THE REPUBLIC OF UGANDA

THE PARLIAMENT OF UGANDA

THE REPORT OF THE PUBLIC ACCOUNTS COMMITTEE ON THE
REPORT OF THE AUDITOR GENERAL FOR THE PUBLIC
ACCOUNTS OF THE GOVERNMENT OF UGANDA FOR THE
FINANCIAL YEAR ENDED 30TH JUNE 2006
(VOL II)

PUBLISHED: APRIL 2011
27. JUDICIARY DEPARTMENT

27.1 STORES CADRE: AUDIT REPORT PARA 1.8.

A review of staffing of stores cadre in a sample of Ministries revealed inconsistencies in the management of the stores cadre. There was no system of on-job training to equip existing staff with new methods of work. There was also no clear standard of qualification, job description and documentation to enhance stores management. As a result, there was inadequate staffing, poor record keeping, loss of stores and unrestricted accessibility to confidential information. It appeared the stores function in Government had been underrated and thus not receiving enough attention in terms of training and staffing. The Ministry of Public Service and other stakeholders were advised to come up with a clear policy to govern stores management in terms of staffing, qualification, job description and training. This would ensure safe guard of Government assets.

The Accounting Officer noted that this remained a big problem in the Judiciary especially in the District Courts. He said that he was to make a submission to Ministry of Public Service to have these posts filled. He said all the roles were being done by one person which was dangerous for record keeping and accountability.

He however said that at the centre the situation was fair as they had a stores keeper and stores assistant.

The Committee asked for the qualification of these staff and the General staff list of stores country wide. The Accounting Officer was asked to provide a stores ledgers for May and June 2007 (requisition and deliverances) to the Committee for examination.
27.2 FLEET MANAGEMENT SYSTEM: AUDIT REPORT PARA 1.11

Types and Classes of Vehicles

The Auditor General noted that over the years Government had issued regulations regarding the types and class of vehicles, the Accounting Officer can purchase. The maximum capacity being 2800cc for Ministries ranging down to Permanent Secretaries and 2500cc for pool vehicles. This was done with a view of saving Government the exorbitant costs of new high class vehicles and their corresponding high fuel consumption and maintenance.

It was however noted that the Department of Judiciary had flouted such regulations and purchased 8 vehicles over and above the approved classes.

The Accounting Officer admitted that the Department had 8 vehicles over and above the required capacity but said that this was mainly for the Judges.

The Committee noted the explanation given but observed that unless there was to be a waiver, the Committee would deal with this as a breach. The Committee also asked for the details of these vehicles.

27.3 DOMESTIC ARREARS: AUDIT REPORT PARA 1.12

It was reported that the Consolidated domestic arrears as at 30th June, 2006 for Judiciary Department stood at Shs 3,259,463,925. The Accounting Officer needed to comply with Government regulations and desist from continually incurring domestic arrears.

The Accounting Officer said that the outstanding domestic arrears were mainly payments due for utility bills and that efforts were being made to clear them.
The Committee directed the Accounting Officer to provide details of the Domestic arrears. The Accounting Officer was also asked to carry out reconciliation between Shs 1.29 billion and Shs 3.299 billion in the final accounts and provide the exact updated balance of Arrears.

27.4 OUTSTANDING BAIL REFUNDS: AUDIT REPORT PARA 27.2

The Auditor General noted that he had reported on the matter of bail refunds in Paragraph 27.9 of the annual report to Parliament for the year ended 30th June 2005, regarding the indebtedness of Shs.264,851,291 to bail depositors. Subsequent inspections revealed that Shs.120,703,352 remained unpaid, years after courts sanctioned the refund. This figure was however a sample from four stations hence it was only indicative but not the exact amount of outstanding obligations.

<table>
<thead>
<tr>
<th>Court</th>
<th>Amount (Shs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chief Magistrate, Kabale</td>
<td>4,216,000</td>
</tr>
<tr>
<td>Chief Magistrate, Jinja</td>
<td>17,115,000</td>
</tr>
<tr>
<td>Chief Magistrate, Buganda Road</td>
<td>59,890,000</td>
</tr>
<tr>
<td>Chief Magistrate, Mengo</td>
<td>39,482,352</td>
</tr>
<tr>
<td>Total</td>
<td>120,703,352</td>
</tr>
</tbody>
</table>

The Auditor General observed that these claimants held official Government receipts yet it appeared the money was not banked on Government accounts. Besides, the Judiciary did not recognize this liability in its financial statements. The non disclosure of this liability in the financial statements caused a material misstatement in the financial statements.

It was further noted that some officers were illegally diverting revenue collections to refund the bail depositors. For example in Kabale Chief Magistrate Court, revenue of Shs.5,634,000 was paid as refund to bail depositors contrary to regulations. The Accounting Officer had regretted the anomaly. He said it was used to fund court operations pending recovery from operational fund. However, due to insufficient funds, recovery had not been possible. He had promised to recognize the cash bail claims in the financial statements. Audit had also advised, the Accounting Officer to inform all courts to desist from use of bail funds. Audit further had advised him to take stock of bail deposits in courts countrywide.
and take measures to ensure that bail monies are always properly recognized in the accounts and entirely refunded when due.

The Accounting Officer regretted that the outstanding bail refunds were not recognized and included in the financial statements. He explained that at the time of the compilation of Final Accounts for that period, Audit had not yet established the actual bills from the Courts. However, the various courts had since submitted the details of the outstanding bail deposits. These figures were to be reflected in Final Accounts of subsequent financial years. The Accounting Officer noted that due to inadequate funding of Judiciary by the Ministry of Finance, Planning and Economic Development, the bail money was sometimes borrowed to fund court operations, at times, even before banking, with a view of recovering. The Judiciary had since refunded Shs. 28,917,000/= to the bail depositors from the usual monthly releases.

The Accounting Officer reported that fund borrowing practice had been minimized with the operationalisation of the new system of Uganda Revenue Authority taking over the collection of both bail deposits and revenue. Those stations which had not yet been taken over by the Uganda Revenue Authority had been advised to adhere to proper financial management regulations.

The Committee noted that the problem arose before the reforms and that all tax revenue was then being paid through the Bank to URA. There was no physical cash. The Committee recommended that the Auditor General carries out a forensic Audit on the revenue received by Judiciary since 2000.

The Accounting Officer informed the Committee that he had not given any magistrate authority to use any money at source. The Committee directed him to submit whoever used money at source to the Judicial Service Commission (JSC) who should set higher standards on how Judicial offices should behave.

27.5 BORROWING FROM PROJECTS FUNDS: AUDIT REPORT PARA 27.3

The Auditor General reported that a sum of Shs. 560,548,668 which had been borrowed from various projects to finance various non project activities had not been refunded by 30/6/2006. In case of one
project, Justice Law and Order Sector (JLOS), the un-refunded amount represented 43% of the annual transfers to this project. Clearly this project was suffocated. Details were as below:

<table>
<thead>
<tr>
<th>Project Name</th>
<th>Amount (shs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>JLOS</td>
<td>527,421,395</td>
</tr>
<tr>
<td>Commercial Judicial Reform Project</td>
<td>28,184,273</td>
</tr>
<tr>
<td>Case Backlog</td>
<td>4,943,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>560,548,668</strong></td>
</tr>
</tbody>
</table>

The Auditor General noted that Projects like any other entity operated on planned and budgeted funds. Therefore the borrowings affected the performance of planned activities and attainment of project goals. In any case such borrowings defeated the purpose of budgets and budget controls. Audit had advised the Accounting Officer to desist from borrowings and to refund the money as soon as possible.

The Accounting Officer said that the money was borrowed to fund various court activities in the interest of Justice delivery. While the Judiciary’s activities increased, its annual budget had not been increased to match the increasing levels of statutory and development activities.

He said that Judiciary had tried as much as possible to desist from this borrowing habit. He reported that the recovery process of these funds was in progress as per attached schedule totaling Shs.557,293,719/=.

The Committee requested the Accounting Officer to give details on how the money was used. They were also to produce the authority to spend the money.

The Committee was informed that the money was borrowed to finance recurrent expenditure e.g. travels abroad, Judges’ medical bills. There was no Authority for re-allocation. The Committee directed that the details of Shs 560,548,668 be provided before the end of the day.

The Accounting Officer was also asked to provide authority for borrowing.
27.6 REVENUE BANKED ON ACCOUNTS BELONGING TO MINISTRY OF LANDS: AUDIT REPORT PARA 27.4

The Auditor General observed that most Land Tribunals had continued to bank revenue collections on the old bank accounts which belonged to the Ministry of Lands. From the sample of the districts visited Shs.9,480,500 had been banked on the Ministry of Lands accounts in commercial banks although this could not be verified independently as no bank statements and certificates had been presented.

<table>
<thead>
<tr>
<th>Station</th>
<th>Amount (Shs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bushenyi</td>
<td>1,075,000</td>
</tr>
<tr>
<td>Kabale</td>
<td>110,000</td>
</tr>
<tr>
<td>Palisa</td>
<td>4,706,000</td>
</tr>
<tr>
<td>Kampala</td>
<td>2,692,000</td>
</tr>
<tr>
<td>Mpigi</td>
<td>697,500</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>9,480,500</strong></td>
</tr>
</tbody>
</table>

Audit had stated that all these anomalies implied weaknesses in revenue management from Land Tribunals which required immediate attention and redress. Audit further recommended to the Accounting Officer to communicate to all his officers countrywide to start using Judiciary accounts and ensure revenue is banked intact and remitted to UCF promptly.

The Accounting Officer noted that this anomaly happened before the time the Judiciary took over the Land Tribunal from that Ministry. The process had then been streamlined. Further more, he reported that he had written to the Accounting Officer of Ministry of Lands to provide the necessary evidence of remittance of the said funds. In addition, Land Tribunals had been phased out and courts had taken charge of the money collections together with Uganda Revenue Authority.

The Committee noted that the answer was not satisfactory and directed that a clear answer be made by the Accounting Officer to this effect.
27.7 UN UPDATED EXHIBIT REGISTER AT MBARARA CHIEF MAGISTRATES COURT: AUDIT REPORT PARA 27.5

Audit inspection of the exhibit register of the above court on 13/9/2006 revealed that the last entry was made on 11/3/2005, 18 months from the last date. This meant that all the items of exhibit deposited during this period were off the record and could easily be abused. Furthermore these items could not be physically verified as the officer with the keys for the store failed to open the store alleging that the lock was faulty. Audit had recommended that the register be updated to include all the exhibits during that period. Meanwhile, this particular court be further inspected focusing on the exhibit operations among others.

The Accounting Officer reported that the concerned officer had been directed to update and submit the register to the Auditors for verification.

The Committee asked the Accounting Officer to confirm that there was no exhibit after 11th March 2005. He was also directed to submit the exhibit book for the Committee’s examination and the verification of the Auditor General. The Committee also asked for a confirmation that the exhibit registers for all the stations were up to date.

27.8 ACCIDENT VEHICLE: AUDIT REPORT PARA 27.6

The Auditor General noted that the Treasury Accounting Instructions gave procedures to be followed by the Accounting Officer regarding Government vehicles involved in accidents and specifically required recovery of repairs costs from the driver or officer of the vehicle who was at fault. Audit noted that an officer drove a vehicle without authority and unfortunately had an accident whose cost of repair was Shs. 7,839,000. There was however no evidence of any recoveries made from the officer or any disciplinary action taken as required by the Treasury Accounting Instructions (TAI). Audit had recommended that recoveries be made and in future, compliance of the provisions of the Treasury
Accounting Instructions be emphasized. The Accounting Officer had stated that the salary of the Officer was being deducted effective March, 2007. Audit awaited recovery of the amount.

The Accounting officer said that the recovery process had started in September 2007 and by then Shs 500,000/= had been recovered.

The Committee asked the Accounting Officer to provide the circumstances under which the Officer was driving this car.

27.9 CONTINUED USE OF GOVERNMENT VEHICLES BY RETIRED OFFICERS: AUDIT REPORT PARA 27.7

A review of the current fleet of motor vehicles in the department by the Auditor General revealed that retired Senior Officers did not handover Government vehicles allocated to them while they were in service. The vehicles were then in their possession despite advice by the Ministry of Public Service that regulations did not allow Public officers to retire with Government properties. It was a common practice for officers to request for new vehicles as they approach retirement with the intention of retaining them. The cause of this irregularity was failure by management to adhere to handover procedures, a weakness that could lead to loss of Government property. The Accounting Officer had stated that the precedent was set by the retirement of one judge where the President accented to the proposal of a policy where judges would retire with their basic rights as enjoyed while in service. The proposal for the change in policy had however not been regularized and incorporated in the law. Audit had recommended that procedures for handover of public office be strengthened and adhered to. Audit had also advised the Accounting Officer to expedite the necessary processes to regularize the policy.

The Accounting Officer reported that a policy proposal to operationalize the directive of His Excellency, the President on this matter had been submitted to cabinet by the Attorney General/ Minister of Justice and Constitutional Affairs for the necessary consideration and approval.

The Committee demanded for evidence of attempts to put the law in place since 1998; if not the Accounting Officer should commence the process of retrieving the vehicles.
27.10 MANAGEMENT OF HOUSING ALLOWANCE FOR JUDGES: AUDIT REPORT PARA 27.8

The Auditor General reported that all judges were entitled to a monthly housing allowance as specified in Standing Circular Instruction Number 3 of 1999 and Salaries and Allowances of Specified Officers Act of 1999. It was however noted that some judges opted for house rent instead of housing allowances thereby varying the terms of services specified in the law. For example, one judge was paid rent of Shs.2, 500,000 per month yet he was entitled to housing allowance of Shs.2, 000,000 per month. Another judge was paid rent of Shs.2, 500,000 against his entitlement of Shs.2, 300,000. Furthermore, in both cases there was no tenancy agreement and valuation by a Government Valuer to justify the amounts of rent paid. This was especially relevant given the fact that the judges were staying in their own houses.

It was also noted that a top Judge was being paid a monthly housing allowance of Shs.3,000,000 per month instead of a fully furnished house as specified in the law. It was not clear how such a rate was arrived at. In any case, a fully furnished house was available but only needed to be renovated. In his written reply to Audit the Accounting Officer had stated that the Judges' option of house rent was in line with the Circular Standing Instruction No. 20 of 1999 and valuations and rental agreements were available. No agreements were however made available for audit. The Accounting Officer had further stated that the rate used in payment of housing allowance to the top judge was discretionary given that the allowance of his Deputy was Shs.2.5 million. This was being done as he awaited completion of repairs of his official residence. Audit had recommended that management pays housing allowance according to the recommended specified rates. Audit had further advised the Accounting Officer to expedite the completion of the renovation of the top judge's house to enable him relocate.

The Accounting Officer explained that Judges Option of house rent was in line with the circular standing Instruction No.3 of 1999 and valuations and rental agreements were available for verification. He said that the chief Justice's housing allowance was discretionary given that the allowance of his Deputy was Shs 2.5 million. This was done as efforts were being made to complete repairs of his official residence.
The Committee asked the Accounting officer to provide the list of judges and what they were getting as housing allowance before the instrument. In the cases where the Government was the one renting, the Committee asked for the submission of the evaluation and Tenancy Agreement.
28. HEALTH SERVICE COMMISSION

28.1 FLEET MANAGEMENT SYSTEM: AUDIT REPORT PARA 1.11

The Auditor General noted that he had reported lack of a proper fleet management system in Government institutions which exposed Government vehicles to uncontrolled movements, surging fuel, repair and maintenance costs. During the year, some Ministries attempted to set up fleet management systems. It was however noted that, still these systems were not strictly followed. In many cases the movement log books were not up to date, vehicles were still used on unofficial activities, vehicle service was not done on time, and repairs were done without proper documentation like pre-inspection reports, job cards and post inspection reports. Although the Government policy was to replace vehicles after 5 years in use, this was not being done. Instead vehicles were being used for between 5 to 10 years. As such Government continued to incur large sums of monies on repairs and maintenance of vehicles.

The Accounting Officer reported to the Committee that the Health Service Commission had in place, procedures for the management of its vehicles. He however noted that most of the vehicles the Commission had were too old leading to high cost of maintenance. He also confirmed that there were some vehicles which were above the required capacity level.

The Committee cautioned the Accounting Officer against purchasing vehicles that were beyond the required capacity. It however asked the Ministry of Finance to provide funds for the Commission to purchase more vehicles.

28.2 DOMESTC ARREARS AND CONTINGENT LIABILITIES: AUDIT REPORT PARA 1.12.

It was reported that the Consolidated domestic arrears as at 30th June, 2006 for the Health Service Commission stood at Shs 38,759,773. The Accounting Officer needed to comply with Government regulations and desist from continually incurring domestic arrears.
The Accounting Officer confirmed that at the close of the F/Y 2005/06, the Health Service Commission had domestic arrears totaling Shs. 38,759,773. He gave the details of the arrears as follows:

<table>
<thead>
<tr>
<th>F/Y Payables incurred</th>
<th>Amount (Shs)</th>
<th>Details</th>
<th>Current status</th>
</tr>
</thead>
<tbody>
<tr>
<td>F/Y 2004/05</td>
<td>7,186,342</td>
<td>Unprocessed paye deducted from staff June 2005 salaries. the supplementary to cover salary shortfall was received too late to process payment</td>
<td>Paid during F/Y 2006/07</td>
</tr>
<tr>
<td>F/Y 2004/05</td>
<td>93,000</td>
<td>Unprocessed rent deducted from staff June 2005 salaries - as above</td>
<td>Paid during F/Y 2006/07</td>
</tr>
<tr>
<td>F/Y 2004/05</td>
<td>10,206,075</td>
<td>Unpaid medical bills incurred on treatment of late kiryabwire (member health service commission) in Nairobi, Kenya</td>
<td>Paid during F/Y 2006/07</td>
</tr>
<tr>
<td>F/Y 2004/05</td>
<td>18,801,254</td>
<td>Import duties on one pajero station wagon procured. Application has been made to ministry of finance for write-off as advised in the f/y 2006/07 budget speech</td>
<td>To be written off by the Treasury</td>
</tr>
<tr>
<td>F/Y 2004/05</td>
<td>2,095,979</td>
<td>Unpaid withholding tax</td>
<td>Paid during F/Y 2006/07</td>
</tr>
<tr>
<td>F/Y 2004/05</td>
<td>85,000</td>
<td>Stale cheques no. 594534 shs 60,000 &amp; no. 514676 shs 25,000</td>
<td></td>
</tr>
<tr>
<td>F/Y 2004/05</td>
<td>291,123</td>
<td>Stale cheque no. 851058 of December</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>38,759,773</strong></td>
<td><strong>Total</strong></td>
<td></td>
</tr>
</tbody>
</table>

The Committee demanded for all the supportive documents for the payments made to be submitted for verification.

**28.3 PAYMENT OF UTILITIES: AUDIT REPORT PARA 29.2**

The Auditor General reported that under the new Government policy then, utilities were paid for directly to the Service provider. However, some Government Departments share buildings under one management team for example Workers House, where Health Service Commission, Local Government Commission and Ministry of Local Government were located and pay directly to the Landlord instead of the service provider.
All service providers’ accounts were in the names of the Landlord (NSSF) whom they bill and eventually NSSF is supposed to sub-bill all tents on the same building. It was established that there was no reconciliation of payments made directly to utility providers against sub bills from the Landlords. Audit had advised the Accounting Officer to make his payments against actual consumption of utilities. A separate meter should be obtained if necessary.

The Accounting Officer admitted that the landlord (NSSF) of Workers House made arrangement with the Service provider (UMEME) to make bulk supply to and bill the landlord who would then apportion the bill to various tenants using an internal meter for each tenant in the building including the Commission using its own invoice. Payment would then be effected through the landlord.

He noted that the Health Service Commission had been greatly concerned about this arrangement due to its lack of transparency and that the Commission had taken some measures to address the issue and these include;

1. A letter to Landlord was written drawing his attention to the problem of electricity bills.
2. A pre-payment for electricity of Shs.11,183,395/= was made and request for statement on utilisation of the above deposit prior to further payments, was also made.

He noted that since the last payment (deposit) the landlord had not issued any electricity bills to the Commission pending installation of UMEME meter for each tenant. He reported that the Commission was pursuing this arrangement as the only viable solution to the billing problem.

The Committee demanded for proof that all payments totalling Shs. 11,183,395 had reached UMEME. The Committee observed that the Commission was accumulating debts since no payments were being made. The Accounting Officer was asked to ensure that sufficient funds were put in place for this purpose and an appropriate billing system was put in place.
29. JUDICIAL SERVICE COMMISSION

29.1 STORES CADRE: AUDIT REPORT PARA 1.8.

A review of staffing of stores cadre in a sample of Ministries revealed inconsistencies in the management of the stores cadre.

There was no system of on-job training to equip existing staff with new methods of work. There was also no clear standard of qualification, job description and documentation to enhance stores management. As a result, there was inadequate staffing, poor record keeping, loss of stores and unrestricted accessibility to confidential information. It appeared that the stores function in Government had been underrated and thus not receiving enough attention in terms of training and staffing. The Ministry of Public Service and other stakeholders were advised to come up with a clear policy to govern stores management in terms of staffing, qualification, job description and training. This would ensure safe guard of Government assets.

The Accounting Officer confirmed that the Commission’s structure had no post of stores cadre and the store was being managed by the Office Supervisor. He however reported that with the streamlining of Office and stores management by the Ministry of Public Service, a post of Senior Principal Store Assistant (SPSA) had been created and was expected to be filled soon.

The Committee noted that action was being taken.

29.2 BOARD OF SURVEY: AUDIT REPORT PARA 1.10

The Auditor General reported that contrary to regulation, that require boards of survey to be appointed to survey cash on cash stores, he did not receive boards of survey report on cash and stores from judiciary.

The Accounting Officer reported that a board of survey was carried out for the period under review. He submitted a copy of the report to the Committee.
The Committee noted that the survey had been carried out.

29.3 FLEET MANAGEMENT SYSTEM: AUDIT REPORT PARA 1.11

The Auditor General reported lack of a proper fleet management system in Government institutions which exposed Government vehicles to uncontrolled movements, surging fuel, repair and maintenance costs. During the year, some Ministries attempted to set up fleet management systems. It was however noted that, these systems were still not being strictly followed. In many cases the Movement log books were not up to date, vehicles were being used on unofficial activities, vehicle service was not done on time, and repairs were done without proper documentation like pre-inspection reports, job cards and post inspection reports.

Although the Government policy was to replace vehicles after five years in use, this was not being done. Instead vehicles were being used for between five to ten years. As such Government continued to incur large sums of monies on repairs and maintenance of vehicles. During the year under review an amount of Shs. 191,627,153 were spent by Ministry of Finance, Planning and Economic Development on repair and maintenance.

The Accounting Officer elaborated procedures of vehicle management in the Commission as follows:-

Vehicle movement

He reported that Log books were provided for all vehicles, being maintained by the driver and the Officers making the journeys. Also programmes for field activities are drawn in advance and approved by the Accounting Officer.

Fuel

He said that the Commission uses the smart Fuel Card system through Standard Chartered Bank as per Government policy. The amount of money released for fuel however had not been increased reasonably in comparison to the expanded fleet. Copies of printouts for utilization of fuel cards were presented to the Committee.
Repair and maintenance costs

He said that the Commission has relatively new vehicles requiring mostly servicing regularly since most of their work was in up country areas (civic education and investigation). A few major mechanical repairs mainly occurred after such trips, especially from areas with bad road network.

The Committee noted the fleet management system in place and requested the Auditor General to verify and report.

b) Types and classes of vehicles:-

The Auditor General also noted that over the years Government had issued regulations regarding the types and class of vehicles, Accounting Officer can purchase. The maximum capacity being 2800cc for Ministers down to Permanent Secretaries and 2500cc for pool vehicles. This was done with a view of saving Government the exorbitant costs of new high class vehicles and their corresponding high fuel consumption and maintenance.

It was however noted that the Ministry had flouted such regulations and purchased 20 vehicles over and above the approved classes.

The Accounting Officer submitted that most of the activities carried out by the Commission were sector wide, servicing the Justice, Law and Order Sector (JLOS). These include:

- Civic education at district and sub-county levels.
- Investigations of allegations of judicial misconduct down to Magistrate 11 Courts and District Land Tribunals.
- Training of Judicial Officers at Regional Level.
- Training Needs Assessment at sector level, and in the most disadvantaged areas including Karamoja and districts affected by conflict in northern Uganda.

He therefore noted that robust vehicles were needed to execute the above activities. He noted that the teams that went out for civic education were normally comprised of 6 members of staff, and were supposed to be joined by one Commissioner. This therefore required a bigger vehicle with higher
Audit advised the Accounting Officer to liaise with the Ministry of Finance, Planning and Economic Development and ensure that enough funds were released to settle these outstanding obligations. For tax arrears, the Accounting Officer should liaise with the Ministry of Finance, Planning and Economic Development and Uganda Revenue Authority to ascertain whether the arrears in question were covered by the Government Policy of tax remission announced by the Minister.

The Accounting Officer admitted that the Electoral Commission had closed the financial year with total liabilities amounting to Shs. 4,189,033,252/= from the previous year. Shs 713,109,939/= related to the private sector, Shs 8,261,639,000/= (Uganda Revenue Authority) and Shs 3,721,133,192/= related to Electoral Commission which expenses were incurred during the earlier elections (domestic arrears). Shs 713,109,939 was settled during the financial year 2006/07).

He said that the domestic arrears of Shs 3,721,133,192/= were budgeted for and approved for the financial year 2007/2008. A total of Shs 3,595,342,488/= was released and paid to the districts. Arrangements to pay the debts were in the final stages.

The Accounting Officer said that he had followed up the tax liability of Shs 8,261,639,000/= owing to Uganda Revenue Authority incurred on imports on the General election materials with the Permanent Secretary/ Secretary to the Treasury to regularize this expenditure. The Commission was advised by Uganda Revenue Authority that this was covered under the tax remission. He provided details of Shillings 8,261,639,000/= mentioned above.

The Committee asked the Auditor General to verify the above explanation and report accordingly.

30.8 PROCUREMENT OF VEHICLES, NISSAN PATROLS: AUDIT REPORT 31.4

To facilitate Presidential candidates in their campaigns, the Electoral Commission made an order of 5 units of Nissan Patrol GL 4WD Station Wagon vehicles from a local company at a cost of Shs.519,312,400 through direct sourcing. A Local Purchase Order issued required the vehicles to be delivered fully registered by 15th December 2005 which was also the date indicated in the supplier’s quotation. However, the vehicles were never delivered in the specified time until 10th Feb 06 and were therefore not used for the intended purpose.
Although the Commission had a practice of providing for liquidation of damages for contracted suppliers of equipment and machinery at 0.2% per day in default, this was not possible for this supplier for the 56 days of default because the Commission did not enter into a purchase contract with the supplier as required by the existing procurement regulations. A total of Shs. 58,162,988 in respect of liquidated damages would have accrued to the Commission. During audit discussions with the Accounting Officer, he explained that the delays in the procurements by the Commission were due to late passing of the enabling laws. Audit had advised the Accounting Officer to properly plan for the Commission procurement needs and have contracts entered with suppliers for all large procurements as specified by the procurement regulations.

The Accounting Officer admitted that the Commission made an order of 5 units of Nissan Patrol GL 4WD Station Wagons at the cost of Shs 519,312,400 to facilitate Presidential candidates in their campaign. The LPO was issued on the 6th December 2005 and the vehicles delivered on 10th February 2006. He however, noted that the Commission was greatly affected in its procurement and management of elections as planned, because of the late passing of the enabling laws. The Presidential elections Act, 2003 was passed and became effective only on the 21st November 2005.

He pointed out that the implementation of the Procurement Plan involved Commitment of funds, which funds could not be committed until availed by Ministry of Finance, Planning and Economic Development. Ministry of Finance, Planning and Economic Development could not avail electoral funds in absence of an enabling law. He admitted that the Commission did not plan for the procurement as per existing regulations.

The Committee noted the explanation of the Accounting Officer that the delay in enacting electoral laws was partly responsible for the above mess. The Auditor General was directed to study the contract relating to the purchase of the two motor vehicles. Government was advised to ensure the enactment of laws in time to avoid such mishaps.
30.9 WASTEFUL EXPENDITURE: AUDIT REPORT 31.5

A total of Shs.19, 625,025 was paid to a former Officer of the Commission as terminal benefits. The Officer was verbally dismissed from her employment with the Electoral Commission with effect from 28th January 2002. The accusations were not put in writing at the time but were communicated to her on 28th June 2002, after her own attempts to find out the reasons behind her dismissal. Although investigations were done in December 2002 and recommendations made to expeditiously conclude the matter, considering that she had already exceeded the mandatory six months required under the Human Resource Manual for suspension, the Commission did not act for a whole period of 41 months.

In another development an amount of Shs.58, 424,128 were incurred as a result of wrongfully dismissing another Officer who later successfully sued the Commission for wrongful dismissal and was awarded the amount. In both cases, the Commission did not follow the laid down procedures for the dismissal of its officers from service. The amounts payable to the Officers would have been lower, had the right procedures been followed. The Accounting Officer had stated that the first case delayed due to absence of the Commissioners and backlog of work to enable them take a decision while in the second case, the circumstances of dismissal were beyond the Commission's control. Audit had advised the Accounting Officer to strictly follow the established Human Resource Management Procedures to minimize the risk of litigation and wasteful expenditure.

The Accounting Officer submitted that Shs 19,625,025= and Shs 58,424,128= respectively were paid to two different former officers of the Electoral Commission as damages for wrongfully dismissal from employment. He explained that the first case delayed due to absence of Commissioners and the backlog of work, while in the second case, the circumstances of dismissal were beyond the Commission's control. He however, observed that the Commission had since exercised consistency in application of its Personnel Manual in matters of staff discipline.
The Committee noted that the Legal department in Electoral Commission did not give proper advice to the chairman of the Electoral Commission in regard to the termination of the Officers in question. The Committee therefore took this as wasteful expenditure, on the part of the Commission.

30.10 CONTINGENT LIABILITIES: AUDIT REPORT PARA 31.6

It was reported that the Electoral Commission had various cases pending in court. A total of Shs 1,341,947,048 in contingent liabilities had been disclosed in the financial statements in this respect. However, the staffing of the Commission's legal department was still inadequate to enable it effectively handle all the legal matters. Currently the department was staffed with only two lawyers which number was not adequate, given the number of legal cases the Commission handled. This had sometime led to the Commission not being presented in Court.

The Commission faced a risk of loss of court cases and unnecessary costs. This called for strengthening of legal department. During audit discussions, the Accounting Officer had explained that the Commission was in the advanced stages of transforming its legal department into a law chamber through which it cost to hire cost effective legal service as and when the need arises.

The Committee noted that it had dealt with this query in 30.3 of this report.

30.11 PROCUREMENT: AUDIT REPORT 31.7

During the financial year, the Commission on various occasions procured goods and services through direct procurement or single sourcing to facilitate the Presidential, Parliamentary and local elections. Examples of direct procurements, included:-

<table>
<thead>
<tr>
<th>Service</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Voter Education Campaign</td>
<td>Shs. 557,756,400</td>
</tr>
<tr>
<td>Procurement of Vehicles (Nissan Patrols)</td>
<td>Shs. 519,312,400</td>
</tr>
<tr>
<td>Consultancy Services for Acquisition of Disaster Recovery System</td>
<td>US$ 82,665</td>
</tr>
</tbody>
</table>

According to the Accounting Officer, the procurements were carried out to handle emergency procurement needs which were very critical to the running of the elections. Audit had however
explained to the Accounting Officer that emergency procurements to a large degree indicated weaknesses in procurement planning. For example, the engagement of a firm to carry out voter education campaigns at Shs.557,756,400 one week to the Presidential and Parliamentary elections showed lack of serious planning by management since voter education was among the core activities the Commission is responsible for. Besides, the period was too short for the Commission to realize value for money. Although in all the above cases the procurement method was approved by the Public Procurement and Disposal of Assets Authority in accordance with the PPDA Act and regulation. The use of direct procurement in a situation where it was possible to obtain other bidders deprived the Commission of the benefits of subjecting the procurement to competition. It also exposed the Commission to the risk of over-invoicing, substandard goods, slippages in contract performance and risk of not obtaining value for money. The Accounting Officer attributed the problem to poor funding, late release of funds and the late enactment of laws governing elections.

The Accounting Officer submitted that commitment of funds depended on the release of funds from Ministry of Finance, Planning and Economic Development and that the Ministry releases funds based on enabling laws. In these procurements, the enabling laws came late thereby forcing the Commission to seek waivers from PPDA in order to obtain the services/goods it required to fulfil its mandate in time.

The Accounting Officer submitted all the documents requested for.

The Committee noted the explanation submitted by the Accounting Officer and asked the Auditor General to verify the documents submitted by the Accounting Officer.
31. UGANDA HUMAN RIGHTS COMMISSION

31.1 DONOR FUNDED PROJECT: AUDIT REPORT PARA 32.2

The Auditor General reported that one Project, Human Rights and Good Governance Programme included in the accounts was audited separately and a separate report issued. This project received funding to the tune of Shs. 2,474,593,919.

The Accounting Officer submitted that it was the responsibility of Ministry of Finance, Planning and Economic Development to answer this query.

The Committee decided that the query be transferred to Ministry of Finance, Planning and Economic Development.

31.2 PROJECT BALANCES AND OTHERS: AUDIT REPORT PARA 32.3

The Commission’s Project balances for the year 2004/2005 stood at Shs 765,232,577 and Government of Uganda funding stood at Shs.94,957,263. The amounts had to be sent back to the Donors and the Uganda Consolidated Fund due to failure to utilize the funds. The Commission’s Recurrent and Capital programmes however appear to be under funded. Audit had advised the Accounting Officer to ensure proper planning and fund management.

The Accounting Officer submitted that the financing agreement between the Commission and the Basket Fund Donors required that all unutilised balances at the end of a financial year be returned to the Donors. The donors ordinarily disbursed to the Commission funds on a quarterly basis and often late into the quarter. Cases where funds for one quarter had been released well into another quarter had been recorded. These late releases translated into the Commission’s failure to implement some activities resulting into unutilised funds balances.
The Committee observed that it was unfortunate for Donors to have released funds at the close of the year when they were involved in the planning right from the inception of the project.

31.3 STAFFING: AUDIT REPORT PARA 32.4

The Commission had an established Human resource structure of 128 employees of which 114 posts had been substantively filled. The 14 posts had not been filled by the time of writing audit report. The people holding those vacant posts were volunteers; some of them had been in those posts for over 2 years contrary to the Personnel Manual Terms and Condition of service, (Human Resource Policies) of the Commission which provided for one to act in a position for a period of up to six months. Besides, the volunteers had no contractual obligation with the Commission. The Accounting Officer had explained that the Commission was in the process of a restructuring exercise resulting into the merger of some directorates and creation of two new regional offices. The Auditor General had advised Management to speed up the restructuring process and ensure that vacant posts are filled to facilitate better service delivery and attainment of the Commission’s objectives.

The Accounting Officer submitted that the restructuring process had been completed with the Ministry of Finance, Planning and Economic Development (MFPED), for financing a structure of 148 officers. However, MFPED was not able to finance the new structure entirely during the year under review but gave its commitment to fully finance the new structure, commencing with FY 2008/09. It was only after that, that all vacant posts could be filled. He however, said that the Commission made a number of appointments since the audit, using wage increment for F.Y. 2007/8:

The Committee noted that Ministry of Finance had committed itself to fund the new structure but that the Commission was encroaching on other non-wage funds. The Accounting Officer had told the Committee that he had the authority to spend the money and the Committee directed him to fund, the new structure.
31.4 PREPAYMENTS FOR TELEPHONE: AUDIT REPORT PARA 32.5

During the period under review, a sum of Shs 26,000,000 was paid to Uganda Telecom as prepayment for Tele-Saver phone services rendered to the Commission. No telephone and call registers were availed for audit. The Auditor could not therefore confirm whether the funds deposited were put to proper use. The Auditor General had advised the Accounting Officer to ensure that a proper system of accountability was instituted at the Commission. The prepayment should be recognized as an asset in the Statement of Financial Position.

The Accounting Officer informed the Committee that he had instituted measures to address escalating telephone bills. He outlined to the Committee the measures he had put in place.

The Committee commended the efforts of the Accounting Officer in instituting registers. The Committee however advised him to adjust the accounts to ensure the recognition of payments as assets in the Financial statements. It also directed him to come up with a system of recognizing all payments.

31.5 CONTRIBUTION TO HANSARD: AUDIT REPORT PARA 32.6

The Auditor General observed that Uganda Human Rights Commission had been operating a staff savings offshore scheme since 1998 to which monthly staff contributions were made to an account in Nile Bank, Jinja Road. One hundred and fourteen (114) staff were contributing to it. No evidence was however availed permitting the Commission to invest funds in a private scheme other than National Social Security Fund (NSSF) contrary to NSSF Act. A total of Shs.350,076,195 in staff contributions was paid into this account between November 1998 and March 2004. However, due to the nature and circumstances under which this scheme operated, 112 staff members subsequently opted out leaving two Commissioners continuing to subscribe to the scheme.

During the period under review, Shs.10,800,000 was paid to Nile Bank in respect of contributions by the two Commissioners. The Accounting Officer had explained that members of staff voluntarily joined
Hansard and that staff whose membership to Hansard was withdrawn were fully paid. However there was no evidence of reimbursement to the members who opted out. The likelihood that staff contributions could have been lost could not be ruled out. The Auditor General had advised the Accounting Officer to avail evidence of full payment and evidence that no claims whatsoever are outstanding.

The Accounting Officer explained to the Committee that membership to the scheme was voluntary and a private matter between Hansard and members of staff. The Commission was only a collecting agent and would remit subscriptions as was the case with NSSF. Similarly any payment to the individual staff members due from Hansard was direct as was the case with NSSF and the Commission was not notified.

The Committee noted that there was no loss of funds in the process and that the scheme was voluntary. The Committee however asked the Accounting Officer to make a detailed response on the matter especially providing a confirmation that no staff lost any funds.

31.6 ILLEGAL OPERATION OF BANK ACCOUNTS IN COMMERCIAL BANKS: AUDIT REPORT PARA 32.7

The Audit report revealed that the Uganda Human Commission (UHRC) operated 18 accounts in various Commercial Banks in Kampala and up country branches for its financial operations. However, scrutiny of documents available revealed that these accounts were being operated or were operated without authority of the Accountant General contrary to the existing regulations. Audit had advised the Accounting Officer to regularize these accounts.

The Accounting Officer submitted that all the accounts previously operated without authority of the Accountant General had been regularised via a letter availed to the Committee.
The Committee noted that the Accounting Officer had requested for the regularization of the opening of these accounts. The Committee however demanded for the evidence of the authority for operating this accounts.

31.7 OBsolete MOTOR VEHICLE: AUDIT REPORT PARA 32.2

The Auditor General noted that the Commission owned a fleet of 25 (Twenty five) Motors vehicles and 7 (Seven) Motor cycles 8 (eight) of which (7 motor vehicles and 1 motorcycle) had been grounded for a long time and parked at the Commission parking yard. The continued grounding of these vehicles also meant that the little value that could be salvaged through boarding-off was being eroded. The Accounting Officer had explained that the said motor vehicles were grounded as a result of poor, after-sales service and lack of vital parts but that 2 Motor Vehicles had then been sold. Audit had advised the Accounting Officer to initiate the process of boarding off of the rest of the vehicles immediately. Additionally, a Yamaha D125 motor cycle belonging to Fort Portal Regional Office was stolen on the night of 29th July 2004. However this was not captured in the Accounts.

The Accounting Officer submitted that all the vehicles in question were boarded off and auctioned. Copies of the Auctioneer’s report, Disposal discounts and URA receipts were submitted, to the Committee.

The Committee noted that there was no action taken by the Accounting Officer to report the loss to the Secretary to Treasury, the Police and the Accountant General. No report of investigation on loss was also submitted to the Committee. The query remained standing.

31.8 AUSTRIAN FUND TO U.H.R.C: AUDIT REPORT PARA 32.9

During the Financial year 1998-1999, Uganda Human Rights Commission had a Memorandum of Understanding with Austrian Government to Finance UHRC publications to the tune of US$36,740. Subsequently, a foreign exchange bank account and a local account were opened in Nile Bank to enable the operations.
It was noted that although the Project expired in June 1999, the Bank accounts had not been closed till then. US$1,543 and Shs.19, 013,640 remained in these accounts respectively but the balances were being depleted by bank charges. Audit had asked the Accounting Officer to explain why the bank accounts had not been closed even when the project period expired in June, 1999. The Accounting Officer had explained that the Project was extended and was on going. The Auditor General was awaiting the submission of evidence to that effect.

The Accounting Officer said that he was able to establish that in 1999 a Programme Officer of Austrian fund wrote to the Commissioner of the Uganda Human Rights Commission indicating that a development fund would reimburse the funds used by Uganda Human Rights Commission on this magazine.

The Accounting Officer could not produce any evidence although he claimed that the project was on going. The Committee however found evidence from Austrian Development Fund indicating that the project was completed in 1999. The Committee directed for comprehensive report from the Accounting Officer on this project indicating, its accounts and operations.
32. DIRECTORATE OF PUBLIC PROSECUTIONS

32.1 ALLOCATION OF GOVERNMENT LAND: AUDIT REPORT PARA 1.6

The Auditor General reported that Government land which was held in trust by Uganda Land Commission was being allocated to investors and individuals without carrying out consultation with the responsible institutions. The Auditor General was concerned that part of the problem causing this was that Government land had not been surveyed to have titles processed, a problem attributed to lack of funding.

The Accounting Officer said that they had properties in which a number of buildings had been put up for offices all over the country. He said that the land was allocated to DPP and that he had secured titles for them.

The Committee noted that the lands under Directorate of Public Prosecution were safe.

32.2 STORES CADRES: AUDIT REPORT PARA 1.8.

A review of staffing of stores cadre in a sample of Ministries revealed inconsistencies in the management of the stores cadre. There was no system of on-job training to equip existing staff with new methods of work. There was also no clear standard of qualification, job description and documentation to enhance stores management. As a result, there was inadequate staffing, poor record keeping, loss of stores and unrestricted accessibility to confidential information. It appeared the stores function in Government had been underrated and thus not receiving enough attention in terms of training and staffing. The Ministry of Public Service and other stakeholders should come up with a clear policy to govern stores management in terms of staffing, qualification, job description and training. This would ensure safe guard of Government assets.
The Accounting Officer admitted that they did not have qualified stores staff in place but that they were using staff that the office had to manage the stores. He said that their stores were smaller and could easily be managed. He reported that they always complied with PPDA requirement in conducting procurements.

The Committee noted but directed that a qualified stores cadre be recruited.

32.3 DOMESTIC ARREARS AND CONTINGENT LIABILITIES: AUDIT REPORT PARA 1.12.

It was reported that the Consolidated Domestic arrears as at 30th June, 2006 for Directorate of Public Prosecutions stood at Shs 2,454,674,162. The Accounting Officer needed to comply with Government regulations and desist from continually incurring domestic arrears.

The Accounting Officer said that the reported arrears include the following:-

<table>
<thead>
<tr>
<th>Institution</th>
<th>Details</th>
<th>Amount (Shs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1  Uganda Telecom</td>
<td>PBX installations</td>
<td>121,441,881</td>
</tr>
<tr>
<td>2  M/S Meera Investments</td>
<td>Rent</td>
<td>192,682,295</td>
</tr>
<tr>
<td>3  Uganda Telecom</td>
<td>Land lines &amp; Inter 2003/4</td>
<td>169,245,869</td>
</tr>
<tr>
<td>4  Various</td>
<td>Stale cheques</td>
<td>4,687,750</td>
</tr>
<tr>
<td>5  Uganda Telecom</td>
<td>Land lines &amp; inter 2004/5</td>
<td>36,748,333</td>
</tr>
<tr>
<td>6  A&amp;M Executive Cleaning services</td>
<td>Cleaning services</td>
<td>1,510,400</td>
</tr>
<tr>
<td>7  A&amp;M Executive Cleaning services</td>
<td>Cleaning services</td>
<td>1,497,600</td>
</tr>
<tr>
<td>8  A&amp;M Executive Cleaning services</td>
<td>Cleaning services</td>
<td>1,497,600</td>
</tr>
<tr>
<td>9  Kampala Associated Advocates</td>
<td>Prosecution services</td>
<td>1,950,000,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>2,454,674,162</strong></td>
</tr>
</tbody>
</table>

He explained that the arrears were contributed mostly by insufficient funds in the approved budget. However, the arrears had been settled partly from the budget of the Department and partly from
supplementary budgets approved by parliament, except in the case for Uganda Telecom (Shs 101,653,119) where there was money on the account to pay, but had not yet paid because reconciliation was being done.

The Committee was concerned about arrears of Shs. 1,950,000,000 due to Kampala Associations who were procured in the case Uganda Vs. Kiiza Besigye noting that procurement procedures were not followed.

Although the Accounting Officer said that he used section 136 of the Trial on Indictment Act, the Committee demanded that the Contracts committee minutes and all procurement procedures followed be submitted.

The Committee also asked for further explanations on

- Why the Accounting Officer spent above what was budgeted without approval.
- Why payments were made to a firm when the appointments were made to persons on their individual capacities.
- A letter from PPDA exempting DPP from following PPDA in this transaction.

He further submitted that the arrears of Shs. 1,950,000,000 to pay for prosecution Consultancy Services was found necessary to beef up the Prosecution team given the gravity and urgency of the matter, and this practice was common in other Commonwealth Jurisdiction.

The Committee was yet to take a decision on the matter. A meeting to take decision on the matter turned rowdy after suggestions were made that Hon. Adolph Mwesigye appears in person to explain how he hired the lawyers.

32.4 EXCESS EXPENDITURE: AUDIT REPORT PARA 7.4

It was reported by the Auditor General that the Ministry incurred excess expenditure amounting to Shs.13,29,341,986 without authority.

The Accounting Officer said that the Ministry did not incur excess expenditure as such. The excess expenditure of Shs 1329,341,986 which was reflected in the Appropriation Account was as a result of including accrued Contributions.
The Accounting Officer further submitted that the excess expenditure of Shs.1,329,341,986 were contributed by domestic arrears listed.

<table>
<thead>
<tr>
<th>DPP 2005/06</th>
<th>BUDGET</th>
<th>ACTUAL RELEASE</th>
<th>ACTUAL EXPENDITURE</th>
<th>BALANCE ON VOTE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Approved Budget Statutory</td>
<td>34,800,000</td>
<td>34,800,000</td>
<td>34,800,000</td>
<td>-</td>
</tr>
<tr>
<td>Approved Budget wage</td>
<td>2,530,000,000</td>
<td>1,924,716,199</td>
<td>1,924,086,133</td>
<td>605,283,801</td>
</tr>
<tr>
<td>Approved Budget Non Wage(excluding payables)</td>
<td>1,181,388,000</td>
<td>1,135,672,026</td>
<td>1,132,336,445</td>
<td>45,715,974</td>
</tr>
<tr>
<td>Approved Budget supplementary Non wage</td>
<td>1,000,000,000</td>
<td>1,000,000,000</td>
<td>1,000,000,000</td>
<td>-</td>
</tr>
<tr>
<td>Arrears (payables)</td>
<td>-</td>
<td>-</td>
<td>1,991,253,933</td>
<td>-</td>
</tr>
<tr>
<td>Approved Budget Dev</td>
<td>290,000,000</td>
<td>285,000,000</td>
<td>283,359,858</td>
<td>5,000,000</td>
</tr>
<tr>
<td>Approved Budget dev tax</td>
<td>40,000,000</td>
<td>-</td>
<td>-</td>
<td>40,000,000</td>
</tr>
<tr>
<td>Approved Budget Non Tax Rev</td>
<td>7,000,000</td>
<td>6,693,617</td>
<td>6,693,617</td>
<td>306,383</td>
</tr>
<tr>
<td>Total including Dev tax</td>
<td>5,083,188,000</td>
<td>4,386,881,842</td>
<td>6,372,529,986</td>
<td>696,306,158</td>
</tr>
<tr>
<td>Total without Dev. Tax</td>
<td>5,043,188,000</td>
<td>4,386,881,842</td>
<td>6,372,529,986</td>
<td>666,306,158</td>
</tr>
<tr>
<td>Excess expenditure reported</td>
<td></td>
<td></td>
<td></td>
<td>1,329,341,986</td>
</tr>
<tr>
<td>Explained as follows</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payables reported</td>
<td></td>
<td></td>
<td></td>
<td>1,991,253,933</td>
</tr>
<tr>
<td>Less: Balances on the Vote</td>
<td></td>
<td></td>
<td></td>
<td>656,306,158</td>
</tr>
<tr>
<td>Less: Balances on Bank Accounts</td>
<td></td>
<td></td>
<td></td>
<td>5,605,789</td>
</tr>
<tr>
<td>Actual excess expenditure</td>
<td></td>
<td></td>
<td></td>
<td>1,329,341,986</td>
</tr>
</tbody>
</table>

He said that the excess expenditure was contributed mostly by insufficient funds in the approved budget.

The Committee noted the exaplanation of the Accounting Officer but directed him to ensure that all domestic arrears are settled and that no more new arrears are incurred.
The Committee noted that the establishment existed and there was a process in place to address the weaknesses.

33.3 PROCUREMENT OF BLOOD COLLECTING BAGS: AUDIT REPORT PARA 34.2

It was reported that blood collection, blood processing and blood distribution were the three core activities of UBTS. However, during the course of audit it was observed that procurement of blood collecting bags was in most cases treated as emergency procurement or micro-procurement to address the problem of shortage of the bags. Treating procurements that are done on a regular basis as emergencies indicated weaknesses in procurement planning. Blood collecting bags being a necessity to the core business of UBTS should not have been allowed to reach emergency levels.

A case in point was highlighted below in the case of extension of a supply contract to a foreign firm:-

Extension of Contract 001/04/05 for Supply and Delivery of Blood

Shs.73,101,147 was paid to Bank of Uganda for opening an irrevocable letter of credit in favor of a foreign company to supply blood bags. The Organization had requested for a 28% extension, but PPDA allowed a maximum of 15%, of the contract value. The extension seemed not to have been necessary as there were other firms which could have also supplied using the restricted bidding method. Purchases continued to be made from these other firms before the company could make delivery. Besides, the deliveries were delayed. This kind of happening was attributable to lack of annual procurement plans and needed to be addressed. In his written reply, the Accounting Officer had stated that the extension was necessary because of the blood bags of large quantities which had to be manufactured by order and local firms could not supply the bags on short notice. He had further stated that procurement planning was affected by availability of funds. Audit had advised him to liaise with the Ministry of Finance, Planning and Economic Development on funding to ensure that he adheres to the procurement laws in relation to the major purchases.

The Accounting Officer observed that the weaknesses in the procurement process of blood bags were attributable to two issues; She explained as follows:-

- Although the Uganda Blood Transfusion became Self-accounting in the period under review, establishment of Procurement and Disposal Unit (PDU) and the Contract Committee, took sometime.
The delay led to insufficient planning for procurement of blood collection bags. The PDU and the Contracts Committee since then became operational.

- The practice of monthly release of funds by the Ministry of Finance and Economic Planning made bulk procurement difficult. In line with the Auditor General’s observation, the Ministry of Finance and Economic planning was requested, and approved upfront release of funds to allow high value procurement of blood bags to address stock out problem.

The Committee noted that intervention had been put in place and the processes had been improved.

33.4 PROCUREMENT DISPOSAL UNIT (PDU) STAFFING: AUDIT REPORT PARA 34.2

The Auditor General reported that inspection of the Procurement Disposal Unit had revealed that it had only one staff that was formerly a Project contract staff. Audit was not provided with evidence that he was properly appointed as a Procurement Officer by the appointing authority. Given the work load, the entity could not operate effectively with only one staff.

The Accounting Officer had explained that about eighty percent (80%) of Uganda Blood Transfusion Services staff were formerly project staff. He said that the UBTS structure was approved in June 2006 and the process of filling this structure and operationalising it, in accordance with the relevant laws, was underway.

The Accounting Officer submitted that in line with the restructuring plan for UBTS the Ministry of Public Service conducted interviews, including for the position of a Procurement Officer. The Ministry of Finance and Economic Planning had also consequently posted a Procurement Officer to UBTS.

He said that the UBTS had communicated to the Ministry of Finance and Economic Planning to deploy an Assistant Procurement Officer to ensure optimal staffing of the PDU.

The Committee noted that the unit was poorly staffed and decided to take up the matter with the Ministry of Public service.
34. UGANDA AIDS COMMISSION

34.1 STORES CADRE: AUDIT REPORT PARA 1.8

A review of staffing of stores cadre in a sample of Ministries revealed inconsistencies in the management of the stores cadre.

There was no system of on-job training to equip existing staff with new methods of work. There was also no clear standard of qualification, job description and documentation to enhance stores management. As a result, there was inadequate staffing, poor record keeping, loss of stores and unrestricted accessibility to confidential information. It appeared the stores function in Government had been underrated and thus not receiving enough attention in terms of training and staffing. The Ministry of Public Service and other stakeholders were advised to come up with a clear policy to govern stores management in terms of staffing, qualification, job description and training. This would ensure safeguard of Government assets.

The Accounting Officer submitted that the Uganda Aids Commission (UAC) had satisfactory stores Management System in place. Stores Receipts were verified by both the Internal Auditor and the Stores Officer and later recorded in the respective items Registers.

On the issue of the stores items, the relevant staff raised Requisitions which were approved by the Director Finance and Administration and authorized by the Accounting Officer.

The Committee noted that stores establishments were in place.

34.2 DOMESTIC ARREARS: AUDIT REPORT PARA 1.12

It was reported that the Consolidated Domestic arrears as at 30th June, 2006 for Uganda Aids Commission (UAC) stood at Shs 505,210,987. The Accounting Officer needed to comply with Government regulations and desist from continually incurring domestic arrears.

The Accounting Officer noted that during the year ended 30th June 2006, UAC had Domestic Arrears amounting to Shs. 505,210,987.
He however reported that Domestic Arrears as at 29th June were Shs. 210,255,335 derived as follows:

<table>
<thead>
<tr>
<th></th>
<th>Amounts (Shs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st July 2006</td>
<td>505,210,987</td>
</tr>
<tr>
<td>Payments during the year</td>
<td>(294,955,652)</td>
</tr>
<tr>
<td>29th June 2007</td>
<td>210,255,335</td>
</tr>
</tbody>
</table>

The Committee directed that all the domestic arrears be paid.

34.3 EXCESS EXPENDITURE: AUDIT REPORT 35.2

The Auditor General noted that the Statement of Appropriation Account reflected excess expenditure of Shs 6,129,279,062 for which management did not obtain Parliament's approval. During audit discussions, the Accounting Officer had stated that the amount was mainly a result of direct donor funding through projects. Audit had advised him that all expenditure had to get the approval of Parliament including project funds.

The Accounting Officer explained that on February 15th 2001, the Government of the Republic of Uganda and the International Development Association (IDA) signed the above agreement in which Uganda Government borrowed from IDA amount of SDR 38.74 million to finance HIV/AIDS activities based on HIV/AIDS National Strategic Framework 2000/01 - 2005/06. He further submitted that between 3rd to 7th October 2005, the World Bank conducted an “Implementation Support Mission.” Among the issues that arose was that in the course of the implementation, the SDR had registered a 13% cumulative appreciation against the USD, registering a gain of USD 4.5 million to the project, the Bank requested the Government of Uganda to submit to IDA the proposed allocations to utilise the gain.

In response to the request from the Bank, the Permanent Secretary/Secretary to Treasury formerly requested the Bank for re-allocation to take advantage of the gains of the SDR against the USD. On
August 7th 2006, Judy O’Connor, the Country Director for Uganda and Tanzania, Africa Region, communicated to the Minister of Finance, Planning and Economic Development the approval of IDA.

The Accounting Officer submitted that both Uganda AIDS Commission and Ministry of Finance knew that Parliament approved this loan in SDR and this amount had not changed. Furthermore, budgets for donor component were indicative and could be higher or lower depending on how well or badly the project was doing IDA was to release disbursements depending on the absorptive capacity. In this particular case Uganda Aids Commission needed to commend the project for performing well. Otherwise money would have had to be returned to IDA and yet Ugandan people would be obliged to pay interest since this was a loan.

He reported that the Project closed on 31 December 2006, and was rated by IDA as one of the best, under the multi- country AIDS Programme for Africa financed in the last five years.

The Committee noted that there was exchange rate gain that had accrued on these funds and that Ministry of Finance was informed but it instead flouted the regulations by not transferring the funds to the Consolidated Fund Account. The Committee was however informed that this was an oversight and money was spent outside Parliamentary approval on CHAI Project.

The Committee noted that the laws had been violated and directed the Accounting Officer to get Parliamentary approval.

34.4 NON-ACKNOWLEDGED OF PAYE REMITTANCES: AUDIT REPORT PARA 34.3

The Audit report revealed that out of a total of Shs.144,286,362 deducted as PAYE during the year, only Shs.85,708,459 was acknowledged with receipts from Uganda Revenue Authority leaving a balance of Shs.58,577,903 unacknowledged by Uganda Revenue Authority. The Accounting Officer had promised to avail the documents for the Shs.58,577,903 outstanding but by the time of writing the Audit report none had been submitted.

The Accounting Officer submitted that all deductions for PAYE were duly remitted to Uganda Revenue Authority (URA) as required by the Law. Some receipts/acknowledgement were picked from URA offices by an officer of Uganda Aids Commission (UAC) unfortunately these receipts got misplaced and
The Auditor General admitted the error and the query was dropped.

34.6 RECEIVABLES: AUDIT REPORT PARA 35.5

The Auditor General noted that included in the Statement of Financial Position were receivables totaling Shs. 5,450,000 without the relevant supporting documents. Audit had advised the Accounting Officer to support the asset with relevant supporting documents.

The Accounting Officer submitted a copy of a schedule analysing Shs 5,400,000/=, reflected as receivables to the Committee.

The Committee demanded that the supporting documents for the money be submitted and verified. The Auditor General later reported that he had made verifications on the supporting documents and found them satisfactory. The query was dropped.

34.7 DONOR FUNDED PROJECT: AUDIT REPORT PARA 35.6

Uganda HIV/AIDS Control Project included in the accounts was audited separately and a separate report issued. This project received funding from IDA/GOU and community contribution to the tune of US$8,878,738 during the year.

The Committee observed that this was a report and no query had particularly been raised.
35. MAKERERE UNIVERSITY

35.1 SUBMISSION OF THE FINAL ACCOUNTS: AUDIT REPORT PARA 1.2

The Auditor General noted that section 31(a) of the Public Finance and Accountability Act 2003, requires Accounting Officers to prepare and submit financial statements for their Ministries/ Agencies to the Office of the Auditor General for audit within three months after the year end (by 30th September). It was however noted that Makerere University did not submit its financial statements on time as required therefore it directly impacted on its operations. This was partly due to laxity by the Accounting Officer to have the accounts prepared on time. The Auditor General also attributed this to capacity gaps in the accounting functions of the Ministry and Agencies.

The Accounting Officer explained that they were formerly submitting the final statements by 30th September. He said they had submitted their statements on time but there were some adjustments they had to make and had to retrieve them. He resubmitted them on 2nd November.

The Committee cautioned the Accounting Officer against delays noting that they disrupt the entire system.

35.2 APPROVAL OF UNIVERSITY BUDGET: AUDIT REPORT PARA 36.2

The Audit Report revealed that although the University budget for the financial year was approved by the Council, it was not approved in its entirety by the Ministry of Education and Sports and Parliament as required by the Universities and Other Tertiary Institutions Act 2001. The Auditor General noted that Expenditure incurred without proper approval was irregular. Management explained that although the University wrote to the Minister for Education and Sports seeking authority to spend, no reply was received. It was also explained that the budget was approved as part of the national budget. Audit had however explained to management that what Parliament passed in respect of the University budget was only the Government subvention. The law requires that the whole University budget including its
internally generated resources be approved by both the Minister and Parliament. Audit advised the responsible Ministries to consult all stakeholders to work out procedures how this approval process should be carried out.

The Accounting Officer explained that the budget was approved by the University Council. After that, the University communicated to the Ministry of Education and Sports. The Ministry of Education requested the University to put measures to reduce the deficit. Accordingly the University approached the matter by providing short term and long term measures of reducing the deficit. After this process the University submitted its requests for authority to the Ministry of Education.

The Committee directed the Accounting Officer to provide the Committee with the response from Ministry of Education within one week. The Committee is to liaise with the Committee on Social Sciences.

b) Accounting Policies:
The Accounting Officer explained that the Accountant General had set up a Committee to address the uniqueness in reporting in Public Universities. The Universities were part of the Committee.

The Committee is to take up the matter with the Accountant General.

35.3 STORES CADRE: AUDIT REPORT PARA 1.8

A review by the Auditor General of staffing of stores cadre in a sample of Ministries revealed inconsistencies in the management of the stores cadre.

There was no system of on-job training to equip existing staff with new methods of work. There was also no clear standard of qualification, job description and documentation to enhance stores management. As a result, there was inadequate staffing, poor record keeping, loss of stores and unrestricted accessibility to confidential information. It appeared the stores function in Government had been underrated and thus not receiving enough attention in terms of training and staffing. The Auditor General recommended that the Ministry of Public Service and other stakeholders should come up with
a clear policy to govern stores management in terms of staffing, qualification, job description and training. This would ensure safe guard of Government assets.

The Accounting Officer explained that Makerere University managed a decentralized system. Whereas there was the main store of the University operating very well, units had their own small stores. There were no trained staffs to run the small stores in the units but units improvised by assigning personnel to run them. He said that the University had been providing training on the job as the cadres in store keeping were not many in the country and above all the cost of recruitment and expanding staff was another hindrance. But with training on the job, there was a big improvement.

The Committee directed the Accounting Officer to provide them with the main store staff list. They were also asked to bring their qualifications. The Committee noted unrestricted accessibility to confidential information like transcripts and demanded that measures be put in place to strengthen the system.

35.4 FLEET MANAGEMENT SYSTEM: AUDIT REPORT PARA 1.11

a) The Auditor General noted the lack of a proper fleet management system in Government institutions which exposes Government vehicles to uncontrolled movements, surging fuel, repair and maintenance costs. He noted that during the year, some Ministries attempted to set up fleet management systems. It was however noted that, these systems were not strictly followed. In many cases the movement log books were not up to date, vehicles were still used on unofficial activities, service was not done on time, and repairs were done without proper documentation like pre-inspection reports, job cards and post inspection reports.

He noted that although the Government policy is to replace vehicles after 5 years in use, this was not being done. Instead vehicles were being used for between 5 to 10 years. As such Government continued to incur large sums of monies on repairs and maintenance of vehicles. During the year under review an amount of Shs. 491,321,002 was spent by Makerere University on repair and maintenance.
The Accounting Officer said that a Committee was set up to address the matter. A draft report recommended acquiring a software and they were going to acquire it. He said it was not possible for the University to replace vehicles after 5 years because the cost of new vehicles could not be easily manageable. Hence most of the vehicles were more than 10 years and attracted high maintenance costs.

The Committee directed the Accounting Officer to provide an update of vehicles. It should include their capacity, model and year of manufacture.

b) Types and classes of vehicles:-

The Auditor General also noted that over the years Government had issued regulations regarding the types and classes of vehicles Accounting Officers could purchase. The maximum capacity being 2800cc for Ministers down to Permanent Secretaries and 2500cc for pool vehicles. This was done with a view of saving government the exorbitant costs of new high class vehicles and their corresponding high fuel consumption and maintenance costs.

It was however noted that the Ministry had flouted such regulations and purchased 6 vehicles over and above the approved classes (some reaching up to 416cc).

The Accounting Officer said that the University received a circular on the matter recently otherwise it was not aware of the regulation regarding the types and classes of vehicles. He however said, there was still a problem of relevancy of regulation to the University structures and its autonomy.

The Committee directed the Accounting Officer to adhere to Government regulations.

35.5 DOMESTIC ARREARS AND CONTINGENT LIABILITIES: AUDIT REPORT PARA 1.12.

The Audit report revealed that the Consolidated domestic arrears as at 30th June, 2006 for Makerere University stood at Shs 10,140,704,494. It was reported that the Accounting Officer needed to comply with Government regulations and desist from continually incurring domestic arrears.
The Accounting Officer explained that the University had always been given a budget ceiling. This budget ceiling would mean selecting priorities that could fit within the ceiling. At Makerere for example it could be Medicine, Technology, Agriculture, Science and Computer Science, leaving out the rest of the programs.

He noted that these other programs were also important for the strategic development of the country and if they were to be closed, the country would have a problem.

Hence having to make sure that all programs continue, the university ends with unpaid bill referred to as domestic arrears. He explained that the choice would be to drop some programs and continue with a few to fit in the ceiling. Every year the University was in deficit and this posed a challenge to the University.

The Committee directed the Accounting Officer to present schedules of domestic arrears by 31st October 2008.

35.6 OUTSTANDING ADVANCES: AUDIT REPORT PARA 1.13

The Auditor General noted that laxity in control over advances in the University still persisted. Regulations required that all advances be accounted for by the end of the financial year to which they relate. Contrary to these regulations, some Shs 197,845,509 was not accounted for.

The Accounting Officer said that the University accounted for funds as in the original query except for that below which were eventually accounted for. He said that he did not know the rest of the figures presented in the audit report. He said they had requested the Auditor General to provide them with the details of the figures if any.

He said the following researchers completed their research and accountabilities were in place.
<table>
<thead>
<tr>
<th>Cheque No.</th>
<th>Researcher</th>
<th>Amount</th>
<th>Journal voucher</th>
</tr>
</thead>
<tbody>
<tr>
<td>001200</td>
<td>Prof. Rubaire</td>
<td>7,872,220</td>
<td>03793</td>
</tr>
<tr>
<td>00162</td>
<td>Dr. Nathan Batungi</td>
<td>4,844,000</td>
<td>00162</td>
</tr>
<tr>
<td>001519</td>
<td>Dr. Abbas Kiyimba</td>
<td>13,985,080</td>
<td>00564</td>
</tr>
<tr>
<td>001520</td>
<td>Prof. Mukama</td>
<td>13,985,080</td>
<td>03794</td>
</tr>
<tr>
<td>001576</td>
<td>Dr. P. Tukamuhabwe</td>
<td>4,770,000</td>
<td>00172</td>
</tr>
<tr>
<td>001202</td>
<td>Dr. Twegongyere</td>
<td>9,324,000</td>
<td>03795</td>
</tr>
<tr>
<td>1157</td>
<td>Dr. G.L. Openjuru</td>
<td>6,000,000</td>
<td>03797</td>
</tr>
<tr>
<td>1277</td>
<td>Lajul Wilfred</td>
<td>3,976,000</td>
<td>03840</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>54,129,050</strong></td>
<td></td>
</tr>
</tbody>
</table>

He noted that one researcher Ms. Florence Ebila, Department of Women and Gender, had not yet completed her studies was on an extended study leave ending 31st August 2009. The amount in question was Shs 4,073,214.

He said they lost Prof. Nyangababo, Faculty of Technology and the amount unaccounted for was Shs 7,236,480.

This would bring the total to Shs 55,438,744

**Research Equipment**

The following researchers bought equipment and accountabilities were in place. They also completed their studies:-

<table>
<thead>
<tr>
<th>Cheque No.</th>
<th>Researcher</th>
<th>Amount</th>
<th>Equipment</th>
<th>Journal voucher</th>
</tr>
</thead>
<tbody>
<tr>
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<td>Baguma T.W</td>
<td>622,000</td>
<td>IBM Computer</td>
<td>00987</td>
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<td>IBM Computer</td>
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<tr>
<td>1275</td>
<td>Dr. Tweweyo Muajan</td>
<td>7,400,000</td>
<td>IBM Computer</td>
<td>03795</td>
</tr>
<tr>
<td>1595</td>
<td>Angida Franco</td>
<td>1,021,500</td>
<td>IBM Computer</td>
<td>00577</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>9,430,500</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

35.7 HUMAN RESOURCE MANAGEMENT: AUDIT REPORT PARA 36.3

(a) Establishment Structure

The Audit report revealed that the existing establishment structures of a number of Departments of the University currently in place in the Department of Distance Education appeared to no longer be
appropriate. For example, in the Department of Education, the proposed vacancies for academic staff were 44 against the existing structure of 25 posts out of which 17 were filled leaving 8 vacancies. This structure could no longer support the increased number of students. Analysis of the manpower position indeed revealed that up to 197 academic staff were currently engaged on part-time basis while 9 teaching assistants were engaged on contract. This was a result of delays to review the structure. This had led to understaffing and may result into poor service delivery. There was need to review the establishment structure to meet the current manpower needs of all the departments to facilitate better service delivery. In his response to the Auditor General, the Accounting Officer had attributed the staffing problem in the Department of Education to inadequate funding of the wage bill and to address it the department had opted to engage part-time staff because they were less costly.

The Accounting Officer admitted that the existing establishment was put in place when the number of students was not at the level as at the time of audit. As the number of students increased the structures were overwhelmed.

Further the existing ones could not be 100% filled because of lack resources. The part-time staff, instead were engaged because it was cheaper in terms of financial implications.

He said that the University had established a directorate of Human Resources for the purpose of achieving more efficiency and effectiveness in the management of Human Resource.

He further stated that the reviewing of establishment was now an on-going process to match the changes within the University systems. Currently the Department of Distance Education was one of those in the process of being reviewed through Senate, Planning Quality Assurance Unit.

The Committee directed the Accounting Officer to present all documents regarding the advances by Friday 31st October.

**Departmental Appointments:**

The Universities and other Tertiary Institutions Act (S. 52) provides that all staff of the University shall be appointed by one appointments board created under S. 50 of the Act on terms and conditions that may be determined by the University. However, some of the Departments within the University like the Academic Registrar's Department have appointment Committees which are responsible for recruitment
of part time staff and handling requests for promotion and confirmation in service. However, some of the recruitments made by the Departmental appointment Committees have not been regularized by the University Appointment Boards. It was further noted that among the temporary/departmental employees was the Accountant. The responsibilities given to him such as being the custodian of the financial records as well as being a bank agent do not suit a temporary staff.

The Accounting Officer admitted that by Act (5.5) of Tertiary Instructions, Makerere University had an Appointments Board and it was operating. He further admitted that each department had an Appointments Committee which handles the requests for staff confirmation, promotion and recommends to the Appointments Committee. These Departmental Appointments recruit part time staff too. However, there had been no linkage between part time staff (recruited and paid for by the Departments/Faculties) with the Appointments Board which recruits staff who are on the University pay roll.

He said that this had been addressed by the University, which first put a Committee to look into the matter. At the moment authority was sought from the Vice-Chancellor before Faculties engaged part time staff. Then the regularization was to be done by the Appointments Board even though it may be the Faculty/ Unit which was paying the personal emoluments.

The Committee asked the Auditors to verify the action taken by the University Authorities.

(b) Creation of Multi Spine Salary Structures
The Audit report also revealed that there was unfair disparity between academic and non academic staff recruited at the same scale and under the same terms and conditions of service. Audit informed the Accounting Officer that this was likely to lead to discontent, unrest and de-motivation of staff.

The Accounting Officer said that it was correct that as a result of 2004 MUASA strike; a multi-spine salary structure was put in place to diffuse the continuation of the strike. This led the affected (non teaching staff) to go to court on the matter.
However, during the strike of 2006, the University Council resolved that staff recruited on the same scale and on the terms of service, were paid the same amount of money to avoid discontent and demotivation.

The Committee asked the Accounting Officer to provide it with the following within one week:
• The multi spine salary structure.
• Minutes of the council.

35.8 MANAGEMENT OF DEPOSIT ADMINISTRATION PLAN (DAP) SCHEME: AUDIT REPORT PARA 36.4

The Audit report revealed that the University operated a retirement benefit scheme (DAP) which was managed by NIC. Under the scheme, staff made contributions of 5% of their salaries and the University made 20% contribution which was also being remitted to National Insurance Corporation (NIC). During October 2005, the University Council however resolved to halt contributions to NIC. One of the reasons for the decision was that NIC had been privatized i.e. Government had divested its 60% shares to a new company called Industrial and General Insurance Company Ltd. (IGI) which the University Council did not have a contract with. Furthermore, NIC itself had presented to Makerere University two different financial positions of the scheme that put the University’s contribution at Shs.16.7 billion in December, 2004 and Shs.14 billion in November, 2005. It was partly due to these conflicting positions that the Council lost confidence in NIC.

The Auditor General further noted that by the end of the financial year the University contribution of 20% to the scheme amounting to Shs.474,029,799 remained outstanding. This placed the investment in the scheme at risk. Records indicated that the University set up a Committee to review the scheme and advise on an exit strategy and also recommend the way forward for the new scheme. The Auditor General reported that he awaited the outcome of the review and management action on the recommendations.

The Accounting Officer explained that it was correct that Makerere University was not satisfied with NIC as it assumed the status of the privatized entity. Further, the University was not satisfied by NIC presenting two different figures, one being different from one in the audited accounts of NIC.
As a result the Council appointed Consultants (Alexander Forbes Financial Services) to study and review the scheme. The Consultants had already presented the report which was going to be presented to Council on 3/11/08.

He said, the outstanding premium of Shs 474,029,799 at the time was paid to NIC. In addition the University had the record of funds remitted to NIC from 1996 to 2005 when the scheme was stopped.

The Committee noted that the schedule provided ended in the year 2007 (November) and therefore not current. The Committee directed that a current list from NIC be provided. The Accounting Officer informed the Committee that they may have to go to Court since NIC seemed to have problems.

35.9 TAX REMITTANCES TO UGANDA REVENUE AUTHORITY (URA): AUDIT REPORT PARA 36.5

a) Unacknowledged Tax Remittances

The Audit report revealed that Payments of Withholding Tax (WHT) amounting to Shs.40, 431,548, Euros 1,939 and US $ 2,414.78 from various faculties and departments had not been acknowledged by URA. Furthermore, PAYE deductions amounting to Shs.14, 376,064 had also not been acknowledged by Uganda Revenue Authority. There was a risk that the funds may have been diverted and not received by Uganda Revenue Authority.

The Accounting Officer explained that the original amount in the query for With Holding Tax and Pay As You Earn were acknowledged by Uganda Revenue Authority and receipts were issued and the details were attached.

The Committee directed that original receipts be presented to the Committee for onward transmission to Auditors within one week.

b) Payments to Non VAT Registered Companies

The Audit report revealed that the University paid a total of Shs.40, 410,505 to various firms in respect of VAT. It was however noted that the firms did not disclose VAT registration numbers implying that they were not VAT registered and hence not accountable to Uganda Revenue Authority for VAT
payments. The Auditor General noted a need for regular follow up with Uganda Revenue Authority to ensure that remittances were received. Payment of VAT should be strictly to VAT registered firms and by way of VAT invoices indicating the VAT registration numbers.

The Accounting Officer explained that the VAT registration numbers for the firms had been ascertained. He said a schedule of the firms with their registration numbers was available.

The Committee directed that all details regarding the query are to be provided to the Committee. This includes VAT invoices etc.

35.10 NUGATORY EXPENDITURE: AUDIT REPORT PARA 36.6

It was reported that a local firm was paid Shs.48,750,000 as interest accruing from delayed payment of work certificates for the construction of the Faculty of ICT. Audit informed the Accounting Officer that this was nugatory as proper financial planning should have been made to avoid the interest. In a written reply to Audit, the Accounting Officer explained that due to lack of funds the payments were delayed and hence the interest.

The Accounting Officer admitted that it was correct that due to non availability of funds, it was not possible to pay for a work certificate for to M/S Excel Construction Company which built the Faculty of Computer Science. This delay caused the contractor to demand interest on the amount unpaid as per the contract agreement.

He said that the University appealed with the contractor but without success. The contractor had opted to go to Court, a situation the University wanted to avoid. It was cheaper to pay the Interest than to pay the damages in court and the interest. He noted that the University had problems with counter funding from Government.

The Committee requested for;

• Proof that Makerere University had alerted the Government about the need for these funds.
• All correspondences with the Government where funds were requested for.
• Other details regarding the query, i.e amount of counter part funding needed, rate of interest etc.
35.11 SAFETY AND SECURITY OF ASSETS: AUDIT REPORT PARA 36.7

It was the responsibility of the Accounting Officer to ensure that adequate controls exist for the safety and security of government assets under his custody. However, lapses were noted in the discharge of this responsibility as explained below:

(a) Theft of Computer Compaq

The above computer was stolen from the Office of the Deputy Registrar Admissions. Audit was not aware of the steps so far taken towards recovery of the computers or apprehension of the culprit. The absence of a proper asset register made it difficult to ascertain or estimate the value of loss in case of theft. There was also a risk that valuable assets such as computers can be removed or exchanged without the custodian/security detecting/noticing it. The recording and physical security of assets should be further streamlined to minimize the risk of their loss.

The Accounting Officer admitted that a computer was stolen from the Office of the Deputy Registrar (Admission). The matter was reported to the Police and till today the culprit had not been apprehended. He said there were asset registers in the Units. The asset registers indicated the location/office/department where the assets were. He noted that a Head of a Department where the asset was the one who was accountable for the assets even if that asset was being used by some one under his/her charge. He further stated that a system was in place.

He said that the duty of Custodians/security had been to make sure that if an asset was to come out of the building, there was a required authority. In many cases those who had not produced such authority had not been apprehended by Custodian/Security.

The Committee noted that the University is insecure especially since it has no wall. Management was directed to secure the University.
(b) Asset Register

Inspection of the assets register compiled by the Estates department in 2005 by the Auditor General revealed that the University had various plots of land located in various areas. Verification of ownership for the plots was not possible due to the absence of title deeds. Audit was therefore not able to confirm that the University was the rightful owner of the land in question. There were also no reports from Estates Department on current occupancy, usage and boundaries. He noted that the failure by the Estates Department to put in place a Land Committee that regularly reviews the University’s land matters exposed the University to the risk of encroachment and eventual loss of land. Audit had recommended that the University obtains all title deeds of its land and establish a mechanism of ensuring that the University land was not either grabbed or encroached on.

The Accounting Officer explained that the title deeds for various plots of land belonging to the University were submitted to the Committee. The title deeds were currently being kept by Stanbic Bank. The University was yet to acquire the land title for Buyana farm. Further the University had in many cases had to open the boundaries with all security risks involved to ensure that land was not grabbed by encroachers. Indeed some problems had been experienced. The University had Estates and Works Committee which oversees the land issues. The Committee asked the Accounting Officer to secure the land as soon as possible.

35.12 REPAIR OF VEHICLE: AUDIT REPORT PARA 36.8

The Auditor General reported that the Department of Distance Education purchased a brand new Nissan Double Cabin at Shs.52, 455,936 from a local company. However, it was learnt from the Director of Institute of Adult and Continuing Education (IACE) that the vehicle had an engine knock barely 4 months after purchase and had been towed back to the supplier’s yard. Although the vehicle was still within the warranty period, the supplier had instead raised a fresh demand of US$19,847.86 (Shs.36,619,301) for repair of the vehicle. The supplier claimed that the engine knock was not due to factory fault but human error and the warranty could not apply. This was contested by the University as
it was taken to be a factory fault. During discussions, with the Auditor General the Accounting Officer had explained that the University had been advised by the legal Department to settle the matter out of court. The outcome was being awaited.

The Accounting Officer admitted that the vehicle had an engine knock. The issue contested was whether the fault was due to the factory or due to the human error during the service of the vehicle. The legal advice was to settle the matter out of court. Subsequently the vehicle was repaired at a cost of Shs 10.8 million. It was on the road and was in good condition. The Committee asked for all documents pertaining the query before a decision can be made.

35.13 INTERNAL AUDIT: AUDIT REPORT PARA 36.9

The Auditor General reported that it was the role of an institution's Internal Audit Department to ensure that the institution had strong and effective internal control systems. The Internal Audit Department did this by evaluating the adequacy and reviewing compliance with established policies, procedures and regulations. It was however noted that Makerere University's Internal Audit Department mainly focuses on pre-audits (100%) and special audit assignments requested by management. Very little was done in reviewing and evaluating the institutions internal policies and procedures periodically. There was no evidence that the Department reported to management on a regular basis about the discharge of its findings. Operationally, internal audit reports to management which was contrary to best practice. He noted that weakness in the Internal audit function created a risk of having the Universities assets and facilities poorly managed. It also increased the risk of misstatements in the financial statements. He recommended that Management should make a comprehensive review of the Internal audit function so as to make it more independent and effective in the discharge of its function. Production of periodic reports on internal control operations should be obligatory. He noted that the Best practice also required that internal audit reports to a Committee of the Board/Council. During discussions with the Auditor General, the Accounting Officer had explained that the administration had started to address the matter by first constituting an Audit Committee. The Audit Committee was to develop the necessary tools required for an efficient and effective Internal audit system. He said the results of this above were awaited.
The Accounting Officer explained that Makerere University had a Department of Internal Audit from a section in the Finance Department. The upgrading of Internal Audit from a section to a department was one of the improvements. It is independent of the Finance Department. He said the department had been strengthened by recruiting more qualified staff. In addition Council had put in place the Audit Committee where the reports of the Internal Auditor were discussed. The Department had an audit program for the University and periodic reports on internal controls were produced and discussed by management and the Audit Committee of Council. The pre-audit was no longer the activity of the internal Audit Department.

The Committee noted the explanation of the Accounting Officer and dropped the query.

35.14 INSPECTION OF UNIVERSITY INFRASTRUCTURE: AUDIT REPORT PARA 36.10

(a) Main Building

A physical inspection of the University's Main Administration Block by the Auditor General revealed that the building leaked in some areas such as the printery. It was also noted that some parts of the walls absorb water while damages on the roof had caused water to seep through the walls causing cracks on the walls. It was evident that the building was deteriorating fast unless these were rectified. The fire extinguishers within the building were also not functional as they were last serviced in 2001. The interior of the building was characterized by dirty floor and walls that required regular cleaning and painting. Furniture in most of the offices was very old and overdue for replacement. Audit urged the Accounting Officer to give a face lift to the main building to depict the ivory tower.

The Accounting Officer explained that maintaining the University physical infrastructure was still a challenge due to inadequate funding. However some of the following efforts had been made:-

(i) The roof were repaired.

(ii) Inside the Main Building was painted.

(iii) The leakage near the toilet was repaired.

(iv) The fire extinguishers were serviced.
He said that it was important to note that the University provided only Shs 300,000,000 from the Internally Generated Fund for the general maintenance. The University was soliciting funds to repair the leakage on top of the printery. It was also important that the University gets Shs 160,000,000 only for the entire University budget for Capital Development (Government Subvention), which was far too small to make an impact.

The Committee directed that the University prioritizes the repair of printery and this should be verified by the Auditors.

(b) **Centres for Distance Education and Extra Rural Studies**

Up country centers for the Department of Distance Education were inspected during September 2006, it was noted that most of the centers operated from small rented facilities that were not ideal for a training centre. There were no telephones, internet/fax machines in all the centers. The centre in Fort Portal was still using an old model typewriter for its secretarial work. The only centre operating from its own facility was Lira. However, the audit established from the officers on ground that the University could easily lose the land because the donor (Lira District Land Board) was not satisfied with the extent to which the land had been put to use.

Furthermore, a complaint from Gulu on lack of toilet facilities was recorded. There was an eminent closure of the centre by the public health authorities unless the university acts fast to address the problem. In addition the centres depended on electricity supplied by Umeme and the absence of standby generators further complicated matters. The delivery of the valued services to the students was definitely affected by the poor infrastructure in place. The University was advised to provide the basic facilities such as communication and good hygienic facilities in all the centers.

The Accounting Officer explained that lack that lack of maintenance was due to lack of funds for this activity. However, the following were the recent developments:-

Mbale, Fort Portal, Lira and Jinja had internet facilities. They had all been equipped with computers to ease learning. This was funded by Carnegie and Rockefeller Foundation who contributed US$ 159,417.28. The internally Generated Funds also contributed to the renovations.
Further the institute of Adult and Continuing Education had incorporated in its 10 year strategic plan, the rehabilitation and renovation of centers being a priority. In Gulu, the Land Lord provided for the toilet facility and demolished the one which was in a sorry state. But the problem of funding the University still stood.

The Committee was directed to come up with a plan to solve the problem of distance learning. However specific attention should be drawn towards the teaching environment.
36.0 MBARARA UNIVERSITY

36.1 ALLOCATION OF GOVERNMENT LAND: AUDIT REPORT PARA 1.6

The Auditor General reported that Government land which was held in trust by Uganda Land Commission was being allocated to investors and individuals without carrying out consultation with the responsible institutions. The Auditor General was concerned that part of the problem for this was that government land had not been surveyed to have titles processed, a problem attributed to lack of funding.

The Accounting officer informed the Committee that the university land was then intact and had no problem.

The Committee noted that the University land was reflected in its Assets Register.

36.2 STORES CADRE: AUDIT REPORT PARA 1.8

A review by the Auditor General of staffing of stores cadre in a sample of Ministries revealed inconsistencies in the management of the stores cadre.

There was no system of on-job training to equip existing staff with new methods of work. There was also no clear standard of qualification, job description and documentation to enhance stores management. As a result, there was inadequate staffing, poor record keeping, loss of stores and unrestricted accessibility to confidential information. It appeared the stores function in Government had been underrated and thus not receiving enough attention in terms of training and staffing. The Ministry of Public Service and other stakeholders should come up with a clear policy to govern stores management in terms of staffing, qualification, job description and training. This will ensure safe guard of Government assets.

The Accounting Officer reported that there was a store keeper in place although he was not qualified.

The Committee directed the Accounting Officer to work with Ministry of Public Service to ensure that a qualified store keeper was recruited to handle the stores.
36.3 DOMESTIC ARREARS AND CONTINGENT LIABILITIES: AUDIT REPORT PARA 1.12.

It was reported that the Consolidated domestic arrears as at 30th June, 2006 for the University stood at Shs 10,385,006. The Accounting Officer needed to comply with Government regulations and desist from continually incurring domestic arrears.

The Accounting Officer had no written reply to this query.

The Committee directed him to provide the details of the outstanding Domestic arrears.

36.4 LACK OF AN APPROVED BUDGET: AUDIT REPORT PARA 37.2

The Auditor General noted that he had reported in the past years, lack of approval of the entire University budget by the Ministry of Education and Parliament was again not produced for audit during the financial year under review. Except for the subvention approved by Parliament, the University also incurred unauthorized expenditure and collected unauthorized revenues.

The Accounting Officer reported that Mbarara University had received a retrospective budget approval for the Financial Year 2005/06 from the Honorable Minister of Education and Sports in her letter dated 20/12/2006.

The Committee demanded for evidence that the estimate were received by Ministry of Finance and accordingly approved by the Parliament.

36.5 THE FINANCIAL REPORTING FRAMEWORK: AUDIT REPORT PARA 7.3

It was noted by the Auditor General that the Universities and other Tertiary Institutions Act 2001, sets out the legal, administrative and financial reporting framework. However, the financial reporting framework being applied was that prescribed in the Public Finance and Accountability Act 2003 as guided by templates and instructions issued by the Accountant General. The financial reporting framework as specified by the Accountant General in terms of accounting policies, accounting templates or format did not suit the University reporting needs as it did not capture all the revenues and expenditure incurred, among other things. Audit had advised the Universities and the Accountant General to develop an accounting policy and framework suitable for Universities.
The Accounting Officer reported that the University was given an already made Chart accounts and instructions about how the accounting issues were to be treated. He noted that there was an outcry from all public universities that they be allowed to devise their own charts and accounting manuals. This was permitted by the Accountant General but advised that the Universities synchronize their charts to that provided by the Ministry of Finance, Planning and Economic Development to enable preparation of Consolidated accounts. He said that Consultations were then being made to finalize the treatment of accounting issues peculiar to public universities.

The Committee noted that the Accountant General was in the process of rectifying the problem.

36.6 EXCESS EXPENDITURE: AUDIT REPORT PARA 37.4

According to the Statement of Appropriate Account excess expenditure of Shs.847,093,920 were incurred on both Recurrent and Capital development Votes. The excess included employee costs whose budget was exceeded by Shs 231,274,013. In his written reply to audit, the Accounting Officer had stated that the excess expenditure was a result of introduction of a new course, balances brought forward from the previous years and salary enhancement for non-teaching staff. He had further indicated that the excess expenditure was authorized by Council. Audit had advised him that this was not sufficient authority and the necessary Parliamentary approval should have been sought.

The Accounting Officer explained that these were local collections that had been submitted to the Ministry of Finance but unfortunately they were not reflected in the appropriation by Parliament. He reported that the university Council approved the excess expenditure under Min 30/3/13 of 25/11/05 and Ministry 33/03/14 of 23rd and 24th January 2007. Thereafter retrospective approval fro the Hon. Minister of Education and Sports was sought.

The Committee asked the Accounting Officer to submit the copy of the budgets in question.

36.7 TRAVELS NOT ACCOUNTED FOR: AUDIT REPORT PARA 37.5

The Auditor General reported that a total of Shs.34, 746,470 spent on staff for travel abroad did not have supporting documents such as coupons, receipts from travel agents or the airlines. The absence of such records rendered it difficult to ascertain whether travels did take place. Audit had advised the
management to attach travel supporting documents in future. Meanwhile, the accountabilities for this expenditure should be availed for audit. In his written reply, the Accounting Officer had stated that the accountabilities were available for verification. None was however provided for eventual verification.

The Accounting Officer submitted that the travels were mainly for staff that made foreign trips. He said that the accountabilities that were available were incomplete with air ticket receipts and the Prime Minister’s authority but lacking evidence of travel in form of either coupon for the air tickets, boarding passes or copies of stamped pages of passports. These he reported had been availed and the full accountabilities were available for verification.

The Committee asked the Auditor General to verify and report.

36.7 MEDICAL CLAIMS: AUDIT REPORT PARA 37.7

The Auditor General reported that Shs.3, 619,000 was refunded to staff as medical refund on receipts that did not appear to be genuine. The receipts were mere photocopies whose dates appeared to have been altered, in some cases erased to conceal similarities. The names of payees were also altered. Further, the refunds were made without referral authority from the University Medical Officer as required by the University regulations that states “Employees who prefer to be treated by Private Practitioners must be referred by the University Medical Officer”. These payments appear doubtful as this may expose institution resources to misuse. Audit had advised the Accounting Officer that medical refunds should have adequate controls to guard against wrongful refunds. Meanwhile, these cases should be investigated and appropriate action taken. In his written reply the Accounting Officer had stated that the authority though given was verbal. He had further indicated that he had identified the refunds that had been claimed on wrongful precinct and would have the amounts recovered. Audit awaited the recovery.

The Accounting Officer submitted that after thorough investigations, the members of staff involved were charged before the University's Internal Staff Disciplinary Committee. The Accounting Officer was instructed to recover the money involved from the staff as well as reprimand them. A schedule of the people against whom action was taken and the recoveries made was provided to the Committee. He
said that receipts for recoveries were available for verification and that adequate checks were instituted to avoid the repetition of the problem.

The Committee noted that the Accounting Officer should have realized this anomaly through the internal audit and directed CID to follow up the matter.

36.8 REVENUE COLLECTED BY STAFF BUT NOT BANKED: AUDIT REPORT PARA 37.8

A total of Shs.12,105,400 was collected by 4 members of staff on behalf of the University, out of which only Shs.3,050,000 collected by one staff member was banked on a University Account leaving Shs.9,055,400 collected by the other three members of staff un-banked. Audit had asked for an explanation. The issue also needed to be addressed with funds being recovered from officers and banked.

The Accounting Officer reported that the University had 2 centers for collection of application fees for Courses advertised. One centre was at the University’s Liaison office at Makerere University at which Shs 3,050,000 was collected and banked.

The other centre was at Mbarara University. He said that during the F/Y 2005/06 three members of staff were used to collect the application fees, part of which was the Shs. 9,055,400 in the query. The use of the 3 members of staff was to avoid congestion. He said that this money was collected using University receipts and was banked. The receipts, the bank slips, bank statements and cash book were available for verification.

The Committee asked the Auditor General to verify and report.

36.9 UNIVERSITY INN: AUDIT REPORT PARA 37.9

The University Inn collected cash to a tune of Shs.15,952,300. However, it was noted that Shs.14,567,460 was stolen by a member of staff while Shs.1,384,840 were in form of ‘I Owe You’ which had not been refunded.

The Accounting Officer reported that there was misappropriation of Shs. 14,567,460 by Ms. Olive Arinatwe. He said that the Inn’s Management Committee which oversaw the operations of the Inn
received a report from the University’s Internal Audit department on the misappropriation of the funds. It handled the case by dismissing Ms Annaitwe from the Inn service. It also recommended that the matter be handled by the Police. The matter was subsequently referred to Police. Documents regarding the case were submitted to the Committee.

Regarding Shs. 1,384,840 the Accounting Officer explained that Shs 1,001,400 = was money used to buy urgent items at the Inn. The balance of Shs 383,500 was in form of “I Owe You” and the money was recovered.

The Committee asked CID to look into the case. It however observed that a lot of mismanagement of Public Funds in the Inn had taken place because of poor internal control systems. The Committee therefore directed that Internal Controls be put in place to guard against misuse of Public Resources.
37. KYAMBOGO UNIVERSITY

37.1 DELAYS IN SUBMISSION OF FINANCIAL STATEMENTS: AUDIT REPORT PARA 1.2

The Auditor General noted that Section 31(a) of the Public Finance and Accountability Act 2003 requires Accounting Officers to prepare and submit financial statements for their Ministries/Agencies to the Office of the Auditor General for audit within three months after the year end (by 30th September). It was however noted that the Ministry of Water, Lands and Environment did not submit their financial statements on time as required and therefore directly impacted on audits operations. This was partly due to laxity by the Accounting Officer to have the accounts prepared on time. It was also attributed to capacity gaps in the accounting functions of the Ministries.

The Accounting Officer admitted that delays were there and that they were caused by the internal problem within the University. He promised that the delays in submissions wouldn't occur again.

The Committee accepted, the explanation.

37.2 APPROVAL OF THE UNIVERSITY BUDGET: AUDIT REPORT PARA 38.2

The Auditor General reported during the year under review, the total University budget was not approved by the Minister of Education and Parliament as required by the Universities and Other Tertiary Institutions Act 2001. What Parliament approved under the existing arrangements by way of the Appropriation Act was the government subvention (grants) to the University. The other portion of the budget financed by the internally generated revenue was not approved by Parliament. The Accounting Officer needed to liaise with the Minister for Education and other stakeholders to work out modalities of how the approval of the budget by the Minister and Parliament should be done.

The Accounting Officer insisted that the right procedures were taken in the approval of the University budget.
The Committee noted that the Ministry of Education had put in place procedures to be followed by Tertiary institutions in the approval of their budgets. The Auditor General to verify whether these procedures were being meeting the requirements.

37.3 ALLOCATION OF GOVERNMENT LAND: AUDIT REPORT PARA 1.6

The Auditor General reported that Government land which was being held in trust by Uganda Land Commission was being allocated to investors and individuals without carrying out consultation with the responsible institutions. Relatedly the Uganda Government was claiming ownership of land which Kyambogo University is located on and that this could complicate University operations.

The Accounting Officer explained that when Kyambogo Institutions were set up they were vested in the Uganda Land Commission and no attempts were then taken to change this situation. He however reported that attempts were taken later by the University to get the title for its own land. He said that Ministry of Education surveyed of the land occupied by the various institutions in Kyambogo to ensure that each Institution had its own title. He reported to the Committee that Kyambogo University had acquired its title and that he was not aware of any attempts by the Buganda Government to take over the University land.

The Committee noted that the University had over 300 acres of land and that the University land was safe, contrary to audit report.

37.4 DOMESTIC ARREARS AND CONTINGENT LIABILITIES: AUDIT REPORT PARA 1.12

c) Domestic Arrears Shs. 1,697,045,966 /=

The Auditor General reported that Kyambogo University incurred arrears to the tune of Shs. 1,697,045,966. The Accounting Officer needed to comply with Government regulations and desist from continually incurring domestic arrears.
The Accounting Officer submitted that the payables in question included outstanding bills for food suppliers, Wages, Utilities, Allowances and Academic materials.

The Committee however noted that payment of the outstanding bills had started. The Accounting Officer was however directed to ensure that all staff were always catered for. The Committee directed him to produce details of persons/institutions that had outstanding bills. The Accounting Officer was also cautioned against violating the Commitment Control System.

### 37.5 OUTSTANDING ADVANCES = (SHS. 759,129, 040/=): AUDIT REPORT PARA 1.13

The Auditor General reported that the University had outstanding advances worth Shs 759,129, 040/= contrary to regulations.

The Accounting Officer submitted that these were mainly advances for research purpose and said that accountability had been received.

The Committee asked the Auditor General to verify the accountability submitted. The Accounting Officer was also advised that in future all advances made should form part of receivable until accounted for and should therefore be reflected in the Final accounts.

### 37.6 EXCESS EXPENDITURE: AUDIT REPORT PARA 38.3

The Financial Statements of the University showed that the University incurred an excess expenditure of Shs.207,997,989 on employee costs. The Accounting Officer had attributed the excess expenditure to shortfalls in funding for the wage bill. He had also explained that the funding for the wage bill from Ministry of Finance was based on an outdated organization structure which was very different from what was currently on the ground. To fund the shortfalls, the University was forced to use its internally generated revenue which created excess expenditure. He had further explained that the University had submitted a new structure to the Ministry of Public Service and Ministry of Finance for review, and funding. Audit however had advised the Accounting Officer to have the restructuring exercise of the University concluded and funding arrangements agreed with the relevant authorities.
The Accounting Officer explained that the excess expenditure was related to employee cost which the University could not avoid.

The Committee directed him to make analysis of payments categorized as employee cost since 30th June 2006 in relation to receipts and expenditure and submit the analysis for the Committee’s consideration. The Committee also decided to take up the matter with Ministry of Finance.

37.6 CONSTRUCTION OF COMPUTER LABORATORY BUILDING: AUDIT REPORT
PARA 38.4

The Auditor General reported that available records indicated that the University initiated a project for the construction of the Laboratory at an estimated cost of Shs.600 million. The University was to contribute half the cost i.e. Shs.300 million while the remainder was expected from the Donors. A local firm was contracted to build the Laboratory at a cost of Shs.575,850,140. At the time of audit report the contractor had been paid a total of Shs.536,336,222,504. It was noted that the University transferred funds amounting to Shs.160,000,000 from the Business Studies Department account to the NPT project account to cater for the department’s contribution towards the project. However the Council had approved a contribution of only Shs.100,000,000 in the departmental budget for 2005/06. The additional amount of Shs.60 million lacked relevant authority. The following additional observations were made during the audit.

- The bill of quantities required the contractor to provide maintenance and guarantee bonds of Shs.4m but no proof of compliance was seen.
- The roofing, costing Shs. 21,657,800 that had been completed was dismantled because management decided to add on an additional floor. This expenditure was also considered wasteful.
- Variation in the Bill of Quantities relating to electricity installation of Shs.10,505,814 had no detailed breakdown. Variation cost of Shs.85 million arising out of changing of head room
height from 2.7 metres to 3.2 metres was not clearly supported and shown in the Bills of Quantities.

The Auditor had advised the Accounting Officer to have the extra contribution of Shs.60 million by the department of Business Studies regularized or refunded to the department. The Supervision of the contract execution should also be enhanced to address the shortcomings highlighted. Management should also prepare a status report on the construction project.

The Accounting Officer explained that the University initiated the project for Construction of a Computer Laboratory at a contract sum of Shs 575.8 million. The University had to contribute Shs 265.6 million whereas a Donor was to provide a total of Shs 310.2 million. As the project was housed under the Department of Business Studies and the same department had made a provision under Capital Development budget for construction to the tune of Shs 100 million for Financial Year 2005/06 and an additional provision of Shs 100 million for the financial year 2006/07. It was found prudent to transfer Shs 60 million as the University's contribution from the Department Account to the NPT Project Account to convince the Donor. He noted that the Council retrospectively approved the additional Shs 60 million on 26th September 2007.

The Committee noted the explanation

37.7 AUDIT INSPECTIONS OF STORES: AUDIT REPORT PARA 38.5

- Obsolete and Unusable Stores

An audit inspection and a report on Board of Survey on Stores revealed that obsolete stores and unusable stores which should have been disposed off several years ago were still kept in the stores. There were also a lot of expired chemicals for science laboratories which had been in the stores for a long time. Various items of stores of unspecified value were also reported stolen from the East End Stationery store. The theft was not reported to the Treasury as required by regulations. The Officer found to have been responsible for the loss was still deployed in Accounts Department.

The Accounting Officer admitted that the report on Board of Survey on stores revealed that obsolete stores and unusable stores was still kept in store by the Audit. A comprehensive list was prepared and
presented to the University Board of Survey for further submission to Contracts Committee for consideration for Disposal according to the PPDA Regulations.

He said that various items worth Shs 2,679,220 were reported stolen from the East End Stationery stores. The matter had not been reported to Treasury by the time of audit. It was later reported. He further admitted that the Officer who was a storekeeper by the time the items were stolen was still deployed in Accounts Department. The matter was reported to Police and investigations had not been concluded. However, the suspect was arrested, interrogated and later released on Police bond as investigations continued. He was then sent on leave to enable the University carry out investigations. The case was referred to the Disciplinary Sub-Committee of Appointments Board on Thursday 15th June 2006. The Committee considered the case and agreed to call him from leave for re-deployment.

Expired Drugs

In the store were expired drugs of unknown value and various types as indicated below:-

1. Plasil Tabs 2 Packets
2. Surgical Spirits 1 Bf
3. Chloroquine Injection 3 amps
4. PPF Injection 2 Vials
5. Phenegan Injection 1 Vial
6. Valium Injection 20 Amps
7. Xpen Injection 2 Vials
8. Nylon Sutures 12 Packets
9. Antiseptic Medicated Gauze 1 Packet
10. Oral Rehydration Salt (ORS) 435 Bottles damaged by termites

The reasons for letting the drugs expire before use were not explained. It was also reported that drugs valued at Shs 1,387,063 had been stolen from the stores.

The Accounting Officer admitted that it was true there were expired drugs in the stores by the time of audit. The reason for drug expiration before use was contained to the letter by the Director of Health Service.

The case of drugs valued at Shs 1,387,063 was being investigated by Jinja Road Police Station.
**Misappropriation of Cash**

The Senior Medical officer in her report dated 5th July 2005 also reported losses arising from misappropriation of cash in the private wing amounting to Shs4,336,900. Management action on the matter was awaited. The Accounting Officer had explained that theft and misappropriation of cash were being investigated by the Police. It was recommended that the obsolete stock be boarded off without delay. All thefts should be comprehensively investigated and reported to the Permanent Secretary/Secretary to the Treasury. There was also need for management to strengthen the system of management of drugs to mitigate the risk of expiry of drugs before use and misappropriation of cash.

The Accounting Officer had explained that the Centre had put in place a system of daily reconciliation of drugs sold against cash received.

The Committee directed the CID to follow up and take appropriate actions on the criminal aspects in this query.

**37.8 REPAIR OF VEHICLES: AUDIT REPORT PARA 38.6**

It was reported that during the period under review, the University spent a total of Shs.171,357,289 on vehicle repairs. The high repair costs were partly due to a very old vehicle fleet which required repair and maintenance on a regular basis. Audit had advised the Accounting Officer to come up with measures of equipping the vehicle repair workshop so that it can be used for some of the repair jobs. There was also need to come up with a vehicle replacement policy to reduce the high costs of repair and maintenance. The Accounting Officer attributed the problem to lack of an adequate capital development budget to finance the capital development needs of the institution.

The Accounting Officer admitted that the University had a very old vehicle fleet which required repair and maintenance on a regular basis. While it was a good idea to reequip the vehicle repair to handle some of the repair jobs but the non availability of funds greatly affects the proposal. The University
started the process of boarding off the vehicles in line with Public Procurement and Disposal of Assets (PPDA) Act. The vehicle replacement plan had been proposed but inadequate Capital Development Budget did not favor its implementation. Worse still the University Capital Development Budget was reduced from Shs 280 million to Shs 22 million for the financial year 2006/07.

The Committee noted the explanation.
38. GULU UNIVERSITY

38.1 LACK OF AN APPROVED BUDGET: AUDIT REPORT PARA 39.2

The Auditor General noted that he had earlier reported that in the past years that the approval of the University budget by the Ministry of Education and Parliament was not produced for audit and that was the case still during the year under review. The University, therefore, had incurred unauthorized expenditure and collected unauthorized revenues. Audit further could not therefore comment on the variances between the actual and budgeted expenditure shown in the Statements of Appropriation.

The Accounting Officer reported that the approval had been made by the University Council and presented to Parliament by the Minister of Education in the policy policy statement. He also reported that the University had since then received a retrospective approval of the F/Y 2004/05 and 2005/06. On the variances noted in the statement of appropriation, the Accounting Officer explained that this arose because in some budget lines the University received supplementary budget allocation and salary enhancement during the financial year.

The Committee noted that the problem had been recurring over a period of time and observed that it was a policy issue.

The Committee requested the Committee on Social Services to follow it up.

38.2 THE FINANCIAL REPORTING FRAMEWORK: AUDIT REPORT PARA 39.3

It was observed that the Universities and other Tertiary Institutions Act 2001, sets out the legal, administrative and financial reporting framework. However, the financial reporting framework being applied was that prescribed in the Public Finance and Accountability Act 2003 as guided by templates and Instructions issued by the Accountant General. The financial reporting framework as specified by the Accountant General in terms of Accounting policies, Accounting templates or Format did not suit the University reporting needs as it did not capture all the revenues and expenditure incurred, among other things.

Audit had advised the universities and the Accountant General to develop an accounting policy and framework suitable for Universities.
The Accounting Officer reported that the Office of the Accountant General had started the process of reviewing the overall financial frame work. The University, in the mean time was being guided by the PFA Act 2003, TA and templates issued by the Accountant General. He hoped that the issue of Policies, Accounting template and Format would be adequately addressed given the fact that the Universities were involved in the overall evaluation. He also reported that the University was involved in the development of an Accounting policy and frame work suitable for it.

The Committee noted the submission of the Accounting Officer but decided to handle the matter with the Accountant General.

38.3 PAYABLES: AUDIT REPORT PARA 39.4

The Auditor General reported that in the Statement of Financial Position, Payables were reported as amounting to Shs.625,679,149 and in the Statement of Outstanding Commitments it was reported as Shs.1,482,376,513, hence a variance of Shs.856,697,364 which was not explained. The Statement of Outstanding Commitments also was not properly drawn out and was misleading. Furthermore prime records relating to payables e.g. invoice registers; creditor's ledgers/registers were not being properly kept. As a result, Audit could not establish whether all balances relating to payables in the financial statements were fairly stated and why the payables amount was reported differently in the Statements.

The Accounting Officer confirmed that payables reported in the financial position was Shs 625,679,149 and in the statement of outstanding commitments was as Shs 1,482,376,513. He noted that this was done according to Treasury Accounting Instructions 2003, (400) f and g. He said that Employee costs were only recognized when payments were effected in that year, the University had employee cost of Shs 943,909,535 included in the amount and Shs 412,016,702 of this was for Capital Development. Based on the explanations above, he said that unless a policy on Accounting treatments were made clear, in that either the University operates on cash basis or accrual basis, treatment of some unavoidable employees costs was likely to be of a continuous problem.
He explained that the difference arose because of the outstanding employee costs which were a result of under funding of the wage bill.

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The Accounting Officer however could not explain the relationship between Shs. 625 million and Shs. 1.482 billion recorded on the financial statements as payables.

The Committee noted that policies applied to recognize payables seemed to have been variously and inconsistently employed confusing the whole Final accounts. The Accounting Officer was asked to properly reconcile the Shs. 625 million reported as payables and Shs. 1.482 billion reported in the accounts. The Accounting Officer was required also to submit all accounts and bank statements

38.5 NON-TAX REVENUE (NTR): AUDIT REPORT PARA 39.4

A sum of Shs. 1,374,881,433 was collected as NTR while Shs. 322,772,500 remained outstanding as at 30th June, 2006. The students' fees registers indicating amounts charged and revenue records where collections were receipted were however not properly kept. A further Shs 292,177,317 arrears of revenue for 2004/2005 were collected during the year but the figure was double committed in the Statement of Revenues collected and Statement of Arrears of Revenue thereby distorting the Statements.

The Accounting Officer reported that in the financial year under review the University had budgeted for the non-tax revenue as below;

<table>
<thead>
<tr>
<th>Item</th>
<th>A/A</th>
<th>Budget 2005/06</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004/05</td>
<td>0</td>
<td>344,022,017</td>
</tr>
<tr>
<td>Wage</td>
<td>110,195,964</td>
<td>110,195,964</td>
</tr>
<tr>
<td>Recurrent</td>
<td>1,670,815,000</td>
<td>1,670,815,000</td>
</tr>
<tr>
<td>Development</td>
<td>675,369,000</td>
<td>675,369,000</td>
</tr>
<tr>
<td>Total</td>
<td>2,456,379,964</td>
<td>2,800,381,981</td>
</tr>
</tbody>
</table>

He noted that as reported, out of Shs 344,002,017 budgeted for in the F/Y 2004/05, Shs 292,177,317 was collected leaving a balance of Shs 51,822,700. These figures had then been reconciled.

He said that Prime records on how the money had been collected were as per student ledgers. This was witnessed by the external Auditor in their subsequent visit.

The Committee asked the Accounting Officer to submit all supporting documents regarding this query i.e. student's ledger e.t.c. before it takes a decision.
39. MAKERERE UNIVERSITY BUSINESS SCHOOL

39.2 APPROVAL OF THE UNIVERSITY BUDGET: AUDIT REPORT PARA 40.2

The Auditor General reported that the University and Other Tertiary Institutions Act, (Sec. 62) required that the entire University budgets be submitted to the Minister for Education and Parliament for approval. However, although the Minister for Education approved the budget, the entire University budget was not approved by Parliament as required by the Act. What Parliament approved by way of the Appropriation Act was only the Government subvention to the University. The other component of the University budget financed by the internally generated revenue lacked Parliamentary approval. This matter was also raised in Auditor General's previous report but little effort had been made to address it. Audit had advised the Accounting Officer to liaise with the responsible Ministries and Parliament to further streamline the procedures for approval of University budgets by the council, the Minister and Parliament in compliance with the Universities and Other Tertiary Institutions Act, 2001.

The Accounting Officer explained that the School did submit the 2005/2006 budget to the Ministry of Education and sports as required for approval. He noted that he had received a confirmation of approval by the Minister and the Budget had been captured in the National Budget Book.

The Committee noted the explanation.

39.3 LEGAL STATUS OF MUBS: AUDIT REPORT PARA 40.3

It was reported that since the enactment of the Universities and Other Tertiary Institutions Act 2001, the status of MUBS had remained unclear. The Court ruling (of MISC. Clause No. 94 of 2006) declared MUBS as an independent University. Since then the management of MUBS had formulated a new Organogram and had elevated the existing staff to fill the posts created in the new structure, as per Council meeting dated 8th Aug. 2006. This had been challenged by the Ministry of Education and Sports, National Council for Higher Education and Makerere University.
He also said that the unclear legal status had also delayed the appointment of the Chancellor and other senior Officials. Section 30(1) of Universities and other Tertiary Institutions Act 2001 as amended states that the Chancellor of a Public University shall be appointed by the President on recommendation of the University Council. Although MUBS council had fulfilled this as per the Communication dated 16/10/2006, a response from the appointing authority was still being awaited. The positions of Vice Chancellor, University Secretary, Academic Registrar and the Dean of students were also dependent on the resolution on the legal issues affecting the Institution which could affect the ability of the Institute to effectively deliver the services. Management and other relevant authorities were advised to speed up the process of finding a long lasting solution to the legal issues surrounding the institution.

The Accounting Officer explained that Cabinet had directed that MUBS continues to be affiliated to Makerere University as before and also had directed on the appointment of a Principal.

The Committee directed that the Minister of Education immediately addresses the issues of management of the School.

39.4 LAND TITLE FOR BUSINESS SCHOOL: AUDIT REPORT PARA 40.4

It was reported by the Auditor General that Makerere University Business School occupied an area of approximately 43 acres located on Plot M118, Nakawa. However, the school had no land title. Without a land title the school could not claim ownership of the land it occupied. There was also a risk of the land being claimed or reallocated to other persons or institutions. It was also noted that although the University Council engaged an Advocate to follow up and process the land titles for the school campus and Bugolobi Annex and made a down payment of Shs.2,000,000 up to then no progress had been made on the matter. Management needed to secure a title to the property to avoid risk of encroachment and unforeseen claims by 3rd parties.

The Accounting Officer admitted that the School assigned the School lawyers to follow up and process the land titles for MUBS and they awaited a response.
The Committee noted that although some of the School land had been encroached by private individuals, efforts were in place to title the remaining land. The Committee directed that private developers be investigated on how they acquired the land.

39.5 STAFF RETIREMENT BENEFIT SCHEME: AUDIT REPORT PARA 40.5

It was reported that during the year, Management had effected payments totaling Shs.41,402,633 to National Insurance Corporation for the School’s Staff Retirements Benefits Scheme. However, Audit was not provided with the legal agreement between National Insurance Corporation and the School. There was also no statement of accounts to show how much had been deposited till then, interest earned and the then current value of the fund. Audit had advised that Management should comprehensively review the scheme with a view to streamline its operations and that consultations be carried with staff and other stakeholders to come up with a proper management structure and operational procedures for this scheme.

The Accounting Officer explained that MUBS had been effecting payments to National Insurance Corporation (NIC) for the School’s retirement Benefit Scheme as indicated in Audit report. He however said that there was need to regularize the NIC scheme for the MUBS staff that had been under the Makerere NIC scheme after the granting of the financial autonomy for MUBS. The legal agreement between NIC and MUBS had reached the final stages as it was pending the constitution of a board of trustees. He noted that the privatization of NIC in June 2005 had no effect on the School retirement Benefit Scheme as long as all the legal requirements were in place.

The Committee noted the explanation.
40. UGANDA MANAGEMENT INSTITUTE (UMI)

40.1 MISAPPROPRIATION OF FUNDS: AUDIT REPORT PARA 41.1

The Auditor General observed that two officers on interdiction led to the loss of Shs.88,855,326 through fraudulent payments for foodstuffs, work load allowance and double payments. No recovery had yet been made by the time of audit. Besides, there was no evidence that the fraud had been reported to the other relevant Organs for further investigation and prosecution. Management had explained to Audit that they had taken steps by first interdicting the Officers and had also withheld their terminal benefits until the investigations were concluded. Audit had advised Management to study the report on the investigation and address its recommendations in accordance with the law and the Institute’s established procedures.

The Accounting Officer reported that the cited misappropriation of funds was discovered by the Uganda Management Institute (UMI) Internal Auditors and investigated by management which took steps to prevent further loss by interdicting the Officers involved. The Matter was subsequently presented to the Governing council which further investigated it and decided to dismiss the staff implicated and refer the case to the Auditor General with a request for a special Audit to fully investigate it.

The Accounting Officer revealed that the Auditor General had appointed M/S DMER Associates to conduct a special audit of the financial management of Uganda Management Institute and copies of the special Audit report were sent to the Auditor General. Subsequently, the Governing Council on the advice of the Auditor General forwarded the matter to CID for necessary action.

The Committee observed that the loss had not been reported to the relevant institutions. It however noted that the officials concerned had been interdicted and that CID was following the case.
40.2 UMI COUNCIL: AUDIT REPORT PARA 41.3

a) Composition (Membership)

Under Section 38 of the Universities and Other Tertiary Institutions Act, 2001 (as amended), UMI was to have a council consisting of nineteen (19) members of whom six (6) members were to come from UMI, two (2) student representatives and eleven (11) from outside UMI. However, the composition had seven members of staff. Under section 38(1), the Council should also have two members appointed by the University Council from the Public. However the two members had never been appointed as required. Management had explained that following the appointment of government representatives to the Council a search committee had been set up to source for candidates to be appointed by Council from the Public. Management had been advised to expedite the process of fully constituting the Council to allow full participation of all stakeholders in the decision making process of the Council.

The Accounting Officer submitted that, following the amendment to the Universities and Other Tertiary Institutions (Amendment Act) which led to the issuance of statutory instrument No. 22 of 2006, steps were taken to establish a fully constituted Governing Council to replace the Interim Council. The new Council conformed to the law and was inaugurated on 28/2/2006. It was composed of the following:

- member appointed by the Minister (Elected Chair person).
- member appointed by the Governing Council from the public (Elected vice Chair person).
- Director General
- Two Directors
- member representing Uganda Association of Public Administration Management (UAPAM).
- member representing Kampala City Council (KCC)
- member representing the Alumni
- member representing the Senate
- member representing the Academic Staff Association
- member representing the non-academic staff
- two members representing students
- second member appointed by the Minister
- second member appointed by the Governing Council from the public
• member representing the Ministry of Finance Planning and Economic Development
• member representing the Ministry of Education and Sports

Items 3, 4, 8, 9 and 10 constituted UMI representatives who were six in number.

The Committee accepted the explanation.

b) Chairpersons

The same law under section 39(1) states that "The UMI council shall elect a Chairperson and a Vice-Chairperson from among the members of the council who are not members of staff, students of the Institute, persons employed by the Public service or a member of the District council or Parliament". However, contrary to this requirement, the Council elected a public officer as the Chairman. The Council also elected a public officer as a representative of convocation. These irregular appointments could have wider legal implications on the operations of the Council. The Accounting Officer had explained that at the time of election of the Officers to the Council, they were not in Public Service and that in light of the new development; they would not be eligible for election in the reconstituted Council. Management was advised to seek legal advice on the implications of the situation.

The Accounting Officer submitted that the Chairperson and Vice Chairperson of the former Interim Council were not in the Public Service at the time of their election to those offices. They joined the Public Service later. However in the elections held on 28/2/2007, under the fully constituted Governing Council, they were not considered for the posts. The new office bearers duly conformed to the requirements of the law.

The Committee noted the explanation of the Accounting Officer and dropped the query.
40.3 MASTERS DEGREE SUPERVISION ALLOWANCES: AUDIT REPORT PARA 41.4

The Auditor General reported that a total of Shs.39, 540,000 was paid out to UMI staff (Consultants) as allowances for supervision of students pursuing Masters Degree in Management Studies. However, according to the appointment letters, supervision of research was part of the routine duties of the staff for which salary was paid. This additional remuneration was irregular as it was also not provided for in the Institute’s human resource manual. Management had explained that the Management and the Academic Committee’s had approved the allowance in order to boost the morale of the supervisors who worked over a long duration of the supervision exercise. Audit had advised management to have the allowance approved and catered for in the human resource manual if they still had to pay it.

The Accounting Officer noted that prior to the commencement of the Masters Degree Programme in Management studies in 1999; a proposal to mount the programme was developed, discussed and approved by the Academic and Management Committees. One of the elements that were discussed was the issue of supervision allowance. Given the heavy responsibilities of academic staff which required them to design new courses (long and short), deliver the courses, develop consultancy proposals, conduct consultancy work and undertake research including administrative work, it was decided that a modest allowance of Shs 600,000/= be paid to each consultant in two equal installments (on commencement and completion of the supervision). This supervision allowance was meant to boost the morale of the supervisor, because of the long duration of the supervision exercise. This allowance was incorporated in the Revised Human resource Manual as recommended in the Auditor General’s report.

The Committee noted that the allowances had been reflected in the Human Resource Manual as advised by the Auditor General.

40.4 TRAINING POLICY: AUDIT REPORT PARA 41.5

The Auditor General reported that the Institute sponsored its staff for various training programmes locally and abroad. However, a review of the training policy revealed that the policy did not give
guidance on the courses to sponsor, at what cost and where. During the year a total of Shs.369,199,209 was spent on sponsorship. It was also noted that the period for bond/guarantee signed between management and the staff pursuing a Masters Degree was only 9 months which is not worth the funds spent on training such staff. In any case this was contrary to Government standing orders which required 3 years bonding. In some cases the staffs did not have any bonds signed. The policy also did not adequately take into account the period allowed for one to work with the Institute before qualifying for sponsorship. The six months probation allowed, was not adequate for one to qualify for sponsorship of a magnitude ranging from 16-35 million.

In one case an Officer was paid Shs.1,507,000 as tuition fees while still on probation. Two officers had their tuition fees of Shs.40,273,097 paid by the Institute but they were dismissed before they could complete their programmes, hence leading to nugatory expenditure.

These weaknesses in the training policy created a risk of nugatory expenditure and the Institute not obtaining value from the training programmes. Audit had advised management to review the existing training policy to address the weaknesses. Management had explained that the policy was purposely silent on exact courses to be sponsored and the exact institutions where the sponsorship would be held because these variables were bound to change from time to time.

The Accounting Officer in his response to the Committee said that the training policy was purposely silent on the exact courses on which UMI staff would be sponsored and the exact institutions where the sponsorship would be held because these variables were bound to change with time and need. Each application was considered on a case-by-case basis by each Department and the Institute Training Committee made the final decision.

He said further that the bonding period was determined by the cost of the courses and not by the course's duration. Further more, Institute staff were mainly funded on sandwich courses which allowed them to work as they studied. He noted that the current bonding period was appropriate for a management Development Institute whose teaching staff kept moving from the world of work to the institute and back to the world of work.

He observed that as a way for ward, management had undertaken a review of the Institute training policy drawing on practices from sister institutions in Uganda.
The Committee noted that the training policy had been reviewed and that funds had been recovered from the dismissed staff.

40.5 NUGATORY EXPENDITURE: AUDIT REPORT PARA 40.6

The Auditor General reported that a total of Shs.2, 162,051 was spent on water bills left behind by the Institute’s former tenants in compliance with Section 95 of the Water Act that holds landlords responsible for water bills against the land/property. This expenditure was nugatory as it should have been avoided if arrangements had been made by the Institute to ensure that tenants cleared their bills before they vacated the properties. The amount was also recoverable from the former tenants.

Management had explained that steps had been taken to recover the funds by writing to the individual’s letters demanding payment. If the response was not forthcoming the matter would be handed over to the Institute’s lawyers to commence legal proceedings against the defaulters. Audit had advised Management to put in place a system that ensures that tenants pay their water bills promptly before they leave the premises.

The Accounting Officer reported that management had taken steps to recover this money from the former tenants by writing to them demand notes. However no payment had since been received and therefore the matter was handed over to the Institute Lawyers who wrote the the demand notes to the former tenants. Till then, one tenant owing Shs. 21,794 had paid up. The lawyers were considering taking legal action.

The Committee noted that the matter had been referred for legal action.
41. ARUA HOSPITAL

41.1 DELAYS IN SUBMISSION OF FINANCIAL STATEMENTS (2005/06): AUDIT REPORT PARA 1.2

The Auditor General observed that section 31(a) of the Public Finance and Accountability Act 2003, required Accounting Officers to prepare and submit financial statements for their Ministries/Agencies to the Office of the Auditor General’s for audit within three months after the year end (by 30th September). It was however noted that the Ministry did not submit its financial statements on time as required and therefore directly impacted on audit operations. This was partly due to laxity by Accounting Officer to have the accounts prepared on time. It was also attributed to capacity gaps in the Accounting functions of the Ministry and Agencies.

The Accounting Officer reported that the delay was due to a change of procedure which was communicated to him late.

The Committee noted but cautioned him against such delays.

41.2 STORES CADRE: AUDIT REPORT PARA 1.8

A review of staffing of the Stores cadre in a sample of Ministries revealed inconsistencies in the management of the stores cadre.

There was no system of on-job training to equip existing staff with new methods of work. There was also no clear standard of qualification, job description and documentation to enhance Stores management. As a result, there was inadequate staffing, poor record keeping, loss of stores and unrestricted accessibility to confidential information. It appeared the stores function in Government had been underrated and thus not receiving enough attention in terms of training and staffing. Audit had advised that the Ministry of Public Service and other stakeholders should come up with a clear policy to govern stores management in terms of staffing, qualification, job description and training. This would ensure safe guard of Government assets.
The Accounting Officer reported that the Hospital had an establishment for three Stores staff. He however noted that the persons serving the stores were not qualified Stores cadres. He reported that because of poor pay the hospital had failed to attract qualified staff.

The Committee decided to handle the matter with Ministry of Health and Health Service Commission. The Accounting Officer was also asked to provide a write up on the man power gaps in the hospital.

41.3 DOMESTIC ARREARS AND CONTINGENT LIABILITIES: AUDIT REPORT PARA 1.12.

It was reported that the Consolidated domestic arrears as at 30th June, 2006 for Arua Hospital stood at Shs 15,925,365. The Accounting Officer needed to comply with Government regulations and desist from continually incurring domestic arrears.

The Accounting Officer reported that these arrears were mainly utility bills.

The Committee noted that the bills were mainly for water, power and fuel for the generator and urged the hospital to liaise with Ministry of Finance to have them cleared.

41.4 EXCESS EXPENDITURE: AUDIT REPORT PARA 42.2

The Hospital incurred excess expenditure to the tune of Shs10,046,288 on the item for salaries. No authority was obtained for the excess expenditure.

The Accounting Officer confirmed that during the financial year 2005/06, the hospital incurred excess expenditure on goods and services. These expenditures were mainly on the items of utility that is Electricity, Water, Telecommunications and property expenses. The excess expenditure was part of the domestic arrears for the period under review.

He noted that the Hospital Administrator had tried as much as possible to carry out expenditures in line with the Public Finance and Accountability Act and as much as possible to avoid over expenditures on
all the items, but he noted that these were expenditures that could not be avoided considering the importance of the services towards the running of the Hospital.

He explained to the Committee that there was no increment on the Hospital Budget for the last 4 years as such it had been very difficult to increase the budget allocation of the line items particularly for payment of utilities. He reported that the Ministry of Finance, Planning and Economic Development released Shs.17,000,000/= to clear the outstanding domestic arrears of utility bills. Considering the sorry state of the Hospital infrastructure, and comparing the funds received, it was at times very difficult to make decisions on what expenditures to carry out and the ones to suspend as all activities were important towards the running of Hospital.

The Committee directed the Accounting Officer to follow it up, and ensures that he gets the authority for the excess expenditure.

41.5 HOSPITAL INFRASTRUCTURE: AUDIT REPORT PARA 42.3

The Hospital owned a number of assets, including vehicles, land and buildings and others. More land had also been acquired for future expansion. During the audit inspection of the hospital the following were however noted:-

a) Assets Register

No proper assets register was maintained by the hospital apart from an inventory list of furniture and equipment without values. Land was not listed as an asset on this list. No reasons were given for its exclusion from the list. The original land was registered in the names of the Land Board. There were no land titles yet for the acquired land by the Hospital. In his written submission, the Accounting Officer had stated that management was in the process of acquiring a proper Asset register and was also following up on the land title with the District Land Board and Surveyor. The outcome of this follow up was yet to be received by the time of audit. Audit had advised him to have all land registered in trust for the Hospital.

The Accounting Officer confirmed that they had no proper Asset register in place by the time of Audit although an inventory list of furniture and equipment existed. He admitted that land had been excluded from the Register. He reported however that an asset register was later put in place. The original
hospital land covering plots 22-82 Arua Avenue with the size of 24.5 acres under FRV208/7 with the land title was under the custody of Uganda Land Commission. The above land housed both the hospital and the nurses' school.

He also reported that Arua Regional Referral hospital acquired land located behind existing complex approximately 6.924 hs (17.109 Acres) in Arua Municipality for hospital future expansion programs under District land Board Minute No. DLG 15/98 (8) of 18-06-1998.

As regards the land title, he said that all necessary documents were submitted to the Land Commission and the hospital was waiting for their response.

He said that the hospital had since 2006 been making effort to have a land title for the land extension. However, some individuals had come up claiming that the land belonged to them by customary ownership. The local authorities had been notified about this new development.

He also said that the Ministry of Finance Planning and Economic Development had installed a software for Asset Register which they were updating.

The Committee noted that the hospital did not have a copy of its land title and advised the Accounting Officer to get one, from the Uganda Land Commission.

b) Dilapidated buildings

Most structures at the hospital were constructed more than 50 years ago and underwent renovations in the early 90's. However, over the years the structures had depreciated to the extent that minor repairs could no longer be effective. Some wards like the Medical ward were no longer in use. Furthermore, no development budget provisions were made in the annual budgets to enable the Hospital carry out the necessary renovations.

The Accounting Officer had stated to Audit that consultations had been made with the mother Ministry on the state of the buildings and engineers did an assessment for which a report was still being awaited.

The Accounting Officer reported that the Hospital which needed to be constructed as the out patient building had many cracks on the ceiling and on the walls making it dangerous for occupation. There
was inadequate space in the outpatient building. There was need for a new patient department with a modern causality wing.

He said that the sewerage system in the hospital had not been upgraded to fit the then capacity therefore resulting into frequent bursts and blockages. The hospital spent a lot of money on either unblocking the system or emptying the septic tanks.

The Committee noted that works on the medical ward had started.

41.6 NON DEDUCTION OF WITHHOLDING TAXES: AUDIT REPORT PARA 42.3

The Auditor General reported that total payments amounting to Shs.55,830,400 were made to suppliers of goods and services without deducting 6% Withholding Tax totaling Shs.3,349,824. Such practices could attract fines and penalties from the Uganda Revenue Authority. The Accounting Officer, in his written submission to audit had stated that efforts were being made to recover the tax and remit it to the tax authority. However, by the time of writing this report only Shs.117,000 had been recovered from one firm and remitted to Uganda Revenue Authority.

The Accounting Officer admitted that during the period in review, the hospital erroneously did not deduct 6% withholding tax from some of the supplies which he regretted as an error. He however said that the Hospital was in the process to recover all the taxes from the respective service providers. On the case of M/s Hotel Pacific, he said that they had communicated to him that they had cleared all their tax obligations for that period with Uganda Revenue Authority. Uganda Revenue Authority also wrote to confirm that the claim of the Shs 3,349,824/= (Shillings three million, three hundred forty nine thousand eight hundred twenty four only), Shs 117,000/= was recovered and remitted to Uganda Revenue Authority. A total of Shs 848,484/= was recovered and remitted to the Tax authority.

Uganda Revenue Authority also confirmed that the Lake foods and Transporters cleared all tax obligations for the period under review.

He presented to the Committee the position of the summary of 6% Withholding Tax recoveries as follows:

397
<table>
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<th>Vr. No.</th>
<th>Cheque No.</th>
<th>Payee</th>
<th>Amount</th>
<th>6% WHT</th>
<th>Comments</th>
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<td>18/01</td>
<td>6181</td>
<td>DEB General printers</td>
<td>2,516,850</td>
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<td>95,526</td>
<td>Paid to URA</td>
</tr>
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<td>70/06</td>
<td>5907</td>
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<td>165,033</td>
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<td></td>
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<td><strong>Total</strong></td>
<td><strong>55,830,400</strong></td>
<td><strong>3,349,824</strong></td>
<td></td>
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</tbody>
</table>

The Committee noted that the remittances had been made.
42. GULU HOSPITAL

42.1 OWNERSHIP OF LAND: AUDIT REPORT PARA 43.2

It was noted by the Auditor General that Gulu Hospital is located between Eden Road in the North and Dr. Mathew Lukwiya Road in the South. However, the Hospital is bisected by Harley Road. It was observed that while ownership of the land between Harley Road and Dr. Mathew Lukwiya Road was authenticated by a land title, the portion of land between Harley Road and Eden Road lacked Certificate of Title. In reply the Accounting Officer had stated that efforts to acquire the land title were underway. Audit awaited the results of the efforts.

The Accounting Officer said that the land the Hospital occupied was safe. He said that the Hospital was also processing titles for other lands, the Hospital had acquired. He said that the total land acreage was 6.68 and that they had got the title for 1.048 acres.

The Committee noted that there was no threat to the Hospital and that the title of the whole land was being processed.

42.2 DOMESTIC ARREARS AND CONTINGENT LIABILITIES: AUDIT REPORT PARA 1.12.

It was reported that the Consolidated domestic arrears as at 30th June, 2006 for Gulu Hospital stood at Shs 83,906,060. The Accounting Officer needed to comply with Government regulations and desist from continually incurring domestic arrears.

The Accounting Officer said that all the then outstanding arrears were cleared.

The Committee noted that there was adequate allocation in the Hospital budget to clear the domestic arrears.
42.3 LACK OF DEVELOPMENT BUDGET: AUDIT REPORT PARA 43.3

The Auditor General noted that since its creation as a Vote, the Hospital had never been allocated a Capital development budget yet most of the buildings were dilapidated, essential medical equipment and furniture and fittings were either lacking or were in hazardous states. Audit had advised the Accounting Officer to follow up the matter with the Ministry of Finance, Planning and Economic Development together with the Ministry of Health.

The Accounting Officer confirmed that the Hospital had no Capital Development Fund during the year under review.

The Committee noted that whereas provisions had been made under Ministry of Health, for Capital Development Funds for Hospital, no rehabilitation had been made to the hospital. The Committee decided to follow up the issue of disbursements of these funds to referral Hospitals. It further noted that the financial year was coming to an end yet no action seemed to have been taking place.

The Accounting Officer was asked to submit a copy of minutes of the meeting the referral hospital had had with the Ministry of Health.
43.0 JINJA HOSPITAL

43.2 VAT CHARGES: AUDIT REPORT PARA 44.2

Examination of expenditure for the period July 2005 - December 2005 by the Auditor General revealed that the Hospital paid a number of firms a total of Shs 3,859,785 for carrying out various activities. It was noted that these firms were charging VAT without indicating whether they were VAT registered nor were VAT registration certificates attached. There was a risk that government could be losing revenue as a result of non VAT registered firms charging VAT. The Auditor had advised the Accounting Officer to ensure that all payments to suppliers claiming VAT were supported with VAT invoices and certificates.

The Accounting Officer submitted that a total of Shs. 3,859,859= paid to various firms for carrying out various activities were VAT registered. He noted that before pre-qualification of the firms the Contracts Committee of Jinja Regional Referral Hospital made sure that the firms were VAT registered. Copies of VAT certificates were presented to the Committee.

The Committee observed that the Hospital should not have paid VAT to these firms if they did not have any evidence of being VAT registered.

The Committee asked the Accounting Officer to submit original certified photocopy of VAT registration certificates for these firms.

43.3 OVERRIDING INTERNAL CONTROLS: AUDIT REPORT PARA 44.3

The Auditor General observed that information on stock levels in stores was not sought before procurement. On several occasions, management received requisitions from users but did not take trouble to confirm stock levels with the store management before approving purchases. The Auditor General advised the Accounting Officer to ensure that this control was put in place to enable monitoring of stock levels.
The Accounting Officer reported that he had set up stock control cards whereby records of what had been procured, issued and balance of items were shown. He reported that there was no possibility of overstocking as funds were always not enough and in most cases restocking was done.

The Committee observed that the internal controls were weak leading to a lot of problems in the management and procurement of stores. It directed that competent stores staff be recruited. The Committee also noted weaknesses in the Internal Audit and directed that internal control systems be strengthened.

43.4 LACK OF A GENERATOR: AUDIT REPORT PARA 44.4

The Auditor General reported that the Hospital did not have a generator to cater for power failures and load shedding. The small one they had could only serve the main theatre. It was further noted that when there were power interruptions, the Hospital used lanterns to light the wards. There was a risk of fire break out which could result into loss of lives as well as property. During audit discussions, the Accounting Officer had stated that the generator in use was a Presidential pledge but they were awaiting delivery of a bigger generator under the Oret Project from Ministry of Health. During discussions with Ministry of Health, the Accounting Officer, Ministry of Health had stated that the generator would be delivered.

The Auditor had advised the Accounting Officer to follow up the matter and ensure that the generator is delivered and in a written reply, the Accounting Officer had explained that the Hospital board was pursuing the matter. Results of this effort were being awaited.

The Accounting Officer reported that the Generator which the hospital was expecting from Ministry of Health had been received. This was after the Hospital Board had followed it up with officials of Ministry of Health.
The Committee noted that the Hospital had no Capital Development provision and had been using lanterns even for carrying out operations. The Committee directed that Ministry of Finance provides Capital development funds to the hospital.

43.5 EXPIRED DRUGS: AUDIT REPORT PARA 44.5

The Auditor General observed that a visit to the drug store revealed that there were some expired drugs which were then being kept without disposal. These drugs were from various donors to the Hospital but ended up expiring before being issued. Audit had recommended that the drugs needed to be destroyed. In his written reply to Audit, the Accounting Officer had explained that the drugs in question were donated by the Chinese Government and the Chinese medical team had been requested to have the drugs destroyed. Audit awaited destruction of the drugs.

The Accounting Officer said that the contract had been made between the Head of Chinese Medical team and Administration of Jinja referral Hospital to see to it that these drugs were destroyed. Communication from Jinja Regional Hospital was sent to the Head of Chinese Medical Team on 8th January 2007 and the response was being awaited. Meanwhile he reported that the drugs had been removed from the main drug store and stored in a separate room.

The Committee observed that poor stock controls had led to the expiry of these drugs. The Accounting Officer was directed to have in place trained medical staff acquainted with the Chinese drugs. The Committee directed the Accounting Officer to write to National Drug Authority to have the expired drugs destroyed.

43.6 UNACREDITED CHEQUES: AUDIT REPORT PARA 44.6

The Auditor General reported that Notes to financial statements as at 30th June 2005 disclosed unaccredited Cheque Number 753893 drawn from the Permanent Secretary, Ministry of Health amounting to Shs.5, 000,000. Up to then, this cheque had not been credited on the Hospital account and its fate was not yet known. Audit had recommended that management followed up the matter.
The Accounting Officer explained that the Cheque Number 753893 of Shs. 5,000,000 from the Permanent Secretary, Ministry of Health was banked on 6th July 2005 as per cheque deposit slip of Standard Chattered Bank.

This cheque was banked together on the same cheque deposit slip with cheque number 737170 of Shs. 9,421,248 thus making a total of Shs. 14,421,248 shown in the bank as statement of July 2005. Copies of relevant documents were presented.

The Committee was satisfied with the explanation and dropped the query.
44. LIRA REFERRAL HOSPITAL

44.2 INADEQUATE TRANSPORT: AUDIT REPORT PARA 45.2

It was reported that the Hospital did not have adequate transport for transporting patients that required specialized attention in Mbale, Lacor, Mulago and Butabika Hospitals. The Hospital’s ambulance was very old (17 years) and not fit to manage and fulfill the demand for it. Two new ambulances allocated to the Hospital by the Ministry of Health and collected by the District Director of Health Services (DDHS) had never been handed over to the Hospital by the DDHS, for the period of over a year. In his written reply, the Accounting Officer had stated that the Minister of Health had directed that one of the vehicles be surrendered immediately to the Hospital, but the DDHS had not heeded.

The Accounting Officer submitted that the hospital still lacked an ambulance. She said that the only one in place was an old ambulance over 20 years old and because of its age, wear and tear, it had become expensive to maintain it, putting a heavy financial burden on the hospital budget.

She said that two new vehicles, one, an ambulance allocated to the hospital by the Ministry of health and collected by the District Health Officer (DHO) – Lira District had never been handed over from the District Health Officer. The Director General for Health Services, Ministry of Health in his letter dated 11th October 2006, referenced DGHD.6, addressed to the District Director for Health Services- Lira District had directed that the ambulance Reg. No UG 2141M supplied by Support to the Health Sector Strategic Plan Project (SHSSPP) be handed over to the hospital and be stationed in the hospital under direct supervision and management of the Medical Superintendent. The District health Officer had however not responded to the directive till then.

The Committee directed that the vehicle be handed over to the Hospital immediately.
44.3 HOSPITAL FENCE: AUDIT REPORT PARA 45.3

The Auditor General reported that the Hospital fence had grown very old. Some parts had fallen down due to poor maintenance exposing the Hospital to the risk of theft and insecurity. In his written reply to audit, the Accounting Officer had explained that the Hospital could not handle the fencing as this was Capital development in nature which could only be done by the Ministry of Health.

The Accounting Officer explained that the scattered ruminants of a wire link stood as a fence around the hospital. There was therefore no security for hospital property. She said that hospital fencing was planned for under Capital development for Financial Year 2006/07, but no funds were released. The Committee urged Ministry of Finance to provide Capital development Funds to the hospital.

44.4 THE CONDITION OF THE HOSPITAL BUILDINGS: AUDIT REPORT PARA 45.4

During Audit discussion, the Accounting Officer had explained to audit that the Hospital was built in 1920 and given that it was a referral hospital there was need to renovate and expand the existing facilities namely, the theatre, casualty unit and staff houses to meet the ever increasing demand for the health service in the Hospital. This required Capital development budget for which the Ministry of Health was responsible. Audit had advised the Accounting Officer to lobby for the necessary funding to enable the Hospital have a face lift.

The Accounting Officer observed that the hospital buildings were too old and dilapidated. She however noted that through donors and well wishers, the hospital managed to;

- Renovate and expand the dental unit done by the German Emergency Doctors worth 14 million shillings.
- Renovation and furnishing of intern's mess.
- A few building were painted using savings from hospital recurrent budget.

The Committee noted the need for the hospital to have Capital Development Budget to address this problem, and urged Ministry of Finance to quickly look into the matter.
45. MASAKA HOSPITAL

45.1 LACK OF INTERNAL AUDITOR: AUDIT REPORT PARA 46.2

The Auditor General reported that the Hospital operated without an internal Auditor. Best practice requires that the internal audit function be present and effective in organizations as part of good corporate governance. In his response to Audit, the Accounting Officer had stated that several efforts had been made to have one but none was available. Audit had urged him to liaise with the relevant department to ensure he gets one.

The Accounting Officer confirmed that the hospital had no substantively appointed Internal Auditor. He reported that several attempts had been made to have one posted but to no avail. However in absence of an internal Auditor, the hospital; temporarily assigned the duties of internal audit to one of the accounts staff awaiting the posting of an auditor.

The Committee noted that the hospital had no Internal Auditor since 2001 and directed that one be posted immediately.

45.2 LACK OF A STORE KEEPER: AUDIT REPORT PARA 46.3

The Auditor General reported that the Hospital also lacked a Store Keeper. This function which was technical in nature was currently performed by the Office Superintendent who was not competent for store keeping jobs. This tended to lead to failure to maintain vital records like stores ledgers. Receipts into and issues out of the stores were not therefore properly maintained. In his written response to Audit, the Accounting Officer had stated that despite several correspondences to the Accountant General and Ministry of Health no store keeper has been posted to the Hospital.

The Accounting Officer reported that the hospital did not have store keepers despite several correspondences to the Accountant General and the Ministry of Health. He said that the hospital had temporarily assigned duties of store keeping to a senior dispenser while awaiting the storekeeper.
The Committee noted that although requests were made to have a Store keeper posted, no response was forth coming. The Committee directed that the matter be urgently addressed, by the responsible Ministries.

45.3 HOSPITAL INFRASTRUCTURE: AUDIT REPORT PARA 46.4

The Auditor General noted that the buildings that were constructed as early as 1920s were in a sorry state requiring urgent repairs. Access roads required repairs too. An incinerator which was being constructed by Ministry of Health was yet to be completed and the land also required fencing. The Accounting Officer had explained that there was little he could do without a Capital development budget. Audit had urged him to continue liaising with the relevant authorities for additional funding.

The Accounting Officer noted that the hospital buildings were constructed in 1927 and were then in a sorry state. The access road had not been repaired due to lack of Capital Development Budget. The access roads within the hospital were full of pot holes and required reconstruction to enable patients to be transferred to various units.

He said that the incinerator was constructed by the Ministry of Health. It however collapsed before handover to the hospital authorities. As a result the hospital continued to dispose of the medical waste through open burning but this was a public Health hazard.

He noted that as pointed out in the audit report, the hospital land was not fenced due to lack of Capital Development.

The Committee observed that lack of capital budget limits the work on infrastructure in the Hospital. It directed that Ministry of Finance to urgently address this matter.

45.4 LACK OF A SAFE: AUDIT REPORT PARA 46.5

The Hospital operated without a safe in the Accounts department. However, the Hospital’s request to the Accountant General for a safe had received no response.

The Accounting Officer reported that the hospital; had no safe because this asset was Capital in nature and there was no budget to cover it.
The Committee noted that it was the responsibility of the Accountant General to provide the Hospital with a safe and directed him to comply.

45.5 MORTUARY: AUDIT REPORT PARA 46.6

The Auditor General reported that due to lack of a mortuary, the Hospital was unable to carry histology (e.g. Post Mortem) examinations. As such it had no policy on passed humans who were therefore buried shortly after death, complicating the process of identifying them by most relatives (most common with accident victims).

The Accounting Officer reported that the hospital had no mortuary at all. He aid that the hospital was using the Municipal Council mortuary which was in a very dilapidated state.
He noted that the council mortuary had no running water, no lighting and no work-tops. He said that due to this state the hospital could not carry out post-mortem and other examinations.

The Committee observed that in the absence of a Development budget, the hospitals could not undertake such developments. It directed that the matter be urgently addressed.
46. FORT PORTAL HOSPITAL

46.1 UNAUTHORISED REALLOCATION OF FUNDS: AUDIT REPORT PARA 47.2

The Auditor General reported that the Hospital incurred unauthorized expenditure on 10 items out of the 24 items of voted expenditure as per the statement of appropriation account. The excess expenditure amounted to Shs.33, 295,865. No evidence of authority was availed to Audit for review. Audit had advised the Accounting Officer to seek authority for re-allocation.

The Accounting Officer said that the actual expenditure generally was less than the budgetary estimates for the year, but in some items like 221014, (Bank Charges) there was an incumbent of 60% in Bank charges thus the increment.

Also the water item of 223006 had a closing unpaid bill of 20 million. He said that retrospective authority was sought for all these cases.

The Committee directed the Accounting Officer to submit a copy of the retrospective authority

46.2 POOR STORES MANAGEMENT: AUDIT REPORT PARA 47.3

The Auditor General noted in his previous report to Parliament, under paragraph 48.6 that in the Treasury Accounting Instructions (TAL) the stores records were not updated/posted in accordance with section V of TAI Part II stores, despite huge drug purchases that were being frequently made. Proper records were still missing up to 31st January 2006 when new office bearers took over the role of stores management. In the first half of 2005/2006, a sample of procurements made indicated that drugs worth Shs.65, 100,000 were made and not entered in the ledgers. The new ledgers in place were based on the hand over report, which was made on 31st January, 2006 when new officers took over Offices. The Auditor General could not satisfy himself that the quantities declared therein included all drugs so far purchased.

The continued absence of proper stores records was attributed to lack of competent stores personnel since the function was then being performed by the Office Superintendents. The Accounting Officer had explained that the Internal
Auditor had helped the entity in guidance and advice on records management in the stores Department. He had further explained that he had requested for a Store keeper for this Department but no positive response had been received.

Audit had recommended that Stores management and record keeping should be streamlined to ensure proper recording and supervision including recruiting staff that were competent in stores management.

The Accounting Officer submitted that the Internal Auditor had helped the entity in guidance and advice during the period when the entity lacked one.

He reported that the entity was constrained by understaffing, where all functions of two stores assistants and one Assistant supplies Officer were being manned by one Officer in spite of constant request to have some officers posted to the Hospital.

The Committee noted that the record management system had then been put in place although there was still a problem of staffing. The Committee directed for the matter to be addressed.

46.3 SECURITY AND ASSETS SAFE GUARD: NO ENGRAVEMENT OF ASSETS: AUDIT REPORT 47.4

The Auditor General noted a requirement by the Treasury Accounting Instructions on stores that all Government properties be engraved to allow proper identification of assets. An inspection of the Hospital property however revealed that this requirement was not adhered to; hence subjecting the property to risk of theft and misuse. The Fixed asset register was also found to be incomplete and not up to date. Audit had recommended to management to have all the property engraved without any unnecessary delay and have the fixed asset register updated.

The Accounting Officer confirmed that at the time of audit the engraving exercise had not started. He however reported that the activity had then been carried out.

He also admitted that at the time of audit, the assets register was not up to date but reported that it was being updated using the Fixed asset management format.

The Committee noted that the Accounting Officer had put in place an Assets management system but that there were still financial constraints. The Committee however recommends that the Consolidated departmental registers for all assets be put in place.
47. KABALE HOSPITAL

47.1 UNAUTHORISED REALLOCATION OF FUNDS: AUDIT REPORT PARA 48.2

The Auditor General reported the Hospital reallocated funds amounting to Shs.18, 317,104 without authority as indicated below:

<table>
<thead>
<tr>
<th>Item</th>
<th>Actual</th>
<th>Approved</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property Expenses</td>
<td>1,258,713</td>
<td>1,225,000</td>
<td>33,713</td>
</tr>
<tr>
<td>Water Expenses</td>
<td>43,541,465</td>
<td>37,425,000</td>
<td>6,116,465</td>
</tr>
<tr>
<td>Medical and Vet supplies</td>
<td>150,950,518</td>
<td>150,025,000</td>
<td>925,518</td>
</tr>
<tr>
<td>General supply of Goods and Services</td>
<td>25,234,282</td>
<td>20,695,000</td>
<td>4,539,282</td>
</tr>
<tr>
<td>Fuel, Lubricants &amp; Oils</td>
<td>33,127,126</td>
<td>26,425,000</td>
<td>6,702,126</td>
</tr>
</tbody>
</table>

The Accounting Officer had explained that the Hospital’s wage and non-wage budgets were not well balanced. Shs 1.3 billion was provided for wages compared to Shs 516 million for non-wage items. He regretted the error but had stated that he was forced to reallocate funds to keep the Hospital running. Audit had advised him to always seek for the necessary authority.

The Accounting Officer explained that the amounts reflected in the table were mainly unpaid bills (payables) as at the closure of Financial Year 2005/06. The issue of unpaid bills had been a problem at the hospital due to inadequate funding. The Hospital did not have a Capital Development Fund yet the infrastructure was old and in a sorry state. The Hospitals Recurrent Budget (Non-wage) had not changed substantially over the years yet prices for goods and services, tariffs on water and electricity and patient turn over had been increasing year after year. The wage bill, which was controlled by the Ministry of Health, had always been allocated more funds without deploying more staff. On average,
Shs 608,564,833/= remained un-utilized annually and the hospital could not assess it through a relocation procedure.

He noted further that although he was aware that the unpaid bills accrued at the end of the Financial Year and thus contravene the Commitment Control System, the procurement and Financial Regulations, given the above scenario, and considering that the main sewer of National Water bill and sewerage corporation is charged at 100% of the monthly water bill, the ever increasing fuel and other prices and frequent power cuts without a corresponding increase in funding made the situation to go beyond the hospital's control. Closing of some water outlets in the hospital had not saved the situation, and disconnecting the hospital from the main sewer could have adverse consequences. These and many other factors caused the payables on water (Shs. 6,116,562), Fuel (Shs 6,702,126) Drugs (Shs 1,008,000) and other goods and services (Shs. 3,908,400). He said that the payables were verified, certified and submitted to the Accountant General for inclusion in the domestic arrears Budget. He regretted the anomaly and appealed to the Committee to appreciate the difficult conditions under which the hospital operated.

The Committee cautioned the Accounting Officer and directed him to seek for retrospective authority.
48. HOIMA HOSPITAL

48.1 DELAYS IN SUBMISSION OF FINANCIAL STATEMENTS (2005/06): AUDIT REPORT PARA 1.2

The Auditor General noted that section 31(a) of the Public Finance and Accountability Act 2003, requires Accounting Officers to prepare and submit financial statements for their Ministries/Agencies to the Office of the Auditor General for audit within three months after the year end (by 30th September). It was however noted that the Hospital did not submit its financial statements on time as required and therefore directly impacted on audit’s operations. This was partly due to laxity by Accounting Officer to have the accounts prepared on time. It was also attributed to capacity gaps in the accounting functions of the Hospital.

The Accounting Officer explained that the delay was due to;

- Inadequate Accounts Staff
- Lack of an accountant in place.
- Lack of an Internal Auditor in place.
- Inadequate skills amongst junior accounts staff (Accounts Assistants) which resulted in the statement being returned for minor corrections several times before final submission.

The Committee cautioned the Accounting Officer against the delay.

48.2 ALLOCATION OF GOVERNMENT LAND: AUDIT REPORT PARA1.6

The Auditor General reported that Government land which was being held in trust by Uganda Land Commission was allocated to investors and individuals without carrying out consultation with the responsible institutions. The Auditor General was concerned that part of the problem for this was that Government land had not been surveyed to have titles processed, a problem attributed to lack of funding.

The Accounting Officer submitted that Hoima Hospital was allocated land by the Uganda Land Board in 1996 but no land title was processed. He said that management was surveying all the land allocated
to the hospital and had an application for a land title on 14th February 2008 on recommendation by the
District Land Board.

The Committee noted that the Hospital had no Land title but that the land had been surveyed and the
processing of the title was on going.

48.3 STORES CADRE: AUDIT REPORT PARA 1.8

A review of staffing of stores cadre in a sample of Ministries revealed inconsistencies in the
management of the stores cadre.

There was no system of on-job training to equip existing staff with new methods of work. There was
also no clear standard of qualification, job description and documentation to enhance stores
management. As a result, there was inadequate staffing, poor record keeping, loss of stores and
unrestricted accessibility to confidential information. It appeared the stores function in Government had
been underrated and thus not receiving enough attention in terms of training and staffing. The Ministry
of Public Service and other stakeholders should have come up with a clear policy to govern stores
management in terms of staffing, qualification, job description and training. This would ensure safe
guard of Government assets.

The Accounting Officer said that Hoima Hospital stores were managed by one officer in the rank of
stores assistant. He reported however that in the establishment of the hospital, the stores should be
headed by Senior Stores Assistant. He noted that although he had made submission for all vacant
posts including for stores, no stores keeper had been posted to the hospital.

The Committee noted that the stores were being managed by the stores assistant and recommended
that a Senior stores assistant, Supplies officer and another Stores assistant be recruited.

48.4 DRUG STORE: AUDIT REPORT PARA 49.2

The Audit Report observed that the store for drugs was housed in a very small facility which had three
racks.
Some drugs like Coartem were delivered directly to the pharmacy while other drugs' boxes were placed on the floor. The ventilation was very poor which exposed the drugs to the risk of deterioration and damage.

It was also noted that there was no designated stores for laboratory chemicals and reagents as these could be mixed with other drugs, all deliveries for such items were made directly to the Laboratory. It was observed that although the Store keeper maintained stock cards for such items, all deliveries of laboratory chemicals and reagents were verified, recorded and taken to the laboratory. Audit noted that Normal practice would be to store these items in an appropriate store and then issue them to the Laboratory as and when need arises. The practice then was prone to abuse. The Accounting Officer had attributed both matters to lack of Development budget which would be used to fund construction of appropriate stores and had to utilize the only available stores which were meant for a small Hospital, not a referral one. Audit had advised him to continue liaising with the relevant authorities to seek for funds to enable him cater for a capital expenditure.

The Accounting Officer confirmed that the Hospital's main store was indeed too small. He said that many times when items were received on the credit line orders, at the same time as those on PHC funds, there would not be enough space to store them all in the main store. Therefore supplies were received and taken on charge, at the main store and some were then immediately released to the pharmacy where they were dispensed. The same scenario happened with the laboratory reagents which were usually of small quantities. He informed the Committee that the Laboratory items referred to were Anti- serum reagents which needed refrigeration in the laboratory, and could not be properly stored as there was no refrigeration facility in the stores.

The Committee observed that, in the absence of a Development Budget for the Hospital the Accounting Officer was helpless. It recommended that the issue of development Budget for the Hospital be addressed.
48.5 UNAUTHORIZED RE-ALLOCATIONS: AUDIT REPORT PARA 49.3

The Audit review of the statement of appropriation for the year ended 30th June, 2006 revealed that a total of Shs.24,213,550 was spent over and above the budget provisions under various items. Funds were re-allocated from different items without authority. In his written reply to Audit, the Accounting Officer had stated that he had the necessary authority. It was noted however that the letter for quarterly limits from the Permanent Secretary/Secretary to the Treasury had been misunderstood to be authority for re-allocation. Audit had advised him to seek for the authority.

The Accounting Officer explained that Re-allocation of the amount of Shs. 24,213,550 (Twenty four million, two hundred thirteen thousand five hundred fifty) was done on the strength of the Communication of the Permanent Secretary and the Secretary to the Treasury to all Accounting Officers as of 31st March 2006 on fourth Quarter, cash limits for Non-wage Recurrent and Development Budget for April-June which instructed for the consideration of the protected items, according to priorities. He said that he took these instructions to be authoritative and went head and re-allocated the above amount between 21 items within the budget of that financial year.

Major areas of deficit included:

- Civil maintenance
- Fuel
- Motor vehicle repair
- Allowances
- Water
- Property Rent
- General supply of goods and services.

He however noted that the Auditor General later advised that there was need to seek retrospective approval from Ministry of Finance. He said that the Hospital did seek for the said approval on 6th February 2007.
The Committee noted that the Accounting Officer had sought for retrospective authority but no response had been given. The Committee recommended that the Secretary to the Treasury addresses this matter.

48.6 THE PRIVATE WING: AUDIT REPORT PARA 49.4

The Auditor General noted that the Hospital set aside one ward for admission and treatment of private patients in the private wing. Private patients were required to pay consultancy fees and for accommodation in the private wing. A review of the private patients register book showed that a very small number of patients were admitted in this wing and therefore very minimal revenue was generated. The continued reservation of the room deprived the Hospital of space for use by the general public. During discussions with the Accounting Officer, he had stated that this was due to lack of consultants in the hospital who admitted and attended to the private patients. Audit had advised the Accounting Officer to liaise with the relevant authorities to ensure availability of Consultants and thereby efficient use of the facility otherwise consideration be given to releasing the ward for better use for other general patients.

The Accounting Officer reported that Hoima Regional Referral Hospital did not have a private wing or grade A facility. He said that what was referred to as a Private wing were side rooms on the surgical ward. He said that the facilities in the side rooms were not attractive enough to warrant private patients paying services. He said that the hospital lacked Consultant services. He noted that management had put up a plan to construct a paying wing for the Hospital.

The Committee observed that these were side rooms for general use but asked the Accounting officer to explore ways of establishing a private wing.

48.7 PRESENTATION OF STATEMENT OF APPROPRIATION ACCOUNT: AUDIT REPORT PARA 49.5

The Auditor General noted that the statement of appropriation account based on services voted by Parliament (page 10) and based on the nature of expenditure for services voted (page 11) were not properly presented as per the format designed by the Accountant General. Actual and budgeted
amounts and variances were supposed to be properly disclosed in the current year. The column for actual amounts as at 30th June, 2005 next to actual amounts as at 30th June, 2006 should have been Written as budget as at 30th June, 2006.

The Accounting Officer reported that correction and adjustments were made on pages 9 and 10 of the statements Appropriation Accounts for the F/Y 2005/06 as recommended by the Auditors according to the existing format then.

The Committee noted that the issue arose because of variance in the new Accounting system that had been introduced by the Accountant General. The Accountant General was directed to ensure compliance.
49. SOROTI HOSPITAL

49.1 ALLOCATION OF GOVERNMENT LAND: AUDIT REPORT PARA 1.6

The Auditor General reported that Government land which was being held in trust by Uganda Land Commission was allocated to investors and individuals without carrying out consultation with the responsible institutions. The Office of the President was mentioned as one of the affected institutions. The Auditor General was concerned that part of the problem for this was that Government land had not been surveyed to have titles processed, a problem attributed to lack of funding.

The Accounting Officer reported that the Hospital had a land title that was safe. He however reported that a small portion of the land had been encroached on by UTL, and that they had built a mask and the matter had been reported to the Attorney General.

The Committee noted but asked the Accounting Officer to follow up the matter. A progress on this matter be submitted to the Committee.

49.2 STORES CADRE: AUDIT REPORT PARA 1.8.

A review of staffing of stores cadre in a sample of Ministries revealed inconsistencies in the management of the Stores cadre.

There was no system of on-job training to equip existing staff with new methods of work. There was also no clear standard of qualification, job description and documentation to enhance stores management. As a result, there was inadequate staffing, poor record keeping, loss of stores and unrestricted accessibility to confidential information. It appeared the stores function in Government had been underrated and thus not receiving enough attention in terms of training and staffing. The Ministry of Public Service and other stakeholders should come up with a clear policy to govern Stores management in terms of staffing, qualification, job description and training. This would ensure safe guard of Government assets.
The Accounting Officer informed the Committee that the Department had only one Store Assistant. He said that he had written to relevant authority to requisition for the filling of the posts available. The Committee requested for a write up on the status of stores and the requirements.

49.3 DOMESTIC ARREARS AND CONTINGENT LIABILITIES: AUDIT REPORT PARA 1.12.
The Auditor General reported that the Consolidated domestic arrears as at 30th June, 2006 for Soroti Hospital stood at Shs 144,054,826 and noted that the Accounting Officer needed to comply with Government regulations and desist from continually incurring domestic arrears.

The Accounting Officer informed the Committee that he had sought authority to spend and provided evidence to that effect.

The Committee noted that authority had been sought and the bills had been cleared. The query was dropped.

49.4 UNAUTHORISED EXPENDITURE: AUDIT REPORT PARA 50.2

The Auditor General reported that there was expenditure over and above the approved estimates on goods and Services consumed Shs (89, 045,339) in excess of what was approved by Parliament. During audit discussions, the Accounting Officer had explained that due to IDPs, there was an influx of patients demanding for services with no corresponding increase in the resources. Audit had advised him to obtain retrospective authority to allow the expenditure stand in the accounts.

The Accounting Officer reported that the authority was sought and granted. He produced a copy of the authority to the Committee.

The Committee accepted and dropped the query.
49.5 SOROTI REGIONAL MEDICAL EQUIPMENT MAINTENANCE WORKSHOP: AUDIT REPORT PARA 50.2

The Auditor General noted that the medical equipment workshop for the region was situated at the Hospital. Its funding was through annual contributions by the Hospital and Health Sub districts to a special account operated by the Workshop. By number, there was only one Regional Hospital, seven General Hospitals and Eighteen Health Sub districts whose annual contributions amounted to Shs 62,428,000 if fully paid up.

However, during audit inspection, of the workshop, it was noted that the workshop itself was poorly maintained. It was in a bushy environment and the Office was very untidy with all chairs, working tables and loose tools dusty.

The contributing entities to the maintenance of the workshop fund were not up to date with their contributions. This affected the operations of the workshop in that the equipment could not be repaired/serviced as and when need arose.

In a written reply to audit, the Accounting Officer had explained that because of the poor contributions, the Workshop Management Committee could not function as desired, defeating the purpose for which it was established. Audit had advised him to take up the matter with the stakeholders with a view of improving the financing of the workshop for better service delivery.

The Accounting Officer noted that the workshop still existed and although in a poor state. He explained that the funding situation mentioned in the query had not improved for two reasons:

- The contributors only contributed when they had a problem and many never did it at all. They therefore, contributed when the cost of maintenance was high (too late). Their contributions accomplished very little as more maintenance for their equipment was desired. Preventive maintenance could not also be done.

- No prioritization for equipment maintenance.

He noted that the hospital had been reminding the stake holders (contributors) to pay in but with little and erratic success.

He also reported that the hospital had also called upon Ministry of Health to come up with a more sustainable and predictable method of funding the workshops throughout the country, with no success.
The Committee recommended that the money be deducted at source and be remitted to the accounts of referral hospitals.
50. MBARARA HOSPITAL

50.1 DOMESTIC ARREARS AND CONTINGENT LIABILITIES: AUDIT REPORT PARA 1.12.
The Auditor General reported that the Consolidated domestic arrears as at 30th June, 2006 for Mbarara Hospital stood at Shs 20,665,112 and noted the need for the Accounting Officer to comply with Government Regulations and desist from continually incurring domestic arrears.
The Accounting Officer confirmed that the hospital incurred domestic arrears amounting to Shs 20,665,112/= as at 30th June, 2006 and provided a break down of the arrears as follows;
Medical drugs Shs 4,560,764=  
Electricity Shs 16,104,348=  
Total Shs 20,665,112=
He reported that the arrears were mainly due to the under provision in the budget of the respective items of medical supplies and electricity.

The Committee directed the Accounting Officer to seek retrospective authority for the excess expenditure.

50.2 EXCESS EXPENDITURE: AUDIT REPORT PARA 52.2
The Auditor General observed that in the statement of appropriation (based on nature of expenditure for services voted), the Mission incurred excess expenditure amounting to Shs 268,386,258 as shown below:-

<table>
<thead>
<tr>
<th>Expenditure Item</th>
<th>Actual Expenditure</th>
<th>Budget</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Communications</td>
<td>80,259,291</td>
<td>14,999,999</td>
<td>65,259,292</td>
</tr>
<tr>
<td>General Expenses</td>
<td>75,307,215</td>
<td>34,000,199</td>
<td>41,307,076</td>
</tr>
<tr>
<td>Supplies and Services</td>
<td>29,935,530</td>
<td>-</td>
<td>29,935,530</td>
</tr>
<tr>
<td>Insurance and Licenses</td>
<td>14,728,378</td>
<td>5,009,564</td>
<td>9,718,814</td>
</tr>
<tr>
<td></td>
<td>Amount</td>
<td>Budgeted</td>
<td>Excess</td>
</tr>
<tr>
<td>--------------------------</td>
<td>--------------</td>
<td>----------</td>
<td>--------</td>
</tr>
<tr>
<td>Travel and Transport</td>
<td>120,476,145</td>
<td>44,198,044</td>
<td>76,278,101</td>
</tr>
<tr>
<td>Maintenance</td>
<td>63,757,610</td>
<td>19,995,015</td>
<td>43,762,595</td>
</tr>
<tr>
<td>Capital Expenditure</td>
<td>72,124,850</td>
<td>70,000,000</td>
<td>2,124,850</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td></td>
<td><strong>288,386,258</strong></td>
</tr>
</tbody>
</table>

Audit had recommended that authority for the excess expenditure be provided for Audit.

The Accounting Officer explained that the situation was due to the following reasons:

1. Payables amounting to Shs. 20,865,112 were accrued in the appropriation account. This was due to the interpretation of actual expenditure to mean expenditure incurred including accrued expenditure.

2. Bank charges amounting to Shs 2,301,780 which were not budgeted for were incurred during the period. This expenditure could not be avoided since the hospital's operations accounts were in Commercial Banks.

3. There were unspent balances amounting to Shs 8,139 on the other items of goods and services consumed.

The Committee asked the Auditor General to reconcile the information that has been provided.