PARLIAMENT OF UGANDA

REPORT OF THE PUBLIC ACCOUNTS COMMITTEE ON THE AUDITOR GENERAL’S FINDINGS ON THE HEALTH INSTITUTIONS FOR THE YEAR ENDED 30TH JUNE 2010

OFFICE OF THE CLERK TO PARLIAMENT,

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1.0 Introduction
1 Rt. Hon. Speaker, and Hon. Members, I beg to present to this House the Public Accounts Committee Report on the Auditor General’s Report for the year ended 30th June 2010, Volume 2 Central Government, covering Uganda Blood Transfusion Services, Uganda Heart Institute, Uganda Aids Commission and Uganda Cancer Institute.
2 The Committee interacted with the Accounting Officers of these Institutions and now begs to report as follows;

1.1 Scope

1.2 Methodology
4 In considering the Audit Report, the Committee;
   • Held meetings and received responses to the audit queries from the Accounting Officers of the respective votes.
   • Analysed the documents submitted to explain the queries under review.

Para 45. Uganda Blood Transfusion Services
45.1 General/Consolidated Financial Position of the Entity
5 Audit revealed that only 30% of the UBTS budget was financed directly by the Government. The other portion was funded by various development partners. The funding gap in the period under review stood at 9.93 billion.
6 Auditor General observed that over reliance on donor funding is not sustainable.
7 The Accounting Officer agreed with the Auditor General’s observation and explained that the problem had been brought to the attention of Ministry Finance.

8 The Accounting Officer further explained that in the case of critical inputs like blood testing kits, laboratory consumables and blood collection bags the Ministry of Health had intervened through supplementary allocation from the National Medical Stores.

9 As a strategy to attract more allocations from Government, the entity had come up with a proposal to be granted an autonomous status, and the proposal was under review by the Ministry of Health.

**Observation and Recommendation**

10 The Committee noted that whereas the proposal to make an entity semi-autonomous was believed to be a way of getting more funding, semi autonomy should not however be the basis for funding, but rather the mandate of the entity.

11 **The Committee recommends that the Uganda Blood Transfusion Services should be granted autonomy and adequately funded by the government to carry out its mandate as it is a critical sector.**

**45.2 Procurement Documents**

12 The Audit revealed that the institution did not have a list of pre-qualified suppliers for the year under review as required by the procurement guidelines.

13 The Accounting Officer agreed with the Auditor General’s observation. The omission was caused by a delay in posting a substantial procurement officer to UBTS following a gap arising from a staff validation exercise carried out in 2007.

**Observation and Recommendation**

14 The Committee noted the submission of the Accounting Officer
and recommends that the process be fast tracked.

Para 48. Uganda Cancer Institute

48.1 Excess Expenditure
15 Audit observed that the Institute incurred excess expenditure amounting to Shs. 316,894,620 without authority contrary to Public Finance and Accountability Act.
16 The Accounting Officer explained that the excess was caused by expenditure of Non Tax Revenue (NTR) collections on allowances for relief staff, following the advice of the Board that in order for the Institute to operate in the interim, it was important for management to conduct an assessment of the existing staff structure and fill essential vacant positions with qualified staff on temporary terms and pay their allowances from NTR collections.
17 Although there was authority in place for the use of revenue at source, the revenue and expenditure budget was not consolidated in the main budget for approval.
18 The Accounting Officer further explained that management had rectified the problem by consolidating the NTR revenue and expenditure budget in the main budget.
19 From the explanation of the Accounting Officer, the Committee noted that whereas the entity had authority to spend NTR as appropriation in aid, the amount in question was not spent in relation to the budget.
20 The committee recommends that the Accounting Officer should always spend NTR in appropriation in aid only to support their approved budget.
21 The Committee further recommends that the Accounting Officer be held responsible for spending Shs. 316,894,620 without due
regard to the Public Finance and Accountability Act.

48.2 Domestic Arrears
22 Audit observed that the management incurred domestic arrears amounting to Shs. 225,340,260 which contravenes Commitment Control System of Government.
23 The Accounting Officer explained that the arrears indicated were composed of invoices that had accumulated before the Institute became autonomous. They were however taken on and cleared.

Observation and Recommendation
24 The Committee observed that the domestic arrears were inherited from the mother entity, Uganda National Health Research Organization under Mulago and therefore were not incurred by the accounting officer.
25 The Committee recommends that entities should adhere to government commitment control systems.

48.3 Instrument Creating the Entity
26 Auditor General reported that there was no Act/Instrument creating Uganda Cancer Institute as a government entity.
27 The Accounting Officer explained that the Institute was one of the constituent bodies that fall under Uganda National Health Research Organization, created by an Act of Parliament.

Observation and Recommendation
28 The Committee observed that indeed the Uganda Cancer Institute was a constituent body under the Uganda National Health Research Organization
29 The Committee recommends that since it is a vote, an instrument
should be created to give legal basis to its existence.

48.4 Lack of Strategic Plan
30 The Auditor General reported that, Uganda Cancer Institute did not have a Strategic Plan in place.
31 The Accounting Officer agreed with the observation and explained that the process for procuring a consultant to develop a strategic plan had been initiated. Bids had been received and a contract awarded but there was a request for an administrative review, awaiting a final decision from PPDA.

Observations and Recommendations
32 The Committee noted the explanation and the measures undertaken to have the plan in place, and recommends that the issue be followed up by the Accounting Officer.
33 The Committee observed that the entities budget was approved without a strategic plan.
34 The Committee observed that the entity despite having qualified personnel who would develop a strategic plan chose to source for a consultant for the same.
35 The Committee recommends that Sectoral Committees of Parliament should only have budgets of entities approved inter alia upon presentation of strategic plans.
36 The Committee further recommends that the entity should desist from enlisting the services of consultants to develop their strategic plans.

48.5 Staff Training Arrangements
37 The Auditor General observed that Uganda Cancer Institute had an allocation of Shs. 192,000,000 for staff training, but it did not have
a training plan during the year under review.
38 The Accounting Officer explained that Management had developed a training policy but were advised to have an independent person go through it. Consequently, the entity entered into a memorandum of understanding with an experienced resource person to finalize the policy.

Observation and Recommendations
39 The Committee observed that whereas the Auditor General talked of a training plan under review, the Accounting Officer dwelt on a training policy which would be a basis for the plan hence admitting the audit issue.
40 The Committee recommends that sectoral committees of parliament should only have budgets of entities approved in respect of human resource development upon presentation of human resource policy and staff training plans
41 The Committee further recommends that the Accounting Officer should fast track staff training plans.

48.6 Lack of Procurement Plan
42 Audit observed that the Uganda Cancer Institute did not have a Procurement Plan to guide it in the procurement of goods, works, and services contrary to PPDA regulations.
43 The Accounting Officer explained that they had a procurement plan that did not conform to the prescribed format. This anomaly was attributed to the caretaker staff that were manning the Procurement Unit at the time. The entity replaced the staff and procurement planning was being done on an annual basis.

Observation and recommendations
44 The Committee observed that the entity did not have qualified
persons to come up with a procurement plan which left the committee wondering how their budget was approved.

45 The Committee recommends that Sectoral Committees of Parliament should stop approving budgets of entities without procurement plans.

46 The Committee further recommends that the appropriate human resource be recruited to facilitate effective running of the institute.

48.7 Stores Inspection

47 Audit observed limited space and poor storage of supplies.

48 The Accounting Officer explained that storage had partially been addressed. They installed had three containers with Air conditioning systems for safe storage for the different drug items that require cool conditions. The initial store had been decongested as the items that had just been delivered were eventually allocated to the various wards.

Observation and Recommendation

49 The Committee observed that the Accounting Officer after taking cognizance of the audit observation took remedial measures to rectify the anomalies.

50 The Committee recommends that the Accounting Officer be held responsible for failure to take timely action on the poor storage of supplies.

48.8 Under Utilized/ Unutilized Laboratory Equipment

51 Auditor General observed that most of the new state of the art equipment were either underutilized or not utilized at all due to lack of reagents.

52 The Accounting Officer agreed with the observation, and
explained that the situation had improved. Reagents for the Hematology Analyzer and Immuno Machine had since been received on a regular basis from NMS and the machines are working and being utilized, save for the Chemistry Analyzer that still lacked specific reagents and was not working.

53 The Accounting Officer further submitted that some of the reagents could only be procured upon registration with the relevant international organisations, and to which NMS was not a member. This had been however solved by transferring the procurement of such reagents under the Institute.

Observation and Recommendation

54 The Committee observed that lack of adequate provision for reagents undermines service delivery, and recommends that shift in government policy be made to take into account the peculiarity of the sector in order to avoid hampering service delivery.

48.9 Non Existence of National Policy on Cancer

55 Audit observed that the Institute did not have a policy on cancer prevention and treatment.

56 The Accounting Officer agreed with the observation, and explained that a draft policy had been adopted by the Board and submitted to Ministry of Health for consideration.

Observation and Recommendation

57 The Committee observed that absence of a cancer prevention and treatment policy led to absence of a policy direction on the subject.

58 The Committee recommends that the Minister of Health fast tracks the cancer prevention and treatment policy and report to Parliament within one month.
48.10 Procurement of Drugs

a) Cost of Drugs

59 Audit observed that centralized procurement of drugs and medical sundries was expected to result into cheaper drugs because of the volumes involved. However, the prices charged by NMS were higher than those on the open market prices.

Observation and Recommendation:

60. Whereas the Accounting Officer agreed with the Auditor General's observation, the Committee observed that this was anomalous and should be corrected.

b) Consignment not received by UCI

61 Audit observed that Support medicine worth Shs. 2,065,062 was not received by UCI.

62 The Accounting Officer explained that it was hard for UCI to know whether the money was deducted from the account or not. This also applied to the rejected items since they would never get to know what happened to the money for such items. This made reconciliation of funds difficult.

Observation and Recommendation

63 The Committee observed that in spite of the various attempts by the Accounting Officer to get NMS to reconcile its deliveries with the orders, they were simply ignored. The committee noted various communications by the Accounting Officer to NMS.

64 The Committee recommends that Executive Director NMS, be held responsible for negligence of duty which has a direct impact on the life of patients.

c) Quality of Drugs Delivered
65 Auditor General reported that cancer drugs were potentially poisonous and were prescribed in combination of up to four drugs. The drugs were intravenously administered and for this reason, quality, timing and the right dose of drugs are of paramount importance in the effective treatment of cancer.

66 The Accounting Officer explained that some of the medicines needed specific diluents to mix them. An example was given of Docetaxel that would sometimes be sent without a diluents and administering this particular medicine was not possible. This led to medicines wastage, since most times they could do not use it to treat the patients.

Observation and Recommendations

67 The Committee observed that delayed supplies, stock outs of drugs, inability to supply specialized drugs and medical sundries, supply of poor quality drugs and deliveries made to UCI affected service delivery during the period under review.

68 The Committee observes that whereas there is National Drug Authority, an entity mandated to deal with quality of drugs, there is still supply of poor quality drugs by NMS.

69 The Committee recommends that the National Drug Authority should strengthen inspection and testing of drugs imported and locally manufactured to ensure that they comply/meet international set standards.

70 The Committee recommends that the minister of health put in place a mechanism to harmonize requirements of the hospitals (user departments) and the procuring agency (National Medical Stores). Means should be devised to address the current challenges in the implementation of the policy on the procurement of medical drugs.
71 The Committee recommends that National Medical Stores should act professionally and desist from supplying drugs different from the specifications ordered for.

d) Partial/ Selective Delivery and Erratic Supply of Drugs and Sundries
72 Auditor General noted that National Medical Stores supplied less than half of the orders placed by UCI.
73 The Accounting Officer submitted that most times, NMS used to supply less than the order. When some items are left out, all the other supplies are rendered unusable since they are given in combinations of two or three.

Observation and Recommendation
74 The Committee observed that this was wastage of the highest order since drugs given in combination would not be appropriately administered.
75 The Committee recommends that NMS should strictly adhere to the orders as made by UCI.

e) Delayed Supplies and Stock out of Drugs
76 Auditor General observed that certain drugs appeared on the list of drugs which were mostly out of stock and patients were sent to buy the drugs on their own or await the delivery of the required drugs by NMS.
77 The Accounting Officer agreed with the observation but explained that there had been improvements in supplies though the quality and quantity was still wanting.

Observation and Recommendation
78 The Committee observed that the continued stock outs affected
service delivery hence putting patients at risk given the critical nature of the illness (Cancer)

79 The Committee recommends that NMS should ensure timely delivery, strict procurement and stocking of all drugs required for cancer treatment.

48.11 Construction of 5-Level Cancer Ward for UCI

80 The Auditor General noted that the Contract for the construction of a 5-Level Cancer Ward worth Shs. 5,783,789,753 was awarded to a company, but there was a change of the construction site without making adjustments to the BOQs.

81 The Accounting Officer submitted that after the audit, the BOQs with a request for retrospective waiver were submitted to PPDA which declined to grant the waiver as the application was retrospective given that the foundation works were already completed.

82 The additional facilities that had not been included in the initial plan and BOQ were then added to better utilize the created space.

83 These included; the Operating theatre, Diagnostic radiology rooms like the CT Scan, Nuclear Medicine room which will accommodate the PET scan, the Mortuary, rooms for investigations like the Ultrasound scan and fluoroscopy as well as plain X ray were not part of the plan and required mandatory specific thicknesses of the concrete which were all incorporated in the construction process.

Observation and Recommendation

84 The Committee took note of the reasons that occasioned the change of site
The Committee observed that the Accounting Officer without any legal instrument and due process made variations of Shs. 5, 174,107,400 (89.5%) as follows:

- Shs. 2, 197,840,106 (38% of the contract price) variation for basement
- Shs.2,976,267,294 (51.5% of the contract price) variation for extra works

The Committee further observed that Shs. 2, 197,840,106 (38% of the contract price) variation for basement was paid out to the contractor without any contract.

The Committee undertook an on spot assessment of the progress of the project at the Cancer Institute and came to a conclusion that there was no value for money attained.

The Committee recommends that the consultant and the Accounting Officer be held responsible for certifying the work for which there were no BOQs.

The Committee recommends that the Accounting Officer be held responsible for paying Shs.2, 197,840,106 without a valid contract.

The Committee recommends that the Accounting Officer be held responsible for any losses that may have resulted and for flouting the PPDA Act and regulations there under.

The Committee further recommends that the IGG investigates the said procurement with the intention of prosecuting those culpable.

The Committee recommends that an urgent engineering audit be undertaken to establish value for money.

Para 49, Uganda Heart Institute

49.1 Legal Framework

The Auditor General noted that there was no Act/Instrument
creating the Uganda Heart Institute as a Government entity, to provide an enabling legal framework within which to discharge its functions.

94 The Accounting Officer agreed with the observation and provided evidence that the matter had been followed up with the relevant offices namely; the Permanent Secretary, Ministry of Health and the Solicitor General Office.

**Observation and Recommendation**

95 The Committee observed that whereas UHI lacked a legal instrument, a draft bill has been presented to Cabinet to cure this anomaly.

96 The Committee also took note of the resolution by the former shareholders (Makerere University, Mulago Hospital, Ministry of Health and Uganda Heart Foundation) to dissolve the Company.

97 The Committee recommends that the Ministry of Health should fast track the process of having a legal instrument in place and urgently table the UHI bill within 1 month.

49.2 **Management and Operational Challenges at UHI**

98 Audit observed that the UHI became a vote on 1st July 2009 and it had been established as a Company Limited by a guarantee. The UHI as a Company had a Board of Governors that even recruited the personnel before UHI became a vote.

99 The Memorandum and Articles of Association did not spell out the roles and responsibilities of the stakeholders which complicated matters and its relationship with other stakeholders (Health Service Commission, UHI Board & Public Service Commission).

100 The Accounting Officer agreed with the observation and submitted that the matter had been brought to the attention of the
Observation and Recommendation

101 The Committee observed that while Uganda Heart Institute was a body corporate and government had already made a decision to grant it a vote status, the Institute needed to harmonize its relationship with the public service Commission, the Health Service Commission and the Uganda Heart Institute Board.

102 The Committee recommends that, in order to smoothen the operation of Uganda Heart Institute, there is an urgent need to bring together the stakeholders and define roles under a new legal framework that is: the Uganda Heart Institute Bill.

49.3 Lack of an Approved Organization Structure

103 The Uganda Heart Institute operated throughout the year under review without an approved organizational structure which negatively impacted on the implementation of the Institute’s activities.

104 The Accounting Officer agreed to the Auditor General’s observation. He submitted that the structure was eventually approved in July 2011.

Observation and Recommendations

105 The Committee observed that the creation of an organization structure was a matter of law as the Company’s Act provides the Board and the Annual General Meeting as the structures of the Company and therefore government cannot direct a private Company.

106 The Committee recommends that the Minister of Health should fast track the process of having a legal instrument in place.
107 The Committee further recommends that government pursues the option of lifting the veil of incorporation with a view of turning Uganda Heart Institute limited into Uganda Heart Institute.

49.4 Lack of Human Resources Department
108 The Auditor General observed that the Institute does not have a Human Resource Management/Personnel Department with the responsibility of managing its human resource. This created a vacuum in the management of the personnel serving the Institute. 109 The Accounting Officer agreed with the observation and further submitted that the unit was eventually created by Ministry of Public Service and the relevant personnel had been recruited.

Observation and Recommendation

110 The Committee observed that there seemed to be confusion in the entity as there was no way Public Service would be charged with the responsibility of setting up a Human Resource department in a private Company.

111 The Committee recommends that the Minister of Health seeks advice from the Solicitor General to establish the relationship between the entity and other Government departments.

49.5 Lack of a Corporate/Strategic Plan

112 Audit observed that the Uganda Heart Institute did not have a corporate/Strategic Plan in place.

113 The Accounting Officer agreed to the Auditor General’s observation. At the time of meeting the Accounting Officer, a Strategic Plan for 5 years had been prepared and forwarded to Uganda Heart Institute Board.

Observation and Recommendation

114 The Committee observed that the absence of a Corporate Strategic Plan in the entity showed lack of policy direction of the entity as a strategic plan is the basis of work plan and budget.

115 The Committee recommends the relevant Parliamentary Committee ensures that Strategic plans from which annual work
plans are drawn should be a basis upon which resources are allocated to the entity.

49.6 Staff Training Arrangements
116 Audit reveals that the Uganda Heart Institute did not have a training plan during the year under review, though the Ministerial Policy Plan had Shs. 21,000,000 allocated for training.
117 The Accounting Officer agreed to the Auditor General's observation.

Observation and Recommendation
118 The Committee observed that the absence of staff training plan affected proper Human Resource Development.
119 The Committee recommends that the Accounting Officer be held responsible for failure put in place a staff training manual.

49.7 Irregular Budget Provision
120 Audit observed that there was a budget provision of Shs. 150,000,000 for construction of roads and bridges, which was not a core function of the Institute.
121 The Accounting Officer explained that the funds were used to procure a vehicle for the Institute.

Observations and Recommendations
122 The Committee observed that the entity budgeted for roads and bridges which were not their mandate.
123 The Committee further observed that such conduct was intended to divert public funds from the priorities of the entity that is why it was used to procure vehicle which was not within their work plan and budget hence the diversion.
124 The Committee observed that the Parliamentary Sectoral
Committee responsible for health did not carry out due diligence before recommending for budgetary approval of the entity.

125 The Committee recommends that the Accounting Officer be held responsible for diversion of public funds.

126 The Committee recommends that the relevant Parliamentary Sectoral Committee should never approve activities that do not fall under the entity.

49.8 Lack of Procurement Plan

127 The Audit revealed that the entity did not have a Procurement Plan to guide its procurements during the year under review.

128 The Accounting Officer agreed with the audit observation.

Observation and Recommendations

129 The Committee observed that the absence of the Procurement plan created haphazard procurement within the entity.

130 The Committee recommends that the relevant Parliamentary Sectoral Committee should never recommend approval of budgets of entities without procurement plans.

49.9 Supply of Drugs and Medical Sundries by NMS to UHI

131 Audit revealed shortcomings in supply of essential drugs to the Institute by NMS namely:

- Erratic supply of drugs
- Stock outs of drugs
- Delays in supply of drugs
- Failure to supply some drugs,
- Supply of wrong specifications of drugs and poor quality of drugs.

132 The Accounting Officer agreed with the Auditor General’s
observation, and explained the problem arose from a combination of stringent PPDA regulations that did not cater for their unique needs, and the budget provision that was not adequate to procure the required highly specialized drugs/ Sundries, implants and chemical laboratory reagents for the Heart Institute.

Observations and Recommendations

133 The Committee observed that delayed supplies, stock outs of drugs, inability to supply specialized drugs and medical sundries, supply of poor quality drugs and deliveries made to UHI affected service delivery during the period under review.

134 The Committee observes that whereas there is National Drug Authority, an entity mandated to deal with quality of drugs, there is still supply of poor quality drugs by NMS.

135 The Committee recommends that the National Drug Authority should strengthen inspection and testing of drugs imported and locally manufactured to ensure that they comply/meet international set standards.

136 The Committee recommends that the Minister of Health put in place a mechanism to harmonize requirements of the hospitals (user departments) and the procuring agency (National Medical Stores). Means should be devised to address the current challenges in the implementation of the policy on the procurement of medical drugs.

49.10 Non Existence of National Policy on Cardio-Thoracic related Ailments

137 Audit observed that the country did not have a National Policy on Cardio-Thoracic management to give direction on how the prevalence should be managed.
138 The Accounting Officer agreed with the Auditor General’s observation and further explained that the Ministry of Health was addressing the problem through the Non Communicable Disease Programme (NCD).

**Observation and Recommendation**

139 The Committee observed that the Non Communicable Disease Program (NCD) used to fill the gap of the Non Existence of a Policy on Cardio Thoracic related ailments was inadequate.

140 The Committee recommends that a policy on Cardio Thoracic Ailments should be put in place by the Ministry of Health.

**49.11 Project Accounts No. 223.214082.1**

141 Auditor General reported that the Project Account No. 223.214082.1 was opened by Mulago Hospital on behalf of UHI. This was during the time when it was a department of Mulago Hospital Complex. Shs. 2,060,013,297 out of Shs. 4,879,000,000 (equivalent to USD 2,700,000) transferred by Treasury to Mulago Hospital Account was not remitted to UHI Account.

142 The Accounting Officer explained that Mulago Hospital acknowledged receiving Shs 4,098,418,000 and not Shs. 4,879,000,000 (Equivalent to USD 2.7 million). Shs. 2,818,986,703 was remitted to Uganda Heart Institute account while Shs. 303,822,000 was paid directly to the UHI suppliers. The balance of Shs. 975,609,297 was eventually remitted to the Institute in December 2010.

**Observations and Recommendations**

143 The Committee observed that the direct payment by Mulago of Shs. 303,822,000 to the entities Suppliers was irregular as the Accounting Officer did not prove supplies made to it to warrant
such payment.

144 The Committee further observed that Shs. 975,609,297 allegedly eventually remitted to the entity in December 2010, Six (6) months after the end of the financial Year, ought to have been returned to the Consolidated Fund as at 30th June 2010.

145 The Committee recommends that a Special Audit be carried out to ascertain value for money for Shs. 303,822,000 directly paid to the suppliers by Mulago Hospital for and on behalf of Uganda Heart Institute.

146 The Committee further recommends that a Forensic Audit be carried out to establish value for money for Shs. 975,609,297 received 6 months after the close of a financial year, transferred from Mulago to UHI and Shs. 780,582,000 transferred by the Treasury to Mulago but reportedly not received by Mulago.

Para 50. Uganda Aids Commission

50.1 Over Expenditure

147 The Auditor General observed that the Commission spent Shs.17, 241,118 above the approved amounts on various items without relevant authority.

148 The Accounting Officer agreed with the Auditor General's observation, and explained that a letter was written to the Ministry Of Finance seeking retrospective authority but no response.

Observation and Recommendation

149 The Committee observes that spending the money before getting the response from PS/ST was anomalous and defeated the purpose for which authority had been sought.

150 The Committee recommends that the Accounting Officer
should be held responsible for abuse of budgetary control procedures.

50.2 Inappropriate structure of the entity
151 Audit observed that the staff structure had gaps that could not allow the Commission to effectively handle the complex coordination activities entrusted to it at the national level.
152 The Accounting Officer agreed with the Auditor General's observation, and explained that corrective measures were taken as follows;

- A new Board of Commissioners for Uganda AIDS Commission was constituted in February 2011.
- A detailed Institutional Organization Development Review of UAC Board, UAC Secretariat and the National HIV/AIDS Response was undertaken and a review was carried out by external independent consultants. The review proposed new organizational and salary structures for UAC Secretariat which was approved by Government. The structure increased staffing of UAC from 54 to 84 staff.
- Recruitment of staff to fill positions in the new organizational structure had already started but was limited by the wage bill ceiling

Observation and Recommendation
153 The Committee observes that the Accounting Officer had taken positive steps to address the problem after the audit as evidenced above.
154 The Committee recommends that the Accounting Officer should always carry out prompt reviews of the structure and make submissions to the board and subsequently to Public Service for
filling the vacant posts on time to enhance service delivery.

50.3 Capacity to manage donor funds
155 Auditor General observed that a firm had been hired to manage the funds of the entity by the development partners.
156 The Accounting Officer agreed with the Auditor General’s observation, and explained that the Development partners hired a private firm (Deloitte & Touche) to manage their funds on behalf of the Commission citing inadequate capacity at the Commission. The development partners undertook the above position and promised to reverse it only if the commission strengthened its finance and internal audit functions.
157 The Accounting Officer further submitted that an Institutional Review had been carried out and critical positions especially in the finance and audit departments filled. An MOU to have the funds managed by the Commission by 1st August 2012 had been planned.

Observation and Recommendation
158 The Committee observed that it is not good practice for the Development Partners to hire a consultant to manage the entities’ finances as this undermines the entities’ opportunities to develop their capacity to manage their finances.
159 The Committee recommends that the entity strengthen its finance and audit functions.

50.4 Staffing position
160 The Auditor General noted that the organization structure provided for 54 posts but only 46 posts were filled. Audit further noted high staff turnover.
161 The Accounting Officer agreed with the Auditor General’s observation and explained corrective measures had been taken and the positions were filled.

Observation and Recommendation

162 The Committee noted that after the audit, efforts were undertaken to address the staffing levels but there was no effort to address the high turnover.

163 The Committee recommends that the recruitment be fast tracked to fill the staffing gap and efforts be made to address the high staff turnover.

50.5 Funding Arrangements for the Entity

164 Auditor General reported that only 60% of the Commission budget was financed directly by the Government and the balance by development partners which may result in sustainability challenges.

165 The Accounting Officer agreed with the Auditor General’s observation. The matter had been brought to the attention the Ministry of Finance, Planning and Economic Development, including exploring the possibility of creating a national AIDS fund.

Observation and Recommendation

166 The Committee noted the proposal mooted by the Accounting Officer and urges government to allocate more funds to the Commission.

50.5 Undelivered Generator

167 Auditor General noted that, although the entity had fully paid Shs. 27,531,638 to a firm for supply of a generator, this had remained undelivered.
The Accounting Officer agreed with the Auditor General’s observation. The matter was handed over to CID to carry out detailed investigations.

**Observation and Recommendations**

169 The Committee observed that there was laxity on part of the Accounting Officer as this amounted to breach of contract.

170 The Committee recommends that the issue be further investigated to ascertain the culpability of all those involved.

171 The Committee further recommends that the matter be referred to the Attorney General for civil action.

172 The Committee strongly recommends that the police follow up this matter to a logical conclusion.

### 50.6 Domestic Arrears

173 Auditor General noted that the entity incurred domestic arrears amounting to Shs.169,489,700 in the financial year under review contrary to the requirements under the commitment control system.

174 The Accounting Officer agreed with the Auditor General’s observation, and explained that corrective measures had been put in place to avoid a reoccurrence.

**Observation and Recommendation**

175 The Committee observed that failure to adhere to commitment control systems may lead to litigation.

176 The Committee recommends that the Accounting Officer be held responsible for failure to adhere to government commitment control system as provided for in the financial regulations.

### 50.7 Assessment of Delivery of Output

177 Auditor General reported that management prepared progress
reports only up to the 3rd quarter of the financial year under review. 178 The Accounting Officer agreed with the Auditor General’s observation and explained that the reports were delayed due to late implementation of the activities caused by the late release of funds in the fourth quarter.

Observation and Recommendation
179 The Committee observed that the late release of funds by the Ministry of Finance affected the entity’s planned activities.
180 The Committee recommends that Ministry of Finance should always make timely release of all funds voted by Parliament to an entity on time as failure to do so could affect the entity’s planned activities.

50.8 Follow up of the Forensic Audit Report on the Commission Activities for FY2008/09
181 Auditor General reported that UAC commissioned a forensic audit investigation on the Commission activities for the period July 2008 to June 2009, but most recommendations of the audit were not implemented.
182 The Accounting Officer explained that a forensic audit was carried out by Ms KPMG, Certified Public Accountants on the request of the Donors and recommendations made.

Observation and Recommendation
183 The Committee observed that despite money having been spent on a forensic audit, its recommendations were not acted on by the Accounting Officer.
184 The Committee recommends that the Accounting Officer be held responsible for failure to implement recommendations of the forensic audit.
50.9 The Inter-Governmental Authority on Development – Regional HIV/AIDS Partnership Program (IGAD/IRP)

(a) Inter Account Borrowings

185 Auditor General reported that several inter account borrowings of Shs 88,038,642 between IGAD and GoU accounts and observed that this could complicate the accountability process.

186 The Accounting Officer agreed with the audit that there was inter account borrowings and that all the money had been paid back.

Observation and Recommendation

187 The Committee observed that inter account borrowing complicates the audit trail hence curtailing accountability.

188 The Committee recommends that the Accounting Officer be cautioned to desist from carrying out inter account transfers with project funds as it could cause discontinuation of aid.

(b) Lack of Internal Audit Reviews

189 Audit observed that the internal audit department did not regularly conduct reviews of the internal control systems of the program and issue periodic reports.

190 The Accounting Officer agreed with the Auditor General’s observation, and explained that this was due to understaffing in the department at the time.

Observation and Recommendation

191 The Committee observed that absence of internal audit reviews can facilitate fraud.

192 The Committee recommends that there should be regular internal audit reviews and reports to avert possible fraud in the entity.
(c) Non acknowledgement of URA remittances
193 Audit observed absence of URA acknowledgement receipts.
194 The Accounting Officer agreed with the audit observation that receipts of Shs. 4,825,653 and Shs. 1,433,266 from URA for PAYE and WHT respectively had not been received at the time of the audit. The receipts were eventually collected from URA and are available.
Observation and Recommendation
195 The Committee noted laxity on part of the Accounting Officer and recommends that the entity should promptly pick receipts from URA.

(d) Expenditure Lacking Accountability/support documents
196 Audit was not provided with documents relating to expenditure amounting to Ug.Shs.12, 525,000= meant for per diem for participants for several workshops and expenditure amounting to Ug.Shs.5, 120,000= being funds for safari to Busia for Mini Launch of IGAD project.
197 The Accounting Officer agreed with the Auditor General’s observation. The activity took place towards the end of the financial year and the supporting documents were not complete by the time of the audit.
Observation and Recommendation
198 The Committee observed that the Treasury accounting instructions require funds advanced to any officer for any activity to be accounted for within sixty days from the date of disbursement and the audit took place six months after the close of the financial year.
199 The Committee recommends that the Accounting Officer be held responsible for failure to account for Shs.17, 645,000 advanced...
to various officers within the statutory time and be made to recover the same.

(e) Delayed Release of Funds
200 Auditor General reported that remittances to the districts and the implementing partners were supposed to be done in two equal installments per year, but funds were remitted late
201 The Accounting Officer agreed with the Auditor General’s observation. The release of funds to implementing Partners was dependent on actual receipt of funds from Donors by UAC. There was a delay in receipt of funds from Donors.

Observation and Recommendation
202 The Committee observed that remittance of funds by UAC was dependent on the receipt of funds from the development partners.
203 The Committee recommends that release of funds should be streamlined so as not to affect planned activities of the respective entities.

(f) Budget Analysis
204 Audit observed that there was no budgetary analysis during the period under review, and no Vote Book was maintained to track expenditures.
205 The Accounting Officer agreed with the Auditor General’s observation that there was no vote book maintained in respect of IGAD/IRAPP funding at the time of the audit.

Observation and Recommendation
206 The Committee observed that absence of budget analysis and vote book maintenance makes tracking of expenditure difficult.
207 The Committee recommends that there should be timely budget analysis and maintenance of vote book in order to track the entity’s expenditure.

(g) Manual Accounting System

208 The Auditor General reported that the program did not have a computerized accounting system in its finance department.
209 The Accounting Officer agreed with the Auditor General’s observation.

Observation and Recommendation

210 The Committee observed that a computerized accounting system eases the book keeping process.

211 The Committee recommends that the Accounting Officer should budget to obtain an appropriate Accounting package to ease book keeping process.

(h) Fixed Asset Management

212 The Auditor General reported that the program did not maintain a fixed assets register to record the fixed assets it owned.

213 The Accounting Officer agreed with the Auditor General’s observation.

Observation and Recommendation

214 The Committee observed that absence of an Asset register would lead to abuse of the entity’s assets.

215 The Committee recommends that the Accounting Officer be held responsible for failure to maintain an Asset register.

i) Acting Appointment for the position of IGAD Focal Person - Uganda
216 Auditor General observed that the position of a Project Focal Person responsible for the general coordination and direction of the project activities had remained without a substantive officer for 11 months.

217 The Accounting Officer explained that the Focal Person for the project absconded and management temporarily appointed a staff to coordinate the IGAD activities.

**Observation and Recommendation**

218 The Committee observed that the absence of a permanent focal person of the project substantially affected the project performance.

219 The Committee recommends that the entity should always comply with MoUs signed under projects as non-compliance impacts negatively on the entity's capacity to undertake projects.

**(j) Maintenance of Records**

220 The Auditor General reported that the project maintained one set of records for the IGA funds and the UNHCR funded activities contrary to the MOU.

221 The Accounting Officer explained that this was a one off transaction relating to care and maintenance for Kyakka II Refugee Camp.

**Observation and Recommendation**

222 The Committee observed that non maintenance of separate records of the project funds could hinder proper accountability and was contrary to the MOU.

223 The Committee recommends that in future separate records should be kept by the accounting officer.
50.10 Inspections
(a) Busia Hotspot
Busia District
• Un utilized Funds

224 The Auditor General reported that Shs. 88,706,250= advanced to Busia District Local Government in June 2010 was still on the account at the time of audit.

225 The Accounting Officer explained that Shs.88, 706,250= was still lying in the Bank Account un utilized because:-
• The funds were channeled through the district Collection Account. An independent account for the project funds had not been opened. The bureaucracy involved in accessing funds from the District Collection account, partly contributed to the delay in accessing and utilizing these funds.
• The District received these funds rather late, on 02/06/2010 and being the last month of the financial year, it was not possible to absorb the funds on time.

Observation and Recommendation

226 The Committee observed that the funds were disbursed twenty eight days before the end of the financial year and would not be absorbed.

227 The Committee recommends that there should be timely release and accountability of funds.

Friends of Christ Revival Ministries
• Discrepancy in Work Plans

228 Auditor General observed that under the IRAPP Country work plans/budgets for 2010 held by UAC and IGAD work plan obtained
from the Implementing Partner (Friends of Christ Revival Ministries),
the implementing Partner was paying monthly staff salaries
amounting to Ug.Shs.1.7 m from the project budget but the activity
had not been provided for under the project work plans and
budget.

229 The Accounting Officer explained that the Project Focal
Person had discussed this shortcoming with implementers of the
project and it was agreed that only the activities in the work plan
should be implemented and funds wrongly allocated be recovered
from the next disbursement.

Observation and Recommendation

230 The Committee noted the explanation and recommends that
the Accounting Officer be held responsible for the anomaly as it
affects project goals and objectives.

(b) Amuru Hotspot

- Implementation of Planned Activities

231 Auditor General observed that out of the total amount of
Ug.Shs.45, 584,000= advanced to the district for the implementation
of planned activities for the first half of the year, only Ug.Shs.19,
366,600= had been spent by the time of audit.

232 The Accounting Officer explained that the Activities for the
Amuru Hotspot started rather late, but the first allocation had
eventually been spent, accounted for, and replenishment to their
bank account for subsequent activities done.

Observation and Recommendation

233 The Committee observed that Shs. 26,217,400 was unspent at
the close of the financial year which poses a risk of the activity not
being implemented in the subsequent year as it falls outside the
work plan.
The Committee recommends that the Accounting Officer should always carry out timely implementation of the projects for effective service delivery.
### PAC MEMBERS WHO ENDORSED THE COMMITTEE REPORT ON HEALTH INSTITUTIONS FOR THE YEAR ENDED 30TH JUNE 2010

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