PARLIAMENT OF UGANDA

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

Office of the Clerk to Parliament, Kampala

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LIST OF ACRONYMS AND ABBREVIATIONS

AG:	Auditor General
AO:	Accounting Officer
AIDS:	Acquired Immune Deficiency Syndrome
BFP:	Budget Framework Paper
BOU:	Bank of Uganda
CIID:	Criminal Investigation & Intelligence Directorate
CUFH:	China – Uganda Friendship Hospital
DPP:	Directorate of Public Prosecution
DT:	Domestic Taxes
EA:	Executing Agency
EFT:	Electronic Fund Transfer
FY:	Financial Year
GSA:	Grant Support Agreement
HC:	Health Centre
HSC:	Health Service Commission
IAS:	International Accounting Standards
IDA:	International Development Agency
IFMS:	Integrated Financial Management System
IFRS:	International Financial Reporting System
MDAs:	Ministries, Departments and Agencies
MNRH:	Mulago National Referral Hospital
MOFPED:	Ministry of Finance, Planning and Economic Development
MOH:	Ministry of Health
NMS:	National Medical Stores
NPA:	National Planning Authority
OAG:	Office of the Auditor General
PAC:	Public Accounts Committee
PCA:	Payroll Consults Africa
PDMS:	Payroll Deductions Management System

PFMA:	Public Finance Management Act, 2015
PFMR:	Public Finance Management Regulations, 2016
PPDA:	Public Procurement & Disposal of Public Assets Act, 2003
PS:	Permanent Secretary
PS/ST	Permanent Secretary/Secretary to Treasury
RRH:	Regional Referral Hospital
TI:	Treasury Instructions
UBA:	Uganda Bankers Association
UCLA:	Uganda Consumers and Lenders Association
UCF:	Uganda Consolidated Fund

1.0. INTRODUCTION

Rt. Hon. Speaker and Honorable Members,

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

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

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

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

2.0. SCOPE

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

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

3.0. METHODOLOGY

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

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

The Committee further carried out field visits to selected Regional Referral Hospitals and district hospitals of Arua, Mbale, Mubende, FortPortal, Nebbi and Tororo respectively, to appreciate the conditions in which they operate, extent of implementation of development budget and general levels of service delivery to Ugandans. In the visits, the Committee observed the physical condition of the infrastructure and equipments. Members also interacted with hospital staff as well as other stakeholders with a keen interest in understanding service delivery related aspects as well as the working environment of the hospital staff.

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

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

4.0. General Observations and Recommendations

4.1. Existence of approved Strategic Plans

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

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

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

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

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

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

4.2. Quantification of outputs/activities

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

> "(a) the achievements of the votes of the previous Financial year
>
> (b) the annual and three months' work plans and outputs, the objectives, output, targets and performance indicators of the work plans and outcomes"
>
> (c) the annual procurement plan
>
> (d) the annual recruitment plan
>
> (e) a statement of the actions taken by the vote to implement recommendations of parliament in respect to the report of the Auditor General of the preceding financial year". Regulation 11(3) of the PFMR 2016 requires that a vote prepares work plans that indicate the outputs of a vote for the financial year.

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

The Committee notes that most AOs did not know how to quantify their activities so as to align them with the budget ~~and~~ the strategic plans. In most cases they reported performance in generic terms such as; medical supplies, maintenance and equipment purchased. This makes it difficult to ascertain in detail the activities/items.

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

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

The Committee recommends as follows;

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

4.3. Implementation of quantified outputs

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

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

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

health workers were categorized as "essential workers" at the time and therefore were expected to carry on implementing some of the planned activities.
The Committee notes that the number of staff at these institutions had been significantly reduced at the time of the lockdown which hampered the implementation of the quantified outputs.

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

4.4. Submission of accurate quarterly performance reports

The Auditor General reported disregard of timelines especially of submitting quarterly performance reports by most Regional Referral hospitals. This contravenes Section 21(3) of the PFMA, 2015 and Treasury Instructions of 2017, which require that AOs should prepare reports for each quarter of the FY, and that it should be submitted to Treasury not later than 15 days after the end of each quarter.
Most of the AOs the Committee interacted with showed demonstrated lack of awareness and appreciation of these timelines and seemed not briefed by their respective Hospital Administrators who in most cases equally demonstrated lack of knowledge of the processes.

The Committee observes that failure to submit performance reports in time and failure to prepare monitoring plans affects timely tracking and evaluation of performance.
The Committee recommends that AOs should prepare budget monitoring plans and reports to facilitate performance tracking within the stipulated timelines.
AOs should ensure that their Planners are up to date with all statutory submissions in terms of timelines and strictly adhere to them at all times.

4.5. Absorption of Funds

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

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

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

For example;

- Mulago National Referral Hospital had a total warrant of UGX.63,573,318,357 received during the financial year, out of which UGX.59,379,356,427 was spent resulting in an unspent balance of UGX.4,193,961,930, representing an absorption level of 93.4%.
- Lira Hospital had total warrants of UGX.11,498,592,809 received during the financial year, out of which UGX. 9,631,737,017 was spent, resulting in an unspent balance of UGX.1,866,855,792, representing absorption level of 83.8%; and
- Mubende Hospital had total receipts for the financial year of UGX.11,297,149,897, out of which UGX.9,155,075,000 (81%) was spent by the entity resulting in an unspent balance of UGX.2,142,074,897, representing an absorption rate of 19%.

The Committee also noted with concern a growing trend by the MoFPED of releasing money over and above what the entities request for. In a letter to the PS/ST dated 24th March 2020 for example, Lira Regional Referral hospital submitted gratuity estimates of UGX.138,204,004. However, the MoFPED sent a sum of UGX.638,938,448 over and above what they requested.

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

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

The Committee recommends that;

a. ***the Accountant General strictly enforces section 15 (2) of the PFMA, 2015 which requires that the annual cash flow plans issued under sub section (1) be the basis for release of funds to entities.***

b. ***the AOs should strictly adhere to the annual budget performance contract signed with the PS/ST pursuant to Section 45 of the PFMA, 2015. The contract binds AOs to deliver on the activities in the work plan of the vote for the FY submitted under section 13 (15) of the PFMA, 2015.***

c. ***The release of more funds than are required by the entities should be investigated by way of a forensic audit.***

4.6. Performance of NTR

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

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

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

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

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

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

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

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

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

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

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

In the case of Mubende Regional Referral Hospital for example, deductions to a tune of UGX. 151m were not remitted in accordance with the above Establishment Notice. The AO attributed it to system challenges. The Committee did not believe him.