution circular for the financial year 2020/21 cites poor alignment of Government Budgets with the National Development Plans. The PS/ST urged Accounting Officers to ensure that all activities for Financial Year 2020/21 were aligned with NDP III and implemented accordingly. Regulation 26 (1) of the National Planning Authority (development of Plans) regulations require entities to submit to NPA their five-year development plans for certification before approval.

The Committee observed that there is a risk that activities implemented during the financial year 2020/21 were not aligned to the NDP-III, which negatively affects the achievement of NDP-III objectives.

The Committee reiterates its earlier observation and recommendation on the subject matter.

#### 5.25.2. Performance of NTR (NTR Not Budgeted for)

Audit revealed that NTR estimates, revenue sources and rates charged at vote level for the financial year 2020/21 and noted that the entity did not budget to collect NTR during the year under review. However, UGX.8,550,000 was collected.

The Committee reiterates its earlier observation and recommendation on the subject matter.

#### 5.25.2.1. Performance of GoU receipts

The entity budgeted to receive UGX. 17.64Bn out of which UGX.17.43Bn was warranted, resulting in a shortfall of UGX.0.21Bn (representing 1.18% of the budget).

The Committee reiterates its earlier observation and recommendation on the subject matter.



#### 5.25.3. Absorption of funds

AG established that out of the total warrants for the financial year of UGX.17.43Bn, only UGX.17.20Bn was spent by the entity resulting in an unspent balance of UGX.0.23Bn (representing an absorption level of 98.68%.

The unspent balance at the end of the financial year was subsequently swept back to the consolidated fund account.

AO explained that the unspent funds were meant for activities that were not fully implemented by the end of the financial year, and these include; Pension of retired staff and unpaid gratuity. The death gratuity payment was mostly delayed by the time it takes to secure Letters of Administration by the families of the deceased staff.

Furthermore, AO informed the Committee that the delays in pension payment on the other hand were caused by decentralizing of pensioners from the Ministry of Health payroll to the UBTS payroll. This process at times required physical verification of beneficiaries.

The Committee reiterates its earlier observation and recommendation on the subject matter

#### 5.25.4. Quantification of outputs /Activities

AG noted that Section 13 (15, b) of the PFMA 2015 states that a policy statement submitted by a vote shall contain the annual and three months' work plans, outputs, targets and performance indicators of the work plans. Regulation 11 (3) of PFMR 2016 requires that a vote prepares a work plan that indicates the outputs of the vote for the financial year; the indicators to be used to gauge the performance of the outputs and funds allocated to each activity.

Review of the extent of quantification of outputs and activities for a sample of seven (7) outputs with a total of sixteen (16) activities and expenditure of UGX.11.99Bn and noted the following.

Two (2) outputs with a total of nine (9) activities and expenditure worth UGX.2.71Bn, was insufficiently quantified. I observed that out of the nine (9) activities, seven (7) activities (77%) were quantified, while the balance of two (2) activities (33%) were not clearly quantified to enable the assessment of performance.

Four (4) outputs with a total of five (5) activities and expenditure worth UGX 1.63Bn were not quantified at all. That is none of the five (5) activities within these outputs was quantified at all.

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was quantified at all.

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AG further observed that in cases where outputs were either partially or not quantified, management reported performance in generic ways. Some of the activities that were not sufficiently quantified were.

Accounting Officer noted the observation and regretted non-quantification of some activities and outputs. She however pledged to properly quantify activities in the subsequent reports to facilitate M&E function among others.

The Committee reiterates its earlier observation and recommendation on the subject matter.

# 5.25.5. Implementation of quantified outputs

I assessed the implementation of one (1) out put that was fully quantified with a total of two (2) activities worth UGX.7.65Bn and noted the following;

I assessed the implementation of one (1) out put that was fully quantified with a total of two (2) activities worth UGX.7.65Bn and noted the following None of the two (2) activities under this output were fully implemented.

All the two (2) quantified activities under this output worth UGX 7.65Bn were partially implemented.

Non-implementation of planned activities implies that the expected services to the beneficiary communities were not attained. For example, UBTS did not implement the following planned activities despite having received the required funds; fully collect the targeted units of blood, fully test the target units of blood and Issue the targeted blood units.

The Accounting Officer attributed this to mainly the outbreak of COVID 19 Pandemic and the lock-down that greatly disrupted the Blood Collection especially in schools which are a major source of blood collection.

The Committee observed that UBTS relies on few sources of blood collection. The new Community Based Approach (CBA) to Blood Collection is not well funded which makes it difficult to rollout.

a) The Committee recommends that UBTS should diversify sources of blood collection.

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b) Government should provide adequate funding to UBTS to conduct more outreaches under the Community Based Approach to blood collection in order to achieve their targets.

# 5.25.6. Submission of Quarterly Performance Reports

AG noted that Paragraph 8.12 (4,5,6) of the Treasury Instruction 2017, require the Accounting Officer to prepare reports for each quarter of the Financial Year in respect of the vote for which he/she is responsible. These reports shall contain financial and non-financial information on the performance of the vote and shall be submitted to Treasury not later than 15 days after the end of each quarter.

Failure to submit performance reports in time is not only contrary to the circular standing instructions and Treasury Instructions; it affects the timely evaluation of performance.

The Committee reiterates its earlier observation and recommendation on the subject matter.

#### 5.25.7. Accuracy of Performance Reports submitted

Audit reviewed the annual performance reports and physical inspections/verification of outputs reported and noted inconsistencies in the reported performance for instance the balance of funds on settlement of URA taxes was applied to partly pay for the vehicles.

Management admitted audit findings and undertook to review the reporting mechanisms to have accurate reports for all activities under the different outputs.

The Committee reiterates its earlier observation and recommendation on the subject matter.

#### 5.25.8. Staffing Gaps

A review of the staff structure of Uganda Blood Transfusion Services revealed that out of the approved structure of 424, only 299 positions are filled leaving a variance of 125 staff positions vacant.

The Accounting Officer explained that UBTS had undertaken a restructuring exercise and the initial draft document was ready for internal discussion and would be the key document to engage

with all stakeholders.



The Committee reiterates its earlier observation and recommendation on the subject matter.

# 5.25.9. Land Management

AG noted that Section 8.13 of the Treasury Instructions (2017) requires Votes to have among other ownership documents title deeds for their land.

Audit discovered that apart from Nakasero (Freehold Tenure), Gulu (Leasehold) and Mbarara (Freehold Tenure) Blood Banks. There were no title deeds, memoranda of understanding or lease agreements for the land currently occupied by the four (4) Regional Blood Banks of Arua, Mbale, Kitovu and Fort Portal.

There were inconsistencies with the plot number wrongly reflected as Plot 27 instead of 2F on the cover page of the title deed for the land currently occupied by Nakasero Blood Bank. Management wrote to the Secretary Uganda Land Commission about the anomaly in a letter dated 5/4/2012 Reference number UBTS/ADM/LT/01, however, no response had been received to date

Furthermore, 0.079 hectares of Nakasero Blood Bank were reported to have been encroached on by Pearl of Africa Hotel on plots 2E and 7A1-9A1 as per the boundary opening reports of 23rd November 2009 (S.M Geoteam ltd) and 2nd August 2013 (Terrain Consult) who had been appointed by UBTS.

The Accounting Officer pledged to take up the land issues with the concerned stakeholders to ensure that all UBTS institutional land is duly titled. Follow-up meetings with the Proprietors of Pearl of Africa Hotel were still ongoing.

The Committee observed that there was laxity in following up the land security matters of the UBTS by AO.

The Committee therefore recommends that AO should take steps to secure all UBTS and report

back to Parliament within 3months after adoption of this report.



#### 5.25.10. Delayed Contract Execution

The AG established contract for the remodeling and expansion of a store at Nakasero Blood bank was entered into on 29th January 2019 vide Contract Ref: UBTS/WRKS/2018-19/00040 at a cost of UGX 3,767,693,066 with an intended completion date of 15th August 2020.

The AG further noted that UBTS had so far paid UGX 2,855,372,998, tax inclusive to the contractor. The initial contract completion period fell within the 18 months prescribed within the contract to safeguard UBTS against contract price adjustments. It was however, noted that on 9th September 2021, one year after the intended date of completion, the works were still incomplete. The Accounting Officer explained that extension of the works had been done using fully authorized change orders and contract completion deadline had been extended to enable the contractor competitively source materials in the face of challenges due to COVID 19 pandemic. The Accounting Officer undertook to ensure that the contract is properly executed to completion, and within the new timelines. The contractor had so far done a very commendable job given the COVID-19 challenges and the Store was almost complete and partly in use.

The Committee observed that extension of the contract beyond the intended 18 months of completion not only exposes the entity to risks that the contractor might request for contract price adjustments but also deprives the stores department of work space for execution of its responsibilities.

It is recommended that Accounting Officer should ensure that the contract is properly executed to completion, and within the new timelines.

# 5.25.11. Blood Safety Information System (BSIS)

The AG reported that a total of UGX.0.968Bn was spent on the Blood Safety Information System during the year. Whereas there was information on blood collected, stored and issued during the year, the AG noted that there was no information on how the 224,303 units of blood that had been issued to the different health facilities had been utilized under the circumstances, the accountability cycle for the blood units is incomplete.

Accounting Officer undertook to engage MoFPED and MoH for additional funding to interface the BSIS with the DHIS2 and also train users on data-input and tracking a process that would



complete the cycle of tracing a unit of blood from donor to recipient that is vein-to-vein, and would not only serve accountability purposes but also provide a database for scientific research benefits.

The Committee observed that total expenditure UGX.0.968Bn is rendered wasted since it has failed to achieve the intended objective.

The Committee observed that a significant number of RRHs lacked functional and adequate blood banks, causing them to rely on the center/head office for blood thereby subjecting lives to great risk.

The Committee recommends that the AO should either make the system functional within 3months after the adoption of this report or else be held liable for the wasteful expenditure of UGX.0.968Bn.

The Committee recommends thorough decentralization of blood storage management through establishment of regional blood banks at RRHs.

#### 5.26. Joint Clinical Research Centre (JCRC)

Joint Clinical Research Center (JCRC) is a Center of Excellence that was started in 1990 to address the problem of HIV/AIDS, which was at its peak by that time. The institution is a limited liability, not for profit, Non-Governmental Organization (NGO), which was initiated by a collaborative effort of the Ministry of Health - primarily responsible for policy, Ministry of Defense - which provided the infrastructure and Makerere University Medical School (currently College of Health Sciences) - which provides some of the researchers with whom JCRC works.

## 5.26.1. Implementation of the strategic plan

The Auditor General observed that the Centre had an approved strategic plan for the period 2020/21 -2024/25, which set out both the long term and short term targets to be achieved during the duration of the strategic plan.

Auditor General further noted that at the time of the audit (October 2021), out of the planned nine key deliverables with one hundred thirty seven (137) activities, 93 activities (67.9%) had been achieved by the end of the year. While 16 activities (11.7%) had been partially achieved and 28 activities (20.4%) were not achieved.

The Committee reiterates its earlier observation and recommendation on the subject matter.



#### 5.26.2. Revenue Performance

# 5.26.2.1. Performance of Donor receipts

The Auditor General observed that the entity budgeted to receive UGX.30,223,569,307 from development partners, and UGX31,719,220,000 was received.

Donor funds	Budget (UGX)	Actual (UGX)
GRANTS/ PROGRAM INCOME	11,009,479,500	14,723,200,000
RESEARCH PROJECT INCOME	19,214,089,807	16,996,020,000
	30,223,569,307	31,719,220,000

The Committee noted and commended the AO for an improved donor revenue performance; it also noted that the local funding from Government remained inadequate considering the level of importance attached to the work performed by the Research Centre.

The Accounting Officer attributed the above performance to improved mechanisms in revenue mobilization.

The Committee recommends that Government should consider enhancing its contribution to the entity revenue from the perennial annual contribution of UGX 240 Million to enable the entity execute its mandate.

# 5.26.2.2. Performance of GoU receipts

The entity budgeted to receive UGX 240,000,000, and UGX 240,000,000 was realized resulting into 100% performance.

The Committee reiterates its earlier observation and recommendation on the subject matter.

# 5.26.2.3. Performance of Locally generated revenues

The entity budgeted to generate UGX 2,863,406,876 locally and UGX 3,006,080,000 v generated as detailed in the table below.



Locally generated revenue	Budget (UGX)	Actual (UGX)
Income from Operating Units	914,388,657	1,087,040,000
Income from Corporate MoUs	549,456,784	1,918,340,000
Other Income -	1,399,561,435	700,000
	2,863,406,876	3,006,080,000

The Accounting Officer attributed the performance to better mechanisms of revenue sourcing from corporate MoUs.

The Committee reiterates its earlier observation and recommendation on the subject matter.

#### 5.26.3. Quantification of outputs/activities

Out of the six (6) strategic objectives, capital development, operational costs, and personnel costs that had been planned to deliver the 9 key outputs (deliverables) of the Centre, all totaling to nine (9) key deliverables (outputs) with a total of one hundred thirty seven (137) activities and expenditure of UGX. 24.18bn was assessed, I reviewed the extent of quantification of activities and noted the following:

All the nine (9) outputs with a total of one thirty seven (137) activities and expenditure worth UGX 24.18bn were fully quantified. That is, all the one hundred thirty seven (137) activities (100%) within the strategic objectives were clearly quantified to enable assessment of performance.

The Committee reiterates its earlier observation and recommendation on the subject matter.

#### 5.26.4. Implementation of quantified objectives

I assessed the implementation of nine (9) key deliverables that were fully quantified with a total of one hundred thirty seven (137) activities worth <u>UGX</u> 24.18bn and noted the following

The seven (7) key outputs with a total of one hundred and thirty five (135) activities worth UGX 7.554bn were partially implemented. Out of the one hundred thirty five (135) activities in the seven outputs, ninety one (91) of these were fully implemented; sixteen (16) were partially implemented; while twenty eight (28) were not implemented

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• The two (2) key outputs with a total of two (2) activities worth UGX.16.626 bn were fully implemented.

The Committee reiterates its earlier observation and recommendation on the subject matter.

#### 5.26.5. Provision for doubtful Debts

Auditor General noted that JCRC reported trade and other receivables of UGX.4,210,400,000 (Statement of Financial Position and Note 15 of the Financial Statements) and that out of this, UGX.95,254,972 related to the previous financial year.

Auditor General further noted that JCRC did not make any provision for bad debts as required by IFRS 9 and its Manual. In addition, there was no evidence from the Finance Committee that a review of the bad debts position was annually done.

The Committee observes that failure to make provisions contravenes laid down requirements for bad debts and may result into overstating reported receivables due to unaccounted for risks of non-recoverability. Management has not followed the provisions of the standards and the Manual.

The Accounting Officer explained that efforts have been put in place to send out constant reminders to the listed debtors. In addition, Management will review the list further for presentation to the Finance Committee of the Board.

The Committee noted that there was laxity by the AO in pursuing the bad debtors including: Nile Breweries, TASO Uganda, UAP Insurance and others; additionally, the Committee requested the AO to provide evidence of demand notes to these entities.

#### The Committee recommends:

• Recovery of the funds in question and

 Only make the provision for bad debts after exhausting all the possible avenues of recovery.

### 5.26.6. Signing of local contracts in foreign currency

Auditor General noted that JCRC signed contracts with service providers in foreign currency to a tune of USD 32,258.7. The contracts were for supply of Bone density kits (USD 25,515); supply of Hematology reagents (USD 2,060), and; for internet services (USD 4,683). This was contrary

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ernet services (USD 4,683). This was contrary

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to a letter dated 16th January 2016 (Ref. BPD 86/150/01) by the Secretary to the Treasury to all Accounting Officers requesting that all Local contracts awarded for works, goods and services are awarded in Uganda shillings. This further emphasizes that any deviation from this would attract sanctions spelt under section 79 of the PFMA 2015.

It was observed that award of contracts in foreign currency may distort budget execution as the budgets are prepared in Ugandan shillings. Expenditure in foreign currency may lead to over/under expenditure during translation which may distort the budget.

The Accounting Officer explained that the amounts were paid mainly to companies managing sole agencies /representation of foreign companies hence using this as basis to charge in foreign currencies, the companies were local.

The Committee noted that local firms are a franchise of global companies which should be paid in dollars; subsequent to this, the Committee requested the AO to avail evidence of the communications between the local firms and the foreign ones which required the payments to be made in foreign currency. The Committee was satisfied with the entity's explanation.

The Committee therefore recommended that the audit query be dropped.

#### 5.27. Ministry of Health

The Ministry of Health is charged with the mandate of providing stewardship and leadership to the health sector. It is responsible for policy formulation, review, development and supervision of the entire health sector in the country. The development of a strategic plan and setting standards for quality assurance, resource mobilization and provision of technical assistance to other sectors on health related matters are core functions of the ministry. Monitoring and evaluation of the overall health sector performance is an integral component of the ministry's mandate and core objective.

The Auditor General did conduct an audit of the ministry's financial statement for the year ended 30<sup>th</sup> June, 2021 and provided a report that the Committee has scrutinized and considered. The Committee interfaced with the ministry officials and therefore reports as follows;

<sup>&</sup>lt;sup>9</sup> Refer to Ministry's financial statement for the FY ended 30th June 2021



# 5.27.1. Implementation of the approved budget

The Auditor General noted that the ministry provided a revised budget of UGX1,531.477 trillion out of which UGX1,029.645bn (67%) was warranted. The ministry planned to accomplish 118 outputs with a revised total budget of UGX1,169,119,779,000, representing 77.9% of the total revised budget.

i. Existence of strategic plans aligned to NDP III The Auditor General noted that the ministry had prepared a strategic plan for alignment of its activities with NDP III and submitted the same to NPA for approval but had not been approved and accordingly advised management to follow up the same. The Committee observed that this was done and recommend that the query be dropped.

### ii. Revenue performance

#### a. Performance of NTR

The Auditor General noted that the ministry had not budgeted for NTR but collected the sum of UGX7.205bn in the financial year under review. The Auditor General advised the ministry to always ensure that NTR estimates are included in the budgeting system and the ministry engages MoFPED to ensure adequate financing for the achievement of the objectives.

The Accounting Officer informed the Committee that previously the ministry was not an NTR collecting entity until the advent of covid19 pandemic which forced. Government to begin collecting NTR through the provision of testing services at border entry points.

The Committee observed that in the previous year, the ministry had collected the sum of UGX459,651,669<sup>10</sup>. Which amount was obtained from miscellaneous revenue<sup>11</sup>.

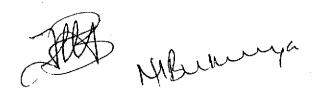
The Committee recommends that the ministry should continuously generate NTR through a host of activities undertaken. For example, through procurement

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<sup>&</sup>lt;sup>10</sup> Source: Page 9 of Ministry's Financial Statement for the year ended 31st June, 2021

<sup>&</sup>lt;sup>11</sup> Source: Ministry's Financial statement for the year ended 31<sup>st</sup> June, 2021



among others. The ministry should be able to collect substantial revenue to enrich the consolidated fund.

## b. Performance of Government receipts

The Auditor General noted that the ministry received the sum of UGX376.837bn thus a shortfall of UGX47m (0.012%) of the approved budget.

The Auditor General noted that any shortfall in the provision has a negative effect on the implementation for planned activities and the Committee agrees.

The Committee however observed from the financial statement that the ministry budgeted for UGX.147bn which was revised to UGX376.884bn, out of which UGX.376.837bn was released and UGX. 374.555bn was spent, implying an underabsorption of UGX 2.28bn.

The Committee recommends therefore, that the MoH should budget for what it can utilize.

# 5.27.2. 2.1 Management of Covid-19 Funds and Donations

During the financial year 2020/21, Parliament appropriated a total of UGX. 253.6bn which was made available for MoH to manage the Covid-19 pandemic. Government in addition received financial and in kind support from both local donors and international development partners.

MoH received USD 21,598,939 from World Bank and USD 14, 296,340 and global fund USD 7,662,559; 15,249,490 vaccines from GAVI-The vaccine alliance, and 2,975,028 masks from local sources in respect of Covid-19 response.

The Auditor General observed that MoH did not designate a specific officer to handle and reporton covid-19 response interventions. Accordingly, information regarding covid-19 responses remained fused with other covid-19 documentations within the Ministry premises with no one centralized point to the necessary records.

The Auditor General further observed that although the Ministry planned to produce bi-weekly, monthly, quarterly, bi-annual and annual covid-19 performance reports, these were not prepared. The Ministry only prepared the report for the period July-September 2020 and provided no evidence of the reports for the subsequent quarters for the FY 2020/21

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The Committee observes that failure to produce timely reports undermines transparency, affects planning and accountability.

The Committee recommends that, the Auditor General should expedite the request by Parliament to conclude the comprehensive audit on covid-19 funds.

# 5.27.3. Non-compliance with the PPDA Regulatory Framework

The Ministry conducted procurements worth UGX.105,937,028,042 in the FY 2019/20 out of which, UGX. 92,960,878,888 had been paid by 30<sup>th</sup> June 2021. During the year under review 2020/21, procurements worth UGX. 191,254,414,946 were conducted out of which, UGX. 184,690,133,633 was paid by 30<sup>th</sup> June 2021 using funds received as covid-19 response.

The Committee observes that the MoH did not request UNBS to routinely supervise the covid-19 masks

The Committee also observes that, there was no evidence that MoH had requested UNBS to do quality assurance and inspection of delivered products

# The Committee recommends that;

- 1. Management should always ensure that delivered items or supplies are certified by a competent authority for conformity of set quality standards
- 2. MoH should request UNBS should pick samples from the market/community for conformity of set quality standards

#### 5.27.4. Covid-19 Vaccines

The first GoU allocation for procurement of vaccines amounting to UGX. 18,500,000,000 was transferred to NMS on 29<sup>th</sup> March 2021 via invoice number R656/MAR21/01 for the procurement of Covid vaccines on behalf of MoH.

Further, a review of the UNICEF's vaccination delivery schedule to NMS revealed that no single vaccination dose procured by the Government of Uganda had been delivered by 30<sup>th</sup> June 2021. However, the Ministry received all the vaccines ordered by close of December 2021.

The Committee observed that procurement of Covid vaccine was a global affair managed through the COVAX Funding facility and therefore beyond the control of MoH.



#### **Accumulation of Domestic Arrears** 5.27.5.

The Auditor General observed that the analysis of domestic arrears over the last two years revealed a downward trend of 24% between 2019/20 and 2020/21. However, it was noted the over the last three years, some domestic arrears remained outstanding over the period.

The Committee observed that, the Accounting Officer contravened section 21(2) of the PFMA. 2015 which states that a vote shall not take any credit from any local company or body unless it has no unpaid domestic arrears in the previous financial year and it has capacity to pay expenditure on the approved estimates as appropriated by Parliament for that FY. Further, para 10.10.17 of the Treasury Instructions 2017, states that an Accounting Officer should ensure that no payment due in any FY remain unpaid at the end of that financial fear

The Auditor General observed that over the last three years, domestic arrears to a tune of UGX. 29,022,459,139bn remained outstanding.

The Committee observed that the Accounting Officer did not comply with the PFMA 2015 and TAI 2017 and further notes that non-payment of domestic arrears affects budgets and subsequent performance of the entity

The Committee also observed that failure to release sufficient funds to various Government entities, is not limited to MoH as planned and budgeted leads to accumulation of domestic arrears.

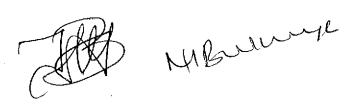
The Committee recommends that the Ministry of Finance should ensure that it releases funds to settle domestic arrears with interest

The MoH should continuously engage the MoFPED to ensure that funds are released to settle the domestic arrears

#### 5.27.6. Non-deduction PAYE on hardship allowances-UGX. 626,630,608

The Auditor General noted that PAYE amounting to UGX. 626,630,608 was not deducted by MoH from various officials' hardship allowance. Both the Income Tax Act (sec 116 (1)) and the Public Service Standing Orders 2010 (E-a) require every employer to withhold tax from a payment of employment income to an employee prescribed by the regulations made pursuant to sec 164 of the Income Tax Act.

Under Sec 124 (1) of the Act, a withholding agent who fails to withhold tax in accordance with the Act is personally liable to pay the said tax that is recoverable. The effect of the failure to deduct tax creates addition liability in form of fines and penalties.



The AO explained that in the wake of the Covid-19 crisis, the payment of facilitation to health workers exposed to the risk of managing positive cases was a way of motivating them in the fight against the pandemic thus the payment of UGX80,000, UGX60,000 and UGX50,000 for high, moderate and low risk cases respectively. The AO further explained that levying a tax on the said amount risked the steady fight against the pandemic thus the omission to withhold the said tax of 30%. That subsequent to discussions with MoFPED, and guidance from the PSST, the Accounting Officer begun withholding the said tax.

The Committee observes that the duty to pay and to withhold tax is a statutory one over which the Accounting Officer had no discretion but to comply with.

The Committee is equally conversant of the important role played by the health workers as frontline officers in the struggle against the pandemic and agrees that the deduction of tax could have caused disruption in the steady fight against the pandemic. The solution would have been a co-ordinated discussion between the two ministries concerned with a possible waiver from MoFPED to avert an impending possible crisis that would arise from any potential strike from medical workers whose service was a matter of life and death.

The Committee notes that the amount in issue as against the country at the time was not substantial. The Committee observes that the patriotism displayed by the health workers in this fight against the Covid-19 pandemic was phenomenal.

The Committee recommends therefore, that the Minister responsible for Finance together with the Commissioner General of URA commence the process of waiving the same tax retrospectively in accordance with Sec 91(1)(b) which permits the Commissioner to disregard a transaction that doesn't have a substantial economic effect.

### Conclusion

Rt. Hon. Speaker and Hon. Colleagues, it is the prayer of the Committee that this August House finds pleasure in receiving and adopting the observation and recommendations therein. I beg to

move.

Thank you.

N/S	Supplier No	Employee No	S/N Supplier No Employee No Name	MoPS IPPS	Entity IPPS	Variance
				Amount	Amount	
ı.	821000	1036269	Edmand Asiimwe	1,344,475	16,133,700	-14,789,225
2.	655791	1006344	Godfrey Ouma	639,507	7,674,084	-7,034,577
	622123	832916	Mary Musoke	2,701,853	2,992,995	-291,142
4.	208363	726568	Fredrick Wandera	414,525	303,832	110,693
5.	107951	80189	Moses Amori Sebbi	15,943,785	N/A	0
9.	Total					-22,004,251

Iles and payroll registers   Interface   IPPS Amount   Interface   (UGX)   Amount (UGX)   P81,775     Banangaki   1,325,147   1,259,900	Total 3 979 954 2 341 675 1 738 279
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# LIST OF MEMBERS ENDORSING THE REPORT OF PAC – CENTRAL GOV'T ON AUDITOR GENERAL'S REPORT ON THE HEALTH SECTOR FOR THE YEAR ENDED 31<sup>st</sup> JUNE 2021

S/n	Name	Constituency	Sign
1.	Hon. Lubega Medard Ssegona	Busiro East	Swago.
2.	Hon. Basalirwa Asuman	Bugiri Municipality	THE SOLVE
3.	Hon. Adriko Yovan	Vurra County	Contract of the contract of th
4.	Hon. Atyang Stella	DWR Moroto	
5.	Hon. Angura Fredrick	Tororo County South	The same of the sa
6.	Hon. Afidra Olema Ronald	Lower Madi County	
7.	Hon. Atima Jackson	Arua Central	
8.	Hon. Bataringaya Basil	Kashari North County	St.
9.	Hon. Bukenya Michael Iga	Bukuya County	Mbukenya
10	Hon. Okot John Amos	Agago North County	
11	Hon. Kyooma Xavier	lbanda North	Hometawa
12	Hon. Siliwany Solomon	Bukooli Central	
13.	Hon. Nandala Mafabi	Budadiri West	
14	Hon. Okin P. P Ojara	Chua West County	
15	Hon. Onekalit Denis Amere	Kitgum Municipality	
16	Hon. Okae Bob	Kwania North	
17	Hon. Lukwago John Paul Mpalanyi	Kyotera County	
18	Hon. Opendi Sarah	DWM Tororo	JES P.
19	Hon. Sam Kavuma (Maj. Gen)	UPDF Rep	Litterna
20	Hon. Kyebakutika Manjeri	Jinja District	
21	Hon.Mawanda Micheal. M	Igara East	John I

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22	Hon. Natumanya Flora	DWR Kikube	
23	Hon. Kwezira Eddie Wagahungu	Bukimbiri County	
24	Hon. Lematia John	Ayivu West County	
25	Hon. Paparu Lillian Obiale	DWR Arua	
26	Hon.Modoi Isaac	Lutseshe County	
27	Hon. Ninsiima Boaz Kasirabo	Kooki County	Yall
28	Hon. Otiam Emmanuel	West Budama	Mansuotash:
29	Hon. Rutahigwa Elisa	Rukungiri Municipality	A
30	Hon. Ruyonga Joseph	Hoima West County	Say Say
31	Hon. Nsegumire Muhammad	Mityana North	
32	Hon. Begumisa Mary	DWR Ssembabule	
33	Hon. Kugonza Emely	Bunyaja County	Jan H
34	Hon. Lolem Micah Akasile	Upe County	famm.
35	Hon. Lokwang Hillary	₩ lk County	10Hpmylog?
36	Hon. Mugabi Susan	DWR Buvuma	100
37	Hon. Lukyamuzi David K	Busujju County	
38.	Hon. Nabukenya Brenda	DWR Luweero	
39	Hon. Kyebakutika Manjeri	Jinja District	
40	Hon. Mpuuga Mathias	Nyendo-Mukungwe County	
41	Hon. Chemutai Everlyn	DWR Bukwo	
42	Hon. Aogon Silas	Kumi Municipality	
43	Hon. Zijjan David Livingstone	Butembe County	
44	Hon. Museveni William	Buwekula County North	







45	Hon. Kinyamatama Suubi Juliet	DWR Rakai	
46	Hon. Okabe Patrick	Serere County	

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