



THE REPUBLIC OF UGANDA

REPORT OF THE AUDITOR GENERAL
ON THE FINANCIAL STATEMENTS OF FORT PORTAL REGIONAL REFERRAL HOSPITAL
FOR THE YEAR ENDED 30TH JUNE 2022

OFFICE OF THE AUDITOR GENERAL
UGANDA

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List of Acronyms

| Acronym | Meaning |
|----------------|--|
| CDC | Centre for Disease Control |
| FY | Financial Year |
| GAVI | Global Alliance for Vaccines and Immunization |
| HCMS | Human Capital Management System |
| HR | Human Resource |
| IFMS | Integrated Financial Management System |
| INTOSAI | International Organization of Supreme Audit Institutions |
| IPPS | Integrated Payroll Personnel System |
| ISSAIs | International Standards of Supreme Audit Institutions |
| LST | Local Service Tax |
| MDAs | Ministries, Departments and Agencies |
| MoFPED | Ministry of Finance, Planning and Economic Development |
| MoPS | Ministry of Public Service |
| MTEF | Medium Term Expenditure Framework |
| NSSF | National Social Security Fund |
| NTR | Non-Tax Revenue |
| OAG | Office of the Auditor General |
| PAYE | Pay As You Earn |
| PBS | Program Budgeting System |
| PCA | Payroll Consults Africa |
| PDMS | Payroll Deduction Management System |
| PFMA | Public Finance Management Act |
| PFMR | Public Finance Management Regulations |
| PSST | Permanent Secretary/ Secretary to Treasury |
| RRH | Regional Referral Hospital |
| UCLA/UBA | Uganda Consumer Lenders' Association/ Uganda Bankers Association |
| UGX | Uganda Shillings |
| UNICEF | United Nation International Children's Emergency Fund |
| VAT | Value Added Tax |
| WHT | Withholding Tax |

REPORT OF THE AUDITOR GENERAL
ON THE AUDIT OF FINANCIAL STATEMENTS OF FORT PORTAL REGIONAL
REFERRAL HOSPITAL
FOR THE YEAR ENDED 30TH JUNE 2022

THE RT. HON. SPEAKER OF PARLIAMENT

Opinion

I have audited the accompanying financial statements of Fort Portal Regional Referral Hospital which comprise the Statement of Financial Position as at 30th June 2022, the Statement of Financial Performance, Statement of Changes in Equity, Statement of Cash Flows, together with other accompanying statements for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the financial statements of Fort Portal Regional Referral Hospital for the year ended 30th June 2022 are prepared, in all material respects, in accordance with section 51 of the Public Finance Management Act (PFMA), 2015 (as amended) and the Financial Reporting Guide, 2018.

Basis for Opinion

I conducted my audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the audit of the Financial Statements section of my report. I am independent of the Fort Portal Regional Referral Hospital in accordance with the Constitution of the Republic of Uganda (1995) as amended, the National Audit Act, 2008, the International Organisation of Supreme Audit Institutions (INTOSAI) Code of Ethics, the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and other independence requirements applicable to performing audits of Financial Statements in Uganda. I have fulfilled my ethical responsibilities in accordance with the other requirements and the IESBA Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

I have determined the matters described below as the key audit matters to be communicated in my report.

1.0 Payroll Management

Over the years, Government has implemented several reforms in payroll management including the decentralization of salary, pension and gratuity payments. Despite these reforms, challenges have persisted in the payroll management in the Central Governments.

During my audit of the previous financial year (2020/21), I undertook a comprehensive audit of payroll management in the Ministries, Departments and Local Governments, which revealed major challenges. The audit findings and my recommendations thereof are still being considered by various stakeholders.

In view of the previous year's audit observations and the significance of the payroll to the overall Hospital budget (refer to table below), I again considered management of payroll in MDALGs with emphasis on payments and deductions as a Key Audit Matter to be communicated in my report.

During the year under review (FY 2021/22), the Referral Hospital spent, UGX.7,313,161,543 on Salaries, Pension and Gratuity, representing 69.7% of the total expenditure of UGX.10,490,554,110 as detailed below;

| Account code | Particulars | Amount (UGX) |
|--------------|-----------------------------------|----------------------|
| 211101 | General Staff Salaries | 6,255,781,452 |
| 212102 | Pension for General Civil Service | 580,751,550 |
| 213004 | Gratuity Expenses | 476,628,541 |
| | Total | 7,313,161,543 |

I designed audit procedures to ascertain whether;

- Funds for salaries, pension and gratuity were released and utilized as budgeted.
- Only eligible employees, pensioners and beneficiaries accessed the payrolls and were paid accordingly.
- Correct deductions were made from salaries and remitted to the rightful beneficiary institutions.
- The Referral Hospital complied with the established payroll management controls
- All salary, gratuity and pension transactions were correctly disclosed in the financial statements.

Based on the audit procedures performed, I made the following significant audit findings;

| No | Observations | Recommendation | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|--------------|--|------------------------------------|-------------------------------|-----------------------------|-----------------------|--------|---------------|---------------|-----|---------|-------------|-------------|-----|----------|-------------|-------------|-----|--------------|----------------------|----------------------|------------|----------|--------------------------------------|------------------------------------|-------------------------------|-----------------------------|--------------|--|--|--|--|--|--|--|
| 1.1 | <p>Funding and absorption of wage, pension and gratuity</p> <p>I reviewed the approved wage, pension and gratuity estimates for the financial year 2021/2022 and noted that the Hospital budgeted to receive UGX.7,728,337,572 during the year under review and received UGX.7,728,337,571 representing 100% performance.</p> <p>Table showing breakdown of Referral Hospital Budget and releases for the year</p> <table border="1"> <thead> <tr> <th>Category</th> <th>Approved Estimates (UGX)</th> <th>Amount released (UGX)</th> <th>%age funding received</th> </tr> </thead> <tbody> <tr> <td>Salary</td> <td>6,562,523,830</td> <td>6,562,523,830</td> <td>100</td> </tr> <tr> <td>Pension</td> <td>581,962,593</td> <td>581,962,593</td> <td>100</td> </tr> <tr> <td>Gratuity</td> <td>583,851,149</td> <td>583,851,148</td> <td>100</td> </tr> <tr> <td>Total</td> <td>7,728,337,572</td> <td>7,728,337,571</td> <td>100</td> </tr> </tbody> </table> <p>Out of the total receipts for the financial year of UGX.7,728,337,571, only UGX.7,313,161,543 was spent by the entity resulting in an unspent balance of UGX.415,176,028, representing an under absorption level of 5.4% as shown in the table below;</p> <table border="1"> <thead> <tr> <th>Category</th> <th>Approved Estimates (A) (UGX 'bns)</th> <th>Releases/Warrant (B) (UGX 'bns)</th> <th>Expenditure (C) (UGX 'bns)</th> <th>Unspent (B-C) (UGX 'bns)</th> <th>% absorption</th> </tr> </thead> <tbody> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table> | Category | Approved Estimates (UGX) | Amount released (UGX) | %age funding received | Salary | 6,562,523,830 | 6,562,523,830 | 100 | Pension | 581,962,593 | 581,962,593 | 100 | Gratuity | 583,851,149 | 583,851,148 | 100 | Total | 7,728,337,572 | 7,728,337,571 | 100 | Category | Approved Estimates (A) (UGX 'bns) | Releases/Warrant (B) (UGX 'bns) | Expenditure (C) (UGX 'bns) | Unspent (B-C) (UGX 'bns) | % absorption | | | | | | | <p>I advised the Accounting Officer to liaise with MoFPED to ensure that the required wage for recruitment of staff is released in the first and second quarter.</p> <p>In addition, i advised the Accounting Officer to ensure that the Human Resource staff support the pensioners/beneficiaries in starting the process of exiting six months before the retirement date.</p> |
| Category | Approved Estimates (UGX) | Amount released (UGX) | %age funding received | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Salary | 6,562,523,830 | 6,562,523,830 | 100 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Pension | 581,962,593 | 581,962,593 | 100 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Gratuity | 583,851,149 | 583,851,148 | 100 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total | 7,728,337,572 | 7,728,337,571 | 100 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Category | Approved Estimates (A) (UGX 'bns) | Releases/Warrant (B) (UGX 'bns) | Expenditure (C) (UGX 'bns) | Unspent (B-C) (UGX 'bns) | % absorption | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

| | | | | | | | |
|------------|--|----------------------|----------------------|----------------------|--------------------|--------------|---|
| | Salary | 6,562,523,830 | 6,562,523,830 | 6,255,781,452 | 306,742,378 | 95.33 | |
| | Pension | 581,962,593 | 581,962,593 | 580,751,550 | 1,211,043 | 99.79 | |
| | Gratuity | 583,851,149 | 583,851,148 | 476,628,541 | 107,222,607 | 81.64 | |
| | Total | 7,728,337,572 | 7,728,337,571 | 7,313,161,543 | 415,176,028 | 94.63 | |
| | <p>Under absorption of wages negatively affected the livelihood of staff/pensioners due to non-payment of their wage/pension benefits.</p> <p>The Accounting Officer explained that the extra wage was meant for recruitment. However due to enhancement of lunch allowance, the recruitment couldn't be done immediately as wage analysis showed deficit. Supplementary wage was requested for but was received in the last month of the financial year. Furthermore, some gratuity files were not finalised due to validation issues. One planned file was not paid due to lack of letters of Administration. They have currently been processed and file is under process.</p> | | | | | | |
| 1.2 | <u>Payments of Salary</u> | | | | | | |
| a) | <u>Over payment of salary</u> | | | | | | |
| | <p>Section B-a (7) of the Uganda Public Standing Orders, 2021 requires salaries to be fixed at annual rates and paid in twelve (12) equal instalments. It also requires salaries to be paid correctly, promptly and as a lump sum in accordance with the approved salary structure for the Public Service.</p> <p>Whereas, article 254 (1) & (3) of the constitution of the Republic of Uganda 1995 as amended provides that a public officer shall, on retirement, receive such pension as is commensurate with his or her rank, salary and length of service. The payment of pension shall be prompt and regular and easily accessible to pensioners.</p> <p>My review of the payroll registers (IPPS) and IFMS payments revealed an over payment of UGX.2,264,719 in respect of salaries.</p> <p>The above created financial loss to government.</p> <p>The Accounting Officer explained that these overpayments of salaries were erroneously made and promised to recover the funds from the respective employees.</p> | | | | | | <p>I advised the Accounting Officer to ensure that monthly reconciliations are prepared by the HR department to eliminate reoccurrence of errors. In the meantime recoveries should be made without delay.</p> |
| b) | <u>Under payment of salaries and pension</u> | | | | | | |
| | <p>Article 254 (1) & (3) of the constitution of the Republic of Uganda 1995 as amended provides that a public officer shall, on retirement, receive such pension as is commensurate with his or her rank, salary and length of service. The payment of pension shall be prompt and regular and easily accessible to pensioners.</p> <p>Section B-a (7) of the Uganda Public Standing Orders, 2021 requires salaries to be fixed at annual rates and paid in twelve (12) equal instalments. It also requires salaries to be paid correctly, promptly and as a lump sum in accordance with the approved salary structure for the Public Service.</p> <p>My review of the payroll registers (IPPS) and IFMS payments revealed an under payment of UGX.104,419,543 in respect of salaries and</p> | | | | | | <p>I informed the Accounting Officer that this matter would be brought to the attention of the relevant authority.</p> <p>Government (MoFPED) should consider paying pension and gratuity obligations as a statutory charge without subjecting it</p> |

| | <p>pension as shown in the table below;</p> <table border="1" data-bbox="316 255 1182 376"> <thead> <tr> <th>Category</th> <th>Number of staff/pensioners</th> <th>Under payment</th> </tr> </thead> <tbody> <tr> <td>Salaries</td> <td>10</td> <td>22,301,705</td> </tr> <tr> <td>Pension</td> <td>98</td> <td>82,117,838</td> </tr> <tr> <td>Total</td> <td>108</td> <td>104,419,543</td> </tr> </tbody> </table> <p>Under payments of pensions affected livelihood of staff and pensioners/beneficiaries.</p> <p>The Accounting Officer explained that underpayments of salaries were caused by non-attendance to duty of staff that had not been resolved. The Accounting Officer also attributed this to allocation of insufficient gratuity funds by Ministry of Finance and Economic Development.</p> | Category | Number of staff/pensioners | Under payment | Salaries | 10 | 22,301,705 | Pension | 98 | 82,117,838 | Total | 108 | 104,419,543 | <p>to budget ceilings.</p> <p>The Accounting Officer was advised to ensure that cases of non-attendance to duty are dealt with in line with the standing orders.</p> |
|--------------|---|--|----------------------------|---------------|----------|----|------------|---------|----|------------|--------------|------------|--------------------|--|
| Category | Number of staff/pensioners | Under payment | | | | | | | | | | | | |
| Salaries | 10 | 22,301,705 | | | | | | | | | | | | |
| Pension | 98 | 82,117,838 | | | | | | | | | | | | |
| Total | 108 | 104,419,543 | | | | | | | | | | | | |
| 1.3 | <u>Delayed Access to the payroll</u> | | | | | | | | | | | | | |
| a) | <p><u>Delayed access of newly recruited or transferred staff to the payroll</u></p> <p>Section B-a (11) of the Uganda Public Standing Orders, 2021 states that the Accounting Officer shall ensure that the Public officer accesses the payroll within four (4) weeks from the date of assumption of duty.</p> <p>I noted that 11 newly recruited/ transferred employees delayed to access payroll, with average delays of 3 months.</p> <p>Failure to access payroll affects staff livelihood.</p> <p>The Accounting Officer attributed delayed access to payroll to;</p> <ul style="list-style-type: none"> • Delays in acquiring supplier Numbers from The MoFPED which was caused by the IFMS system upgrade at the time. • Mismatch of Personnel Data, for example National ID and Other Documents like Academic records. <p>However these staff accessed the payroll within the financial year and had arrears paid during the same year.</p> | <p>The Accounting Officer was advised to ensure that the Human resource and Information technology staff support new employees in obtaining necessary documentation for set up on the payroll.</p> | | | | | | | | | | | | |
| b) | <p><u>Delayed access to the pension payroll</u></p> <p>Paragraph 5.1 of establishment notice no. 1 of 2020 requires responsible officers to initiate and complete the processing of retirement benefits within six months to the mandatory retirement date. In case of death or early retirement, the process should be initiated immediately the Letters of Administration are issued and/or the early retirement has been granted.</p> <p>Paragraph 5.1.2 of establishment notice no. 3 of 2019 provides that pensioners' retirement benefits are authorised 5 days after retirement for payment.</p> <p>I however noted that 6 new pensioners/beneficiaries delayed to access pension payroll, with average delays of 37 months. As a result, UGX.179,430 was not paid.</p> <p>Failure to access pension payroll affects pensioners' livelihood and frustrates them and others die disillusioned.</p> <p>The Accounting Officer explained that pensioners delayed to access payroll because of delays in processing letters of administration, early retirement cases who had not been budgeted for and mismatch in</p> | <p>The Accounting Officer was advised to ensure that the Human resource staff support new pensioners/beneficiaries in starting the process six months before the retirement date.</p> | | | | | | | | | | | | |

| | details of retirees. | | | | | | | | | | | | | | | | | | | |
|------|---|---|---|--|--|----------------------|--------------------------------|---|---------|----------------------------|---------------------------------------|------------|--|--|--------------|--|--|-------------------|--|--|
| 1.4 | <p>Misclassification of salary, pension and gratuity expenditure</p> <p>Section 7.10.3 of the treasury instructions 2017 stipulates that the chart of accounts provides a basis for a uniform budget classification and execution; therefore, it is mandatory for all votes to use the coding structure to budget and execute the budget. By the entities have to charge expenditure to the appropriate code during budgeting and execution.</p> <p>I noted that funds amounting to UGX.33,040,090 relating to Pension and Pension Arrears were charged on account codes other than those prescribed for Pension and Pension Arrears as shown in the table below:</p> <table border="1"> <thead> <tr> <th>S/ N</th> <th>Description of misclassification</th> <th>Account Code and description charged as per IFMS</th> <th>Correct code and description as per Chart of Accounts</th> <th>Amount misclassified</th> <th>Effect on Financial Statements</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Pension</td> <td>213004 – Gratuity Expenses</td> <td>321608 – Pension arrears (Budgeting)</td> <td>33,040,090</td> <td>Overstatement of expenditure and overstatement of payables</td> </tr> <tr> <td></td> <td>Total</td> <td></td> <td></td> <td>33,040,090</td> <td></td> </tr> </tbody> </table> <p>As a result, the financial statements do not show the true nature of transactions of the Referral Hospital and could mislead users of the financial statements.</p> <p>The Accounting Officer explained that there were no funds for payment of pension arrears as computed and automated by Ministry of Public service.</p> | S/ N | Description of misclassification | Account Code and description charged as per IFMS | Correct code and description as per Chart of Accounts | Amount misclassified | Effect on Financial Statements | 1 | Pension | 213004 – Gratuity Expenses | 321608 – Pension arrears (Budgeting) | 33,040,090 | Overstatement of expenditure and overstatement of payables | | Total | | | 33,040,090 | | <p>I advised the Accounting Officer to ensure appropriate budgeting for salaries, pension and gratuity expenditure so that subsequent payments are correctly charged on right expenditure codes.</p> |
| S/ N | Description of misclassification | Account Code and description charged as per IFMS | Correct code and description as per Chart of Accounts | Amount misclassified | Effect on Financial Statements | | | | | | | | | | | | | | | |
| 1 | Pension | 213004 – Gratuity Expenses | 321608 – Pension arrears (Budgeting) | 33,040,090 | Overstatement of expenditure and overstatement of payables | | | | | | | | | | | | | | | |
| | Total | | | 33,040,090 | | | | | | | | | | | | | | | | |
| 1.5 | <p>Management of Statutory Deductions</p> <p>a) Computation and deduction of Local Service Tax (LST)</p> <p>The Local Governments (Amendment) (No. 2) Act of 2008 provides that local service tax shall be levied on all persons in gainful employment. The Act also prescribes the rates of LST in respect of persons in gainful employment and earning a monthly take-home salary.</p> <p>An analysis of the IPPS register and re-computation of LST revealed the following;</p> <ul style="list-style-type: none"> LST was not deducted from 25 employees leading to non-collection of UGX.2,140,000 on the payroll. The Hospital had wrongly deducted the LST of 319 employees resulting into an over deduction of UGX.1,165,000 and under deduction of UGX.8,266,250. <p>Inaccurate deduction of LST leads to financial loss to the Hospital and its employees.</p> <p>The Accounting Officer explained that they had no control over this issue since the calculation of the local Service tax was meant to be automated on the IPPS system.</p> | <p>I informed the Accounting Officer that these matters would be brought to the attention of the relevant authorities.</p> <p>Government through MoPS should ensure that the HCMS accurately deducts LST from all employees in accordance with the relevant laws.</p> <p>In the meantime the Accounting Officer should make recoveries from staff</p> | | | | | | | | | | | | | | | | | | |

| | | from whom less LST was deducted and complete those with over deductions. | | | | | | | | | | | | | | | | |
|------|--|--|------------------------|----------------|-------------------------------------|-----------------------------------|----------------|-------------------------------------|-----------------------------------|------------------------|---|-----|-----|---------------|---------------|---|-----------|---|
| b) | <p>Computation and deduction of Pay As You Earn (PAYE)</p> <p>Section 116 (1) of the Income Tax Act Cap 340 as amended provides that every employer shall withhold tax from a payment of employment income to an employee as prescribed by Regulations made under Section 164.</p> <p>The third schedule of the Income Tax Act Cap 340 as amended prescribes a threshold of UGX.235,000 per month above which an individual should be subjected to PAYE.</p> <p>The third schedule also prescribes the income tax rates applicable to individuals in gainful employment.</p> <p>An analysis of the IPPS register and re-computation of PAYE revealed the following:</p> <ul style="list-style-type: none"> • PAYE was not deducted from 3 employees on the payroll leading to non-deduction of UGX.12,534,305. • The Hospital wrongly computed the PAYE in respect of 331 employees resulting into under deduction of UGX.8,870,527. As a result, there was a financial loss to government. <p>The Accounting Officer explained that they had no control over this issue since the calculation of the PAYE was meant to be automated on the IPPS system.</p> | <p>I informed the Accounting Officer that these matters would be brought to the attention of the relevant authorities.</p> <p>Government through MoPS should ensure that the HCMS accurately deducts PAYE from all qualifying employees in accordance with the Income Tax Act.</p> <p>In the meantime the Accounting Officer should make recoveries from staff from whom less PAYE was deducted.</p> | | | | | | | | | | | | | | | | |
| c) | <p>Remittance of deductions (LST, PAYE, UNATU, UCLA)</p> <p>Section B-a (17) of the Uganda Public Standing Orders, 2021 requires the Accounting Officer to deduct any monies due to Government from an Officer's salary by way of statutory taxes like and any other authorized deductions. Furthermore, section B-a (18) requires that a public officer's individual contractual obligations such as hire purchase, loan, and contributions to saving schemes, trade unions and staff associations may be deducted from his or her salary in accordance with the regulations.</p> <p>In addition, section 10.2 of the guidelines and procedures for decentralized salary processing 2014 required MALGS to pay deductions to the respective beneficiaries and that no arrears in respect to payroll deductions would be accepted.</p> <p>I compared the deductions in the IPPS payroll registers with the remittances/payments in the IFMS details XML payment file and noted an under remittance amounting to UGX.5,313,303 as shown in the table below;</p> <table border="1" data-bbox="316 1803 1177 2016"> <thead> <tr> <th rowspan="2">S N.</th> <th rowspan="2">Beneficiary</th> <th rowspan="2">Deduction code</th> <th rowspan="2">IPPS payroll Deduction amount (UGX)</th> <th rowspan="2">Amount remitted as per IFMS (UGX)</th> <th colspan="2">Variance</th> </tr> <tr> <th>Over remittance (UGX)</th> <th>Under remittance (UGX)</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>URA</td> <td>249</td> <td>1,492,842,843</td> <td>1,489,493,505</td> <td>-</td> <td>3,349,338</td> </tr> </tbody> </table> | S N. | Beneficiary | Deduction code | IPPS payroll Deduction amount (UGX) | Amount remitted as per IFMS (UGX) | Variance | | Over remittance (UGX) | Under remittance (UGX) | 1 | URA | 249 | 1,492,842,843 | 1,489,493,505 | - | 3,349,338 | <p>I advised the Accounting Officer to ensure monthly payroll reconciliation are done before payments are made.</p> |
| S N. | Beneficiary | | | | | | Deduction code | IPPS payroll Deduction amount (UGX) | Amount remitted as per IFMS (UGX) | Variance | | | | | | | | |
| | | Over remittance (UGX) | Under remittance (UGX) | | | | | | | | | | | | | | | |
| 1 | URA | 249 | 1,492,842,843 | 1,489,493,505 | - | 3,349,338 | | | | | | | | | | | | |

| | | | | | | | |
|--|----------|----------------------------------|-----|----------------------|----------------------|----------|------------------|
| | 2 | UBA | 482 | 208,008,816 | 207,814,851 | - | 193,965 |
| | 3 | LST | 250 | 19,203,750 | 17,433,750 | | 1,770,000 |
| | 4 | Uganda Nurses and Midwives Union | 298 | 1,597,656 | 1,597,656 | - | - |
| | 5 | Uganda Medical Workers Union | 445 | 17,427,263 | 17,427,263 | - | - |
| | | Total | | 1,739,080,328 | 1,733,767,025 | 0 | 5,313,303 |

Under remittance could result into fines and penalties and also creates avenues for siphoning funds through creation of fictitious suppliers/beneficiaries in the system. In addition, this created a financial loss to government.

The Accounting Officer explained that the under remittance of deductions arose from withheld salaries of staff who either transferred service, retired who had appeared on the monthly payroll and salaries withheld manually.

1.6 Payroll Management System Issues

a) Inconsistencies between interface files and payroll registers

Section 13.1 and 13.2 of the guidelines and procedures for decentralised salary payment processing, 2014 requires that the IPPS information tallies with the interface file of the vote. By, the final payroll should be mapped onto the interface to show the same data.

I compared the payroll registers (IPPS file) with the IFMS interface files and observed that there were variances of UGX.13,169,218.

This creates an opportunity for manipulation and misappropriation of salary funds and could also lead to over/under payments of salary.

The Accounting Officer explained that the hospital had no control over the issue, since IPPS system is managed and controlled by MoPS. The Accounting Officer further stated that the rollout of the Human Capital Management System (HCMS) by MoPS may resolve the challenges.

I informed the Accounting Officer that the matter would be brought to the attention of the relevant Authority.

Government through MoPS should fast track the rollout and implementation of the Human Capital Management system.

Other Matter

I consider it necessary to communicate the following matters other than those presented or disclosed in the financial statements:

2.0 Implementation of approved budget

2.1.1 Overall Revenue Performance

Out of budgeted total revenue of UGX.11,044,995,497 for the year 2021/2022, only UGX.10,999,510,621 (99.6%) was realized.

The performance of each revenue source is summarized in the table below:

| Revenue Source | Approved Budget | warrants | Variance | % funding |
|---------------------------|-----------------------|-----------------------|-------------------|-------------|
| Local Revenue | 450,000,000 | 408,115,125 | 41,884,875 | 90.7 |
| Central Government grants | 10,594,995,497 | 10,591,395,496 | 3,600,001 | 99.96 |
| Total | 11,044,995,497 | 10,999,510,621 | 45,484,876 | 99.6 |

Some items of the budget were not implemented for example the enhancement of wages for private wing staff.

The Accounting Officer explained that the underperformance of non-tax revenue was attributed to delays in replenishment of stocks of medicines and medical supplies at the private wing due to delayed release of funds by MOFPED and this affected the planned increase of salaries for staff at the private wing.

I advised the Accounting Officer to come up with measures to improve NTR collections at the private wing.

2.1.2 Absorption of funds

Out of the total receipts for the financial year of UGX.10,999,510,621, only UGX.10,490,661,110 (95%) was spent by the entity resulting into unutilised funds of UGX.508,849,511 (5%).

The funds that were not absorbed were meant for the following key activities which were subsequently partially or not implemented at all.

| S/n | Activity | Amount-Unspent |
|-----|-------------------------------|----------------|
| 1 | Purchase of medical equipment | 48,400,000 |
| 2 | Wage | 306,742,378 |
| 3 | Welfare | 76,727,825 |
| 4 | Gratuity | 107,222,607 |

Failure to absorb funds negatively affected Health service delivery to Citizens as well as livelihoods of the pensioners.

The Accounting Officer explained the causes of under absorption as detailed in the table below;

| No | Activity | Amount-Unspent | Reason/Attribution |
|----|-------------------------------|----------------|---|
| 1 | Purchase of medical equipment | 48,400,000 | There was delay in delivery of some equipment by the supplier before the close of the financial year. The supplier claimed to have ordered for the items from abroad but could not arrive in time for payments to be made. The funds were swept back. |
| 2 | Wage | 306,742,378 | There was no recruitment done since the entity had received the supplementary for wage in last month of the year. |
| 3 | Welfare | 76,727,825 | This was a supplementary for feeding Covid 19 patients and staff. This time Covid19 cases had reduced and the funds could not be utilized. |
| 4 | Gratuity | 107,222,607 | There were no pending gratuity files to pay. |

I advised the Accounting Officer to ensure timely commencement of recruitment processes. In addition, the Accounting Officer should ensure that the Human Resource department supports prospective pensioners in preparation and submission of required documentation to access their pension benefits.

3.0 Lack of an Approved Work plan and Budget in the Private Wing

Section 3 (1) of Ministry of Health guidelines for management of private wings of health units in Uganda 2003, requires a private wing to develop comprehensive strategic plans spanning a period of 3-5 years. Annual slices of these plans will be developed every year as annual work plans or operational plans.

Section 4.3.1 (Budgeting), of the same guidelines stipulates that a private wing budget should be made for every financial year and all expenditures will be based on this budget. This budget should mirror the different ledger categories/accounts making it easy to do budget monitoring and making of financial reports related to the budget.

Contrary to the guidelines, the Hospital private wing didn't have an approved work plan and budget for the financial year 2021/2022.

In the absence of a work plan and budget, there is a risk of abuse of Non Tax Revenue collected by the private wing.

The Accounting Officer responded that when doing planning and budgeting for the hospital, non-tax revenue from the private wing is always incorporated in the main hospital budget and work plan. For the year under review, this was the case as well. However, management of the hospital deliberately decided to constitute a team of staff to develop the private wing policy, budget and work plan to guide the operations and general management of the private wing. The private wing policy, budget, and work plan is now available for the current year.

I advised the Accounting Officer to ensure the private wing has a budget and work plans in place.

4.0 Outstanding Receivables at the private wing

Paragraph 4.0 of the Guidelines of management of Private wings of health units in Uganda, 2010 provides that private wings should be managed like business enterprises with clear separate transactions and identification of resource exchange between itself and the rest of the hospital.

A review of the expenditure vouchers revealed that hospital management and board members consumed hospital services worth UGX.17,656,100 and only paid UGX.2,347,000 leaving a balance of UGX.15,209,100.

Failure by staff to meet the medical bills results into loss revenue for the private wing and is a loss to Government.

The Accounting Officer explained that there were services and medicines prescribed for staff and these were not provided/supplied by the National Medical Stores since they were not on the essential drugs list of Government. The understanding was that this cost would be incurred by the hospital from the vote of staff health cost or

welfare vote. However, the budgetary provision for such activities were always insufficient. However, management pledged to pay as and when resources were made available.

I advised the Accounting Officer to ensure that the services offered are fully paid for.

Other Information

The Accounting Officer is responsible for the Other Information. The Other Information comprises the statement of responsibilities of the Accounting Officer and the commentaries by the Head of Accounts and the Accounting Officer, and other supplementary information. The Other Information does not include the financial statements and my auditors' report thereon. My opinion on the financial statements does not cover the Other Information and I do not express an audit opinion or any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially consistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information; I am required to report that fact. I have nothing to report in this regard.

Management's Responsibility for the Financial Statements

Under Article 164 of the Constitution of the Republic of Uganda, 1995 (as amended) and Section 45 of the PFMA, 2015, the Accounting Officer is accountable to Parliament for the funds and resources of Fort Portal Regional Referral Hospital (RRH).

The Accounting Officer is also responsible for the preparation of financial statements in accordance with the requirements of the PFMA, 2015 (as amended), the Financial Reporting Guide, 2018 and for such internal control as management determines necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

In preparing the financial statements, the Accounting Officer is responsible for assessing the Fort Portal Regional Referral Hospital's ability to continue delivering its mandate, disclosing, as applicable, matters affecting ability to deliver its mandate for the foreseeable future, unless the Accounting Officer has a realistic alternative to the contrary.

Auditor's Responsibility for the Audit of Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISSAI's, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for

my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the RRH's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on RRH's ability to deliver its mandate. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the RRH to fail to deliver its mandate.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Accounting Officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide the Accounting Officer with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with him/her all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with the Accounting Officer, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Responsibilities

In accordance with Section 19 (1) of the National Audit Act, 2008, I report to you, based on my work described on the audit of Financial Statements, that; except for the matters raised in compliance with legislation section below, and whose effect has been considered in forming my opinion on financial statements, the activities, financial transactions and information reflected in the financial statements that have come to my notice during the audit, are in all material respects, in compliance with the authorities which govern them.

Report on the Audit of Compliance with Legislation

The material findings in respect of the compliance criteria for the applicable subject matters are as follows;

5.0 Expired advance payment security

Regulation 47(4) (C) of PPDA (Contract) regulations, 2014 states that A payment security shall be valid for a prescribed period beyond the expected final date of completion of a contract or expected release date.

Contrary to the above, advance payment of UGX.215,265,000 was made to Prutaz Construction and vocational training Ltd in the contract for construction of a perimeter wall fence against an advance payment guarantee that was expiring on 19th September 2022 yet the contract period had been extended to 2nd December 2022.

Furthermore; the contract manager in his letter to the contractor stated that the contractor should furnish the PDU with an advance payment guarantee that is extended till the intended completion date 2nd December 2022.

This exposes the PDE to risk of loss of funds in case the contractor fails to meet their obligations.

The Accounting Officer explained that the contractor had executed over 80% of the works. However, full recovery of the advance payment would be made in line with the contract agreement. There had been a general delay in completion of the works and this had called for contract extensions to enable the work to be completed. The contractor was expected to extend the advance payment guarantee up to May 2023 when the contract would be expected to be completed.

I advised the Accounting Officer to ensure that the contractor furnishes Referral Hospital with an advance guarantee that is valid till the completion date of the works.



John F.S. Muwanga
AUDITOR GENERAL

28th December 2022