

OFFICE OF THE AUDITOR GENERAL



THE REPUBLIC OF UGANDA

**REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF
FORTPORTAL REGIONAL REFERRAL HOSPITAL
FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2021**

**OFFICE OF THE AUDITOR GENERAL
UGANDA**

Table of Contents

List of acronyms	iii
Opinion	1
Basis for Opinion.....	1
Key Audit Matters.....	1
1.0 Payroll Management.....	1
Other Matter.....	5
2.0 Implementation of the approved budget	6
3.0 Irregular payment of salaries	8
4.0 Remittance of Non Tax Revenue to the UCF	9
5.0 Accountability for Revenue from Staff Quarters (deducted from payroll)	10
6.0 Unplanned procurement and Lack of Competition	10
7.0 Failure to prequalify service providers	11
Other Information	12
Management Responsibilities for the Financial Statements.....	12
Auditor’s Responsibilities for the Audit of the Financial Statements	12
Other Reporting Responsibilities.....	14
Report on the Audit of Compliance with Legislation	14
Appendices.....	15
Appendix 1: Under remittance of deductions	15

List of acronyms

AIA	Appropriation in Aid
CAO	Chief Administrative Officer
DLG	District Local Government
GoU	Government of Uganda
HR	Human Resource
INTOSAI	International Organization of Supreme Audit Institutions
ICT	Information & Communication Technology
ISSAIs	International Standards of Supreme Audit Institutions
LGFAM	Local Government Financial and Accounting Manual, 2007
LGFAR	Local Government Financial and Accounting Manual, 2007
LLG	Lower Local Governments
MDAs	Ministries, Departments and Agencies
MoFPED	Ministry of Finance, Planning and Economic Development
MoGLSD	Ministry of Gender, Labour and Social Development
MoLG	Ministry of Local Government
NAA	National Audit Act
NTR	Non-Tax Revenue
NUSAF	Northern Uganda Social Action Fund
OAG	Office of the Auditor General
PDU	Procurement & Disposal Unit
PFMA	Public Finance Management Act
PFMR	Public Finance Management Regulations
PPDA	Public Procurement & Disposal of Public Assets
PBS	Program Budgeting System
PS/ST	Permanent Secretary / Secretary to the Treasury
TI	Treasury Instructions
TSA	Treasury Single Account
TSSA	Treasury Sub Single Account
UCF	Uganda Consolidated Fund
UGX	Uganda Shilling
VFM	Value for Money
RRH	Regional Referral Hospital
MOH	Ministry of Health

REPORT OF THE AUDITOR GENERAL
ON THE FINANCIAL STATEMENTS OF FORTPORTAL REGIONAL REFERRAL HOSPITAL
FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2021

THE RT. HON. SPEAKER OF PARLIAMENT

Opinion

I have audited the accompanying financial statements of the Fortportal Regional Referral Hospital which comprise the Statement of Financial Position as at 30th June 2021, the Statement of Financial Performance, Statement of Changes in Equity and 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 Fortportal Regional Referral Hospital for the financial year ended 30th June 2021 are prepared, in all material respects, in accordance with Section 51 of the Public Finance Management Act, 2015 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 Referral Hospital in accordance with the Constitution of the Republic of Uganda 1995 (as amended), the National Audit Act, 2008, the International Organization of Supreme Audit Institutions (INTOSAI) Code of Ethics, the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B) (IESBA Code), and other independence requirements applicable to performing audits of Financial Statements in Uganda.

I have fulfilled my other ethical responsibilities in accordance with the IESBA Code, and in accordance with other ethical requirements applicable to performing audits in Uganda. 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, several reforms have been implemented in payroll management including salary, pension and gratuity payroll management decentralization. Despite these reforms, challenges have persisted in the management of payroll.

As a result, I considered payroll management a Key Audit Matter and identified crosscutting risks including; unrealistic budgeting for employees and pension costs, under absorption of wage funds, delayed access to the payroll, over payment of salaries, non-payment of salary and pension arrears, among others.

I analyzed the approved budget and releases to Fortportal Regional Referral Hospital for salary, pension and gratuity in the period under review, as shown below;

Table showing Breakdown of Fortportal Regional Referral Hospital Budget and releases for the year

Category	Initial Approved budget (UGX)	Revised budget (UGX)	Amount released (UGX)	%age funding received
Employee costs	6,556,299,695	6,556,299,695	6,556,299,695	100
Pension	447,026,120	447,026,120	447,026,120	100
Total	7,003,325,815	7,003,325,815	7,003,325,815	100

The wage and Pension Pay roll of UGX.7,003,325,815 constituted 72% of the Hospital's budget for 2020/2021 of UGX.9,672,051,841.

I am aware that the Covid-19 Pandemic continued to significantly affect the implementation of payroll management activities. A number of entities did not carry out planned recruitments resulting into huge unspent balances.

Based on the audit procedures performed, I made the following observations;

sn	Observations	Recommendation
1.1	<p><u>Budget performance of wage, pension and gratuity</u></p> <p>Paragraph 2.2.2 of the establishment notice no.2 of 2018 requires that while budgeting for salary and pension and gratuity, responsible Officers should consider the parameters such as indicative planning figures, staff in-post, annual salary increments, cleared recruitments if any, full salary of employees on interdiction, pensioners already on pension payroll, planned retirement in the year, anticipated retirement for the next financial year and pension and gratuity arrears (retirements that occurred in the past but their files have not been processed).</p> <p>I developed procedures to address the performance of the wage, pension and gratuity budget of the entity and report on the level of funding of wage, pension and gratuity, level of absorption of funds, diversion of funds, preparation and submission of annual monitoring reports, submission of quarterly reports and accuracy of the quarterly reports prepared and submitted.</p> <p>I observed the following;</p> <p><u>1.1.1 Funding of wage, pension and gratuity</u></p> <p>I reviewed the approved wage, pension and gratuity estimates for the financial year 2020/2021 and noted that the Hospital budgeted to receive UGX.7,003,325,815 during the year under review and received UGX.7,003,325,815 representing 100% performance.</p>	<p>I advised the Accounting Officer to always absorb all the funds on the budgeted activities of the Hospital.</p>

1.1.2 Absorption of wage, pension and gratuity funds

Out of the total receipts for the financial year of UGX.7,003,325,814, only UGX.6,445,251,231 was spent by the entity resulting in an unspent balance of UGX 558,074,583 representing an absorption level of 92%.

The unabsorbed balance was subsequently swept back to the consolidated fund account / The unspent balance was diverted to pay un-budgeted for arrears with/without authority from the PS/ST. Refer to the table below;

Approved estimate (A) (UGX billions)	Release/Warrant (B) (UGX billions)	Expenditure (C) (UGX billions)	Unspent (B-C) (UGX millions)	% absorption
7,003,325,815	7,003,325,815	6,445,251,231	558,074,583	92

The under absorbed portion of funds, denied the use of funds for other deserving service delivery areas.

The Accounting Officer attributed the under absorption of funds to the delays in recruitment of staff to fill the vacant positions.

1.2

Under remittance of deductions

Section B-a (16) of the Uganda Public Standing Orders, 2010 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 (17) 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.

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.

I compared the deductions in the IPPS payroll registers with the remittances/payments in the IFMS payment file/ invoice register and noted that whereas UGX.1,454,641,103 was deducted from employees' salaries to be remitted to different beneficiaries, only UGX.1,427,182,670 was remitted leading to an under remittance of UGX.27,458,433 as shown in the table below and details in **appendix 1**.

s n	Beneficiary	Code	Payroll Deduction	Amount remitted as per IFMS	Over remittance	Under remittance
1	URA	249	1,172,961,619	1,172,961,619	0	0
2	LST	250	21,222,500	17,387,500	0	3,835,000
3	UMWU	445	19,431,774	19,431,774	0	0
4	UBA	482	217,690,210	217,401,777	0	288,433
5	Rent	241	23,335,000	0	0	23,335,000
	Total		1,454,641,103	1,427,182,670		27,458,433

Under remittance creates obligations to the hospital that could result into fines and penalties.

I advised the Accounting Officer to always ensure that deductions are remitted to the respective institutions in full amount.

	The Accounting Officer explained that the under remittance of LST was an omission however the rent deductions are duly remitted to the hospital collection account.																																					
1.4	<p><u>Inaccurate computation of Gratuity</u></p> <p>Paragraph (L-d) (1) & (2) of the Uganda Public Service Standing Orders, 2010 on the computation of pension and commuted pension gratuity provides that pension is computed on the basis of $(1/500)^{th}$ of the annual salary at the time of retirement, multiplied by the total number of completed months of service using the formula $P = LS \times Sal / (500)$ where P is Pension, LS is the length of Service in months, and Sal is the annual salary on retirement.</p> <p>Additionally, Paragraph (L-d) (3) provides that a public officer has an option to receive all his or her pension as an annuity or to commute a third (1/3) of his or her pension for a 15-year period and receive it as a lump sum at retirement.</p> <p>Through a re-computation of gratuity benefits, I noted that there were under payments of UGX.5,206,400 to two pensioners /beneficiaries.</p> <p>Details are shown in table below.</p> <table border="1" data-bbox="272 894 1214 1570"> <thead> <tr> <th data-bbox="272 894 310 1077">s n</th> <th data-bbox="310 894 386 1077">STA FF</th> <th data-bbox="386 894 431 1077">T O S</th> <th data-bbox="431 894 532 1077">CPG Reco mpute d</th> <th data-bbox="532 894 626 1077">Amou nt of pensi on paid includ ive</th> <th data-bbox="626 894 732 1077">Amt recom puted includ ive of pensi on</th> <th data-bbox="732 894 833 1077">Amt paid by entity</th> <th data-bbox="833 894 954 1077">Gratuity under payt</th> <th data-bbox="954 894 1214 1077">Audit remarks</th> </tr> </thead> <tbody> <tr> <td data-bbox="272 1077 310 1308">1</td> <td data-bbox="310 1077 386 1308">LUN YOL OMA SABA DEB ORA H</td> <td data-bbox="386 1077 431 1308">4 6 4</td> <td data-bbox="431 1077 532 1308">66,816, 000</td> <td data-bbox="532 1077 626 1308">4,454, 400</td> <td data-bbox="626 1077 732 1308">71,270, 400</td> <td data-bbox="732 1077 833 1308">70,528, 000</td> <td data-bbox="833 1077 954 1308">742,400</td> <td data-bbox="954 1077 1214 1308">The person was supposed to be paid UGX 71,270,400 instead of UGX 70,528,000. missed 6 months pension from October to march and her monthly pension is UGX 742,400</td> </tr> <tr> <td data-bbox="272 1308 310 1518">3</td> <td data-bbox="310 1308 386 1518">ASAB A NYA KAA NA G W 7270 32</td> <td data-bbox="386 1308 431 1518">4 0 5</td> <td data-bbox="431 1308 532 1518">150,66 0,000</td> <td data-bbox="532 1308 626 1518">0</td> <td data-bbox="626 1308 732 1518">150,660 ,000</td> <td data-bbox="732 1308 833 1518">146,19 6,000</td> <td data-bbox="833 1308 954 1518">4,464,000</td> <td data-bbox="954 1308 1214 1518">under payment of gratuity</td> </tr> <tr> <td data-bbox="272 1518 310 1570"></td> <td data-bbox="310 1518 386 1570"></td> <td data-bbox="386 1518 431 1570"></td> <td data-bbox="431 1518 532 1570"></td> <td data-bbox="532 1518 626 1570"></td> <td data-bbox="626 1518 732 1570"></td> <td data-bbox="732 1518 833 1570">TOTAL</td> <td data-bbox="833 1518 954 1570">5,206,400</td> <td data-bbox="954 1518 1214 1570"></td> </tr> </tbody> </table> <p>Over payments and under payments may cause misstatements in the expenditure figures reported by the entity.</p> <p>The Accounting Officer explained that Mr. Lunyolo's unpaid balance was not captured on the interface, whereas Mr. Asaba Nyakana was underpaid due to insufficient funds but was scheduled for payment in FY 2022/2023.</p>	s n	STA FF	T O S	CPG Reco mpute d	Amou nt of pensi on paid includ ive	Amt recom puted includ ive of pensi on	Amt paid by entity	Gratuity under payt	Audit remarks	1	LUN YOL OMA SABA DEB ORA H	4 6 4	66,816, 000	4,454, 400	71,270, 400	70,528, 000	742,400	The person was supposed to be paid UGX 71,270,400 instead of UGX 70,528,000. missed 6 months pension from October to march and her monthly pension is UGX 742,400	3	ASAB A NYA KAA NA G W 7270 32	4 0 5	150,66 0,000	0	150,660 ,000	146,19 6,000	4,464,000	under payment of gratuity							TOTAL	5,206,400		I advised the Accounting Officer to ensure that accurate computations are done and signed off by the responsible officers before payment.
s n	STA FF	T O S	CPG Reco mpute d	Amou nt of pensi on paid includ ive	Amt recom puted includ ive of pensi on	Amt paid by entity	Gratuity under payt	Audit remarks																														
1	LUN YOL OMA SABA DEB ORA H	4 6 4	66,816, 000	4,454, 400	71,270, 400	70,528, 000	742,400	The person was supposed to be paid UGX 71,270,400 instead of UGX 70,528,000. missed 6 months pension from October to march and her monthly pension is UGX 742,400																														
3	ASAB A NYA KAA NA G W 7270 32	4 0 5	150,66 0,000	0	150,660 ,000	146,19 6,000	4,464,000	under payment of gratuity																														
						TOTAL	5,206,400																															

1.5

Delayed/ Non remittance of deductions to UCLA/UBA

Paragraph 4.6.1 of establishment notice no. 2 of 2019 provided that responsible officers must ensure that all funds deducted for purposes of servicing employee loans, contributions to SACCOs and insurance premiums among others are remitted concurrently with salary payments.

Circular on payroll management and processing dated 10th March, 2021 to all Accounting Officers from PSST (Ref: HRM 155/222/02) provided for under paragraph 6 that the Accountant General would ensure that no partial payment or invoicing by Accounting Officers is authorized on the IFMS to ensure that all deductions are made at the same time as salary payments.

From review of the 12 months remittances, I noted that deductions to UCLA/UBA were not remitted concurrently with salary payments for the month of October and June as shown in the table below.

month	UCLA/UBA	Date of salary payment	Date of deduction payment to UBA	Variation in days	Audit remarks
July	17,649,650	29-Jul-20	29-Jul-20	0	ok
August	17,666,987	26-Aug-20	26-Aug-20	0	ok
September	17,787,737	22-Sep-20	22-Sep-20	0	ok
October	18,174,227	23-Oct-20	18-Nov-20	26	not paid concurrently with salaries
November	17,698,082	26-Nov-20	26-Nov-20	0	ok
December	17,753,093	18-Dec-20	18-Dec-20	0	ok
January	18,949,695	27-Jan-21	27-Jan-21	0	ok
February	18,765,197	24-Feb-21	24-Feb-21	0	ok
March	17,528,694	22-Mar-21	22-Mar-21	0	ok
April	18,696,494	28-Apr-21	28-Apr-21	0	ok
May	18,767,607	24-May-21	24-May-21	0	ok
June	18,252,747	22-Jun-21	23-Jun-21	1	not paid concurrently with salaries
Total	217,690,210				

Delayed/ non-remittance of deductions to UCLA/UBA could lead to delays in updating loan statuses with the various financial institutions causing un-necessary default and affecting the credit worthiness of the employee.

The Accounting Officer noted the anomaly and promised to always ensure that all deductions are remitted concurrently with the salaries.

The Accounting Officer was advised to remit deductions to the respective institutions on time.

Other Matter

In addition to the matter(s) raised above, I consider it necessary to communicate the following matters other than those presented or disclosed in the financial statements.

2.0 **Implementation of the approved budget**

A review of the Hospital's approved work plans and budgets revealed that the Hospital had an approved budget of UGX.9.672Bn, out of which UGX.9.670Bn was warranted by the end of the financial year. The total expenditure for the year was UGX.8.931Bn out of which UGX.6.23Bn was spent on Employee costs, social benefits and domestic arrears, implying that only UGX.2.7Bn was available for implementation of service delivery outputs.

A review of the performance of the budget for the Hospital for the financial year 2020/21 revealed the following.

No	Observation	Recommendation
2.1	<p><u>Revenue Performance</u></p> <p><u>2.2.1 Non Tax Revenue Performance</u></p> <p>I reviewed the approved Local revenue estimates for the financial year 2020/2021 and noted that the Hospital budgeted to collect UGX.0.45Bn¹ during the year under review. The Hospital collected UGX.0.41Bn² representing 91% performance. Revenue shortfalls affect the implementation of planned activities.</p> <p>The Accounting Officer explained that the underperformance was due to COVID which affected the inflow of patients.</p> <p><u>3.2.2 Performance of GoU receipts-(Transfers received from the consolidated fund)</u></p> <p>The Hospital budgeted to receive UGX.9.22Bn³ as grants from the Treasury. However, only UGX.9.26Bn was warranted, representing 100.4% performance.</p>	<p>I advised the Accounting Officer to ensure budget revision in cases of uncertainties expected to affect revenue performance.</p>
2.2	<p><u>Off-budget receipts</u></p> <p>Section 36(6), 43 and 44(20) of the PFMA 2015, require all the public resources including external financing to be paid into the consolidated fund and once deposited shall form part of the consolidated fund and shall be availed through the Appropriations Act.</p> <p>Paragraph 24.6.2 of the Treasury Instructions 2017 also requires an Accounting Officer to ensure that all planned development partner disbursements under his or her vote are included in the vote budget estimates, i.e. appropriated by Parliament.</p> <p>I noted the Hospital received off-budget financing to a tune of UGX.707,262,264 which was never paid into the consolidated fund as required by the law. These funds were received directly from development partners for undertaking a number of activities. Details are shown in the</p>	<p>I advised the Accounting Officer to always adhere to the provisions of the law.</p>

	<p>table below</p> <table border="1" data-bbox="282 254 1133 499"> <thead> <tr> <th>Project</th> <th>Name of Donor</th> <th>Annual Receipt</th> </tr> </thead> <tbody> <tr> <td>Grant/Medical Interns</td> <td>Ministry of Health</td> <td>310,200,000</td> </tr> <tr> <td>Grant/COVID-19</td> <td>Ministry of Health</td> <td>365,860,000</td> </tr> <tr> <td>Grant/UNICEF</td> <td>UNICEF</td> <td>440,049,526</td> </tr> <tr> <td>Grant/General</td> <td>Individual Interns</td> <td></td> </tr> <tr> <td>Grant/CDC-COAG</td> <td>Centre for Disease Control</td> <td>437,996,350</td> </tr> <tr> <td>Grant/RBF</td> <td>USAID</td> <td>169,529,664</td> </tr> <tr> <td>Grant/Covid-19</td> <td>MoFPED</td> <td>99,736,250</td> </tr> <tr> <td>TOTAL</td> <td></td> <td>707,262,264</td> </tr> </tbody> </table> <p>Off-budget financing distorts planning, and is also contrary to the Public Finance Management Act 2015.</p> <p>The Accounting Officer explained that these were Covid-19 emergency response. The funds were released to MOH who in turn released them to the entity. The funders did not give prior knowledge of the funds due to the emergencies.</p>	Project	Name of Donor	Annual Receipt	Grant/Medical Interns	Ministry of Health	310,200,000	Grant/COVID-19	Ministry of Health	365,860,000	Grant/UNICEF	UNICEF	440,049,526	Grant/General	Individual Interns		Grant/CDC-COAG	Centre for Disease Control	437,996,350	Grant/RBF	USAID	169,529,664	Grant/Covid-19	MoFPED	99,736,250	TOTAL		707,262,264	
Project	Name of Donor	Annual Receipt																											
Grant/Medical Interns	Ministry of Health	310,200,000																											
Grant/COVID-19	Ministry of Health	365,860,000																											
Grant/UNICEF	UNICEF	440,049,526																											
Grant/General	Individual Interns																												
Grant/CDC-COAG	Centre for Disease Control	437,996,350																											
Grant/RBF	USAID	169,529,664																											
Grant/Covid-19	MoFPED	99,736,250																											
TOTAL		707,262,264																											
2.3	<p><u>Absorption of funds</u></p> <p>Out of the total receipts for the financial year of UGX.9.67Bn, UGX.8.93Bn was spent by the Hospital resulting in an unspent balance of UGX.0.74Bn representing an absorption level of 92%. The unspent balance at the end of the financial year was subsequently swept back to the consolidated fund account as shown in the table below;</p> <table border="1" data-bbox="282 1077 1133 1220"> <thead> <tr> <th colspan="5">Year 2020/21</th> </tr> <tr> <th>APP EST (A) (UGX billions)</th> <th>RELEASE (B) (UGX billions)</th> <th>Expenditure (C) (UGX billions)</th> <th>Unspent (B-C) (UGX billions)</th> <th>% absorption</th> </tr> </thead> <tbody> <tr> <td>9.67</td> <td>9.67</td> <td>8.93</td> <td>0.74</td> <td>92%</td> </tr> </tbody> </table> <p>Under absorption of released funds results in non-implementation of planned activities and negates the purpose for which funds were disbursed.</p> <p>The unabsorbed funds related to unpaid pension due to late release of funds.</p> <p>The Accounting Officer explained that of the unspent balances UGX. 552,212,070 was for wage due to unfilled posts while UGX. 139,319,152 was meant for the construction of the perimeter wall but was not spent due to delays in raising certificates for works completed by the contractor.</p>	Year 2020/21					APP EST (A) (UGX billions)	RELEASE (B) (UGX billions)	Expenditure (C) (UGX billions)	Unspent (B-C) (UGX billions)	% absorption	9.67	9.67	8.93	0.74	92%	I advised the Accounting Officer to ensure that all funds are absorbed fully.												
Year 2020/21																													
APP EST (A) (UGX billions)	RELEASE (B) (UGX billions)	Expenditure (C) (UGX billions)	Unspent (B-C) (UGX billions)	% absorption																									
9.67	9.67	8.93	0.74	92%																									
2.4	<p><u>Preparation and submission of Monitoring plans and reports</u></p> <p>Paragraph 58 of the Budget Execution Circular for 2020/20 requires the Accounting officer to prepare and submit annual monitoring plans for government programs and or projects under his/her vote to the Office of the Prime Minister with a copy to Ministry of Finance, Ministry of Local Government and National Planning Authority for harmonization to ensure proper coordination to avoid duplication and fatigue.</p>	I advised the Accounting Officer to ensure that monitoring plans and reports are prepared as required by the circular.																											

	<p>The accounting Officers are also expected to submit quarterly monitoring reports to the Office of the Prime Minister with a copy to the Ministry of Finance for the attention of the director budget.</p> <p>Contrary to this I noted that;</p> <ul style="list-style-type: none"> • The Hospital did not prepare and submit the annual monitoring plans to MoFPED and NPA as required. • The Hospital did not also submit quarterly monitoring reports to the Office of the Prime Minister and MoFPED as required. <p>This practice is not only in contravention of the circular instructions but also hinders efforts of timely monitoring of the implementation of the budget.</p>	
--	--	--

3.0 **Irregular payment of salaries**

Section (B-a) (12) General rules on payment of salaries of the Public Standing Orders of 2010 requires that Payment of salary to a Public officer shall be stopped immediately the officer ceases to render services to Government under whatever circumstances including death.

Contrary to the Regulations, the Hospital Management paid UGX.19,290,156 to Dr. Kirunda Samuel who abandoned duty since November 2020 as Shown in table below;

Description	EFT / Check Number	Payment Date	Distribution Amount	Audit Remarks
001 OCT2020PAYROLL Kirunda, Samuel	32312436	23-Oct-20	12,572,310	salary arrears irregularly paid
001 DEC2020PAYROLL Kirunda, Samuel	33647578	18-Dec-20	3,358,923	irregular payment of salary
001 NOV2020PAYROLL Kirunda, Samuel	33150435	26-Nov-20	3,358,923	irregular payment of salary
		TOTAL	19,290,156	

The salary for November and December worth UGX.6,717,846 was also paid to the individual and salary arrears worth UGX.12,572,310 were paid yet the Hospital Biometric data showed that the individual never clocked in for work throughout the whole financial year under Audit.

The Accounting Officer explained that the officer was available on duty till mid November 2020 when he went on leave and had never returned. The Hospital Biometric data showed that the individual never clocked in for work throughout the whole financial because staffs were hesitant to log into the bio metric machine for fear of contracting the deadly COVID-19 Virus.

I advised the Accounting Officer to ensure recovery of the funds irregularly paid to the officer.

4.0 Remittance of Non Tax Revenue to the UCF

Section 17(2) of the PFMA, 2015 states that if a vote does not expend money that was appropriated to the vote for the financial year shall at the close of the financial year, repay the money to the Consolidated Fund.

I noted that the Hospital collected UGX.426,134,712 from Private Wing as Non Tax Revenue and remitted only UGX.393,888,000 to the Consolidated Fund leaving a balance of unremitted revenue of UGX.32,246,712. Details in table below;

MONTH (A)	AMT Collected
July	50,277,812
august	33,623,000
September	33,471,600
October	45,168,300
November	29,022,000
December	43,450,400
January	35,474,500
February	31,088,000
march	37,117,900
April	32,487,200
may	31,157,600
June	23,796,400
TOTAL	426,134,712
MONTH (B)	AMOUNT BANKED TO BOU
June	92,763,000
march	84,900,000
December	42,800,000
November	60,000,000
September	5,725,000
September	107,700,000
TOTAL	393,888,000
Variation (C)	32,246,712

These funds could not be traced in the Accounts of the Hospital therefore spending at source by Hospital Management could not be ruled out.

The Accounting Officer explained that the funds remitted to the consolidated fund were UGX.412,206,737 and the balance of UGX.31,672,399 remained on the UBA account. However, the trial Balance of the Hospital confirms that UGX.393,888,000 was transferred to treasury.

I advised the Accounting Officer to ensure that the funds are remitted to the Consolidated Fund and in future ensure compliance with the law.

5.0 **Accountability for Revenue from Staff Quarters (deducted from payroll)**

The Hospital Management collected UGX.23,335,000 from Staff occupying staff quarters. However, the following were observed during the audit.

- i) This rent revenue collected from staff lacked an instrument from Ministry of Health authorizing its collection and management.
- ii) While UGX.23,335,000 was collected only UGX.6,200,000 was spent on various activities as shown in table below leaving an unspent balance of UGX.17,135,000. However, this balance could not be traced in the books of accounts and was not disclosed in the financial statements.

I advised the Accounting Officer to obtain an instrument from the Ministry of Health to guide the hospital management on the collection and management of rent revenue. Meanwhile the unspent balance of UGX.17,135,000 should be accounted for.

6.0 **Unplanned procurement and Lack of Competition**

Section c (1) paragraph three of the Guidelines for management of the MOH-CDC-COAG Sub grants to Regional Referral Hospitals requires the procurement and disposal of goods and services financed using CDC funds to be conducted according to PPDA Act and the public procurement guidelines 2004 of the republic of Uganda.

PPDA Act 2003 section 58 (7) (Procurement and disposal planning) states that Procurement shall not be carried out outside the procurement plan except in cases of emergency situations.

Regulation 43 (c) of PPDA Act of 2003 All public procurement and disposal shall be conducted in a manner that maximizes competition and ensuring value for money.

Contrary to the regulations, the Hospital undertook a procurement worth UGX.31,932,000 for preparation of the Hospital Strategic Plan outside the Procurement plan. I noted that only one bidder responded to the invitation which limited my assessment as to whether the amount paid was competitive.

REF	Details	Contractor	Amt	Audit remarks
FH/SRVCS/ 2020- 2021/00004	Supply of strategic plan for the hospital	Glosanta and Bill Investment s Ltd	31,932,000	Done outside the procurement plan
	TOTAL		31,932,000	

There is a risk that funds meant for other activities could have been diverted to cater for this item that was originally not planned for.

The Accounting Officer explained that the funds for the strategic plan were realized under CDC funding after the procurement plan had been developed and was not amended to include the funds, which was an oversight but in future we shall address the issues in time.

I advised the Accounting Officer to follow the procurement Regulations when conducting procurements and to ensure that any additional funds for procurements are included in the procurement plan.

70 Failure to prequalify service providers

Regulation 8 (1) of the PPDA Regulations of 2014 requires the registration of providers and shall be open to all qualified providers and shall be continuous. Contrary to the regulations, the Entity did not register service providers during the year under audit but rather opted for direct procurements.

It was however noted that the Hospital used several firms that were not on the prequalified list of service providers of various goods and services contrary to Regulations.

Supplier	Details	Amount
Tropical Group 2012 (U) Limited	Supply Of Medical Equipment Spares For Qter4 20/21	20,328,000
Abacus Pharma (A) Ltd.	Supply Of Drugs To The Hospital	7,500,000
Techplanet Development Centre	Food For Staff Welfare	5,718,300
Linda Estates Limited	Supply Of Medical Stationary	5,000,000
Tropical Group 2012 (U) Limited	Supply Of Medical Equipment Spares	4,200,000
Abacus Pharma (A) Ltd.	Supply Of Drugs To The Hospital	3,500,000
Tropical Group 2012 (U) Limited	Supply Of Medical Equipment Spares	3,500,000
Linda Estates Limited	Supply Of Medical Stationary	3,000,235
Fort portal Hospital Collection Account	To Procure Uniforms For Hospital Askaris	2,950,000
Abacus Pharma (A) Ltd.	Supply Of Drugs To The Hospital	2,800,000
Linda Estates Limited	Supply Of Medical Stationary	2,595,000
Nyemera Richard Locale	To Procure Copper Tube On The Filling Ramp In The Oxygen Plant	2,120,000
Tropical Group 2012 (U) Limited	Fun Ds To procure Medical Equipment Spares For Qtr 2	2,000,000
Abacus Pharma (A) Ltd.	Supply Of Drugs To The Hospital	2,000,000
	Total	67,211,535

The Accounting Officer explained that the hospital had frame work contracts with various suppliers where routine procurements are secured. However, the entity was coming up with an updated list of prequalified providers.

I advised the Accounting Officer was advised to always follow the procurement regulations and come up with a list of registered providers to guide procurements undertaken by the hospital.

Other Information

The Accounting Officer is responsible for the other information. The other information comprises the statement of responsibilities of the Accounting Officer; 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 Responsibilities for the Financial Statements

Under Article 164 of the Constitution of the Republic of Uganda, 1995 (as amended) and Section 45 of the Public Finance Management Act, 2015, the Accounting Officer is accountable to Parliament for the funds and resources of the Referral Hospital.

The Accounting Officer is also responsible for the preparation of financial statements in accordance with the requirements of the Public Finance Management Act, 2015 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 Referral Hospital's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Accounting Officer has a realistic alternative to the contrary.

The Accounting Officer is responsible for overseeing the Referral Hospital's financial reporting process.

Auditor's Responsibilities for the Audit of the 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 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 ISSAIs, I exercise professional judgement and maintain professional skepticism 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 Referral Hospitals' internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the 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 the Referral Hospital's ability to continue as a going concern. 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 Referral Hospital to cease to continue as a going concern.
- 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 them 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

There were no material findings in respect of compliance with legislation.

A handwritten signature in black ink, appearing to read 'J. Muwanga', with a large, sweeping flourish extending to the right.

John F.S. Muwanga
AUDITOR GENERAL

20th January 2022

Appendices

Appendix 1: Under remittance of deductions

Deductions from the payroll					
MONTH (A)	PAYE	LST	UMWU	UBA	RENT
JULY	95,701,880	5,451,250	1,732,909	17,649,650	1,980,000
AUGUST	96,742,350	5,338,750	1,713,337	17,666,987	1,980,000
SEPTEMBER	95,289,852	5,238,750	1,713,337	17,787,737	1,940,000
OCTOBER	99,741,992	5,193,750	1,623,529	18,174,227	1,915,000
NOVEMBER	103,704,764	-	1,623,529	17,698,082	1,915,000
DECEMBER	98,311,202	-	1,623,529	17,753,093	1,915,000
JANUARY	97,685,210	-	1,623,529	18,949,695	1,965,000
FEBRUARY	96,823,357	-	1,623,529	18,765,197	1,955,000
MARCH	98,306,889	-	1,566,829	17,528,694	1,945,000
APRIL	96,796,552	-	1,555,811	18,696,494	1,945,000
MAY	96,820,381	-	1,515,953	18,767,607	1,940,000
JUNE	97,037,190	-	1,515,953	18,252,747	1,940,000
TOTAL	1,172,961,619	21,222,500	19,431,774	217,690,210	23,335,000
Amount remitted to statutory organization					
MONTH (B)					
JULY	95,701,880	5,426,250	1,732,909	17,649,650	-
AUGUST	96,742,350	5,338,750	1,713,337	17,666,987	-
SEPTEMBER	95,289,852	3,276,250	1,713,337	17,787,737	-
OCTOBER	99,741,992	3,346,250	1,623,529	18,174,227	-
NOVEMBER	103,704,764	-	1,623,529	17,698,082	-
DECEMBER	98,311,202	-	1,623,529	17,753,093	-
JANUARY	97,685,210	-	1,623,529	18,949,695	-
FEBRUARY	96,823,357	-	1,623,529	18,765,197	-
MARCH	98,306,889	-	1,566,829	17,528,694	-
APRIL	96,796,552	-	1,555,811	18,408,061	-
MAY	96,820,381	-	1,515,953	18,767,607	-
JUNE	97,037,190	-	1,515,953	18,252,747	-
TOTAL	1,172,961,619	17,387,500	19,431,774	217,401,777	-
variation (A-B)	0	3,835,000	0	288,433	23,335,000