THE REPUBLIC OF UGANDA

REPORT OF THE AUDITOR GENERAL

ON THE FINANCIAL STATEMENTS OF THE UGANDA AIDS COMMISSION

FOR THE YEAR ENDED 30TH JUNE 2015

OFFICE OF THE AUDITOR GENERAL

UGANDA
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<td>Acronym</td>
<td>Description</td>
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<tr>
<td>AIDS</td>
<td>Acquired Immunodeficiency Syndrome</td>
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<td>ART</td>
<td>Anti-Retroviral Therapy</td>
</tr>
<tr>
<td>ARV</td>
<td>Anti-Retroviral</td>
</tr>
<tr>
<td>eMTCT</td>
<td>Electronic Mother to Child HIV Transmission</td>
</tr>
<tr>
<td>GoU</td>
<td>Government of Uganda</td>
</tr>
<tr>
<td>HIV</td>
<td>Human Immunodeficiency Virus</td>
</tr>
<tr>
<td>HTV</td>
<td>HIV Testing and Counseling</td>
</tr>
<tr>
<td>ICT</td>
<td>Information and Communication Technology</td>
</tr>
<tr>
<td>ISA</td>
<td>International Standards on Auditing</td>
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<tr>
<td>NSSF</td>
<td>National Social Security Fund</td>
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<tr>
<td>NTR</td>
<td>Non Tax Revenue</td>
</tr>
<tr>
<td>PAYE</td>
<td>Pay As You Earn</td>
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<td>PFMA</td>
<td>Public Finance Management Act, 2015</td>
</tr>
<tr>
<td>PHA</td>
<td>People Living with HIV/AIDS</td>
</tr>
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<td>PPDA</td>
<td>Public Procurement and Disposal of Assets</td>
</tr>
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<td>UAC</td>
<td>Uganda AIDS Commission</td>
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<td>UGX</td>
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</table>
REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF THE UGANDA AIDS COMMISSION FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2015

THE RT. HON. SPEAKER OF PARLIAMENT

I have audited the accompanying financial statements of the Uganda AIDS Commission for the year ended 30th June 2015. These financial statements comprise of the Statement of Financial Position as at 30th June 2015, Statement of Financial Performance, Statement of Changes in Equity, Cash flow Statement together with other accompanying statements, notes and accounting policies.

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 Public Finance Management Act, 2015, the Accounting Officer is accountable to Parliament for the funds and resources of the Uganda AIDS Commission for the year ended 30th June 2015. 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 Financial Reporting Guide, 2008, and for such internal controls as management determines necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

Auditor’s Responsibility

My responsibility as required by Article 163 of the Constitution of the Republic of Uganda, 1995 (as amended) and Sections 13 and 19 of the National Audit Act, 2008 is to express an opinion on these statements based on my audit. I conducted the audit in accordance with the International Standards on Auditing (ISA). The standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance on whether the financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the financial statements as well as evidence supporting compliance with relevant laws and regulations. The procedures selected depend on the Auditor’s judgment, including the assessment of risks of material misstatement of the financial statements whether due to fraud or error. In making those risk assessments, the Auditor considers internal controls relevant to
the entity’s preparation of financial statements 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 entity’s internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Part “A” of this report sets out my opinion on the financial statements. Part “B” which forms an integral part of this report presents in detail all the significant audit findings made during the audit which have been brought to the attention of management.

PART “A”

Opinion

In my opinion, the financial statements of the Uganda AIDS Commission for the year ended 30th June 2015 are prepared, in all material respects in accordance with the Financial Reporting Guide, 2008 and Section 51(1) of the Public Finance Management Act, 2015.

Other matters

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

- **Staffing gaps**
  The Commission establishment provides for eighty two (82) staff of which 55 positions are filled leaving a staffing gap of 27 vacancies (33%). understaffing constrains achievement of the commission’s objectives.

John .F.S. Muwanga

AUDITOR GENERAL

20th December, 2015
PART “B”

DETAILED REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF
THE UGANDA AIDS COMMISSION FOR THE FINANCIAL YEAR ENDED

30TH JUNE, 2015

This section outlines the detailed audit findings, management responses and my
recommendations in respect thereof.

1.0 INTRODUCTION

Article 163 (3), of the Constitution of the Republic of Uganda1995, (as amended),
requires me to audit and report on the public accounts of Uganda and all public offices
including the courts, the central and local government administrations, universities and
public institutions of the like nature and any public corporation or other bodies or
organizations established by an Act of Parliament. Accordingly, I carried out the audit of
the above Commission to enable me report to Parliament.

2.0 BACKGROUND INFORMATION

The Uganda AIDS Commission (UAC) was established, by Act No.2 of 1992, under the
Office of the President, to ensure a focused and harmonized response to the AIDS
scourge. UAC is a corporate body governed by a Board whose members are appointed
by the President. The Board presently is composed of 10 members drawn from the
Government and Non-Government sectors, People Living with HIV/AIDS (PHAs) and
individuals who are selected for their outstanding expertise and commitment to the
HIV/AIDS struggle. The Commission is chaired by a full time Chairperson and, is served
by a full time Secretariat. The Commission meets regularly to receive and discuss
technical and policy issues from stakeholders’ consultations through the Partnership
Structure.

The UAC Secretariat is headed by a Director General who is also the Chief Executive and
Secretary to the Commission. The role of the Secretariat is to implement the
Commission’s decisions and to advise on all technical matters relating to the role of UAC.
3.0 **FINANCING OF THE COMMISSION**

The Commission received most of its financing of UGX.6,769,959,872 (which was 96% of budgeted funds) from the Treasury and NTR amounting to UGX.13,360,000 (which was 0.19% of the total funds budgeted). This resulted into total financing amounting to UGX.6,783,319,872 (96.25%) of the total budgeted revenue.

4.0 **OBJECTIVES, FUNCTIONS AND ACHIEVEMENTS OF THE COMMISSION**

4.1. **OBJECTIVES**

The Commission’s objectives include:

- To develop supportive HIV/AIDS policies for the national response.
- To promote and support HIV/AIDS research.
- To ensure mobilization of adequate resources for the national response.
- To ensure monitoring and evaluation of HIV/AIDS national response at all levels.
- To ensure a streamlined knowledge and information sharing mechanism.
- To strengthen planning for a coordinated HIV/AIDS service delivery at national level.

4.2. **FUNCTIONS**

The core functions of the Commission are derived from the Act and are to oversee, plan and coordinate AIDS prevention and control activities throughout Uganda and, in particular, to;

a) formulate policy and establish programme priorities for the control of the AIDS epidemic and management of its consequences throughout the country;

b) ensure proper planning and coordination of all AIDS control policies and programmes within the overall programme strategy;

c) identify obstacles to the implementation of AIDS control policies and programmes and ensure the implementation and attainment of programme activities and targets;

d) mobilise, expedite and monitor resources for the AIDS control programmes and activities;

e) disseminate information on the AIDS epidemic and its consequences in Uganda and on the programme activities for its control;
f) supervise all activities relating to the control of the AIDS epidemic in Uganda and, in particular, regarding
   i) health care and counselling of AIDS patients;
   ii) the welfare of bereaved orphans and survivors of AIDS victims;
   iii) the provision of medical supplies and equipment;
   iv) the handling of socio-economic, cultural and legal issues related to the AIDS epidemic; and
   v) biomedical research and surveillance into the AIDS epidemic and methods of its prevention and control;
   vi) find a drug for the cure of the AIDS disease; and
   vii) Perform such other functions relating to the prevention or control of the AIDS epidemic in Uganda as the Commission may deem necessary.

4.3. **ACHIEVEMENTS OF THE COMMISSION**

The Commission achieved the following in the year under review;

- The proportion of mothers enrolled on ARVs for the mother-to-Child HIV Transmission (eMTCT) increased from 52% in 2011 to 72% in 2013;
- A total of 8.2 million individuals received HTC services which is higher than double the target of 3.5 million in the previous strategic plan;
- The number of health facilities providing ART increased from 407 in 2011 to 1,478 by the end of 2013 therefore increasing access to ART services;
- The number of people on ARVs increased from 290,563 to 543,048 (501,528 adults, 41,520 children) with Uganda reaching a ‘tipping point’ were annually the number of people put on ARVs is more than the number of new infections and;
- Commitment of leaders at all levels has improved, the Office of the First lady was key in the launch of e MTCT, His Excellency the President of Uganda was the lead campaigner of ‘Protect your Goal’ and also assented to the HIV Prevention and Control Bill into an Act. Parliament SCE remains vibrant, Cultural and Religious leaders continue to play a big role in the response.
5.0 **AUDIT OBJECTIVES**

The audit was carried out in accordance with International Standards on Auditing and accordingly included a review of the accounting records and agreed procedures as was considered necessary. In conducting my reviews, special attention was paid to establish:

a) Whether the financial statements have been prepared in accordance with consistently applied accounting policies and fairly presents the revenues and expenditures for the period and of the financial position as at the end of the period.

b) Whether all funds were utilized with due attention to economy and efficiency and only for the purposes for which the funds were provided.

c) Whether goods and services financed have been procured in accordance with the Government of Uganda Procurement regulations.

d) Whether the Uganda AIDS Commission had a sufficient internal control structure and the internal controls were working as intended.

e) Whether the management complied with the Government of Uganda financial regulations in their operations.

f) Whether all necessary supporting documents, records and accounts have been kept in respect of all activities, and are in agreement with the financial statements presented.

6.0 **PROCEDURES PERFORMED**

a) **Revenue/Receipts**

   Obtained schedules of receipts and reconciled the amounts to the Commission’s cashbooks and bank statements.

b) **Expenditure**

   Vouched transactions to establish whether documentation in support of the expenditures agreed with the amounts and descriptions on the vouchers; reviewed and reconciled the bank statement transactions to test for occurrence and whether they were properly controlled and accounted for.
c) **Internal Control System**

Reviewed the internal control system and its operations to establish whether the controls were sound and were applied throughout the period under review.

d) **Procurement**

Reviewed the procurement of goods and services during the period under review and reconciled with the procurement plan.

e) **Fixed Asset Management**

Reviewed the use and the management of the Commission’s assets during the period under review.

f) **Financial Statements**

Examined, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessed the accounting principles used and significant estimates made by management; as well as evaluating the overall financial statement presentation.

7.0. **AUDIT FINDINGS**

7.1. **Categorization of Audit findings**

The following system of profiling of the audit findings has been adopted to better prioritise implementation of audit recommendations.

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 High significance</td>
<td>Has a significant / material impact, has a high likelihood of reoccurrence, and in the opinion of the Auditor General, it requires urgent remedial action. It is a matter of high risk or high stakeholder interest.</td>
</tr>
<tr>
<td>2 Moderate significance</td>
<td>Has a moderate impact, has a likelihood of reoccurrence, and in the opinion of the Auditor General, it requires remedial action. It is a matter of medium risk or moderate stakeholder interest.</td>
</tr>
<tr>
<td>3 Low significance</td>
<td>Has a low impact, has a remote likelihood of reoccurrence, and in the opinion of the Auditor General, may not require much attention, though its remediation may add value to the entity. It is a matter of low risk or low stakeholder interest.</td>
</tr>
</tbody>
</table>
7.2 **Summary of Audit Findings**

<table>
<thead>
<tr>
<th>No</th>
<th>Title of Finding</th>
<th>Significance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Losses of Cash and equipment</td>
<td>High</td>
</tr>
<tr>
<td>2</td>
<td>Fluctuation of Non-tax revenue collections</td>
<td>Low</td>
</tr>
<tr>
<td>3</td>
<td>Governance issues</td>
<td>High</td>
</tr>
<tr>
<td>4</td>
<td>Flaws in the Procurement Process for motor vehicle repairs</td>
<td>Moderate</td>
</tr>
<tr>
<td>5</td>
<td>Staffing Gaps</td>
<td>Moderate</td>
</tr>
<tr>
<td>6</td>
<td>Lack of the equipment and machinery maintenance register</td>
<td>Moderate</td>
</tr>
</tbody>
</table>

8.0. **Detailed audit findings**

8.1. **Losses of Cash and Equipment**

A review of the statement of reported losses of public moneys revealed that a total of UGX.3, 850,000 was lost in the previous year. This comprised of loss of equipment (UGX.1, 850,000) and undisclosed item valued at UGX.2M. During the year other losses worth UGX.48,138,492 were reported comprising equipment worth UGX.14,483,391 and cash totalling UGX.33,655,551.

It was noted that the lost resources incurred during the year under review belonged to the Global Fund Country Coordinating mechanism and the commission was required to make refunds owing to the memorandum of understanding between the two bodies. In response, management stated that the matter was still under investigation by the Police.

I await the results of police investigation.

8.2. **Failure to collect Non-tax revenue collections**

Analysis of Non-tax Revenue (NTR) collections over the last four years revealed wide fluctuations as indicated in the table below.

<table>
<thead>
<tr>
<th>F/Y</th>
<th>2010/11</th>
<th>2011/12</th>
<th>2012/13</th>
<th>2013/14</th>
<th>2014/15</th>
</tr>
</thead>
<tbody>
<tr>
<td>NTR (UGX.)</td>
<td>6,200,000</td>
<td>28,670,000</td>
<td>9,950,000</td>
<td>30,650,000</td>
<td>13,360,000</td>
</tr>
</tbody>
</table>

In response, management stated that the tenant was the National Forum of people living with HIV/AIDS Networks in Uganda (NAPHOFANU), an organization representing people living with HIV/AIDS, whose income was limited to donor contributions. Besides, the building was dilapidated.
I advised the Accounting Officer to liaise with the governing board and develop a separate policy on subsidies for the organization. Meanwhile, efforts should be made to develop the land into a revenue stream for supporting the commission’s activities in view of the declining donor support.

8.3. Governance Issues

8.3.1 Delayed Formulation of the Board Charter

The institutional review report 2011 under section 3.2.2 suggested that a board charter should be put in place to spell out the definite terms of service for the board members, performance management and evaluation mechanisms, composition of committees, and the appointment of board members.

Although the draft charter and procedures manual had been prepared in October 2014, this has never been approved by the board.

Without a comprehensive Board Charter, there is a risk of conflicts and duplication of roles.

In response, the Accounting officer explained that the matter would be prioritized in next Board sitting.

I await management actions in this regard.

8.3.2 Lack of strategic plan

Best practice requires an entity to prepare a strategic Plan that spells out its long term direction. In the previous audit report, I indicated that Uganda AIDS Commission had not put in place medium and long term plans since its establishment in 1992. Management stated that a draft strategy plan had been made, it was not availed for review.

Lack of a strategic plan implies that the implementation of activities aimed at achieving the entity's mission, vision and long term objectives may not be properly prioritized and co-ordinated.
In response, the Accounting officer explained that the strategic plan was still in a draft form and that management was using the National Strategic Plan on HIV/AIDS (NSP) and UAC Act as a guide in its activities. Meanwhile, a retreat to finalize the plan had been scheduled for January 2016.

I advised the Accounting officer to ensure that the strategic plan is put in place and implemented accordingly.

8.4 **Staffing Gaps**

The Commission establishment provides for eighty two (82) staff including technical and support staff of which 55 positions are filled leaving a staffing gap of 27 vacancies (33%). Included in the vacancies are key positions under the departments of Communications and Records & Information.

Management explained that the structure had not been filled due to lack of funds as the available Wage of UGX.1,381,281,000/- covers 59 (Fifty Nine) positions out of the approved 82 (Eighty Two) and the balance of 23 (Twenty Three) positions had financial implications totaling UGX.445,021,215 which was not availed.

I advised the Accounting Officer to continue liaising with Ministry of Public Service and Ministry of Finance Planning and Economic Development to obtain funding for recruitment of necessary staff.

8.5 **Lack of the equipment and machinery maintenance register**

Treasury accounting instructions (TAI), 2004 Part II, Para 816 states that in addition to maintenance of Inventory of launchers and plants; Operating records should be maintained for plants recording their history of performance, servicing, overheads and repairs in sufficient details to enable periodical assessments.

It was however noted that the commission did not maintain the prescribed registers.

In response, the Accounting officer stated that the register would be put in place with effect from 2015/2016 financial year.

I await the outcome of the management’s commitment in this regard.
8.6 **Flaws in the Procurement Process for motor vehicle repairs**

The PPDA Acts, 2003 Section 28 spells out the duties and responsibility of contracts committee which among others include; adjudication of recommendation from PDU and award of contracts, approving evaluation committee, Approving bidding and contract documents and approving procurement and disposal procedures.

A review of the procurement file on repair of vehicles for the Commission revealed that a total of UGX.79, 445,000 was paid to the service providers without the input of the Contracts Committee. The procurements were undertaken exclusively by the PDU in mid June 2015 a period towards the end of the financial year.

Overriding of procurement processes and procedures by the PDU may result into uncompetitive procurement.

In response, the Accounting officer Stated that the procurement was of emergency nature.

I advised management to always comply with procurement regulations even in emergency circumstances as this will enhance proper stewardship of public resources.

8.7 **Status of prior year audit recommendations**

A review of the implementation of the prior year audit recommendations revealed that some had not been implemented as shown below.

<table>
<thead>
<tr>
<th>No</th>
<th>Issue</th>
<th>Recommendation</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>9.1</td>
<td>Nugatory Expenditure</td>
<td>Management was advised to ensure proper record keeping and timely settlement of genuine claims when they are submitted.</td>
<td>Partially addressed</td>
</tr>
<tr>
<td>9.2</td>
<td>Staffing levels</td>
<td>Management was advised to ensure the key positions are filled accordingly</td>
<td>Partially addressed</td>
</tr>
<tr>
<td>9.3</td>
<td>Un explained Fluctuation of Non-tax revenue</td>
<td>The Accounting Officer was advised to report the outstanding NTR as revenue in arrears and ensure that the amount is recovered.</td>
<td>Not addressed</td>
</tr>
<tr>
<td>9.4</td>
<td>Failure to finalize a strategic plan</td>
<td>The Accounting Officer was advised to ensure a strategic plan is put in place and implemented accordingly.</td>
<td>Not addressed</td>
</tr>
<tr>
<td>Delayed Formulation</td>
<td>The Accounting Officer was advised to ensure</td>
<td>Not addressed</td>
<td></td>
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<td></td>
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<td></td>
</tr>
<tr>
<td>9.5</td>
<td>of the Board Charter</td>
<td>finalization of the charter to streamline the relationship between the Management and the Board.</td>
<td></td>
</tr>
<tr>
<td>9.6</td>
<td>Failure to report asset losses</td>
<td>The Accounting Officer was advised to institute proper security measures in the store premises and ensure that the loss is reported to the Treasury without further delay.</td>
<td>Partially addressed</td>
</tr>
</tbody>
</table>

Failure to implement recommendations result in recurrence of the anomalies and is also an indication of management’s laxity in enforcing governance issues.

I advised the Accounting Officer to ensure that all prior year audit recommendations are implemented to ensure proper accountability and better stewardship of the Hospital resources.