PARLIAMENT OF UGANDA

10TH PARLIAMENT

REPORT OF THE PUBLIC ACCOUNTS COMMITTEE ON THE REPORT OF THE AUDITOR GENERAL ON THE HEALTH SECTOR FOR FY 2014/15

Office of the Clerk to Parliament
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LIST OF ACRONYMS AND ABBREVIATIONS

AG: Accountant General
AIDS: Acquired Immune Deficiency Syndrome
BFP: Budget Framework Paper
BOU: Bank of Uganda
CIID: Criminal Investigation and Intelligence Directorate
CUFH: China Uganda Friendship Hospital
DPP: Directorate of Public Prosecution
DT: Domestic Taxes
EA: Executing Agency
EFT: Electronic Funds 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 Standards
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
OAG: Office of the Auditor General
PAC: Public Accounts Committee
PFMA: Public Finance Management Act, 2015
PPDA: Public Procurement & Disposal of Public Assets Act, 2003
PS: Permanent Secretary
PS/ST: Permanent Secretary/Secretary to the treasury
TAI: Treasury Accounting Instruction
UGX:  Uganda Shillings
UHI:  Uganda Heart Institute
URA:  Uganda Revenue Authority
USD:  United States Dollar
1.0 INTRODUCTION

Rt. Hon. Speaker and Hon. Members,


Article 163(4) of the Constitution mandates the Auditor General to submit to Parliament annually a report of the accounts audited by him or her for the financial year immediately preceding.

The Constitution further mandates Parliament to consider the report and take appropriate action within 6 months after submission of the report referred to in clause 4 above.

It is in this regard that the report of the Auditor General for the year ended 30th June 2015; Volume 2 (A) was presented and referred to the Public Accounts Committee for consideration.

The Committee commenced its work with consideration of the Audited Accounts of the 15 entities in the Health Sector and its findings, observations and recommendations are contained herein.

2.0 SCOPE

The Report covers audit queries of the Auditor General’s Report for the ended 30th June, 2015 in respect of the Health sector. These comprised of the Ministry of Health, Mulago National Referral Hospital, Butabika Hospital and the Regional Referral Hospitals.
3.0 METHODOLOGY

3.1 Meetings

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

1. Ministry of Health
2. Mulago National Referral Hospital
3. Butabika National Referral Hospital
4. China-Uganda Friendship Hospital
5. Mbale Regional Referral Hospital
6. Moroto Regional Referral Hospital
7. Soroti Regional Referral Hospital
8. Jinja Regional Referral Hospital
9. Gulu Regional Referral Hospital
10. Lira Regional Referral Hospital
11. Fort Portal Regional Referral Hospital
12. Hoima Regional Referral Hospital
13. Mbarara Regional Referral Hospital
14. Uganda Heart Institute
15. Arua Regional Referral Hospital

GLARING SALIENT FEATURES

UNDECLARED SOURCE OF FUNDS

Under the Uganda Sanitation Fund (USF) Programme annual report for the period revealed that, since project inception in July 2011, the project had received a total of USD 1,885,625 for purposes of Grants and Procurements. The corresponding cumulative expenditure however amounted to USD 2,417,609.28 creating an excess expenditure of **USD 531,984.28 (about 2bn ug x)** The source of funding for this excess could not be ascertained.
REFUND TO GLOBAL FUND

Although UGX.3,198,224,060 had been refunded, investigations revealed that only UGX.1,895,617,227 was refundable and only a total of UGX.23,479,000 had been recovered from the individuals involved and remitted to the Consolidated fund.

UNUTILIZED FUNDS

Under the Tuberculosis component had unutilized funds amounting to UGX.2,625,487,180 brought forward from the previous year. During the year, funds totaling UGX.18,131,924,330 were received resulting into a total of UGX.20,757,411,510 available for use, of which UGX.14,898,067,350 was spent leaving UGX.5,859,344,160 un-utilized.

UNACCOUNTED FOR ADVANCES ON DRUGS UNDER THE UGANDA SANITATION FUND PROJECT

The audit reveals that UGX.274, 961,905 advanced to various project staff and sub-grantees remained unaccounted for

LAND GRABBING AT BUTABILA HOSPITAL

While the Hospital Management, NEMA and Environmental Police were in the process of completing eviction of the encroachers, the Inspector General of Police physically halted the exercise.

UNDECLARED FUNDS UNDER THE UGANDA SANITATION PROJECT

Failure to declare USD 360,000 (about 1.3bn) in the financial statement is a clear picture of how gross corruption with impunity has become in the health sector

RECYCLING OF ACCOUNTING OFFICERS

Accounting officers who have become perennially unaccounting officers should never be re-posted but dropped permanently from public service
and thus the committee recommends that the PS Ministry of Health at the time should be dropped permanently.

4.0 General Observations

4.1 Mischarge of expenditure

The Committee is concerned by the continued practice by most Accounting Officers to reallocate money within their respective vote items without authority. For the financial year under review 2014/2015, a total of 3 hospitals mischarged their expenditure to the tune of UGX 726,001,826. This is contrary to the Public Finance Management Act, 2015 which requires Accounting Officers to always seek authorization from the Minister of Finance before re-allocating funds within a vote.

The Committee observes that Accounting Officers abuse the law with impunity and calls upon the Permanent Secretary/Secretary to the Treasury to impose tough sanctions against such Accounting Officers with mischarge query as provided for in the PFMA and other laws.

4.2 Unaccounted for Advances

The Committee found that a total of UGX 616,397,481 spent by several officers remained unaccounted for by the end of the financial year contrary to financial regulations that requires all expenditure to be accounted for within 60 days. This can be an indicator that the activities for which money was advanced have not been carried out.

4.3 Poor planning and Budget Management

The Committee notes that not all monies budgeted for were released by the MoFEPD and even the monies released are not properly utilized because of mischarges. The Committee is concerned that this impairs service delivery.
Even with the hand sight that as a country we run a cash budget, we would expect to see coordination and adjustments as we go along.

4.4 Encroachment on hospital lands

The Committee observes that many hospitals are existing without land titles. In some cases hospital lands have been encroached on and trespassers have erected permanent structures without any challenges from the hospitals. The Committee further observed some cases where private individuals are in possession of titles of land where hospitals are sitting.

4.5 Understaffing

Not a single hospital is fully staffed many being at about 45-50% and lack critical staff like surgeons and physicians. The Committee is concerned about continuous lack of critical staff in many hospitals. This problem is exacerbated by staff who upon admission to the public service, fails to report to their respective work stations. There is also incompetence on the part of the ministry of public service and the Health Service Commission in effectively addressing staffing needs of hospitals.

4.6 Procurement anomalies and poor contract management

The Committee observed that the procurement and disposal units of several hospitals do not have the capacity to handle public procurements. This was manifested through violations of procurement procedures and regulations relating to due diligence, bid evaluations and contract management.

4.7 Conditions of hospital

The Committee notes that there is a general state of decay in the hospital infrastructures. Despite some hospital wards being over 50 years old and have been condemned as inhabitable, the hospitals still use such facilities. Most equipment in hospitals are non-functional. This affects service delivery.
4.8 Lack of essential drugs and sundries

The Committee observed that despite the reforms in the procurement of drugs for public health facilities, there are still challenges in procurement of drugs resulting into perpetual shortages in most hospitals. This problem is attributed to failure on the part of National Medical Stores to meet the orders of many health units.

4.9 Performance by Internal Audit

The Committee is alarmed by the fact that Accounting Officers do not implement recommendations of internal auditors. Whereas the key function of the internal audit department is to provide advice on internal checks and controls systems to the Accounting Officers, the Committee notes that abuse of public funds continues to go unchecked.

4.10 Performance by Accounting Officers

The Committee noted with concern the poor performance by some Accounting Officers, particularly in respect of:

a) Failure to respond to Management letters from the Auditor General;

b) Poor preparation and response to Audit queries;

c) Late submission of documents at the time of audit;

d) Failure to act on recommendation of PAC.

4.11 Unsatisfactory performance by contractors

The Committee notes several cases where performance of contractors was unacceptable. The serious cases included fraud, poor workmanship and slow progress of work on account of inefficiency, inadequate equipment and poor planning. There are also cases where late release of fund by the MoFPED resulted into delays in effecting payments with resultant penalties and interest.
5.0 Document Review

The Committee studied and made reference to the following documents;

(i) The Auditor General’s Report for FY 2014/15
(ii) The Constitution of the Republic of Uganda
(iii) The Public Finance Management Act, 2015
(iv) The National Audit Act, 2008
(v) The Public Procurement and Disposal of Public Assets Act
(vi) Additional documentation on the queries raised from each of the above entities

5.1 Oversight visits

The committee carried out oversight visits and held meetings in Regional Referral hospitals including; Butabika, Hoima, Fort Portal, Mbarara, Arua, Gulu, Moroto and Lira. The Committee was able to ascertain the situation obtaining in the hospitals visited with emphasis on the queries raised by the Auditor General.

6.0 FINDINGS, OBSERVATIONS AND RECOMMENDATIONS

6.1 MINISTRY OF HEALTH

a) Expenditure over and above the available cash in the TSA

The audit noted that UGX.2,356,211,612 was spent in excess of the transfers received from the Treasury in the Treasury Single Account (TSA). This affected the statements of financial performance, the cash flows, the financial position, and the statement of changes in Equity.

Further review of the payments file on IFMS revealed that invoices worth UGX.2,815,539,282 were entered and processed for payment between 29th and 30th June 2015, contrary to the end of year closure procedures issued in May...
2015 which among others, advised the Accounting Officers not to process any EFT payment instructions after the 25th day of June 2015 and to have submitted, all invoices to Treasury by close of business on the same day. This followed the issuance of an additional quarter cash limit of UGX.2.6bn.

The processing of invoices and posting of EFTs after the set date led to reporting of negative balances in the financial statements. Negative balances portray acquisition of overdrafts, which are not permissible in the TSA arrangement.

The Accounting Officer admitted the audit query and explained that the invoices were paid by the end of 30th June 2015 and posted in the General Ledger and the accountability for these payments was done before the end of the Financial Year. Funding of the TSA was done in July and payments were honoured on 3rd July 2015. The payments were for Interns' Allowances, Recruitment of Health Workers and other outstanding commitments.

Observations

1. The justification as to why the invoices and payment processing had to wait for the last day of the financial year was not satisfactory. This is a clear indication of breach of the Treasury Guidelines on Public expenditure which does not allow payments to be made beyond the 25th day of June.

2. The nature of the activities i.e. recruitment and payment of interns' allowances were not emergency in nature to warrant payment on the last days of the financial year.

3. The Committee is concerned that application of last day invoices and payments without warrant from the Accountant General may be used to slot in fictitious invoices.
4. The Committee notes that the excess expenditure of UGX.2,356,211,612 was irregular since there was no money available to be spent in the Ministry’s TSA.

5. The Accounting Officer did not capture this overdrawn money in the financial statement hence the financial statement was over-stated, an act tantamounting to gross negligence of duty.

6. The Committee notes that officials in the Ministry of Finance, Ministry of Health and Bank of Uganda colluded to create an open window for money to be spent after the closure of the financial year.

**Recommendations**

*The Permanent Secretary/Secretary to the Treasury and Accounting Officer should be investigated by Inspector General of Government for release of funds and breaching the circular standing instructions and on spending money respectively; after the closure of financial year without warrant from the Accountant General and report to Parliament.*

c) Outstanding Payables

Audit revealed that the Ministry had accumulated domestic arrears of UGX.10,760,867,661 out of which UGX.10,443,672,449 had been outstanding for more than one financial year while UGX.317,175,212, in trade payables, was incurred during the financial year under review contrary to the commitment control system. Among the payables were: UMEME (UGX.3,131,972,718), NWSC (UGX.61,389,202), NMS (UGX.3,771,617,043), JCRC (UGX.1,198,080,000), Rent – Bageine Co (UGX.71,064,578), UTL (UGX.127,958,907), Carl Bro International A/S (UGX.132,282,720) and others which remained outstanding through the year.
In addition another UGX.3.9bn relating to outstanding salary arrears for bonded and non-bonded health workers were not included in the payables figures in the financial statements thereby understating the liabilities.

The Accounting Officer explained that the Ministry had not been provided with resources from MOFED to clear the Liabilities. It was further explained that arrangements were being made to switch the entity to the prepayments system as a way of curbing utility bills. He further stated that the outstanding salary arrears were not recognized in the accounts as reconciliations between the Ministry and the districts regarding the staff were still ongoing.

Observations

1. The Committee notes that failure to settle bills within the year they relate to distorts the financial statements and adversely affects provision for the subsequent year to which they have been charged, inconveniences suppliers, hurts their business and affects delivery of services which is not good for the country’s economy.

Recommendation

The Accounting Officer should institute measures to ensure that domestic arrears are always recognized in the financial statement and cleared as a first call/charge on the preceding budget.

c) Refund to Global Fund

During the year an amount of UGX.3,198,224,060, equivalent to USD.1,363,024, was paid as a refund to Global Fund due to prior years’ loss of donor funds through fraud. Although the refund was authorized by PS/ST, this amount should have been recovered from the individuals involved in the fraud. The Auditor General considered this a loss.
The Accounting Officer stated that although UGX.3,198,224,060 had been refunded, investigations revealed that only UGX.1,895,617,227 was refundable and a total of UGX.23,479,000 had been recovered from the individuals involved and remitted to the Consolidated fund. The balance of UGX.1,872,138,227 is still outstanding with the beneficiaries still insisting that activities were actually undertaken.

**Observations**

1. The Committee observes the complicity of the Accounting Officer in the performance of his duty thereby failing to institute effective recovery measures against the officials implicated, some of whom are still working with the Ministry and other Government entities.

2. The amount recovered – UGX 23,479,000 is very minimal in comparison to the UGX 1,872,136,227 which is still pending.

3. The Committee notes that these discoveries of financial mismanagement came as a result of a comprehensive forensic audit into the Global Fund, it is therefore untenable for individuals implicated to insist that they accounted for the money subsequently.

**Recommendations**

1. *The Accounting Officer should recover the pending amount from the individuals cited in the Auditor General’s report, including the over payment of UGX 1,302,606,833 to Global Fund within 3 months, after the adoption of this report by Parliament.*

2. *The committee recommends that the officers who have not yet refunded the money should refund the same and be retired in public interest.*
6.1.1 UGANDA GLOBAL FUND TO FIGHT AIDS, TUBERCULOSIS AND MALARIA PROJECT - TUBERCULOSIS COMPONENT

a) Unexpended Balances

A review of the Fund Financial Accountability statement revealed that the Tuberculosis component had unutilized funds amounting to UGX.2, 625,487,180 brought forward from the previous year. During the year, funds totaling UGX.18,131,924,330 were received resulting into a total of UGX.20,757,411,510 available for use, of which UGX.14,898,067,350 was spent leaving UGX.5,859,344,160 un-utilized.

In response to the Committee, the Accounting Officer attributed the anomaly to protracted procurement processes and delays in disbursement of the funds to the project.

Observation

The Committee observes that failure to utilize the funds in accordance with the work plan hinders achievement of the project objectives and this may be attributed to negligence of the project coordinator.

Recommendation

1. The Committee recommends that the Accounting officer be reprimanded by the PS/ST forthwith.

b) Tuberculosis Prevalence Survey

Audit revealed that the Tuberculosis Prevalence Survey conducted by the Ministry of Health and Makerere University School of Public Health (MUSPH) had various weaknesses which include;
• The survey that was scheduled for completion by 30th July 2014 was ongoing in July 2015 indicating a delay of one year.
• There were low pre-visits to the survey sites and that the report for the September-October 2014 was inadequate;

Observation
The Accounting Officer’s response was not satisfactory as we note negligence as reported by the low pre-visits to the survey sites. The un-timeliness of the survey could risk the integrity of its findings.

Recommendation
The Committee recommends that the Accounting Officer and the project management team should be reprimanded for failure to institute adequate quality assurance mechanism prior to commencement of the agreement.

6.1.2 UGANDA HEALTH SYSTEMS STRENGTHENING PROJECT (UHSSP)

a) Rejected Medical Hospital equipment

Audit revealed that a Supplier contracted to supply medical equipment to the ministry had delayed to remove the rejected medical equipment from the health facilities, contrary to the agreement.

It was noted that medical equipment estimated at a cost of USD 1,927,194 had been rejected and the two companies were Simed International BV and Syno Africa suppliers asked to replace and make good of this equipment within a period of five months from March 2015.
It was noted that one firm complied, while the other one was declared bankrupt after the equipment had been rejected. Although the Accounting Officer indicated that the official receiver of the bankrupt firm had been appointed to collect the rejected items, this has not been done.

The Accounting Officer submitted that the Ministry has withheld payments to the Supplier and is taking all necessary steps to see that the Official Receiver fulfill the obligations of the supplier now bankrupt.

**Observation**

1. The Committee is concerned that there is a risk that the World Bank being the funder for this project may demand for refund of the money involved if no action is taken.

2. There was negligence on the part of the pre-shipment inspection company, Societie Generale de Surveillance (SGS) in ensuring that the medical equipment were in worthy conditions before admission into the country.

3. The Ministry did not conduct due diligence and exhibited weakness in the supervision and management of the contract.

**Recommendations**

1. *The Ministry should pursue the matter with the Official Receiver of the bankrupt company and expeditiously to bring it to a logical conclusion.*
2. The committee recommends further investigation into the procurement process that ended up contracting the company that was declared bankrupt.

3. Surcharge and other costs of keeping the uncollected Medical equipment should be levied on the suppliers.

b) Non-implementation of planned activities

As per the project objectives of the financial agreement for Uganda Health Systems Strengthening Project, the Ministry undertook to improve infrastructure at existing health facilities. It was planned that 9 hospitals (Anaka, Nebi, Moyo, Kiryandongo, Nakaseke, Mityana, Entebbe, Iganga and Moroto) were to be be constructed at UGX.69, 760,000,000.

Thirteen (13) other hospitals, (Pallisa, Kitgum, Apac, Bugiri, Abim, Atutur, Kitagata, Masindi, Buwenge, Bukwo, Itojo, Mubende and Moroto) and 27 Health Centre IVs (Kasanda, Kiganda, Ngoma, Mwera, Kyantungo, Kikamulo, Kabuyanda, Mwizi, Kitwe, Rubare, Aboke, Aduku, Bwijanga, Buliisa, Padibe, Atyak, Obongi, Pakwach, Buvuma, Budondo, Ntenjeru-Kojja, Buyinja, Nankoma, Bugono, Kiyunga, Kibuku and Budaka, were scheduled for rehabilitation using an additional USD.90 million.

However, the request for the anticipated USD.90 million had not been approved by end of year and construction works had only been partly done using the available but insufficient funds. This is likely to leave the works incomplete and at the risk of loss of the investments already made in these works.

In his submission to the Committee, the Accounting Officer explained that negotiations had been concluded, but due to passing of the Anti-homosexuality Law, the loan was deferred and no official communication was received as to
whether the Application would be considered or was cancelled. However, using
the savings within the current project, funds were mobilized to renovate part of
the 26 HC IVs and works were ongoing.

Observation
The Committee observes that loss of donor funding was a major contributory
factor for the non-implementation of the planned activities.

Recommendations

*The Accounting Officer should seek alternative funding to ensure
completion of the works already started and those that had been planned
for under the suspended loan.*

6.1.3 MULAGO NATIONAL REFERRAL HOSPITAL SUPPORT TO THE
DEVELOPMENT OF A SPECIALIZED MATERNAL AND NEONATAL
HEALTHCARE UNIT IN MULAGO NATIONAL REFERRAL HOSPITAL
(MULAGO III) PROJECT

a) Delay in procurement activities

   (i) Civil works and Supervision of works

The Auditor General noted that the contracts for supervision and civil works
were signed on 19th May 2015 (4 months after the deadline period of January
2015) and Civil works commenced in June 2015.

Despite Management attributing this delay to a change in the ISDB
procurement guidelines, which required projects above USD 10 million to
undergo a prequalification process before the bidding process, no
correspondence relating to this change was availed for review.
(ii) Medical Equipment, Furniture

According to the work plan, draft specifications and tender documents should have been prepared and approved by the Ministry of health Contracts Committee by February 2015. However by the time of reporting, no work had been done in relation to this activity.

(iii) Specialized Training

According to the work plan, the detailed training plan and solicitation for offers from potential providers (Universities/Hospitals) clearance and No-objection letter from the Bank should have been finalized by June 2015. However, it was noted from the correspondences between the Bank and project management, that the project had not yet obtained a no-objection letter from the Bank by that time.

The correspondences further reveal that 12 health workers who had been selected to attend training in Urogynecology and Perinatology in Cairo, Egypt scheduled for September 2015, only travelled in the latter part of October 2015. Management indicated that they were waiting for security clearance and that though the bank’s contribution of 40% towards this training was already availed; GOU still faced a challenge of funding its 60% of the training budget as per the Grant agreement.

Management informed the Committee that the delay in civil works had a spillover effect on other activities like procurement of medical equipment, furniture since there would be no space to store these items once purchased and that they expect to begin the procurement process in the 3rd quarter 2015/16.
Observations

The Committee notes that there was abuse of the procurement guidelines as the project was not implemented within the stipulated time. The Committee further notes that the project management team failed to discharge their responsibilities in ensuring that there was comprehensive planning, supervision and management of the project.

Recommendation

1. The Committee recommends that the Minister of Health reprimands the Accounting Officer and the Management team for failure to adhere to the procurement guidelines.
2. The Ministry should prioritize this procurement in the subsequent financial year.
3. Government should prioritize counter-part funded projects.

6.1.4 MULAGO KAMPALA CAPITAL CITY AUTHORITY PROJECT (MKCCAP) 30th June 2015

A) Other unfulfilled agreements between the bank and the GOU
(i) Government contribution and payment of VAT

The Ministry of Health signed a contract with a Construction Company for the rehabilitation and upgrading of the Lower Mulago Hospital at contract price of USD.29,617,820.64 inclusive of Value added tax of USD.4,517,972.67 on 17th October 2014. Under the financial agreement, the government of Uganda is to contribute USD.1,358,069.88 (5.4%) to the construction cost and the VAT component of USD.4,517,972.67.

The Accounting Officer explained that the Ministry of Health was liaising with the Ministry of Finance Planning and Economic Development to
ensure the VAT component of project contracts and the Government of Uganda co-funding to the Mulago contract are incorporated in the sector budget for financial year 2016/17.

Observations

1. The Committee notes that GoU had not paid its counterpart funding of 5.4 percent. Outstanding VAT obligation by the contractor had also not been settled by Government.
2. Non-contribution by GOU and delays to settle the VAT obligations are likely to delay the project implementation.

Recommendation

The Committee recommends that the Ministry of Finance, Planning and Economic Development should ensure that the outstanding VAT component is honoured in the budget for FY 2016/17 in order to prevent stalling of the project.

b) Failure to undertake adequate due diligence
An international firm was procured to supply and install Endoscopy and Urology Equipment at a cost of Euros 836,994 by end of May 2015. An advance payment of Euros 167,398.80 (20%) was made to the firm but at the time of audit, only 3.3% of equipment worth Euros 27,620.80 had been delivered. Details available show that the supplier was declared bankrupt in April 2015.

Observations

1. No due diligence was conducted on the eligibility of the bidders as required under the PPDA Act.
2. The Head Procurement Disposal Unit (PDU) failed to discharge his duties and responsibilities as stipulated under the PPDA Act.
3. The procurement process was re-done leading to loss of time and resources.

Recommendation

The Committee recommends that the officers in the Procurement and Disposal Unit should be discharged off their responsibilities and the department be restructured.

c) Non-Compliance with delivery dates for equipment

It was noted that contrary to the provisions of the contracts which specified delivery dates, there were delays in delivery for the following procurements;

- Philips Pharmaceutical Ltd/Critical Care Solutions Ltd was procured to supply Intensive Care Unit Equipment at a cost of USD.1,331,864.11 by May 2015. However, by the year-end, only 50% worth USD.665,920 of the equipment had been delivered.

- Global Scientific Supplies Ltd was awarded contract to Supply and Install Physiotherapy and General Medical equipment worth USD.387,837.45. Only 90% worth USD.349,053.70 of the equipment had been delivered.

- Rima (E.A), Ltd was awarded a contract to Supply and Install Workshop Tools (Lot 9-), at USD.587,062 by May 2015. The firm promptly delivered 95% of the goods worth USD.557,708.90 while items worth USD.29,353.10 (5%) had not been delivered by June 2015.

Observations

1. The Committee observes that despite the Suppliers having committed fundamental breach of the Contract, Management has taken no steps to invoke the relevant contract provisions for remedying the situation.

2. Although the respective suppliers had delivered all the outstanding items, belatedly, The Accounting Officer failed to protect the interest of the Government by ensuring delivery within the agreed timelines.
3. Non delivery within agreed time can cause delays in the implementation of the project, increase the costs of inspection at delivery and can lead to supply of incompatible items especially where the equipment has to work as a unit and thus impacting negatively on service delivery.

**Recommendation**

*The Accounting Officer should be cautioned for failure to manage the contract.*

d) Un-resolved Land dispute at Kawempe Hospital Site

A review of the Aide Memoire dated March 2015 and other project documents revealed that the General Referral Hospital at Kawempe was constructed on two disputed pieces of land comprising plots 3883 and 1305. Details arising from the records of a meeting between various stakeholders show that plot 3883 had an extra 10 decimals in excess of the size of the plot while plot 1035 had not been sold to KCCA. As a result, the family members and owners of the disputed land were threatening to sue KCCA.

*The Accounting Officer explained that the land matter was being handled amicably with the claimant in order to resolve it so as not to halt the hospital construction works already on going. He also indicated that the Ministry of Lands had provided documents from the Land Registry that clearly showed KCCA as the rightful owner of the Land on which the hospital was being constructed.*

**Observation**

There was no coordination between Mulago National Referral Hospital, Kampala Capital City Authority and the Claimants regarding the rightful ownership of the land.
Recommendation

The aforementioned parties should work together to resolve the matter. Government should expeditiously acquire legal title to all public land and should prioritize the land it intends to develop.

6.1.5 UGANDA SANITATION FUND PROJECT 30TH JUNE 2014

a) Funds not accounted for

(i) Advances to Executing Agency (EA) for operational funds and sub-grantees

The audit reveals that UGX.274, 961,905 advanced to various project staff and sub-grantees remained unaccounted for.

The details below:

- Advances to Project staffs (EA) – Management costs 75,413,300
- Advances to Sub – grantees - Bukedea 144,988,605;
- Inadequate accountabilities of funds to sub-grantees (various) 54,560,000

Management admitted the Audit query and informed the committee that all advances have been accounted for now.

Observation

- The Committee notes that Public officials notoriously flout financial regulations with impunity.
- Lack of accountability implied that no work was done.
- The Accounting Officer failed in his duty as prescribed under the Treasury Accounting Instructions to deduct money unaccounted for from staff who were advanced money but failed to account within the stipulated time of 60 days.
Recommendation

The Committee recommends that the Accounting Officer recovers UGX 274,961,905 from the advance holders. [List of staff who have not accounted for the advances attached]

(ii) Doubtful accountabilities

A review of the project accountability documents for UGX.70,180,000 revealed the following anomalies:

- The activity reports attached lacked key information such as names of staff, signatures, number of field days and corresponding rates;
- UGX.23, 895,000 was paid to M/s Akello Hotel Ltd of Soroti town for training of Community Led Total Sanitation (CLTS) for five days from 18th to 22nd June 2014 as per expenditure voucher ST-13/6/2014, procurement reference no 00230 and LPO no 5123 had attendance lists that did not state the specific days/dates when the training took place; instead, each attendance list had a date of 18th-22nd August 2014.

The Project Manager submitted before the Committee that these monies had been properly accounted for. However, when tasked to adduce evidence substantiating her assertion, she failed to produce any document to the Committee.

Observation

The Project Manager lacks competence in public finance management therefore unfit to head public projects.

The Committee was bewildered that such an incompetent officer could be appointed to head a critical intervention project.
Recommendation

The Accounting Officer should recover the UGX 70,180,000 from the recipients or personally refund the said amount within 60 days.

Management should restructure the administration of the project and relieve the current project manager of her role.

b) Review of financial statements

(i) Excess Expenditure on Grants & Procurements

A review of the Uganda Sanitation Fund (USF) Programme annual report for the period revealed that, since project inception in July 2011, the project had received a total of USD1,885,625 for purposes of Grants and Procurements. The corresponding cumulative expenditure however amounted to USD2,417,609.28 creating an excess expenditure of USD 531,984.28. The source of funding for this excess could not be ascertained.

The project manager explained that money is released by the Ministry of finance and reimbursed upon receipt of the donor’s fund.

Observation

The Committee finds the explanation unsatisfactory and notes that excess expenditure without known source of funding not only renders the expenditure illegal, but also affects the integrity of the financial information.

Recommendation

The Permanent Secretary/Secretary to the Treasury should institute a comprehensive inquiry into this matter and provide a reconciled position.

Failure to reconcile within three months, the Committee recommends a refund of USD 531,984.28 by the Accounting Officer.
(ii) Incorrect format of financial statements
The Auditor General reported that the Accounting Officer did not comply with the financial reporting format of the programme.

The project manager attributed the failure to comply with the prescribed reporting formats to staffing issues.

Observation
The Committee observes that the Project Manager failed to discharge his duties in ensuring that the capacity building for the project was in line with the donor requirements.
Failure to comply with the prescribed formats by the Grant Support Agreement [GSA] may lead to suspension and delay of project funding.

Recommendation

The Accounting Officer should ensure that the financial statements conform to the format prescribed in the Grant Support Agreement to avert any grave consequences.

(iii) Omission of incomes in the Executing Agency (EA) financial statement
A review of EA financial statement revealed that USD 360,000 was excluded from the cumulative income of the program resulting into understatements of revenues.

Observation
The failure to reflect USD 360,000 as project income points to fraud.

Recommendation

The Accounting Officer should refund USD 360,000 to the Project Account and avail evidence to the Committee within six months.
(iv) Failure to make an attestation disclosure in the annual financial report

A review of the Project annual financial report indicated that the EA did not make disclosures contrary to the donor requirement.

**Observation**

Failure to implement donor financial reporting requirements by staff amounts to incompetence.

**Recommendation**

The Accounting Officer should acquaint himself with donor financial reporting requirements and ensure the staff recruited or appointed to the project are competent and adequately trained.

### 6.2 BUTABIKA MENTAL REFERRAL HOSPITAL

**a) Mischarge of Expenditure**

The GoU Chart of accounts, which the hospital uses, defines the nature of expenditure for each item code. The Chart of Accounts is intended to facilitate better and consistent classifications and also Track budget performance per item in line with the approved budget. During the budgeting process, funds are tagged to particular activities and outputs using the account codes and appropriated accordingly.

On the contrary, UGX.114,382,050 (1.3%) was wrongly charged on budget lines for activities that are not provided for under those particular budget lines.

The Accounting Officer regretted the anomaly but attributed it to inadequate budgeting under the allowances item code for the private patients service where staff are paid per shift.
Observations
The Committee observes that the private scheme at Butabika hospital is being run without a policy and hence leading to under budgeting of allowances for staff who are paid per shift.

The Committee notes that variation of money without authorization from the Minister of Finance is a violation of the Public Finance Management Act, 2015 and the practice undermines the importance of the budgeting process as well as the intentions of the appropriating authority.

Further the Committee notes that the Accounting Officer exhibited clear lack of budgetary discipline and this practice creates an avenue for abuse of public funds and is also a sign of poor planning.

Recommendation
The Committee recommends that Butabika Hospital Board should come up with a comprehensive policy on the private patients’ scheme.

The Accounting Officer should be reprimanded for failure to adhere to the financial regulations on virements.

Land Encroachment
The Committee sought an explanation about the title of the Hospital land. Subsequently the Committee visited the Hospital and was alarmed by the impunity of encroachers on the land and their protection by the police during the attempted eviction by NEMA and Hospital management.

Observation
While the Hospital Management, NEMA and Environmental Police were in the process of completing eviction of the encroachers, the Inspector General of Police physically halted the exercise.
Recommendation

The Committee recommends that upon adoption of this report, the IGP should effect the eviction of the encroachers within 30 days.

6.3 UGANDA HEART INSTITUTE
a) Inadequacies in the management of Non-Tax Revenue (NTR)
(i) Discrepancies in Revenue collected and banked

Audit review of revenue collection receipts and banking-in-slips revealed that out of UGX.2,378,813,820 that was collected in cash form, only UGX.1,914,727,940 was banked leaving a balance of UGX.464,085,880 unaccounted for. There were no records to show how unbanked money was used.

A review of the handover report by the cashier who was proceeding on maternity leave showed that UGX.118,352,300 that was collected between 7th and 15th May 2015 was not banked. However, a loss of cash by the cashier of UGX.117,678,820 has been reported in the financial statements. Also number of payment vouchers had not been posted to the cashbook at the time of audit.

A review of the revenue records availed for audit revealed that UGX.3,301,768,752 was collected by the institute but only UGX.3,037,797,976 was reported in the financial statements implying that UGX.263,970,776 remained unaccounted for.

Observations

1. The Committee observes that there were a number of weaknesses in internal controls surrounding the collection of NTR that could have led to incomplete accountability of all revenue collections.

These include;

• Lack of segregation of duties as the cashier who collected and receipted the money was at the same time responsible for banking it and posting
entries in the cashbook. There were also instances where the same person did the reconciliations.

- There was also inadequate supervision of the cashiers by the immediate supervisor, making it conducive for the cashiers to misuse the cash collected.
- Improper posting of cashbooks by not including all the required details of receipts, could be used to hide potential omissions and commissions.
- The cashbooks were not always balanced off and bank reconciliation statements were lacking.

2. While the case was reported to Kireka Police under GE:431/2014, there was no evidence that the case was being pursued in the Courts of law to recover the money from the cashier.

3. The Committee notes that whereas money was stolen, investigation is focused on only one cashier despite the evidence that the Committee found implicating other senior cashiers.

4. The Senior Accountant is complicit in the loss of money at the Heart Institute. Out of 3 staff who handled the funds at the time namely: Ms. Justine Nabunwa, Mr. Dominic Ochola and Mr. Eseru, only one Mr. Dominic Ochola was interdicted.

5. The committee noted that not all the money received by the institute is receipted.

6. The committee noted with concern there was slow pace of action and in some instances, total inaction on the part of the Accounting Officer in taking action that would ensure that this matter is brought to a logical conclusion.
Recommendations:

1. The Accounting Officer should strengthen controls surrounding cash collections, including improved supervision of the cashiers and automation of the billing and receipting processes.

2. The case of loss of cash should be pursued in the Courts of law to its logical conclusion.

3. The Auditor General should conduct a forensic audit on the management of Non-Tax Revenue in the Uganda Heart Institute.

4. The case involving the Cashier, Police and other relevant arms of government should pursue Mr. Dominic Ochola to its logical conclusion.

5. Mr. Dominic Ochola and Mr. Eseru should be prosecuted for abuse of office, theft of public funds and causing financial loss to the government.

Observation

The internal controls system of the Institute was severely compromised creating an avenue for financial impropriety by the staff.

Recommendation

*The Accounting Officer should cause investigations into the discrepancies between the revenue records figures and the reported amounts in the financial statements.*

b) Staffing gaps

A review of the approved staffing position for the Institute revealed that out of the 192 posts, only 112 were filled leaving 80 (41.1%) vacant. Out of the unfilled staff, 57 relate to medical personnel.
Inadequate staffing hinders the Institute’s ability to effectively achieve its strategic objectives and affects the level and quality of service delivery to its clients.

Management attributed the staffing gaps to Health Service Commission not recruiting in time all the required staff to access the payroll within the stipulated financial year. The Accounting Officer also indicated that some positions do not attract applicants and have to be re-advertised. The Commission recommendation for re-advertisement would not beat the financial year deadline.

Observations
The Committee observes that the hospital board is not instituted and this has a negative impact on effective policy implementation. We further note that there is no evidence that the Accounting Officer has brought this to the attention of the Minister.

Recommendations

1. **The Accounting Officer should liaise with the relevant stakeholders namely the Ministry of Public Service and Health Service Commission to have the existing vacancies filled as soon as possible**

2. **The Minister of Health should urgently establish a legal framework for the appointment and composition of all hospital boards.**

6.4 MULAGO NATIONAL REFERRAL HOSPITAL COMPLEX

a) Mischarge of Expenditure
The GOU Chart of accounts defines the nature of expenditure for each item code. This Chart is intended to facilitate better and consistent classification of financial transactions and to also track budget performance per item in line with the approved budget. The Audit reveals that UGX.570,405,506 was wrongly charged on different budget items.
The Accounting Officer attributed the mischarges to emergency activities that had to be attended to irrespective of whether funds were available under the particular code items or not.

**Observations:**

1. The Committee notes the practice of mischarging expenditure undermines the importance of the budgeting process and exhibits gross budgetary indiscipline by Accounting Officers.
2. The Committee notes that the funds were diverted for sitting allowances and advances, which in its opinion are not of emergency nature.

**Recommendation**

The *Permanent Secretary /Secretary to Treasury should institute sanctions against the Accounting Officer as provided for under the PFMA 2015.*

**b) Drugs Supplied to Mulago Hospital**

(i) **Fixed Budget Allocation for Essential Medicines and Health Supplies**

The Audit revealed that the annual budget allocation of UGX.11,365,600,000 for essential medicines and health supplies for Mulago National Referral Hospital had remained constant since financial year 2011/2012 despite the remarkable increase in the number of patients over the same period from 1,356,870 to 1,641,390 (21%).

The Accounting Officer explained that the current budget was too small for the Hospital and is expected to worsen when the hospital becomes fully specialized and start providing services like Kidney and other organ transplants where drugs and sundries are very expensive. He further stated that they were liaising with the Ministry of Finance and other key
stakeholders in the Health sector to improve on the current budget provision for drugs.

Observations

1. Mulago, being a National Referral hospital has continuously experienced shortages of essential drugs and medical sundries.
2. The Committee is concerned that such inadequate supplies may lead to unnecessary loss of lives.
3. National Medical Stores has persistently had challenges in meeting specific orders for supply of drugs and medical sundries from health facilities.
4. Despite the glaring shortfalls of NMS in delivery of drugs and medical sundries, most hospital Directors defended the performance of NMS and this to the Committee was ironical.

Recommendations

1. The Accounting Officer should liaise with the respective stakeholders especially Ministry of Finance and Ministry of Health to provide adequate funding for the essential medicines and sundries.
2. The National Medical Stores Act should be amended with the view to promote competition which in the view of the Committee will enhance efficiency.

(ii) Under delivery of Drug Supplies from National Medical Stores

The mandate of Mulago National Referral Hospital is to provide quality super specialized health care services as stated in its vision and mission. For the year under review UGX.11,366,157,000 was allocated to National Medical Stores (NMS) to procure, store and distribute essential medicines and health care supplies to the hospital. However, details at the hospital showed that medicines
worth UGX 5,607,963,285 were requisitioned and only UGX 4,125,495,171 were received from NMS leaving a balance of UGX 7,240,661,829 worth of drugs. Of the orders placed, medicines worth UGX 1,482,468,115 were not delivered by NMS.

The Accounting Officer indicated that the Hospital placed orders for the medicines but National Medical Stores did not fully deliver.

Observation
In view of the explanation given by the Accounting Officer, the notes that balance of UGX 1,482,468,115 is very significant amount and are a sign of technical failure on the part of the Accounting Officer.

Recommendation
The Accounting Officer should liaise with National Medical Stores management so that drugs allocated to Mulago National Referral Hospital are always delivered in their entirety.

c) Inadequate Staff Establishment
Section (A – c) 3 (a) of the Government of Uganda Public Service Standing Orders 2010 require appointments in the public service to be subjected to availability of a vacancy in the approved staff establishment. According to the 1999 approved staff structure, the hospital ought to have 2,166 staffs of which 2,181 are in place implying overstaffing by 15 positions. However, the hospital 5 – year strategic plan covering the period 2015/16 – 2020/2021 proposed 2,661 staffs owing to factors including new facilities such as kidney transplant which are under development.

The Accounting Officer explained that the hospital was still awaiting a new approved staff establishment from the Ministry of Public Service.
Observation

The Committee established that the 15 staff were recruited without any approval and is concerned as to what is the source of funding for paying these staff.

Recommendation

1. *Management should liaise with the stakeholders i.e. Ministries of Health and Public Service, Health Service Commission, to have the staffing needs of the hospital assessed especially in view of the new facilities being developed.*

2. *The Committee recommends that the management should adhere to the established staff structure.*

d) Advances to Personal Accounts

Although the Ministry of Finance, Planning and Economic Development restricted payments of cash to individuals to undertake activities such as constructions, repairs and printing, it was noted that out of UGX.1,100,300,050 advanced to various individuals to undertake activities which would normally require contracting of private firms (providers), UGX.230,048,350 remained un-accounted for although the Accounting Officer stated that all transactions had been accounted for. These activities included civil works, repairs and printing services.

In other incidents, funds for allowances to third party individuals were being Advanced to an individual to pass them over to the 3rd parties for example salaries of Private wing staff, Interns allowances and security personnel allowances.
Management Response

The Accounting Officer explained that:

- Advances to individuals were always in relation to micro procurements that in most cases were of emergency nature especially to staff under the engineering section and were mostly for sewage leakages, small civil works like roof replacements, electric and plumbing fittings and frequent pipe bursts while others were for activities conducted directly by the respective officers.
- Some of the payments in respect of third parties were advanced to officers because most of those beneficiaries keep being changed for example security guards and casual laborers.
- These payments would drastically reduce after the general renovation works had been finalized.

Observations

1. The Committee noted with concern that despite the available directives and procedures in managing public funds, some Accounting Officers have continue to wantonly disregard the financial regulations and requirements in place and this is an indication of indiscipline.

2. The Committee is further concerned that management failed to put in place a procurement plan to address emergency cases like sewage leakages.

3. The Committee notes that the Accounting Officer failed to discharge his duties and functions in ensuring money allocated to the vote were used in a proper manner and accounted for within the stipulated time.

Recommendations

1. The Permanent Secretary /Secretary to Treasury should impose sanctions in accordance with the law on all errant Accounting officers
2. The Accounting Officer should recover all funds that were unaccounted for within six months.

3. Management should adhere to procurement laws and regulations on micro procurement, pre-qualified providers and use of framework contracts with service providers.

6.5 REGIONAL REFERRAL HOSPITALS

6.5.1 ARUA REGIONAL REFERRAL HOSPITAL

a) Over Payment of Salaries

Section (B-a) of the Public Service Standing Orders, 2010 requires salaries should be paid correctly, in accordance with the approved salary structure for the Public Service. However, Payroll analysis carried out revealed that 125 members of staff who were supposed to earn salaries amounting to UGX.54,764,038 according to their scales were instead paid UGX.98,707,208 resulting into a salary overpayment of UGX.43,943,170.

The Accounting Officer explained that some overpayments were due to IPPS/IFMS interface errors, while other payments were normal and arose from various factors. The Accounting Officer stated that for overpaid salaries recovery schedules were made.

Observation

The Committee notes that management displayed gross technical failure and the process of recovery of overpaid salaries is at a snail speed.
Recommendations

The Accounting Officer should ensure the recoveries are made within six months.

b) Un-credited Government Grants to the General Account

Paragraph 47 of the Treasury Accounting Instructions, 2003 states that on receipt of the cash release the Accounting Officer shall credit domestic government transfers. However, a reconciliation of the Cash Release/Treasury Credit Advices slips from Ministry of Finance, Planning and Economic Development against the Hospital general fund account revealed that UGX.253,245,434 was not credited on the Hospital bank account contrary to the regulations.

The Accounting Officer explained that the funds were not credited into the Hospital General Fund Account and on consultation with the Ministry of Finance, Planning and Economic Development they were informed that the funds were meant for pension and gratuity.

Recommendation

The Accounting Officer should follow up the matter with the Ministry of Finance, Planning and Economic Development to find out the whereabouts of the funds.

c) Service Delivery

The Audit inspection on hospital infrastructure revealed the following

Facility Current state

Hospital Main Laboratory

- Two fridges were non-functional
- Blood was kept in the same fridge with other reagents hence exposing both to contamination
The only X-Ray Machine (Duo Diagnostic Machine has not been operational for the last two years. The hospital therefore has to send patients to a private facility for X ray services.

The Committee was informed that the blood was kept with other reagents as an emergency measure when one of the fridges broke down but the problem has been solved and they are now kept separately.

Observation
The Committee while noting with concern the inadequate funding of most regional referral hospitals, found that management neglect their duties and responsibilities in fixing minor problems facing the entities.

Recommendation
The Ministry of Health should as a matter of urgency equip Regional Referral Hospitals with such relevant equipment for effective service delivery to people.

6.5.2 MBALE REGIONAL REFERRAL HOSPITAL

a) Unaccounted for Advances
The Audit review reveals that Auditor General was not able to confirm that the funds were properly utilized.

Mr. Okwir Sam the Hospital Accountant stated that at the time of audit, the accountabilities were not produced because they had been misfiled but were later obtained. He provided documentary accountability, which was verified by the Auditor General.

Observation
The Committee notes that these accountabilities were submitted belatedly and the Auditors cleared it and can't be an avenue for doctored accountabilities.
Recommendation

The Committee recommends that the Accounting Officer should institute disciplinary actions against officers who fail to account on time.

6.5.3 KABALE REGIONAL REFERRAL HOSPITAL

a) Utilization of Non-Tax Revenue without Authority
The Committee observed that UGX 151,485,500 collected from the private wing was spent at source without authority.

The Accounting Officer admitted the shortcoming and promised to seek authority from the Accountant General for future transactions.

Observation
The Committee noted that the Accounting Officer failed to comply with financial regulations.

Recommendation
The Accounting Officer should comply with the regulation forthwith or face sanctions.

b) Lack of Hospital Management Board
According to Section 5 Paragraph 3 Part III, of the Ministry of Health National Hospital Act 2006, all hospitals ought to have hospital management boards. The board is required to provide strategic guidance to the hospital management team, review and approve the budget, monitor the use of the funds, approve reallocation, ensure accountability is submitted to Ministry of Health and also that funds are not diverted to unapproved activities. However, it was observed that the hospital has been operating without a Board of Directors.
The Accounting Officer admitted the shortcoming and explained that there was a challenge of getting nominations from the districts to constitute the Board.

Observation
The Committee notes with concern the general lack of a legal framework on constitution of hospital Boards of Directors.

Recommendation
The Accounting Officer should follow up the matter with the relevant stakeholders and ensure that the Hospital Board is constituted by FY 2015/16.

6.5.4 GULU REGIONAL REFERRAL HOSPITAL

a) Funds not accounted for
The Committee observed that an amount of UGX 50,068,000 was not accounted for and the Auditor General was unable to confirm that the funds were utilized for the intended purposes.

Observation
The Committee is concern that delayed accountability may lead to falsification of documents.

Recommendation
The Accounting Officer should recover the unaccounted for funds of UGX 50,068,000 from the responsible officers within the first three quarters of the Financial Year 2017/18
b) Payables

Included in the Balance Sheet are payables of UGX.1,605,368,882 comprising of sundry creditors (UGX.598,600,156) and Committed creditors (UGX1,006,768,726).

Observation

1. The Committee observes failure to settle bills within the year they relate distorts the financial statements for the year and adversely affects provision for the subsequent year to which they have been charged.
2. Failure to settle bills in time inconveniences suppliers and hurts their business, which is not good for the country’s economy.
3. The committee is concerned that failure to clear outstanding payables is bound to affect the delivery of services and will cause unnecessary disruptions to the smooth flow of work of the hospital. Also non-settlement of payables may lead to litigation and costs.

Recommendation

*The Accounting Officer should make arrangements for settling the creditors without delay.*

6.5.5 MBARARA REGIONAL REFERRAL HOSPITAL

a) Expired Term of Office for the Hospital management board

Section 4.4 of the Guidelines on Hospital Management Board for Referral hospitals requires that the Chairperson or any other member of the hospital Board shall hold office for a term of not more than three years. The term of office for the hospital management board expired in December 2014 and has since then not been renewed.

Management Response
The Accounting Officer explained that communication had been made to the Permanent Secretary, Ministry of Health to bring it to the attention of the responsible Minister for appointment of the Board and his action is awaited.

Observation
The Committee is concerned that lack of a hospital Board may hamper decision making in hospital management.

Recommendation
1. The Accounting Officer should follow up the matter with the Ministry and ensure that a new board is constituted.
2. The Ministry should without further delay constitute and cause to be appointed a Board of Governors to streamline supervision.

6.5.6 FORT PORTAL REGIONAL REFERRAL HOSPITAL
a) Diversion of Funds
The Committee notes that UGX.41,214,270 was diverted from one sub-item to another without authority. This leads to under performance in the affected units due to insufficient funds.

The Accounting Officer explained that UGX.93,621,149 were not expenditures but inter Account Transfers of the same entity for management purposes. However, on verification the above balance remained outstanding, as they were transfers to other items without authority.

Observation
The practice amounts to budgetary indiscipline and application of poor accounting standard on the side of management.
Recommendation

The Accounting Officer should refund UGX 41,214,270 within six months and in future seek authority before diverting funds of one item to another.

6.5.7 JINJA REGIONAL REFERRAL HOSPITAL

a) Payables

A review of the financial statements revealed that the Hospital had outstanding payables of UGX 1,608,563,495 at the close of the year.

The Accounting Officer explained that UGX 204,808,215 of the payables figure is attributed to a garnish order by URA on the Hospital accounts in standard chartered bank.

The Accounting Officer further explained that URA issued the notice in error due to failure to migrate the money from the manual system to the e-system. Currently, there is reconciliation between URA and the hospital administration.

Observation

1. The Committee observes failure to settle bills within the year they relate distorts the financial statements for the year and adversely affects provision for the subsequent year to which they have been charged.

2. Failure to settle bills in time inconveniences suppliers and hurts their business, which is not good for the country’s economy.

3. The committee is concerned that failure to clear outstanding payables is bound to affect the delivery of services and will cause unnecessary disruptions to the smooth flow of work of the hospital. Also non-settlement of payables may lead to litigation and costs.
Recommendation

The Accounting Officer should take actions to settle all outstanding bills in the next financial year.

a) Lack of Land Titles for Plots
The Audit review revealed that the Hospital did not have land titles for its land located in the following areas;
- Plots 31-39 Nile Avenue (M-16):
- Plot 26-32 Nalufenya Road:
- Plot 34-40 Nalufenya Road:
- Plot 52 Gabula Land:
- Plot 47 Nile Garden known as School lane:

The Committee was informed during a field visit that the hospital has now secured some land titles for the hospital and is currently battling two court cases in the Jinja High Court against trespassers its land while another plot awaits certification.

Observation
The Committee notes that the hospital has taken positive steps to secure and protect it land from encroachers/trespassers.

Recommendation

While we wait for the outcome of the matters before court, the Committee implores the hospital management to ensure that all remaining lands are secured with certificate of titles.
6.5.8 SOROTI REGIONAL REFERRAL HOSPITAL

c) Private Wing Remodeling

The audit report revealed that Soroti Regional Referral Hospital contracted a local firm for remodeling a building that was formerly constructed as a TFC into a private wing of the hospital at a contract price of UGX.206,991,710.

By the time of inspection in June 2015 an amount of UGX.176,509,557 (85.3%) of the total contract price had been paid.

However, it was observed that 18 months after the estimated completion date the civil works were still incomplete. There was no painting, rubber sealant as water barrier between the floor and the metal guard rails fixed on ramps and the site not cleared.

The hospital administrator who is the contract manager attributed the delays to the incompetence of the first contractor and stated that the hospital has procured a new contractor to complete the remodeling of the private wing.

Observations

The Committee observed that there was not only lack of due diligence in procuring a contractor with no performance record but also poor contract management.

The Contract Manager who is also the Hospital administrator together with the Soroti Municipal engineer acted negligently by paying Akuca Construction Company over 85% of the contract price without verifying a certificate of completion. Consequently, the payment does not correspond with the work the contractor did.

The Hospital incurred additional costs for the completion of the work and there was wastage of money in the procurement of the second contractor having discharged the first contractor without enforcing contract provisions on performance bond/guarantee and general damages.
The Hospital administrator disregarded the advice of the Solicitor General who advised that the hospital should enforce all contract provisions relating to performance guarantee, general damages, and liquidated damages before discharging the contractor, Akuca Construction Company Limited.

There was weak supervision of the contracts by the hospital and this can be seen for the fact that even the second contractor is beyond the agreed completion dates by over five months. Furthermore, it is coming to two years and the hospital has not cashed on the insurance company that guaranteed Akuca Construction Company for the first procurement.

**Recommendation**

*The Committee recommends that the Accounting Officer should hold the Hospital administrator personally liable for the irregular payments made to Akuca construction company ltd and should be retired in the public interest.*

*The head PDU Soroti Regional Referral Hospital should be relieved of his duty for failure to carry out due diligence.*

*The hospital is tasked take urgent steps to recover the over UGX 40,000,000 from Excel Insurance Company Ltd as guarantor of Akuca construction company ltd.*

**6.5.9 MUBENDE REGIONAL REFERRAL HOSPITAL**

**a) Failure to fully constitute the Hospital Board**

Guideline 3 of the guidelines for Hospital Management Boards, 2003 for Referral Hospitals on composition of the Board provide that the board shall comprise of 9 members. It was however observed that only 8 out of the 9 members of the board had been appointed.
The Accounting Officer explained that submissions had been made and the hospital was waiting for the Minister’s approval.

Observation
The Committee notes that failure to fully constitute the Board denies the hospital the oversight function of a full board.

Recommendation

The Accounting Officer should follow up the matter and ensure that the Board is fully constituted.

6.5.10 MOROTO REGIONAL REFERRAL HOSPITAL

a) Staffing Gaps
The hospital has an approved structure of 395 positions. However, only 162 (41%) were filled leaving 233 (59%) posts vacant.
The hospital also has only one consultant and no medical officer special grade who are key medical personnel.

The Accounting Officer explained that the hospital obtained money for recruitment in the financial year 2016/2017 and that plans are underway for recruiting. However, the major challenge is the inability of Moroto region to attract and retain critical staff hence recurring vacancies

Observation
The Committee notes with concern that despite its distance and location, Moroto Hospital is not considered a hard to reach area for entitlement to hardship allowances.
Understaffing leads to underperformance and curtails effective and efficient service delivery
Recommendation

The Ministry of Health should grant Moroto Regional Referral Hospital a hardship allowance status with a view of attracting and retaining critical staff.

6.5.11 CHINA-UGANDA FRIENDSHIP HOSPITAL NAGURU

a) Irregular Withholding Tax payments

A review of the hospital payment records and the IFMS data revealed that a number of suppliers were paid gross invoice amounts of UGX.726,850,450 without deducting the 6% Withholding Tax (WHT). However, the hospital management later paid URA the equivalent of 6% WHT amounting to UGX.43,611,027 as an additional cost to the hospital in respect of the affected suppliers resulting into total irregular outflow of UGX.87,222,054. There was no justification for this action as the tax credits from WHT benefit only the suppliers.

Relatedly, UGX.662,979,307 was paid to suppliers without withholding tax of UGX.39,778,758 contrary to Sec 123 of the Income Tax Act. Besides, there was no evidence that the firms were exempted from WHT. Dr. Naddumba Edward.K who was the Accounting officer during the said period paid several suppliers including withholding tax of 6 percent and later paid the tax to URA.

The Accounting Officer attributed the omission to deduct the above taxes on the system failure of the IFMS and that steps are being taken to recover the taxes from the suppliers.
Observations

1. Non deduction of WHT attracts penalties and/or fines against the entity.
2. The anomalies were attributed to weaknesses in internal controls over the payments.
3. Dr. Naddumba Edward.K who was the Accounting officer during the said period paid several suppliers including withholding tax of 6% and later paid the tax to URA. This implies that there was double taxation and expenditure to the hospital.

Recommendation

The Committee recommends that UGX; 87,222,054 and UGX 39,778,758 be recovered from Dr. Naddumba Edward.K who was the Accounting Officer at the time.

b) Underperformance of the Budget

A review of the statement of Appropriation (based on services approved by Parliament) revealed that the Hospital had an approved budget of UGX 5,413,628,891 out of which only UGX 4,528,632,262 was received resulting into shortage of UGX 884,996,629 (16%). Consequently, planned activities such as recruitment of more medical personnel were not implemented.

The Accounting Officer explained that although all funds for the wage bill had been allocated to the vote, staff recruitment was hindered by restriction by the Ministry of public service.

Observations

1. The committee observes that the 3- year recruitment plan did not utilize all the funds approved by Parliament despite the human resource challenge in the Health Sector in the country.
2. Out of the cleared vacancies, the hospital has not been able to attract 7 staff of the 14. The hospital has 44 vacant positions out of 347.
3. There is glaring lack of coordination between Public Service and other government entities.
4. Inspite of the reduced workload of the Ministry of Public Service through decentralization of the pension's payments, payroll management inter alia the Ministry has continued to be inefficient hence a stumbling block to attainment of the staffing levels in other sectors.

Recommendation

*The Committee recommends that the Ministry of Public Service should enhance its efficiency mechanisms so as to effectively facilitate the Public Service recruitment processes.*

c) Payments for construction works without a payment certificate

Review of the contract for construction of the drug store together with the payment records revealed that a sum of UGX.453,849,200 representing 60% of the contract sum was paid for works estimated at only 30%. The over payment was attributed to lack of certificates of works done. It was further noted that; the works stalled after the KCCA authorities stopped the construction because of lack of approved plans.

*The Accounting Officer explained that;*

- the payment was based on progress reports by the contract manager.
- the contract had expired and was reengaged but he emphasized that the contractor would be re-engaged upon getting approval from KCCA.
- there was an attempt to recover the funds.

Observations

The committee observes as follows;

1. Contrary to the response of the Accounting Officer there is no evidence that the advance payment was recovered.
2. Further review revealed that the architectural plans had not been approved by KCCA and the contract had expired.
3. The hospital further made thirty percent (30%) payment for all the works including the preliminary works. The payment was illegal because it was made in the absence of the certificate of completion.
4. The initial contract was exited and a new contract was to be engaged.
5. The management of the hospital allowed commencement of civil works without approved plans.

Recommendations

*The Committee recommends that the funds overpaid to the contractor of Shs. 150,000,000 be recovered from Dr. Naddumba Edward.K who was the Accounting Officer for having made an illegal payment without certificates of completion.*

d) Lack of a Hospital Board

According to paragraph 6.2 (e) of the Health Sector Strategic Plan III (2010/11-2014/15), all Referral hospitals ought to have hospital Management Boards. The hospital Management Board is meant to provide strategic guidance to the hospital.

*The Accounting Officer explained that management had communicated to the relevant authorities on the matter and a response was awaited. In the meantime, efforts were underway by the entity to identify suitable Board Members to be appointed by the Ministry of Health.*

Observation

The Hospital Board has never been constituted in the case of China Uganda Friendship hospital thereby impairing strategic leadership in the Hospital.

Recommendation

*The Ministry of Health should constitute a Board to run the China – Friendship Hospital before the end of Financial Year 2016/17*.

e) Non-disclosure of a project implemented by the hospital

The hospital operates a bank account no. 003760088000000 for EPI/ regional support supervision in greater Kampala region funded by the World Health Organisation (WHO). However the balances held at this account were not
disclosed in the hospital’s financial statements nor was the PS/ST informed about the existence of the project.

Management explained that the program is an activity of World Health Organization (WHO) and United Nations International Children and Education Fund (UNICEF) for early detection of diseases. The funds were received in the middle of the financial year.

Committee Observations:

1. The Accounting officer did not disclose the balances of this account to the auditors in the hospital’s financial statements.
2. Operating a project account outside the government framework is illegal.

Recommendation:

The Accounting Officer is culpable for operating a project outside the government framework and the relevant arms of government should investigate this matter further.

f) Un-utilized equipment donated for the maternity ward and radiology

Inspection and interview of hospital staff showed that a number of equipment donated in 2014 by the government of China had not been utilized in the maternity ward and the radiology department. Delayed utilization of equipment could result into obsolescence but also as a result of negligence by management. This could also lead to abuse and pilferage of the equipment parts and poor service delivery.

The Accounting officer responded that failure to utilize the equipment donated was as a result of the following reasons;

- Shortage of space
- Some equipment has no users and awaiting specialists to train staff on its usage, given its specialized nature.
• There is a policy regarding donations by the Ministry of Health. The list of equipment was in line with the policy and the requirements of the National Advisory Committee.

Committee observations:

1. The technical equipment donated by the Chinese government lacks supplies that are requisite for its usage and the hospital has not been able to provide them.
2. The committee observed that there is lack of effective planning, having acquired equipment and not used it for four years yet it would positively impact on the health sector.

Recommendation:

The Committee recommends that the Permanent Secretary Ministry of Health issues a caution to the Hospital management.

7.0 CONCLUSION

In conclusion, the committee recommends that the report be adopted by the Committee of the whole House and the recommendations therein be implemented.

I thank you.

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