Report No. 29377-UG

The Republic of Uganda
Country Integrated Fiduciary Assessment 2004

(In Five Volumes) Volume III: Country Financial Accountability Assessment (CFAA)

May 2004

Poverty Reduction and Economic Management 2
Country Department of Uganda
Africa Region

Document of the World Bank

CURRENCY EQUIVALENTS

Currency Unit = Uganda shilling (UGX)
US$ 1.00 = 1896.56 (March, 2004)

FISCAL YEAR

July 1 – June 30

ABBREVIATIONS AND ACRONYMS

ACCA	Association of Chartered and Certified Accountants (UK)
AccGen	Accountant General
AfDB	African Development Bank
AFROSAI	African Organisation of Supreme Audit Institutions
AGO	Accountant General's Office
ALD	Aid Liaison Department (MoFPED)
AO	Accounting Officer
AudGen	Auditor General
BFP	Budget Framework Paper
BoU	Bank of Uganda
CAS	Country Assistance Strategy
CCS	Commitment Control System
CFAA	Country Financial Accountability Assessment
CIFA	Country Integrated Fiduciary Assessment
COA	Chart of Accounts
COFOG	Classification of the Functions of Government
COSASE	Committee on Commissions, Statutory Authorities and State Enterprises
CPA	Certified Public Accountant
CPAR	Country Procurement Assessment Report
CPD	Continuous Professional Development
CPPR	Country Portfolio Performance Review
CRC	Constitutional Review Commission
DANIDA	Danish International Development Agency
DEI	Directorate for Ethics and Integrity
DFID	Department for International Development
DMFAS	Debt Management and Financial Analysis System
DPP	Director of Public Prosecutions
ECSAFA	Eastern, Central and Southern Africa Federation of Accountants
EFMP-II	Second Economic and Financial Management Project (World Bank)
EFT	Electronic Funds Transfer
FAP	Financial Accountability Programme (DFID)
FY	Financial/Fiscal Year
GDP	Gross Domestic Product
GFS	Government Financial Statistics
GoU	Government of Uganda
HIPC	Highly Indebted Poor Countries
HP	Hewlett Packard
HR	Human Resource
HRM	Human Resource Management
IAD	Internal Audit Department
IAS	International Accounting Standards
ICPAU	Institute of Certified Public Accountants of Uganda
IDA	International Development Association (World Bank Group)
IFAC	International Federation of Accountants
INTOSAI	International Organisation of Supreme Audit Institutions
IPPS	Integrated Personnel and Payroll System
IPSAS	International Public Sector Accounting Standards
IT	Information Technology
LAN	Local Area Network
LG	Local Government
LGA	Local Government Act
LGAC	Local Government Accounts Committee
LGDP	Local Government Development Programme
LGPAC	Local Govt. Public Accounts Committee
MDA	Ministry, Department and Agency
MoFPED	Ministry of Finance Planning and Economic Development
MoIA	Ministry of Internal Affairs
MoLG	Ministry of Local Government
MoPS	Ministry of Public Service
MP	Member of Parliament
MTEF	Medium Term Expenditure Framework
NGO	Non-Governmental Organisation
NITA	National Information Technology Agency
NSSF	National Social Security Fund
OAG	Office of the Auditor General
OECD-DAC	Organisation for Economic Co-operation and Development – Development Assistance Committee
OOB	Output Oriented Budgeting
PAC	Public Accounts Committee
PAF	Poverty Action Fund
PE	Public Enterprise
PEAP	Poverty Eradication Action Plan
PER	Public Expenditure Review
PFAA	Public Finance and Accountability Act
PFAR	Public Finance and Accountability Regulations
PFM	Public Financial Management
PIU	Project Implementing Unit
PMU	Parastatal Monitoring Unit
PPDA	Public Procurement and Disposal of Assets Authority
PRGF	Poverty Reduction Growth Facility
PRSC	Poverty Reduction Support Credit
PS	Permanent Secretary
PSC	Public Service Commission
SAI	Supreme Audit Institutions
SIDA	Swedish International Development Cooperation Agency
SWAp	Sector Wide Approach
TM	Treasury Memorandum
TOA	Treasury Office Accounts
UCS	Uganda Computer Services
UPE	Universal Primary Education
URA	Uganda Revenue Authority

IFMS	Integrated Financial Management Information System
IG	Inspectorate of Government
IGG	Inspector General of Government
IIA	The Institute of Internal Auditors
IMF	International Monetary Fund
Ushs	Uganda Shillings
VFM	Value for Money
WAN	Wide Area Network

Vice President:	Callisto Madavo
Country Director:	Judy M. O'Connor
Sector Manager:	Anthony M. Hegarty
Task Team Leader:	Marius Keon

TABLE OF CONTENTS

LIST OF TABLES

LISTOF FIGURES

PREFACE

Context

Sound Economic Governance is essential for the achievement of the desired reduction in poverty levels and improvements in economic growth in Uganda. Good Public Financial Management (PFM) is important for efficient, effective and equitable utilisation of scarce national resources. Whilst the extent to which policy makers are held accountable to their constituents is an excellent indicator of good governance. Accountability and transparency go hand in hand in developing open and participatory decision-making processes.

In 2001, a Country Financial Accountability Assessment (CFAA) was carried out and recommendations and an action plan made for improvements to the country's financial management and accountability processes. The Government of Uganda (GoU) and Development Partners are keen to assess progress and learn from successes and failures. It is with this broad goal that the Development Partners (World Bank, the Swedish International Development Authority (SIDA), the UK Department for International Development (DFID) and the African Development Bank (AfDB)) and the GoU commissioned this CFAA in the first quarter of 2004. However all stakeholders agreed as part of improved harmonisation and co-ordination that it should be carried out as part of a broader Country Integrated Fiduciary Assessment (CIFA) for Uganda. The CIFA aims at integrating three diagnostic exercises (CFAA, Public Expenditure Review (PER) and Country Procurement Assessment Report (CPAR)) to facilitate a comprehensive assessment of PFM in Uganda.

The overall purpose of the CIFA and its sub component exercises, including the CFAA, is to provide GoU and Development Partners with a comprehensive, integrated and candid assessment of Uganda's key fiduciary risks as reflected in GoU's resource allocation, resource management and control, resource utilisation and accountability processes, and to make recommendations for improving the PFM framework, institutional performance and capacity building.

Overview of findings

Significant progress has been made since the previous CFAA in particular on strengthening and updating the Legal Framework and Regulatory Environment for PFM. Also, excellent progress has been made in developing human resource capacity in the accounting and auditing cadre in the public sector and significant strides have been made to develop the accounting and auditing profession. While the procurement of the Integrated Financial Management System (IFMS) has been concluded, the roll out and further development and funding of the IFMS poses a significant challenge to the GoU. There are also considerable concerns about the adequacy and integrity of the current payroll system. The critical issue of the operational independence of the Auditor General remains unresolved and needs to be addressed urgently. Oversight and supervision of all public enterprises including statutory authorities and semi-autonomous Government bodies and Non-Governmental Organisations also needs to be strengthened. Finally, whilst the progress made in increasing public awareness of anti-corruption activities is highly commendable, the cost of corruption to the economy remains a significant problem.

Team composition

The assignment team for the CFAA consisted of the following members:

World Bank: Marius Koen (Team leader, AFTFM), Patrick P. Umah Tete (AFTFM, Uganda) and Jonathan Nyamukapa (AFTFM, Zimbabwe);
DFID: Consultants (Peter Murphy and Carole Pretorius);
AfDB: Charles Muthuthi;
SIDA: Consultant (Stefan Sjölander).

The World Bank gratefully acknowledges the financial and other support provided by the Development Partner's mentioned above.

The Manager: Financial Management – Africa Region (Mr. Anthony M. Hegarty) provided technical guidance and was responsible for quality assurance arrangements. Peer reviewers for the CFAA were Mr. Henrik Harboe (Norwegian Agency for Development Coordination, Oslo) and Mr. Gert van der Linde (FM Unit, Africa Region).

The work was completed with guidance of the Country Director (Ms. Judy M. O'Connor), the Country Manager (Ms. Grace M. Yabrudy) and the Country Economist (Mr. R. Sudharshan Canagarajah). Contributions and support by the in-country DFID Economic Adviser (Mr. Jonathan Beynon) and Governance Adviser (Ms. Wandia Gichuru) is acknowledged.

The study was conducted during the first quarter of 2004 through a combination of questionnaires, written submissions, desk reviews and interviews with key personnel of Government agencies and other organisations. The team would like to express their sincere gratitude to all the individuals from both the public and private sectors that participated and submitted comments.

A workshop was held on April 20 and 21, 2004 to discuss and consider the draft findings and salient recommendations, and to provide final inputs towards the finalisation of this report as well as the CIFA report. The workshop was attended by a representative group of all the stakeholders mentioned in **Appendix 3** (including Development Partner's) who participated in and contributed to this process.

Finally, the CFAA team expresses its sincere gratitude for the assistance and courtesies extended by all parties that participated in the analysis. In particular we would want to mention the names of Mr. C.M. Kassami (Permanent Secretary: Ministry of Finance Planning and Economic Development), Mrs. M.C. Muduuli (Deputy Secretary to the Treasury) and Mr. G.O.L. Bwoch (Accountant General) who spearheaded the client participation. The efforts and enthusiasm of Messrs. L. Semakula, P.W. Mangeni, D.T. Kisembo and R. Byaruhanga without whose assistance the team wouldn't have been able to achieve its targets, is recognised. Also our gratitude is extended to the team from the Accountant General's Office who supported the mission in collecting the questionnaires and arranging appointments with counterparts.

INTRODUCTION

Background

Uganda has been undertaking economic reforms geared to maintenance of macroeconomic stability, high rates of economic growth, and above all, reducing poverty as espoused in the country's Poverty Eradication Action Plan (PEAP). Furthermore, the country has made a commitment to meeting the Millenium Development Goals within the specified timeframe. The pivotal economic reform Uganda has implemented is the liberalisation of markets in all sectors of the economy and the decision that the private sector should lead the economic growth process. Indeed, the country registered high rates of economic growth during the 1990s and poverty declined from 54% in 1997 to 35% in 2000. However, from the turn of the century the Ugandan economy began experiencing several challenges reflected mainly by the slow down in the rate of economic growth.

Previous evaluations of Public Financial Management (PFM) and Accountability systems in Uganda[1] have resulted in the Ministry of Finance, Planning and Economic Development (MoFPED), instituting, with World Bank and bilateral support, an Economic and Financial Management Programme (EFMP-II) and a complementary UK Department for International Development (DFID) funded Financial Accountability Programme (FAP). These centrally managed programmes have resulted in the adoption of a new legislative framework for budget, procurement and financial management and are expected to progressively strengthen the principles, standards, systems and institutional arrangements of the PFM framework. In addition PFM support is being provided to various sector programmes (Health, Education, Local Government) and specific organisations including the Office of the Auditor General (OAG) and the Ministry of Public Service (MoPS) for Payroll/Personnel. Some attempts have been made to co-ordinate these development activities through the recent establishment of a Public Expenditure Management Committee — better known as PEMCOM.

The Country Integrated Fiduciary Assessment (CIFA), of which the Country Financial Accountability Assessment (CFAA) is a key component, is being undertaken at a time when the Government of Uganda (GoU) is revising its PEAP and Development Partners are initiating the process of integrating and revising their Country Assistance Strategies (CAS) for Uganda. The World Bank's CAS focuses on higher economic growth, poverty reduction and institutional reforms to improve governance. It conforms with GoU's main strategic directions: adherence to macro stability, increased private sector participation in the economy, a renewed emphasis on rural development and improved delivery of social services. In supporting these objectives the CAS proposes a lending programme, which is increasingly geared towards operations with a direct bearing on poverty and strengthening of social sector programmes.

In pillars one and two of the PEAP the importance of strengthening public expenditure management and of good governance in improving the efficiency of public service delivery is emphasised. Pursuant to the shift from projects to budget support, the World Bank and other Development Partners are providing a series of Poverty Reduction Support Credits (PRSC) and general budget support, which commenced in

[1] EFMPII design studies (1998/99), CFAA/CPAR (2001), Highly Indebted Poor Countries (HIPC) Tracking Study (2001/2), Review of Local Govt PFM (2003) and annual PERs

2001 to support the Government's PEAP. The CIFA and its subcomponent processes will help GoU and Development Partners in CAS and PEAP preparation/revision and be an important input to ongoing reform programmes including the preparation of general budget support and PRSC.

Objectives of a CFAA

A CFAA is a diagnostic tool designed to enhance knowledge of PFM and accountability arrangements. **Financial Accountability** is the obligation to demonstrate and take responsibility for the results of financial decisions against agreed expectations. In general, these expectations are that funds are used economically, efficiently and effectively for the purposes intended. The capacity and quality of the stewardship function are important determinants of performance, development effectiveness and poverty reduction. The CFAA is not an audit—nor does it provide a "pass/fail" assessment of a country's PFM system. A CFAA provides a well-informed and objective assessment, a diagnosis of problems, advice on their resolution and an indication of the level of **fiduciary risk**. However, it is not intended to, and does not, provide assurance on the specific uses to which funds have been or may be applied. A CFAA also facilitates the design and implementation of a **development action plan** to support financial accountability.

Scope and Action plan

This CFAA is an update of the assessment done in 2001. It discusses progress made in the area of PFM reforms since then and provides a "status-matrix" in **Appendix 1** on the implementation of the key recommendations of the 2001 CFAA. As this exercise is to form an integral part of the CIFA report, it has been agreed that there should be no **executive summary** or **separate action plan**. Nevertheless the following salient recommendations are noteworthy:

- Streamline the requirements in the budget process and improve contents of budget performance reports;
- Record and monitor all foreign development assistance in the budget;
- Approve and implement the proposed new organisational structure of the Accountant General's Office (AGO);
- Improve the integrity of the payroll system;
- Secure funding for the roll out of the Integrated Financial Management System (IFMS);
- Enact appropriate legislation to ensure the independence of the Auditor General (AudGen);
- Implement changes to the Internal Audit function as required by the Public Finance and Accountability Act (PFAA);
- Strengthen various elements of the oversight as well as legislative and public scrutiny functions;
- Strengthen monitoring of accountability of Public Enterprises (PEs) and Non-Governmental Organisations (NGOs); and
- Enact the draft Accountants Bill which aims to strengthen regulation of the accountancy profession.

Also, in order to minimise duplication with the work carried out for the PER, this CFAA report focuses primarily on the execution and monitoring phases of the **budget** cycle and the oversight and accountability frameworks. Budget formulation has been restricted primarily to a review of the legislative and regulatory issues as well as the systems and procedures for aid co-ordination. A separate CIFA

exercise is also being carried out for **Local Government** (LG), therefore references to LG are primarily from a Central Government perspective.

Fiduciary risk assessment

Whilst the CFAA includes an objective assessment and diagnosis of strengths and weaknesses of certain elements of the PFM, the overall **assessment of the level of fiduciary risk** will form part of the CIFA report. Nevertheless, fiduciary risk is of such importance that one cannot omit addressing the issue — albeit only in summary.

The fiduciary risks associated with poor budget formulation and budget preparation processes have reduced. In terms of appropriate legislation and regulatory frameworks, significant progress has been made to ensure that the risk associated with lack of clear rules and regulations has been reduced. Also more useful information is provided in the annual accounts.

It is recognised however that Rome was not built in a day, the process of implementation of new rules and ways of working does take time and does require changes in attitude, continued capacity building and widespread demand for greater accountability. Risks remain in terms of:

- Enforcement of procurement and payroll rules and procedures;
- Completeness of data on debt;
- Effective independent oversight, and
- Timeliness and effectiveness of legislative and public scrutiny.

In addition, the appropriate legislative framework for integrity is still being developed. There remain significant legal, institutional and capacity constraints on the ability of the integrity bodies (IGG, DEI, Police, DPP) to carry out their various functions including public education, detection, investigation and prosecution of offenders.

1. GOVERNMENT FINANCIAL PLANNING AND BUDGETING

A. BUDGET PLANNING AND RESOURCE ALLOCATION

Review and assessment of the current system

Legislative framework and regulatory environment

1.1 The Constitution, the PFAA, 2003 and the Budget Act, 2001 provide the basic legal platform for the budget formulation process. The Budget Act stipulates first and foremost the information on the budget process that Government is required to present to Parliament and when. Mandatory presentations from Government include a macro-economic plan, fiscal and monetary programmes for economic and social development for a three year period, as well as estimates of revenue and expenditure covering both the one-year period (new financial year) and the three-year horizon (medium term planning period). In addition a number of other reports are presented, for example, the Minister of Finance is expected to present data on value for money (VFM) in relation to specified targets in the budget. The President is asked to present specified data on the national debt and the total sum of grants received by the State and achievements obtained through these grants. The Act also regulates the budget formulation procedures within Parliament.

1.2 The PFAA provides the legal framework for enhancing the control and management of public resources and strengthening fiscal transparency and accountability. The PFAA further strengthens the budget planning process including the need for Accounting Officers (AOs) to be accountable to Parliament for outputs and puts in place measures to improve control of resources and adherence to accounting practices.

1.3 Although the content and structure of the Budget Act seems to be appropriate and according to MoFPED has considerably improved timeliness of the budget process, the Act does seem to represent a very tight schedule especially for the MoFPED during the six months prior to the new fiscal year, which begins on the 1st of July. This is further exacerbated by the fact that this period, partly as a result of the Act, also requires close consultations between the Government and Parliament on the content of the budget proposals and its priorities. The Public Expenditure Review (PER) process in Uganda also forms an integral part of the budget process, not least during the period of consultations between the Government and the Parliament.

1.4 One significant reason for the "congestion" during the latter part of the annual budget process is the very ambitious requirements for the presentation of budget information specified in the Budget Act. The provision of these documents to a large extent rests with the MoFPED. Given current capacity constraints the requirement for so much information to be analysed and presented in a short period of time could have an adverse effect on accuracy and quality of documentation.

1.5 Another very important set of regulatory frameworks in the budget process are Government internal circulars and guidelines, especially the main budget circular issued from the MoFPED to sector ministries (AOs) in October. Apart from scheduling internal budget work, this circular regulates a number of issues; examples in the circular for fiscal year 2004/05 are regulations relating to supplementary budgets, Sector Working/Budget Framework Papers, consequences of the on-going PEAP review process, the link between identified outputs/outcomes and proposed budgets from sector ministries, the inclusion of all Development Partner resources in the budgetary resource envelope, the issue of arrears, instructions

to identify ghost workers, issues relating to the MoPS decisions (wage bill, vacant posts, etc), identification of protected expenditure and a number of other technical issues, including some relating to LG.

Budget formulation

1.6 The introduction of the Medium Term Expenditure Framework (MTEF) in Uganda made it possible to formulate a resource envelope for medium term planning that is consistent with balanced macro-economic development. Most importantly, the MTEF also makes it possible for the MoFPED to project the size of different budget components (e.g. wage, non-wage, development) in different scenarios on an aggregate level. In this respect the MTEF continues to represent an important stabilising fiscal factor.

1.7 Following the presentation of the sector ceilings from MoFPED, sector ministries are, as part of the budget process, expected to produce Budget Framework Papers (BFPs) outlining their respective priorities for the next fiscal year. In a dialogue with the MoFPED, sector ministries are given the opportunity, based on the BFPs, to argue for increased ceilings. The formulation of the BFPs supposedly fulfils the requirement for a needs assessment in the MTEF process. According to the MoFPED, BFPs are gradually improving and becoming less of an academic exercise. However, whether it is because of the fact that the sector ceilings are determined early in the Ugandan budget process, or due to some other reason, in many cases BFPs still lack realism, i.e. they do not reflect what can actually be achieved in relation to available capacity in the sector. Sector working groups are not realistic in their budget formulation process and include too many planned undertakings, which are inconsistent with budget ceilings and the capacity of the sector to utilise the funds.

1.8 In order to enhance realism, BFPs should be based on a set of costed activities, which support the objectives of the sector programmes. This presupposes access to accurate and appropriately classified financial data. This would support a more balanced budget dialogue and should result in the formulation of more realistic sector ceilings.

1.9 More realistic ceilings should enable sector ministries to utilise the MTEF more effectively. As currently many line ministries report that the MTEF only supports the annual budget process. This is because of the uncertainty associated with final revenue projections and actual Development Partner financing. As agreed under the partnership principles, 2003/04 sector ceilings include Development Partner financed projects and budget support. Although, the quality of information on Development Partner project financing still remains poor, improved forecasts of both revenue and such financing as shown in the 2002/03 Annual Budget Performance Report, would stabilise medium term forecasts and therefore improve the credibility of the MTEF process.

1.10 The state budget in Uganda is divided between the Poverty Action Fund (PAF)-protected areas and non-PAF areas. PAF areas, responding to the PEAP-priorities, are prioritised by Government in the budget and protected from cuts in reallocation programmes or cash limitations due to liquidity constraints. By creating the PAF, GoU has succeeded in mobilising Development Partner support. The share of expenditures included in PAF increased from 17% in 1997/98 to 31% in 2000/01 and to 36% in 2003/04. Under normal circumstances PAF expenditure is protected from budget cuts and therefore promotes pro-poor spending. However there are instances whereby political interference has resulted in alterations to budget allocation which appear to be inconsistent with stated policies.

1.11 The Government has recently adopted the Government Financial Statistics (GFS) system and the Classification of the Functions of Government (COFOG), which is to be adjusted to local conditions, i.e. to follow the structure of the new PEAP currently under revision.

Overall assessment

1.12 In general, the Ugandan budget formulation process works fairly well and has improved since the last CFAA in 2001. Legislation and supporting circulars are comprehensive and relevant even though it would be difficult for the Government to comply with all the stated requirements. Recent changes in legislation have strengthened the budget planning process. However, although there are a large number of regulations in support of the primary legislation, it is understood that there is still some confusion over roles and responsibilities in terms of enforcing compliance, for example in budgeting for the payment of arrears. In addition, the regulations place a heavy workload on MoFPED as a large volume of instructions, guidelines and other regulations require intervention or action by the ministry. Consequently, this situation could constitute a fiduciary risk if the sheer volume of detailed requirements makes it difficult for MoFPED to follow up on those key financial control mechanisms, such as the comprehensiveness of registered commitments or submission of non-tax revenue from sector ministries and to impose the necessary sanctions on non-compliance.

1.13 Revenue projections have improved, while tax revenue as a share of Gross Domestic Product (GDP) has stagnated at about 12% and non-tax revenue does not meet forecasts. Budget coverage is improving, resources not explicitly included are primarily linked to a diminishing number of Development Partner projects that have been directly funded outside the budget framework and non-tax revenue financed expenditure exempt from transfer to the Consolidated Fund. A new and mandatory requirement for Government ministries to include all projects in their budget submissions is being introduced for the fiscal year 2004/05. A number of budget projection uncertainties linked to a weak payroll system, unfunded pension commitments, potential state enterprise subsidies and ongoing development projects rolled forward remain. There is a risk that some of these could give rise to substantial extra budgetary expenditure in-year. Due to budgetary constraints, there are no extra resources set aside for contingencies, although this could change with more realistic projections in the BFPs. In which case, overdrafts would henceforth be exacerbated by external factors, such as exchange rate fluctuation, or political interference.

1.14 Roles and responsibilities in the budget formulation process are clearly defined in policy documents and timeliness in budget preparation has improved as a result of the introduction of the MTEF. PAF-protected sectors present good quality working and review papers. Government is engaged in extensive consultative processes concerning the budget, particularly for the core PAF ministries and the MoFPED.

1.15 The PEAP and the definition of related PAF areas support a close link between (poverty) policies and expenditure plans, even if impact is unclear due to weak PFM and reporting structures at LG level. However late final projections of revenue and donor financing pledges, introduce uncertainty into the MTEF resource envelope determination. Improved forecasting of both these aggregates would stabilise medium term projections and facilitate increased credibility and sector engagement in the MTEF process. The protected PAF creates distortions and potentially causes efficiency losses in the Government's budget formulation process. This is due to budget cuts impacting disproportionably on non-PAF areas that are linked to and support the performance and effectiveness of PAF resources.

1.16 As has already been stated sector BFP submissions continue to lack realism in relation to capacity/resources and would benefit from improved prioritisation and costing. The planned shift towards

a more integrated and dynamic resource allocation system would better support plans for a more performance based budget process and reduce the risk of distortion and efficiency loss.

Recommendations

1.17 The Government is moving towards output/outcome related allocations in the budget process. This step forward could be supported by a number of initiatives in the budget formulation process.

Short-term (1-2 years)

- The large number of requirements specified in the budget process should be prioritised and streamlined to support areas linked to budgetary control and a more realistic and appropriate budget dialogue. MoFPED should be able to follow up in core areas where sector ministries do not comply to regulations.
- Capacity in line ministries to develop costed plans for inclusion in the BFPs should be improved.
- Capacity of MoFPED to evaluate and challenge line ministry proposals should be strengthened.
- Continue to improve information on contingent liabilities, commitments and state enterprise operations.
- Continue to improve revenue forecasting mechanisms and information on agreed Development Partner funding levels.

Medium-term (3-5 years)

- Following access to more accurate and timely accounting information through the new IFMS, sector ministries should be asked to cost and calculate activities before requirements are presented in the BFPs.

B. BUDGET EXECUTION AND MONITORING

Review and assessment of the current system

1.18 The Government presents a Semi-annual and an Annual Budget Performance Review report reflecting cash releases in relation to the budget to Parliament. Table 1 is a summary of budget releases performance by function for the fiscal year (FY) 2002/03. For the Development Partner budget support, monitoring is done through the quarterly budget performance report.

Table 1. Summary of Budget releases for 2002/03

Sector	Budget (Ushs billion)	Releases† (Ushs billion)	Total in %
Security	261.7	296.9	113,5
Roads and Works	150.5	155.0	103,0
Agriculture	46.8	49.1	105,0
Education	505.2	491.8	97,3
Health	196	189.9	96,.9
Water	48.7	55.2	113,2
Law and Order	142.2	145.7	102,5
Accountability	26.6	26.1	97,.9
EF and SS#	149.9	151.9	101,4
Public Adm.	361	367.2	101,7
Total (excl. interest)	**1,893.0**	**1928.7**	**101,9**
Interest Payment	144.6	180.8	125,0
Total (incl interest)	**2,037.6**	**2,109.5***	**103,5**

† Cash balances are available from monthly bank reconciliations.

Economic Functions and Social Services.

1. * The actual expenditure reported by Treasury amounts to an overspending of Ushs76 trillion. Due to the fragmented nature of the current accounting and budget systems the information could not be broken down to the sectoral detail provided in the table above

1.19 Releases of more than a hundred percent should not be interpreted as lack of expenditure control. The total "overdraft" for 2002/03 is an exception, which was funded through higher income from PEs in-year than expected. The reason for this improved performance by PEs has not been reviewed by this assessment.

1.20 The Government uses a number of systems to control expenditure in relation to the budget. All additional expenditure in-year is funded through reallocations (i.e. cuts in non-PAF areas). According to the Budget Act, supplementary budgets cannot exceed 3% of the budget. The MoFPED controls all cash releases through a cash budgeting system. Releases for the next quarter are usually announced to sector ministries during the first or second week of the quarter and disbursed monthly. While the MoFPED states that the quarterly sum announced is eventually paid out, sector ministries and the AGO claim that the actual disbursement can be lower than promised. Cash is disbursed in accordance with sector ministries' quarterly action plans presented to MoFPED, and PAF priorities.

1.21 Since 1999, sector ministries operate a commitment control system (CCS). No money is registered in the CCS or paid out from the ministry concerned before the quarterly release from the MoFPED is known (and in many cases also actually received). Priorities follow PAF protected areas and cases where Government provides counterpart funding in order to access Development Partner funding. Wages, the largest expenditure in core PAF sectors, are not included in the CCS. The CCS will be introduced as a pilot exercise in a number of districts during FY 2004/05 under the Fiscal Decentralisation Strategy.

1.22 Sector ministries report back monthly to MoFPED on their financial releases (and commitments registered). The information is used by the MoFPED at fiscal year-end to check on disbursement of development funding.

1.23 Core PAF protected sectors transfer approximately 70% of their resources to LG (the actual disbursement is made by MoFPED). Expenditure control is imposed through special reporting linked to a large number of conditional and unconditional grants. Subsequent releases are withheld unless financial reports for the previous period are presented. Accounting information is rarely used as a source of

information for budget monitoring. In many cases LGs find it difficult to produce regular monthly accounts due to the demand for special reports relating to PAF and Development Partner funds.

1.24 Supplementary appropriations require prior parliamentary approval before any commitments is made. Cash releases below individual budget appropriations for the full fiscal year are not subject to parliamentary scrutiny. Information concerning these lower than budgeted payments is considered to be made available to the legislature through the annual accounts. Punitive action against AOs for any overdraft or increase of arrears is stipulated in the budget circular, although it is not known whether any sanctions have actually been imposed

Assessment

1.25 Generally release control systems for regular budget expenditure seem to work well, with the exception of the possibility of a need for additional subsidies to state enterprises and unexpected additional pension commitments. However, according to a recent PRSC-program document expenditure on public administration is increasing and different sources suggest that there are a number of "ghost workers" in core PAF sectors as a result of a breakdown of payroll controls and procedures.

1.26 Currently Budget Performance Reports do not reflect actual expenditure or commitments. However with the introduction of the IFMS, it is anticipated that actual expenditure data will be included in the Budget Performance Reports as discussed further in Section 3.1.

1.27 The budget circular from MoFPED for fiscal year 2004/05 states that budget allocations should be more closely linked to the presentation of outputs/outcome and how these relate to stated objectives for the sector. Once budgeted and actual expenditure, and commitments are captured in the IFMS it would provide the Government with more reliable information on how expenditure relates to outputs and results.

Recommendations

Short-term (1-2 years)

- Follow-up on the appropriateness of present systems for calculation of annual pension commitments, annual state enterprise subsidies.
- Introduction of actual expenditure per sector in the Budget Performance Reports — this will be done in financial year (FY) 2003/04.

Medium-term (3-5 years)

- Introduction of commitment information in the Budget Performance Reports.
- Introduction of performance reporting in the Budget Performance Reports.

C. AID COORDINATION AND EXTERNAL RESOURCE MANAGEMENT

Review and assessment of the current system

Legal framework

1.28 The Constitution and the PFAA gives MoFPED the mandate to plan and manage public finances. The power to raise external financial resources is vested in the Minister responsible for Finance. Both the

Cabinet and the Parliament approve all external borrowings. The regulatory framework over external borrowings appears appropriate.

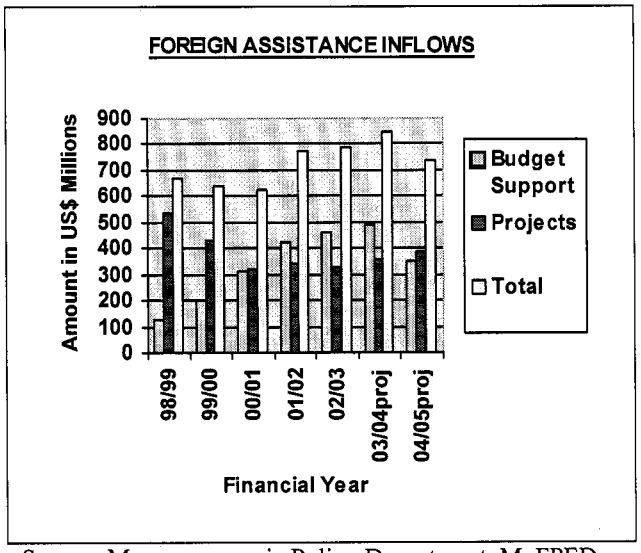
Aid coordination

1.29 Foreign assistance finance as a percentage of GDP was 13.91% in FY 2002/03 and is expected to be 14.02% of GDP in FY 2003/04. The Aid Liaison Department (ALD) in MoFPED is responsible for effective and efficient coordination of aid resources. The Macro-economic Policy Department matches the external aid requirements with appropriate Development Partners within the macro-economic policy framework. It also keeps Development Partners informed of the Government's needs and priorities for external financing through half yearly meetings of line ministry and sector working groups or in the case of Development Partners without country offices in Kampala, through formal requests. Other opportunities for Government/Development Partner exchanges on priorities happen during PEAP and PER processes. Within the Development Partner group, there are a number of Consultative Group meetings that facilitate coordination. At Central Government level specialisation amongst Development Partners is becoming increasingly common, thereby reducing the co-ordination costs.

1.30 The Government's aid policy is that all foreign developmental assistance to Uganda including loans, grants and technical assistance (TA) should be within the framework of the PEAP. The PEAP is the Government's Comprehensive Development Framework. It is intended to harmonize the implementation of all development programmes and facilitate the adoption of Sector Wide Approaches (SWAps) to resource allocation and management of foreign assistance aid inflows. The Government is committed to taking a lead role and owning Uganda's developmental process and through consultations with its Development Partners has agreed a set of Partnership Principles. These Principles are intended to enhance the management of external aid resources through the budget framework with emphasis moving away from projects to programmes under SWAps. Formal co-ordination mechanisms linking aid policies and programmes to the PEAP are clearly established with the aim of enhancing the optimal use of foreign assistance for poverty alleviation initiatives.

Figure 1. Foreign Assistance Inflows

A major concern of the Government is that the proportion of foreign assistance funds channelled through investment projects rather than budget support or programmes under SWAps is very high, contrary to the agreed Partnership Principles. As Figure 1 opposite shows, out of total foreign assistance inflows to Uganda amounting to US$ 789 million in the FY 2002/03, US$ 330 million (42%) was received through investment projects. The projections for FY's 2003/04 and 2004/05 show that this trend will persist with investment project financing exceeding budget support/SWAps financing in FY 2004/05. This complicates the management and implementation of development assistance to Uganda.



Source: Macro-economic Policy Department, MoFPED

1.31 However, as illustrates above, there is strong support from Development Partners to move towards SWAps in key sectors as the level of budget support financing has steadily increased in the past five years. This will promote common management and implementation arrangements and significantly reduce the transaction costs incurred by Government in coordinating and managing foreign assistance.

External resource management

1.32 ALD (under the Director of Budget) keeps custody of all loans and grants agreements and maintains a register of the agreements. The Foreign Funds Division in the Treasury Office of Accounts (TOA), in MoFPED has the responsibility of managing local and foreign debt including its tracking, recording and monitoring. TOA maintains a Debt Management and Financial Analysis System (DMFAS) for aid management. The Macro-economic Policy Department in MoFPED prepares debt reports produced by this system and other information provided by Bank of Uganda (BoU). These are distributed to various agencies including Parliament, International Monetary Fund (IMF), World Bank and other Development Partners. A key concern was that there was no automated interface to the IFMS until recently. However, interfacing of the DMFAS to IFMS is already being done and monitored during the current pilot period.

1.33 A serious issue, however, relates to the bypassing of MoFPED in the process of recording the actual disbursement of project funds. This problem arises because Development Partners do not actively share estimates of expected disbursement with MoFPED. In addition, certain bilateral Development Partners channel grants directly to projects without informing MoFPED. In such cases the Development Partner may inform the line department responsible for executing the project that disbursement has been made but the line department does not share that information with MoFPED. This means that MoFPED is unable to keep its aid database up-to-date. As a result, the development budget estimates and debt records are incomplete. Similarly, NGO-executed projects are not recorded and therefore these activities cannot be taken into account to promote an optimal allocation of Government's own resources both within and across sectors. Direct payments by Development Partners to the providers of goods and services are also difficult to capture. Together these factors undermine the ability of MoFPED to plan the budget based on a comprehensive understanding of all resources available and jeopardize the efficacy of public expenditures. To deal with this problem MoFPED has issued instructions to all Government Units that starting from FY 2004/05 all Development Partner-funded projects (loans and grants) will be part of the total budgetary resource envelope ceilings.

Harmonisation issues

1.34 The prompt receipt by Development Partners of accurate audited accounts regarding the implementation of programmes is an important fiduciary objective that also enhances the harmonisation agenda. To further this agenda, Government's audited accounts should follow the best practices outlined in the Organisation for Economic Co-operation and Development – Development Assistance Committee (OECD-DAC) Guidelines and Reference Series booklet entitled Harmonizing Donor Practices for Effective Aid Delivery. For example, the "whole of Government" accounts submitted to Parliament should have sufficient disclosure of source of all budget support/grants received.

1.35 There is a need to harmonise disbursement procedures and accrue the benefits associated with a simplification and standardisation of the disbursement application process. For example if a Government form was designed that could be used for all disbursement applications the training and supervision of staff responsible for completing the forms would be simplified. In addition, this would increase Government ownership of the process.

1.36 Private sector auditors in Uganda are playing a key role in auditing foreign assistance programmes/projects. However, these auditors have not been assessed for competence in accordance with

the OECD-DAC guidelines. Therefore, the World Bank working with the African Development Bank (AfDB) and other Development Partners need to undertake an evaluation process of all private sector auditing firms. This is particularly relevant because as noted in Section 4.1, there is some concern over the quality of private sector audits.

1.37 There is need to harmonise the auditing requirements of foreign assistance projects/programmes. The OECD-DAC guidelines provide a sample Terms of Reference for the audit of a development assistance project. This will need adjusting to incorporate unique audit requirements, for example, a separate opinion on compliance with specific loan covenants. The Government, concerned Development Partners and the AudGen need to agree on sufficient audit coverage so that the scope of work of the auditor addresses all the issues identified as applying to the programme/project. The ultimate goal would be reached when all Development Partners buy into a single audit opinion on the financial statements as a whole. This would do away with the need for separate opinions on Statement of Expenditures and bank balances as the practice of issuing more than one audit report involves unnecessary duplication of work.

International Development Association (IDA) portfolio

1.38 As of the beginning of January 2004, there were 23 credits amounting to US$1,184.3million in the Uganda IDA-portfolio — this includes both investment and adjustment credits. Most of the projects are implemented by Project Implementation Units (PIUs). PIUs are mainly responsible for the coordination and implementation of the projects, which includes management, accounting and reporting on project funds, and arrangements for external auditing. These are considered to be independent units, although they work closely with their respective line ministries/sectors through project management committees.

Table 2. Uganda: IDA portfolio as of January 1, 2004

Network/Sector	Number of projects	Net Commitment US$ million	Disbursed US$million
Environmentally and Socially Sustainable Development	5	157.8	52.4
Financial Sector	1	20.0	5.1
Human Development	4	186.5	57.6
Infrastructure	8	367.0	87.0
Poverty Reduction and Economic Management	3	254.5	101.8
Private Sector Development	2	198.5	15.7
	23	**1,184.3**	**319.6**

1.39 The table shows that as of the beginning of 2004, about 73%[2] of the committed IDA resources were undisbursed, indicating weak performance of the portfolio. The Country Portfolio Performance Review, FY 2002 – 2003 identified several factors contributing to the poor performance. These include: (i) weak project institutional set up and capacity; (ii) poor contract management resulting in delays in procurement of goods and services; (iii) delays in effectiveness; and (iv) counterpart fund shortages.

1.40 Development Credit and Trust Fund Agreements for IDA financed projects normally establish the time period for submission of audit reports as six months after the year-end. The following information was extracted from the World Bank Audit Report Compliance System (ARCS) for FY 2003 and 2002:

[2] This number includes an amount of $150m for the undisbursed single tranch PRSC3. If this amount is exluded, the number changes to 70%.

Table 3. Uganda: Audit compliance

Audit Compliance Indicator	IDA Credits Numbers (Percent)	Trust Funds Numbers (Percent)
Audit reports submitted within the fiscal year:		
• June 30, 2003	49 out of 65 (75%)	6 out of 12 (50%)
• June 30, 2002	65 out of 66 (98%)	10 out of 16 (63%)
Audit reports submitted within 6 months time frame		
• June 30, 2003	29 out of 65 (45%)	0 out of 12 (nil%)
• June 30, 2002	47 out of 66 (71%)	0 out of 16 (nil%)

1.41 While the portfolio performance for Credits in 2003 is well below the Africa Region's average of 88%, remedial steps have been taken, and early indications are that the high levels of 2002 will be achieved in FY 2004. Also, the situation for Trust Funds has improved and the expectation is that 100% compliance will be achieved. As a result, it is expected that the timeliness of the submission of audit reports will also improve.

Recommendations

Aid coordination and external resource management

Short-term (1-2 years)

- MoFPED to establish a Government-wide aid tracking and accounting system, to capture all loans and grants — this could be included as a requirement in Treasury Accounting Instructions
- Development Partners to ensure MoFED is fully informed of disbursements of loans and grants.
- The World Bank, the AfDB and other Development Partners to evaluate the competence of private sector audit firms in line with the OECD-DAC guidelines.
- In terms of disclosure of source of funds, Government's audited accounts should follow best practices as outlined in the OECD-DAC Guidelines.
- Review aid coordination arrangements and manual to incorporate impact of IFMS and use of the new information sharing network in MoFPED. Develop mechanisms for improved sharing (and integration) of Government/Development Partner financial interactions (web sites, data sharing)

Medium-term (3-5 years)

- Development Partners to assist in strengthening financial management capacity, especially at LG level. Once fiduciary issues are reasonably resolved, foreign assistance to be increasingly integrated into sector wide programmes.
- Physical monitoring to assess progress of the implementation of projects could be initiated by implementing standard monitoring reports such as the World Bank's Financial Monitoring Reports and should be accompanied by impact assessments.
- MoFPED to ensure that the interface between DMFAS and IFMS is fully implemented.

- Harmonise Development Partner disbursement practices through simplification and standardization.
- Harmonise the auditing requirements of foreign assistance projects/programmes to facilitate a single audit report approach.
- Consider rationalising the debt management function under one unit within MoFPED.

IDA portfolio

Short-term (1-2 years)

- Conduct more financial and procurement training courses for project staff.
- Conduct regular reviews of statements of expenditure.

Medium-term (3-5 years)

- Start phasing out use of PIUs by integrating project coordination and implementation into the line ministries structure for new projects and sector programmes. This will build greater permanent institutional capacity within the Government structure and will also ensure greater continuity and ownership of projects by respective line ministries.

2. GOVERNMENT ACCOUNTING AND FINANCIAL REPORTING

A. ACCOUNTING, FINANCIAL REPORTING AND INTERNAL CONTROL

Review and assessment of the current system

Legal framework for accounting and reporting

2.1 The new PFAA and related Public Finance and Accountability Regulations (PFAR), (Statutory Instruments 72 and 73 of 2003) came into force on the 1st July 2003. They make significant improvements in the framework for accounting and financial reporting and address a number of the recommendations made in the CFAA, 2001 including:

- Supplementary appropriations require prior parliamentary approval before any commitment is made;
- AOs are required to report failure to achieve VFM;
- The AudGen is empowered to have full access to information on classified expenditures;
- The accounts must include flow of funds statements and broader coverage of Government expenditure; and
- Specific offences and penalties or procedures for recovery of losses.

2.2 New provisions include:

- Improved definition of the respective roles and accountabilities of the Minister, the Permanent Secretary (PS) Finance, the Accountant General (AccGen) who is allocated specific authority over AOs of Ministries, Departments & Agencies (MDAs) with respect to determination of accounting bases, principles, standards and systems; and
- AOs of MDAs are required to be accountable to Parliament for outputs in addition to regularity and propriety, to ensure control over commitments and to establish and maintain audit committees.

2.3 The Act also integrates provisions of various laws related to loans, guarantees and contingencies and provides for transitional arrangements for the commencement of different provisions, for example: (i) Audit Committees and Output Oriented Budgeting (OOB) – 1 July 2004; (ii) Reporting on net-worth of state enterprises – 1 July 2005; (iii) all other provisions – 1st July 2003.

2.4 Although Treasury Accounting Instructions, June 2003 have been drafted, the 1991 Treasury Accounting Instructions remain operational and do not reflect the contents of either the new legislation or other PFM improvements implemented in recent years. Both these sets of instructions are based on existing manual systems that are in the process of being superseded by the new IFMS. The AccGen

proposes to incorporate the new internal control/accounting requirements of the IFMS before finalising the Treasury Accounting Instructions; this is expected to be completed during the pilot operation of the IFMS ending June 2004.

2.5 A number of recommendations made in the CFAA 2001 are outstanding. These include:

- CFAA/ROSC[3]/HIPC[4] poverty tracking recommendations relating to central improvements in public expenditure management (OOB, Cash Management, and Commitment Control) have not, as yet, been substantively integrated into the legislative framework; and
- Recommendations for inclusion of provisions for wider publication of accounts based information related to expenditure/outputs have yet to be elaborated.

2.6 These recommendations could be addressed through the further development of PFAR and Treasury Accounting Instructions, which would not require amendment of the Act.

Functions and responsibilities for accounting & financial reporting

2.7 The current organisational arrangements provide for three sections within the AGO, the TOA, the Treasury Inspectorate Department (TID) and the Internal Audit Department (IAD), these are engaged in overall management and supervision of the accounting framework, the consolidated fund, internal audit and inspection, statutory reporting and central processing for public debt, payroll/pensions and foreign aid transactions. MDA Accounting and Internal Audit Units are primarily responsible for internal control, pre-audit, payment of creditors, receipting, accounting, bank reconciliation and financial/budgetary control reporting.

2.8 Professional accountants/consultants and data centre support personnel as well as 20 trainee IFMS graduates have been deployed, on contract, by EFMP-II into the AGO during the last eighteen months, to facilitate implementation of the EFMP-II (World Bank) and FAP (DFID) programmes. In addition extensive professional and IFMS/Information Technology (IT) related training has been provided through EFMP-II and the World Bank's Local Government Development Programme (LGDP) across the Central/Local Government accounting cadre. As a result significant improvements in accounting policies, procedures as well as professional accounting skills and IT related capacity has developed at both the AGO and the MDAs.

2.9 A study[5] on the re-structuring of the AGO is currently being finalised, this draft study report makes a number of recommendations and these are summarised in Table 4 below.

[3] Report on the Observance of Standards and Codes (ROSC) Update March 2003 – IMF Country Report No 03/85.
[4] Implementation Report on Action Plans to Strengthen Capacity of HIPCs to track Poverty Reducing Expenditure, March 2003.
[5] Ministry of Finance, Planning and Economic Development FAP /O1/02 - Organisational Review of the Directorate of Accounts Draft Final Report – October 2003

Table 4. Summary of draft PwC recommendations for a new Accountant General's Office (AGO)

Draft recommendations	Priority
1. Revise and develop vision, strategy, targets, and performance indicators for new AGO.	High
2. Approve and implement new AGO structure and job descriptions:	High
3. Rationalise and re-deploy staff in line with new structure.	High
4. Where necessary recruit staff including scheme for absorption of IFMS accountants into AGO.	Medium
5. Implement new Results Orientated Management and Performance Appraisal Schemes.	Medium
6. Schedule of transfer of skills between Data Centre Management staff and ICT staff in Financial Management Services Department	High
7. Decentralisation of the internal audit function	Medium
8. Memorandum of Understanding for coordination of activities between AGO and Uganda Computer Services (UCS)	High
9. Professional including graduate entry and in-house professional training.	High
10. Implement further upgrading of accountant pay scales	High

2.10 Based on previous experience it is anticipated that the proposed restructuring will take considerable time to progress through the necessary approvals by MoFPED, MoPS and the Public Accounts Committee (PAC). It is clear however, that if the benefits of the large investments for the PFAA, training and implementation of the IFMS are to be realised, then early finalisation, approval and implementation of the restructuring proposals needs to be prioritised. This will also serve to ensure sustainability and to maximise the opportunity for skills transfer while the EFMP-II/FAP consultants are present. A similar review of staffing requirements needs to be implemented for the accounting units at MDAs whose operations will progressively be affected by the IFMS and the new requirements of the PFAA.

Systems for flows of funds, commitment and expenditure control

2.11 Each MDA has recurrent, development and revenue bank accounts and a large number of special accounts primarily related to projects. Within the constraints of the budget and available cash MoFPED releases cash to MDAs & LGs, based on submitted action plans, against which they may make commitments and payments. Special accounts arise from the practice of Development Partners maintaining parallel project accounting structures and also as a result of AOs opening operational accounts in commercial banks to facilitate project related operations. These latter practices reduce transaction costs for the BoU and also enables MDAs to rollover unspent development financing from one year to the next. This practice, if not properly managed, may result in unrecognised additional funding outside the overall budget envelope in the following year. Development Partners may also choose to transfer funds directly to executing agencies at central and local level, although this is being discouraged.

2.12 The MoFPED (Treasury Inspectorate Department) has implemented a manual CCS for MDAs covering non-personnel recurrent and non-project development expenditure. Personnel expenditure is controlled through the payroll system and non-budget project financed expenditure is subject to control by individual AOs, PIUs or Development Partners. In addition a number of MDAs are gradually transforming to policy, planning and regulatory/enabling organisations with substantial expenditure being decentralised, devolved, deconcentrated, privatised or contracted to LG, Agencies and contractors through the use of conditional grant mechanisms. These 'through the budget transfers' are also subject to the commitment control regime.

2.13 MDAs are required to submit quarterly action plans and monthly commitment monitoring reports, as a basis for MoFPED quarterly expenditure approvals and monthly cash releases. Releases in the form of warrants are issued by the AccGen to MDA & LG bank accounts at the BoU or direct to operational

project accounts at commercial banks. Commitments are not permitted until available cash cover exists in MDA bank accounts. Failure to make CCS returns leads to delay or cancellation of releases by MoFPED. Capacity within line ministries to monitor and approve action plans for release of conditional transfers to LGs is weak.

2.14 The effect of the system has been to successfully facilitate aggregate commitment and cash control and to facilitate the control and reduction of arrears to Government suppliers. However other effects include delays in procurement due to non-availability of cash, idle balances in MDA accounts and significant operational inefficiencies. Additionally, depending on the aggregate Government cash position, MDAs report that monthly cash releases may fall short of quarterly approvals and that non-PAF related expenditure may be subject to severe cuts compared to PAF expenditure, which is protected under various aid arrangements. MDAs also report that the system has a tendency to increase the incentives to generate arrears, particularly in relation to non-controllable expenditure items such as utilities and to undermine both PAF and non-PAF activities, which are often mutually interdependent.

Systems for accounting, financial reporting and internal control

2.15 Existing basic transaction, processing internal control and accounting systems are either manual (Receipting, Payment Vouchers, Cash Books, Vote Control Registers, Reconciliation Processes) or stand alone partially computerised systems. Non-tax revenue & Uganda Revenue Authority (URA) tax is transferred from MDA/URA collection accounts monthly to the Consolidated Fund. The AudGen's latest report for 2001/02 cite numerous cases of fraud, waste and poor documentation in relation to revenue collection, recurrent and development expenditure/revenue. However the AccGen is of the view that the trend is significantly downward and that the materiality of such leakages is decreasing. Key ministries (Education, Health, Agriculture & Works) also claim that the basic framework of accounting (including improved record keeping, better maintenance and reconciliation of ledgers, more timely and accurate production of monthly and annual accounts and regular bank reconciliation) is operating more efficiently and that at as a result their accounts are produced with greater levels of accuracy, timeliness and reconciliation.

2.16 The suggested improvements are attributed to a number of factors including, strict implementation of the CCS system, which requires submission of expenditure/non- tax revenue reports before release of further funds, closer monitoring of contingent liabilities, increasing levels of computerisation, data conversion preparations for implementation of IFMS and improved skills on the part of accounting personnel as a result of the EFMP-II/FAP training programmes. However a review of the status of CCS and monthly/quarterly reporting suggests that many gaps continue to exist in the regularity and quality of accounting and financial reporting. Although clearly some improvement has occurred internal control and financial reporting systems remain weak in respect of supporting documentation, completeness, accuracy, timeliness of reporting and reconciliation.

2.17 ***Public debt and Aid:*** Transaction processing, accounting and debt reporting are undertaken centrally by the AccGen in cooperation with the ALD and the BoU. The DMFAS (Debt Management) system is installed in the AccGen and BoU and the AccGen's system has recently been upgraded with the assistance of United Nations Conference on Trade and Development — staff have been trained, procedures developed, reports and manuals designed. Data has been captured from the BoU system and data validation and cleaning exercise is ongoing, this includes review of domestic debt obligations and contingent liabilities. Monthly debt reporting is now available from the system. A coordination committee involving stakeholders has been established. Capture of project related foreign aid transactions, although more comprehensive due to increasing use of direct budget support and improved capture of project data by the Aid Management System, remains incomplete.

2.18 ***Payroll:*** Considerable doubts remain, both at the AGO and in MDAs, over the integrity of the payroll system — amplified by well publicised cases of 1000's of ghost workers. A recent consultancy report[6] undertaken by Crown Agents identified multiple risks at each stage of the payroll/pensions and Human Resource (HR) processing system including invalid or unauthorised payments, delays in making payments, errors in payments, incomplete data and unauthorised access. Studies for a new Integrated Personnel and Payroll System (IPPS) and Human Resource Management (HRM) system have been undertaken but currently funding for implementation has not been secured. UCS provides information system support for payroll/pensions, general ledger and cheque production using obsolete application software that is difficult to maintain and upgrade.

2.19 Managing and consolidating the ***current manual monthly and quarterly financial reporting*** systems appears difficult, with concerns being expressed about the integrity, timeliness and therefore usefulness for budget reporting and decision making. Only at the year end is significant effort is made by MDAs to generate accounting data that can be consolidated for purposes of producing annual financial statements. MoFPED budget performance reports have to rely on a number of multiple data sources to enable preparation. The GoU has recognised for some time that current systems do not provide a sound basis for accounting and financial reporting and as a consequence GoU has been engaged on implementing a major reform programme through the EFMP-II and FAP projects. An important element of this is implementation of the IFMS which aims to provide the framework to address many of the systems weaknesses identified earlier.

Bases for accounting and financial reporting

2.20 The IFMS implementation and the new PFAA requires the AccGen to specify the basis of accounting and classification for all Central Government MDAs, LG or other General Government reporting units. Although yet to be explicitly stated in Treasury Accounting Instructions, the basis of accounting adopted for the 2002/03 financial statements is primarily cash modified by the inclusion of some receivables/payables. Financial statements for the year ended 30 June 2003 for all MDAs and the Consolidated Fund have been prepared in compliance with this approach. In addition, accounting policies based on the International Public Sector Accounting Standards (IPSAS), *Financial Reporting under the Cash Basis of Accounting*[7], are defined in the form of explanatory notes to the accounts. A new multi-dimensional IMF GFS based Chart of Accounts (COA) has been formulated for financial year 2003/04 and takes the following form:

[6] Review of Business Processes of the Payroll and Pensions System of Central Government of Uganda December 2003 – Crown Agents

[7] This IPSAS was promulgated in January 2003 by the Public Sector Committee of the International Federation of Accountants (IFAC).

Table 5. New Chart of Accounts

Segment	Disaggregation	Digits
Fund	Consolidated Fund, Contingencies Fund, etc	2
Funding Source	Domestic, Foreign, Multilateral, Bilateral	3
Government Vote	Ministry, Agency, Local Govt, Extra Budgetary Entities, Unfunded Social Security & Financial/Non-financial Public Corporations	3
Cost Centres	Directorates/Depts/Sections/Units, Sub Counties/Parish/Village	6
Project	Project/Sub Project	4
MTBF	Sector	2
MTEF	Objective/Output/Activity	6
Account	Class, Item, Sub Item, Sub Sub Item, Sub Sub Sub Item	6
Spares	Spare Segments	6
Total		**38**

2.21 The spare segments provide flexibility for future requirements. The budget for 2004/05 is being prepared using this new COA. COFOG functional classification is being defined by use of the IFMS reporting capability. The COA provides a framework for improved budget management, progressive adoption of elements of accrual accounting including the eventual recognition of non-financial assets & liabilities, depreciation etc. A recent IMF study[8] suggested some classification changes to further enhance the consistency between the COA and the GFS. The final study report confirms a relatively close fit between the accounts and the GFS. Implementation of this COA will allow multiple different forms of budget and accounts reporting and expenditure/revenue tracking at all levels of Government, resulting in improved information for decision making, improved information on the use of resources and more transparent financial reporting.

2.22 A major challenge in utilising this framework is the availability of necessary skills, necessary data and the integrity of the accounting systems. Considerable effort will need to be made to train personnel at all levels to understand the potential of the system, in conjunction with the IFMS, to support monitoring, decision making and reporting and to utilise the capabilities of the system. The current transitional strategy for implementing accruals and the new classification system would benefit from clearer identification of the responsibilities, steps and timeframes involved.

New IFMS for accounting & financial reporting

2.23 A team of consultants supported the AccGen to undertake a Financial Management Study finalising a requirements specification for the IFMS in March 2002. The procurement and evaluation process was completed in February 2003 with the award of a contract to Hewlett Packard (HP) for the provision of a turnkey solution including hardware, application software (ORACLE Financials Treasury Solution), a Wide Area Network (WAN) and supporting training/change management. Implementation of the system began in March 2003 and following mapping, user acceptance and production testing pilot operations commenced in February 2004. The implementation process has included a sensitisation and change management programme, a data conversion exercise, interface development for other systems (Payroll, Tax & Debt), extensive discussion of internal controls, accounting procedures, financial reporting, securities and roles and responsibilities.

2.24 The new IFMS system will initially operate on a pilot basis in the MoFPED, five sector ministries and four LGs but will also facilitate capture of transactions and balances from other non-pilot MDAs and LGs through the use of journals, consolidated year end financial statements will therefore be generated

[8] IMF, Report on GFS Mission July 2003

from the IFMS. The IFMS is based on the core (Budget Management, Purchase Order, Accounts Payable, Accounts Receivable, Cash Management, General Ledger, Financial Reporting) modules of ORACLE Financials, and is fundamentally an accrual based package. It therefore provides as a standard feature for the capture of revenue/expenditure transactions and where available balances on an accrual basis (Accounts Payable, Accounts Receivables, Financial Assets and Liabilities). However HP/ORACLE[9] has provided a facility to allow the generation of cash based year end financial statements to meet the cash based requirement. The system also provides for: (i) Capture and consolidation of MDA budgets; (ii) Release of budget and warrants to MDAs; (iii) Commitment control and reporting; (iv) In-year cash flow management; (v) Interfacing capacity for capture of Payroll, Public Debt, Cheque and URA Tax Revenue Data; and (vi) Extensive reporting.

2.25 During early system mapping it has emerged that the budget formulation and cash flow forecasting modules did not fully meet the requirements of the original specification and that significant customisation is required. Following intensive discussions, HP has agreed to facilitate this customisation, but these functions will not become operational until the commencement of the 2005/06 budget cycle in October 2004.

2.26 The following IFMS schedule is planned to roll out the system in stages:

Table 6. Planned schedule for the rollout of the IFMS

Stage	Entities	Dates	Funding
1	MoFPED 5 Sector Ministries & 4 Local Governments	Commenced operation February 2004	EFMP-II
2	12 Remaining Sector Ministries & 6 Districts	01/07/04 -30/06/05	EFMP-II
3	37 Districts, 13 Municipalities, 28 Agencies & 26 Embassies	01/07/05 -30/06/07	Unfunded
4	Fixed Assets Module – All Entities	01/07/05 -30/06/07	Unfunded

2.27 To date the IFMS implementation has been driven by the AccGen, consultants and selected ministry Accounting Units, however if the above objectives are to be achieved, then all actors operating within the Government's budget and PFM system must engage with the system, utilising the IFMS as the central repository of all Government financial transactions. This does not preclude development of task specific financial information and analysis systems, but it does require such systems to interface with the IFMS.

2.28 In this context the most important actors are the MoFPED, (Budget, Aid Coordination & Macro-economic Policy Departments) and the planning and budget units in Ministries. Ministry of Local Government (MoLG) has an important role in facilitating the LG implementation. A specialist Revenue Module for LGs is also being piloted by Kampala City Council. This implementation has been constrained by:

- Limited counterpart staff availability and capacity;
- Reliance on the AccGens Department to provide transitional/project management capacity; and
- Weak participation from MoLG.

[9] HP and subcontractors ORACLE Consulting are contracted to implement the system.

2.29 The principle fiduciary risk issues from an accounting and financial reporting perspective relate to sustainability, functionality and extension of the system[10], and include:

- Ensuring the availability of a sustainable staff capacity and necessary maintenance budgets;
- Progressively extending and deepening the functionality and utilisation of the system;
- Completion of the rollout to ensure the system provides the necessary coverage for the whole of Government; and
- Securing the additional funding necessary to complete implementation.

Recommendations

2.30 Uganda has over the last three years made substantial progress in designing and implementing new legal, organisational and systems framework for accounting and financial reporting. The direction of the existing reforms and the support provided appears to be appropriate and reasonably well coordinated but implementation is still at an early stage and much remains therefore to be done that will involve further long term support. The recommendations outlined here aim to build on and deepen the ongoing reform process addressing any gaps where they have been identified:

Short-term (1-2 years)

- AGO, MoFPED and MoPS coordinate the review, approval and early implementation of the results of the organisational review of the AGO. Undertake organisational review of Accounting & Internal Audit Units in MDAs to reflect impact of new legislation, IFMS, transformation of ministries to enabling /regulatory entities and new internal audit arrangements including recent proposals from the Internal Audit Forum held in Kenya.
- Undertake a full domestic debt validation exercise aimed at clearly identifying and registering all domestic debt obligations as well as identifying any contingent liabilities not currently recognised.
- Review and implement short term measures (internal audit) to improve integrity of existing payroll system. Secure funding for procurement and implementation of new IPPS.
- Finalise and issue a new set of Treasury Accounting Instructions that are appropriate for the new IFMS and that formalise the operation of the CCS and Cash Management System.
- Establish and commence implementation of a strategy, based on actual account/performance data as opposed to plans, budgets or releases, for publication/dissemination of in-year financial information suitable for informing all stakeholders involved in planning and monitoring Government operations.
- Rationalise and consolidate the number of Government bank accounts with the progressive move towards a Treasury Single Account Model as the IFMS and Electronic Funds Transfer (EFT) Systems are implemented and rolled out.

[10] Should the IFMS fail, there is no current backup at the moment other than the continued use of existing systems in parallel. The implementation methodology requires that transfer to the new system occurs in stages. Full transfer to the new system will not occur until the new system has become fully operational, at which time parallel arrangements will be discontinued. Backup/disaster recovery arrangements exist in the event of partial/catastrophic hardware/network failure.

- Within the context of a hard budget constraint, improve Central Government's approach to cash flow forecasting and commitment control to remove planning and procurement distortions at MDA level.
- Tighten monitoring of submission of accounting information (monthly accounts) from MDAs both in manual and IFMS context. Relate submission to issue of release as currently provided in CCS.
- Provide further training for planning, budgeting, accounting and management staff on the COA and the classification system. Articulate strategy for adoption of accrual accounting including timeframes.
- Implement a further programme of awareness training in the MoFPED and with MDA planning and Budget Units as preparation for the IFMS Budget Module implementation.
- Secure the necessary minimum conditions for implementation of the Local Government Revenue Module and improving MoLG engagement including making available counterpart staff, recruitment of a project manager and necessary technical and change management support.
- Implement measures to improve integrity of existing pension system taking into consideration the recommendations in the report of the Crown Agents.

Medium-term (3-5 years)

- Implement capacity building for Kampala City Council Revenue Module & rollout to LG.
- Implement and rollout the proposed IPPS across Government.
- Implement and rollout additional IFMS modules (Fixed Assets, Tender Management, Inventory and Procurement).
- Finalise rollout of core IFMS including Budget Module.
- Assess the impact of accrual information, such as depreciation, on the budget statements submitted for voting, funding strategy and monitoring of financial performance, clarify and agree implications with Parliament.
- Implement transition to accrual accounting.

Long-term (6-10 years)

- Gradually comply with IPSAS including the migration to an accrual standard.

B. INFORMATION TECHNOLOGY AND RECORDS MANAGEMENT

Review and assessment of the current system

Information technology

2.31 The national Information and Communication Technology Policy, 2003 has now been approved by the Cabinet. The policy provides for the following division of responsibilities:

- Broadcasting Technology under the Office of the President;
- IT under MoFPED; and
- Postal & Communication Technologies under Ministry of Works, Housing & Communication.

2.32 The MoFPED IT mandate is partially being undertaken through the UCS. In the past UCS was a standalone department of the MoFPED and provided limited support to the ministry for management of specific systems. Recently UCS has been incorporated in the AGO as a separate department and will form part of the re-structuring exercise referred to in paragraph 2.9. In addition GoU is establishing a new agency, referred to as the National Information Technology Agency (NITA), that will:

- Co-ordinate, monitor and provide guidance on IT related Government activities including master plans, IT policies, strategies, standards and management;
- Guide and support IT acquisition, implementation and delivery; and
- Provide IT support for mission critical systems.

2.33 This implies a decentralisation of application management to MDAs & LGs, which reflects the reality of distributed technology and information systems.

2.34 The UCS transformation process started in 2002 and is expected to take approximately three years to complete, including approval of legislation. To date the following activities have been undertaken:

- Qualified and experienced Executive Director recruited;
- Drafting of a Bill for NITA;
- Recruitment of IT staff with IT skills necessary to support the IFMS Data Centre;
- Extensive involvement in procurement and implementation of the IFMS; and
- Involvement in the design and implementation of the EFT project and support to the IPPS project.

2.35 A corporate planning exercise is also underway to define the mission objectives and overall organisational and resource framework for NITA.

2.36 In parallel to these developments much of the Government continues to operate a set of small scale stand alone IT based systems using generic software such as Word, Excel or Access. Exceptions include the tailor made UCS payroll and accounting systems, the BoU banking system and the URA Tax Revenue which are based on a GL package (SCALA) and task specific debtor systems designed for tax collection. EFMP-II has also been funding an information sharing network for MoFPED, which is now operational and LGDP is investing in a data collection monitoring and evaluation system. IT skill levels are sufficient for personal computing, small scale systems and basic networking but once higher order skills are required the supply of personnel falls rapidly. Large scale investment in IT is taking place in the private sector, which leads to strong competition for the high level skills within the local market. Establishment of NITA is critical to the success of the IFMS and other IT based application development and should be prioritised.

2.37 Apart from the ongoing UCS transformation the biggest driver of change at the moment is the IFMS supported by the EFMP-II. This large scale mission critical system provides an opportunity for MoFPED, UCS and other stakeholders to experience the full cycle of project activities related to the acquisition and implementation of a large scale management information system. The implementation has to date provided extensive exposure to GoU IT staff to systems planning, analysis, and procurement, implementation, and IT/Communications technology. These processes have been managed through a project management team including major operational stakeholders (AccGen, Budget, AudGen, UCS) and

chaired by the AccGen. A Steering Committee has met periodically to provide overall policy guidance. The AccGen's consultant team has provided extensive support with one team member being appointed project manager, existing UCS staff members have participated and been trained in the process.

2.38 The new three tier architecture includes a production data centre housing development, application cluster and database cluster servers connected via switches to support service servers and disk array storage. This is then connected via a firewall and switches/routers to a MoFPED Local Area Network (LAN) and a WAN to pilot site server based LAN and user workstations. A disaster recovery site is currently being implemented to provide necessary protection. The architecture is currently operational in MoFPED and pilot sites.

2.39 Specific policies instrumental in the system implementation process have been:

- Strong ownership by a MoFPED executive (AccGen) and support from senior management (Deputy Secretary to the Treasury);
- Contracting HP on a turn key basis to avoid complexity of dealing with more than one supplier;
- Emphasis on the application, capacity building and change management aspects of the implementation and a requirement that the contractor demonstrate the independent capacity of the client to manage the system. (with appropriate maintenance contracts);
- Embedding the project in the MoFPED as opposed to the creation of a separate project implementation unit;
- Recruitment of a strong team of professional accountants to facilitate management of the process supported by a few key international consultants;
- Recruitment of supplementary graduate level personnel to facilitate early implementation and to provide for sustainable application management following the departure of the consultant team;
- Phased implementation involving pilot testing before rollout; and
- Extensive engagement and training of GoU personnel at all stages of the process.

2.40 The IFMS pilot test commenced in February 2004 following user acceptance, infrastructure deployment, production set-up including capture of reconciled balances as at 31st December 2003 and training. Parallel running and application tuning will initially involve capture of backlog data and then capture of live data as the system becomes fully operational. Full control functionality will develop over the pilot period and post operational acceptance.

2.41 Implementation checklists have been developed, accountability and timeframes assigned and are being monitored on a daily basis to facilitate going live. Manpower resources (AccGen's staff, IFMS accountants, Financial Management Specialist consultants) are allocated to Central Application Support Group at AGO & Help Desk, MoFPED sites, MDA & LG sites, AudGen and Data Centre.

2.42 Application & technical training and technical set-up are all programmed to be complete by go live date for pilot sites. A rollout strategy has also been developed that will overlap this testing pilot testing phase and is shown below:

Table 7. Proposed rollout plan

Key Deliverables - Rollout to remaining 12 MDAs and another 6 Districts	Planned completion date
Pilot Site Performance Analysis Report	30/04/2004
Operational Acceptance	07/05/2004
Final Acceptance	10/08/2004
Site Civil Works & Disaster Recovery Site	30/07/2004
Sign Rollout Contract	31/05/2004
Plan, Review, Acceptance & Commencement	31/07/2004
Infrastructure, Training, Change Management, Go Live, Test, Accept	30/06/2005
Documentation, Implementation Completion Report	12/10/2005

2.43 This rollout presents a number of challenges particularly in connection with completion of testing before signature of the rollout contract. Caveats will need to be agreed in the contract to reflect the possibility of further work being required arising from the operational testing stage. As a result of the implementation considerable competence is being developed in large scale systems implementation. It is important that this competence is transferred into a sustainable GoU organisational infrastructure that may be utilised to maintain and further develop the system and also utilised to support other mission critical systems such as the IPPS. The earlier recommendations regarding the transformation of the UCS and the recruitment of IFMS staff and specialist IT personnel are relevant in this context.

2.44 Overall the direction of the IT Policy and institutional framework for IT support appears appropriate. What is important now is to ensure:

- Early implementation of the transformation of UCS and development and implementation of the corporate plan and effective resourcing of NITA; and
- Acceptance of budgetary provisions within MDAs to source IT support activities from NITA. The immediate priority should be to provide operational funding within the AccGen's budget for support of the IFMS.

Records management

2.45 The legal framework for records management is contained in the National Records & Archives Act, 2001. The framework provides for the transformation of the Records Management Department of the MoPS into a Records Management & Information Technology Agency. The legislation also provides for regulations for elaboration of policies, definition of records management activities, instructions, monitoring and compliance. It is understood that these polices and procedures have been developed in draft form and that some training has been provided to records management staff with the assistance of DFID and some basic computer equipment provided by the Danish International Development Agency (DANIDA). However despite the existence of the Act and the support provided it is apparent that GoU has been unable to fund the implementation of the legislation or to find a Development Partner to further assist the implementation process.

2.46 As a result records management remains severely under resourced with largely inadequate temporary arrangements for the central storage of record and generally limited facilities available within MDAs. The primary form of recording keeping is currently manual with similar information often duplicated in several places across Government. Records management staff have been appointed to most MDAs and LGs and some training provided however, in general staff, lack the training, storage and equipment to deliver anything other than a low level of service to their respective institutions. The perception among the professional staff is that records management is not seen as being a priority except when a specific issue needs to be addressed and the relevant records are missing.

2.47 Clearly the current situation contains a number of fiduciary risks in terms of potential loss of important documentation through inadequate storage, natural causes (fire, water penetration etc), theft, negligent records management or a lack of policy and procedural advice on how to handle documentation. In addition potential efficiency losses exist due to the manual nature of the system, duplication of records and the difficulty faced in searching for, tracking or relating information contained in documentation. The AudGen refers frequently to the lack of supporting documentation in a large number of his audit queries. Inadequate document trails also create an environment conducive to fraud and corruption.

2.48 With the introduction of modern IT technology the potential for improved records management exists but also increased risk of data loss as documentary information is transferred to electronic media and stored in computer databases. There is a need for UCS to coordinate the IT strategies between the major systems initiatives including the IFMS, IPPS and Records Management.

Recommendations

2.49 Implementation of the policy framework for IT since the CFAA, 2001 has progressed as far as institutional responsibility is concerned but strategy formulation is still in the early stage. However progress towards creation of the necessary IT institutional framework is proceeding at a slower pace. Given the investments being made in the IFMS through EFMP-II and the urgent needs in respect of IPPS and Records Management there is a need to accelerate the reform process to ensure coordination, necessary transfer of knowledge and sustainability of the new systems.

Short-term (1-2 years)

- Secure funding for architecture needed to roll out IFMS and future IPPS.
- Utilise the system implementation and project management skills developed during the IFMS implementation to support the IPPS and related implementation activities.
- Accelerate transformation of the UCS and the establishment of NITA and development and resourcing of a corporate plan.
- Secure funding for implementation of the Records Management Agency and development of Records Management Function.
- Review HR policy in relation to IT staff and provide for the recruitment/retention of the IFMS Data Centre personnel in the new Agency and recruitment of necessary (systems admin staff) IT personnel in MDAs.
- Implement contractual arrangements between the AccGen, MOFPED and NITA for maintenance and sustainability of the IT infrastructure including the Data Centre and WAN.
- Provide for ongoing software, maintenance and development costs for sustainability of the system within the AccGen's budget.

Medium-term (3-5 years)

- Implement National Records & Archives Act utilising new IT based systems.
- Develop NITA capacity for coordination of IT policy across Government and support mission critical systems.

Long-term (6-10 years)

- Consider options for outsourcing IT infrastructure to service providers who can spread the cost of hardware, communications and HR investments across multiple clients thus lowering both investment and operational costs.

C. HUMAN RESOURCE MANAGEMENT (HRM)

Review and assessment of the current system

Legislative and regulatory environment

2.50 The most important legislative framework for HRM is the Public Service Act, Cap 288[11], the Uganda Government Standing Orders, 1990 and Administrative Instructions issued by the MoPS from time to time. Recently, Parliament has been presented with a new draft Public Service Act, which is consistent with changes put forward by the Constitutional Review Commission (CRC) and a number of other proposed changes in the field of HRM including the devolvement of HRM to LG. Several new regulations are also to be introduced in relation to retrenchment. Standing Orders will be revised accordingly when the new Act has been enacted.

2.51 Principal actors in all HR related issues in the Government's administration are the MoPS and the Public Service Commission (PSC). In this respect the MoFPED and financial management functions at line ministries are regulated by the same decision-making bodies as far as HRM is concerned, as all other MDAs. MoPS's responsibilities include decisions about new structures including number of posts and their grade, title and salary levels. The PSC decides about individual cases of new posts or the intended manning of existing posts from a perspective of "fairness" and "equity". Decisions are taken following the submission of proposals from the concerned entity.

Staffing levels

2.52 Overall the staffing situation at the AGO and the OAG has improved since the last CFAA in 2001 (refer to the tables below). The number of vacancies is lower and there are more qualified staff at both offices. However, the large number of unqualified senior staff, especially at the OAG, continues to constitute a fiduciary risk and the lack of independence of the AudGen with respect to HR issues increases the risk further (refer to Section 4.1 in this regard).

[11] In this report all Acts promulgated prior to 2000 will be referenced by their relevant Chapter of the Laws of Uganda Revised Edition, 2000. The relevant Volumes are shown in the Bibliography list in Appendix 2.

Table 8. Accountants and Internal Auditors at AGO – April 2004

Title	Actual staff	Vacancies
Accountant General	1	0
Commissioner	3	0
Assistant Commissioner	2	2
Principal Accountant/Internal Auditor	7	2
Senior Accountant/Internal Auditor	23	1
Accountant/Internal Auditor	39	2
Senior Accounts Assistant	7	7
Senior Inspector	0	6
Accounts Assistant	3	0
Total	**85**	**20**
Total, qualified	**39**	

Table 9. Staff at the OAG (as per Staff List) – April 2004

Title	Actual staff	Vacancies
Auditor General	1	0
Directors of Audit	4	0
Assistant Directors	0	4
Senior Principal Auditors	0	8
Principal Auditors	9	11
Senior Auditors	16	10
Principal Examiners	5	0
Senior Examiners	13	1
Auditors	52	20
Examiners of Accounts I	42	7
Examiners of Accounts II	125	9
Total	**267**	**70**
Total, qualified	**32**	

2.53 There are more than 600 accounting staff in Central Government. The increased number of qualified staff (and following from this, less vacancies) is due to a number of recent initiatives and macro economic conditions. Salaries have increased slightly for a group of accountants on the upper scale of the salary code. There is no shortage of supply of trained accountants on the labour market (as reflected by the number of applicants to advertised vacancies). The salary differential between the private market and the public sector is lower than three years ago. Private sector salaries are now assessed as twice as high compared to three to four times as high three years ago. Individuals also take into account employment security and public sector pension schemes as well as salary levels. The whole area of public accounting and auditing has benefited in status from new legislation and training opportunities. Only five individuals left the Central Government accounting cadre in 2003. Improvements are also to a large extent linked to on-going reform work in the areas of public accounting and auditing, especially through the World Bank EFMP-II credit.

Training

2.54 Reform initiatives are also the main impetus behind organised training for the majority of Central Government accountants and auditors. In the past, Government's own resources allocated to training were very limited. Through the EFMP-II a large number of accounting and auditing staff at both Central and Local Government level have been trained. A new Training Plan has been elaborated and approved.

Table 10. Numbers of Government Accountants and Auditors who sat examinations in Dec. 2003

	Accounting Technicians[12] (ICPAU)	Accounting Technicians[13] (ACCA)	Certified Public Accountants	ACCAs
Central Government	111	11	112	123
Auditor General	7		12	39
LG	535	5	858	75
Total	**653**	**16**	**982**	**237**

2.55 An individual performance review process has been designed and partly introduced, although the results are not yet used to identify individual training needs or decide upon promotions. An individual's performance review is only one of several factors intended to be recognised in promotion decisions.

Reforms

2.56 The Pay Reform Strategy for the public service was adopted in 2001. Ushs15 billion was budgeted for the fiscal year 2003/04 for salary increases aimed primarily at staff with technical and professional skills who are difficult to recruit and retain. As a result, the expectation was that salaries for example accountants, auditors and economists would rise by more than 40%. In practice however, the increase for accountants and auditors has only been about 10 %, and only for a small segment of these staff.

2.57 This actual change in relation to the intended, is linked to the whole structure of HRM within Government. Intentions to increase salaries for individuals or key groups by 40 % is not compatible with the fact that civil servants are paid in accordance with a fixed salary scale code and where every job title is linked to a specific level. Individual salary enhancements for desk officers or middle management that could reach the levels of high ranking managers, would severely distort the balance of a system where salaries in general are low.

2.58 There is a clear division of responsibilities between the MoPS and other MDAs in relation to HRM decisions. MDAs can make decisions on training and training schemes, while the MoPS and the PSC decide, on the basis of recommendations received from the MDA, on all individual cases of disciplinary action, staffing/recruitment, salaries and organisation. In practice however, it is understood that the ability of the MDAs to influence decisions is greater than the formal regulations would suggest, as the MoPS and PSC seldom diverge from proposals put forward by the concerned entity. However, the delay in appointing Assistant Directors in the OAG seems to contradict this position (refer to par 3.25).

Recommendations

2.59 The HR situation relating to finance staff has improved substantially since the 2001 CFAA, in line with improvements in technical accounting systems. Discussions on how HRM responsibilities can be gradually devolved would however enhance efficiency and in the medium term should be supported by further restructuring and manpower analysis.

Short-term (1-2 years)

- Implement the proposed new organisation structure at the AGO.

[12] Sat exams of the Institute of Certified Public Accountants of Uganda (ICPAU).
[13] Sat exams of the UK based Association of Chartered and Certified Accountants (ACCA).

- Analyses the restructuring needs and manpower planning requirements at sector ministries and agencies.
- Continue training in accordance with the new Training Plan.
- Institute the changes required to provide the AudGen with the necessary autonomy over HR issues so that he is able to fulfil his oversight role.

Medium-term (3-5 years)

- Implement restructuring proposals for accounting staff at sector ministries
- Establish individual performance reviews as the normal basis for training and promotion.
- Carry out a study to review the feasibility of devolving the control of financial staff to sector ministries.

Long-term (6-10 years)

- Gradually move funding and policy responsibility for training at the AGO from Development Partner funded initiatives to Government owned programmes.

3. PUBLIC SECTOR AUDITING

A. EXTERNAL AUDIT

Review and assessment of the current system

Legislation and regulatory environment

3.1 Article 163 of the 1995 Constitution sets out provisions for the mandate, scope of work, appointment and removal of the AudGen. The AudGen is appointed by the President with the approval of Parliament and may be removed from office by the President for inability to perform, misbehaviour, misconduct or incompetence. The Constitution provides that an independent auditor appointed by Parliament audits the financial statements of the OAG.

3.2 The PFAA, 2003, Sections 33-37 and the Local Government Act, Cap 243 contain provisions for the external audit of Government Accounts. Under the Public Enterprise Reform and Divestiture Act, Cap 98 the AudGen is responsible for auditing the accounts of Class I and II PEs (refer to Section 6.1). The PFAA expands the scope of the AudGen's work to include any public body that has received more than half its income from public funds. The new Public Finance and Accountability (Classified Expenditure) Regulations came into force on 1 July 2003. These regulations require the OAG to examine and inquire into all classified expenditure and for the OAG to have full access to all relevant records. These regulations will be applied for the first time to the audit of the 2003/04 accounts.

3.3 A Cabinet Memorandum was prepared in 1999 to enable the preparation of legislation to enhance the independence of the OAG particularly in terms of budgetary independence, independence in HR matters, the right of access to information for the purpose of audits and the indemnity of OAG staff. The MoFPED incorporated the recommendations into an Audit Bill. The AudGen provided comments expressing his concerns about the adequacy of the draft legislation. Due to perceived Constitutional contradictions concerning for example the release of HRM authority to the AudGen, it was agreed that new legislation would await the outcome of the CRC. However, it is understood that Cabinet recommendations to the CRC do not include these provisions.

3.4 The OAG is a member of the International Organisation of Supreme Audit Institutions (INTOSAI) and the African Organisation of Supreme Audit Institutions (AFROSAI). As a member of INTOSAI, it is expected to apply auditing standards promulgated by that body.

3.5 INTOSAI has also established a code of ethics intended to serve as a foundation for the operations of all Supreme Audit Institutions (SAIs). This code is based on five key principles: (i) independence, objectivity and impartiality; (ii) trust, confidence and credibility; (iii) integrity; (iv) political neutrality; and (v) no conflict of interest. Chapter II section 5 of the "Lima Declaration of Guidelines on Auditing Precepts" states that, "Supreme Audit Institutions can accomplish their tasks objectively and effectively only if they are independent of the audited entity and are protected against outside influence."

Functions and responsibilities

3.6 Under the Constitution, the PFAA and other enabling legislation, the AudGen has the statutory responsibility to report to Parliament on the propriety and regularity of the way in which Government/taxpayers monies have been spent. In particular the Constitution requires the AudGen to "audit and report on the public accounts of Uganda and all public offices .. and any public corporation or other bodies or organisations established by an Act of Parliament".

3.7 In accordance with the Constitution, the AudGen is required to conduct both financial and VFM audits. Reports on Central and Local Government should be available for submission to Parliament within 9 months of year-end and are submitted annually. In accordance with the PFAA, state enterprises and statutory authorities are required to submit audited financial statements to their responsible Minister within four months of their year-end. It is then the responsibility of the responsible Minister to present within 42 days, the audited accounts together with any observations to Parliament. Whilst reports on Central and Local Government are submitted directly by the AudGen, the auditor's report on the expenditure appropriated by Parliament to LG, together with the reports of the Local Government Public Accounts Committees (LGPAC) are submitted by the Minister responsible for LG in accordance with the LGA. All audit reports are shared with the Inspectorate of Government (IG).

3.8 Under Section 33 of the PFAA, the AudGen is also required to satisfy himself that the accounts conform to the requirements of the Act and regulations that govern them and for the reporting of fraud and corruption identified during audits to the appropriate authorities. Other legislation, for example Section 82 of the LGA also requires the prior approval of the AudGen or his representative before withdrawal of funds from any district bank account. This is one example of legislation that gives the OAG responsibilities, which potentially compromise its independence.

Progress towards improved compliance

3.9 The OAG currently employs approximately 300[14] audit staff and 66 administrative and support staff or 0.15% of the Public Service. Over half of the technical staff are employed in the 10 regional offices. As required by the Constitution, the AudGen is a professionally qualified accountant. Recent capacity building initiatives have resulted in the OAG now having 32 qualified accountants (including 15 who are not full members). A further 75 auditors are at various stages of their professional exams.

3.10 A technical advisor funded under the EFMP-II is working with the OAG to update audit methodologies and to implement new financial audit manuals so as to improve the quality of the work carried out by OAG. Issues being addressed include risk analysis, random sampling and system audits such as payroll and procurement. In order to ensure sustainability, the manuals have been prepared with the active participation of OAG staff and an extensive training programme is being developed. A payroll audit is planned for FY2004/05 to test the procedures in the field.

3.11 In conjunction with an AFROSAI initiative to improve VFM audits in Africa, a VFM[15] study was carried out in 2002/03 on Universal Primary Education (UPE). This report was presented to the Speaker of the House in mid 2003. There are plans to carry out 2 VFM assignments in the near future, but these plans have been disrupted by the departure of a key member of the VFM team. VFM manuals will be developed on the basis of practical country specific experience.

---

[14] OAG Corporate Plan. Also see Table 9

[15] A second VFM study on UPE was conducted by private sector auditors. This report showed even greater losses as a different valuation methodology was used.

3.12 The introduction of the sophisticated ORACLE based IFMS poses significant challenges for the OAG as staff need to acquire the specialised skills required for conducting audits in such complex IT environments. IT systems are vulnerable to technical failure, unauthorised access and computer fraud and therefore the OAG will need to review the integrity, security and availability of the IFMS system. In response to this challenge, the OAG with support from a specialist advisor funded under the EFMP-II has secured an online audit facility to the IFMS allowing OAG to access all GoU transactions and activate an audit trail. OAG has also participated in user acceptance testing and recommended the development of a number of user controls.

3.13 A capacity building action plan has also been developed and an active and an enthusiastic specialist IT workgroup established. Technical training has been provided for all workgroup members. Audit software has been acquired and training commenced. Audit management software is also being evaluated.

3.14 Annual reports to Parliament in respect of Central Government have been produced within the specified 9-month period (by the 31 March) for the last six financial years. LG audits have been brought up to date as indicated in Table 11 below. Prior to financial year 2002/03, all audits were completed outside the statutory reporting timeframe due to the late submission of the accounts for audit. However for 2001/02 accounts audited during financial year 2002/03, 46% of district and urban authority accounts were audited within the statutory period. It is anticipated that all 2002/03 district and urban authority audits will be completed by June 2004.

Table 11. Audit of Local Government Accounts (excluding sub counties)

Financial yr →	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03
Number of Accounts	105	107	108	120	129	129
Completed[a] Audits	97	105	108	118	124	129 (by June 2004)
% Completed	92%	99%	100%	98%	96%	

Source: OAG Corporate Plan 2003-2006

(a) It is assumed that the difference relates to the non-submission of accounts for audit.

3.15 Efforts have also been made to improve information on the total number of audits to be carried out by the Office and information on entities to be audited by the AudGen is now considered to be reasonably comprehensive.

3.16 shows the trend in the number of accounts audited by the OAG.

Table 12. Trends in number of Accounts to be audited by the OAG

Type of Accounts ↓	Volume of work [a] for Financial Yr→	1999/00	2000/01	2001/02	2002/03	2003/04 [c]
Central Government – Appropriation Accounts		41	41	73	74	74
Local Government – District Councils		44	53	56	56	56
Local Government – Municipal Councils		13	13	13	13	13
Local Government – Town Councils		50	58	60	60	60
Local Government – Sub Counties		0	0	113[b]	316	618
Statutory Corporations[d]		66	66	71	71	71
Donor Funded Projects		100	110	125	140	139
Poverty Alleviation Fund (PAF) Audits		112	112	112	112	112
Total		**426**	**453**	**623**	**842**	**1143**

Source: OAG Corporate Plan 2003-2006

(a) Volume of work in for example 2001/02 refers to the number of 2000/01 accounts to be audited.

(b) The total number of sub-counties expected to produce accounts for audit is 900, however for the financial year ending 2000/01, only 113 sub-counties produced auditable accounts. Decentralisation increased the number of transactions from central to local level and the introduction of sub counties further increased the number of transactions. These accounts have never been audited previously.

(c) The number of accounts to be audited is projected as work is ongoing.

(d) This figure includes State Enterprises, Statutory Authorities and Commissions.

3.17 The majority of donor funded projects and statutory corporations are outsourced to private audit firms. Private audit firms are also auditing the 2002/03 accounts for sub counties with assistance from the LGDP. It is understood that the accounts for a number of statutory authorities and state enterprises are not up to date and responsible Ministers need to follow up and ensure compliance with the relevant legislation.

3.18 In order to tackle the problem of sub county audits, an Audit Strategy has been finalised and funding secured from the World Bank.

3.19 An audit of the OAG itself, was completed in May 2002 for the period 1 July 1995 to 30 June 1998 by an independent auditor appointed by Parliament. The audit report made several recommendations aimed at improving the accountability and transparency of the OAG. In response to these recommendations, the Office is developing an Internal Financial Procedures Manual, a Code of Conduct and is in the process of implementing audit management software designed to improve the scheduling of audits and the use of resources.

Constraints and challenges

3.20 The lack of independence of the OAG remains the most critical factor in the modernisation and development of the Office. As noted in the report of the INTOSAI task force on the independence of SAIs, "in these days of privatisation, decentralisation, public sector reforms and the fight against corruption, ensuring that SAIs have the independence, competence and resources needed to fulfil their mandates is more important than ever."

3.21 Unless the Cabinet has made appropriate recommendations to the CRC to improve the independence of the OAG and facilitate the development of appropriate audit legislation, there remain significant concerns about the accountability of public funds, fiduciary risk remains high and the ability of the AudGen to carry out his role as public watchdog is severely restricted. Furthermore, his ability to play an active and effective role in the fight against corruption is significantly diminished and the sustainability of current support initiatives is threatened.

3.22 The GoU through voted expenditures by Parliament funds the OAG. Table 13 below shows the trend in OAG funding from the GoU. Despite a significant increase in workload and an increased emphasis on accountability, total funding for the OAG has not increased significantly over the last seven years in real terms. Since the reduction in cost per audit report is not due to better utilisation of audit resources, audit risk continues to increase.

Table 13. Trends in OAG funding from the GoU

Financial Year	Recurrent Ushs'000	Development Ushs'000	Statutory Ushs'000	Total Ushs'000	% of National Budget	No's of Accounts Audited
1998/99	2,401,891	210,000	22,586	2,634,477	0.18%	314
1999/00	2,964,919	110,000	34,800	3,109,719	0.21%	426
2000/01	3,343,322	119,999	34,800	3,498,121	0.20%	453
2001/02	4,616,925	150,000	34,800	4,801,725	0.18%	623
2002/03	4,906,063	140,000	34,800	5,080,863	0.18%	842
2003/04[(a)]	5,385,200	140,000	34,800[(b)]	5,560,000	0.18%	842++

Source: OAG Corporate Plan 2003–2006

(a) Figures based on draft estimates as per PER

(b) Assumed not to have altered from previous year

3.23 The OAG's budget is approved by Parliament via the Annual Appropriation Act but the MoFPED controls the actual releases. The 23% budget cuts imposed in 2002/03 affected all ministries including the OAG. Whilst the OAG is part of the PAF programme and thus protected from cuts in releases, the OAG still has to seek permission from MoFPED to re-allocate funds according to identified priorities. For 2002/03 performance of outturn against budget for the OAG was wages - 67% (due to vacancies), non-wage recurrent - 100% and development - 100%.

3.24 The rapid increase in the number of professional accountants in the OAG is impressive but the majority are at the bottom of the organisational structure (refer to Table 9). The key challenge will be to retain these staff once they have the requisite experience given the poor pay and terms and conditions of service. Currently, there is no requirement that senior staff are qualified accountants and recent promotion results appear to have been based on length of service rather than appropriate qualifications.

3.25 The current organisational structure of four distinct directorates is outdated and neither facilitates inter directorate communication nor reflects the technical or administrative requirements of a modern audit office. The AudGen has no powers to hire, fire or even transfer or rotate senior staff internally, thus providing them with broader experience. The MoPS gave permission for the introduction of four Assistant Directors, eight Senior Principal Auditors and additional Principal Auditors to help improve the management and quality of audit work. Advertisements for all posts were placed in 2003. Interviews for Principal Auditors were held and posts filled. The other posts were re-advertised and interviews held in March 2004.

3.26 The AudGen can recommend to the PAC that action be taken in instances where it considers that public funds have been wasted or lost. However, in the past, the lack of seriousness on the part of auditees has been highlighted. The effectiveness of Section 34 (a) of the PFAA still has to be tested, but experience suggests that the recognition of the importance of the AudGen role in minimising fiduciary risk and ensuring accountability of public funds is not widely acknowledged. The AudGen is planning a public education and awareness programme to sensitise relevant stakeholders including AOs on the role of external audit and implications of new legislation.

3.27 The poor quality of audits (poor documentation of audit files, lack of standard audit progammes/level of supervision) is recognised by the AudGen and as noted above there are a number of ongoing initiatives to address many of these issues. However the operationalisation of many of these initiatives and the effectiveness of training is limited whilst the AudGen has no ability to motivate staff through pay, promotion, incentives or discipline or fire staff contravening the internationally sanctioned principles of a SAI. Improvements in the quality of audit work undertaken also need to be reflected in the quality of audit report presented to Parliament. Material issues need to be clearly separated from detailed findings.

3.28 Although, contracting processes have been reviewed and standards raised, there still remains some concerns about the quality of work carried out by private sector audit firms and strict quality control measures need to be applied. There are good working relationships between the AudGen and the Inspector General of Government (IGG). However there is still lack of clarity of roles and reporting mechanisms between the AudGen and the Public Procurement and Disposal of Assets Authority (PPDA) on the issue of value for money (vfm) /procurement audit.

3.29 Lack of accommodation and outdated auditing techniques mean that external auditors are located in line ministries on a permanent basis for two to three years. This modus operandi has led in the past to problems of the external auditor's independence from the day-to-day working of the organisation being audited.

3.30 The AudGen has set out his strategy for carrying out sub county audits, however the effective audit of LG accounts at all levels remains a significant challenge given the state of regional audit offices both in terms of manpower, physical infrastructure, poor communications and inadequate facilities. However as 35% of the national budget is sent directly to LGs and approximately 50% of line ministry expenditure is spent at the local level, the materiality of local expenditure cannot be ignored. In addition, financial management capacity and local oversight is also limited in many districts, a risk analysis would also indicate a high-risk scenario.

3.31 Whilst the AudGen is producing timely reports on Central Government activities, the presentation of the associated PAC reports to Parliament is now way behind schedule as discussed in section 5.1, thus compromising the cycle of accountability.

Recommendations

3.32 The following recommendations are designed to support the OAG's mission to "audit and report to the public and thereby make an effective contribution to improving public accountability". The ongoing support being provided under the EFMP-II appears both practical and appropriate. These recommendations do not therefore repeat planned actions, although it is recognised that additional funding of some of these actions may be required, particularly in support of training programmes being developed. However it is noted that support to an oversight body such as the AudGen within a programme designed primarily to support an implementing body can be problematic.

Short-term (1-2 years)

- Enact appropriate legislation to ensure the independence of the AudGen (preferably promoted by Minister of Ethics and Integrity) so that OAG has: (i) its own budget approved by Parliament in accordance with the recommendations of a professional and independent Audit Board; and (ii) the ability to manage effectively its own staff.

- Clarify any contradictions in the legislation (Constitution and supporting legislation) on roles and responsibilities between the AudGen and PPDA on vfm/procurement audit. Establish appropriate communication strategies to ensure the best use of limited resources.
- Increase funding to OAG to reflect its additional workload.
- Review other legislation e.g. LGA that could compromise independence.
- Develop short-term plans for retention of qualified staff.
- Develop the Code of Conduct and Internal Financial Procedures to improve the transparency and accountability of the organisation.
- Review the format of part one of the AudGen Report to highlight material discrepancies.
- Establish telephone links between all regional offices and head office.
- Ensure that line ministers follow up on the audit of all bodies under their respective ministries and report to Parliament on the reporting status of all organisations.

Medium-term (3-5 years)

- Obtain separate physical accommodation both to accommodate physically staff currently in ministries and to provide a clear indication to line ministries of the institutional separation between MoFPED and OAG.
- Upgrade facilities at regional offices and establish more "sophisticated" communication (e.g. e-mail) links between head office and key regional offices.
- Ensure that OAG has sufficient funds to enable him/her to fulfil all statutory obligations and to develop procedures that would enhance future effectiveness.

Long-term (6-10 years)

- Complete the implementation of a countrywide information/communications network.

B. INTERNAL AUDIT

Review and assessment of the current situation

Legislation and regulatory environment

3.33 The Internal Audit function has undergone significant development since the 2001 CFAA. Whereas at that time its mandate was derived from MoFPED's Policy Statement of June 2000, the IAD's role within Government has now been further clarified and strengthened within the new PFAA, as well as the accompanying PFAR, 2003. The MoFPED Policy Statement of June 2000 specified the IAD's role as being to review, appraise, and report upon the following:

- The soundness, adequacy and application of internal controls;
- The extent to which the Government's assets and interests are accounted for and safeguarded; and
- The sustainability and reliability of financial and other management data developed within the ministries.

3.34 The policy statement obviously did not have the strength of an Act of Parliament, and thus did not offer the protection afforded by such an Act. No guidelines had been developed at that time to assist the

audit department deliver on its mandate, and its independence was questionable (IAD reported to the AO of the ministry or agency, as well as a Commissioner in the AGO).

3.35 The Government enacted the PFAA in 2003 giving the AccGen the necessary power to 'ensure that the internal audit function within each Government Ministry, department, fund, agency, or other reporting unit is appropriate to the needs of the organisation concerned' as well as conforming to internationally recognised standards in respect of its status and procedures. The recently completed study on the re-organisation of the AGO also sets out the need to devolve the internal audit function to MDAs. In support of this process, a number of key guidelines are under construction. These include:

- Government Internal Auditing Guidelines; and
- Ethical Guidelines for Internal Auditors in Government.

3.36 They are both at draft stage. A detailed Internal Audit Manual (draft) has also been prepared to guide the auditors in their day-to-day work.

3.37 A further development has been the introduction by the PFAA of the need for audit committees to enhance the independence of the function. Internal auditors for each ministry will now be responsible to the AO for the ministry as well as an audit committee (for that ministry) established to assist the AO in carrying out his 'oversight responsibilities relating to financial practices, internal controls, corporate governance issues, compliance with laws, regulations, ethics, and all audit matters'. The duties and responsibilities of the audit committees are specified in the PFAR, as well as in a newly developed Charter for Audit Committees, and an additional Charter for Internal Audit in Government (both still at draft stage). According to the current regulations, the audit committee's duties include:

- Approval of annual work plans for the audit department;
- Working closely with the AudGen, IGG, Director of Public Prosecutions (DPP), and the Police among others, when necessary;
- Reviewing and reporting on overall quality of internal audit services, adherence to professional standards (in particular independence), and reporting arrangements;
- Ensuring the internal audit budget is adequate;
- Facilitating risk assessment for the ministry or agency;
- Discussing internal audit findings and recommendations with the AOs and monitoring implementation of the recommendations; and
- Reviewing arrangements in place to ensure compliance with regulatory and financial reporting requirements.

3.38 Clearly therefore, the new PFAA and the accompanying PFAR are going to entrench internal auditing within the Government's accountability framework, as well as boost its independence. Indications are that requirements of the new Act will be implemented during 2004/05.

3.39 The Uganda Chapter of the worldwide Institute of Internal Auditors was affiliated in December 2003 after a humble beginning in December 2002. This Institute is intended to improve the professionalism of the Internal Audit function in the country. Plans are underway to establish legislation to legalise its activities. During an Internal Audit Consultative Forum hosted by the World Bank in Nairobi in early March 2004 Ugandan stakeholders developed a set of key proposals to address various Internal Audit initiatives.

Compliance and capacity

3.40 Since June 1999, the International Institute of Internal Auditors (IIA)'s approved definition of internal audit has been as follows:

> "Internal audit refers to an independent objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes."

3.41 From the foregoing, it is apparent that the expectations for internal audit under the new Act fully comply with the above definition: the function will be independent as well as capable of adding value to the organisation. What remains to be done is to realise on the ground the ambitious plans that the Act lays down. Currently, the internal audit function within Government is not sufficiently independent. It is headed by a Commissioner in the MoFPED, with staff seconded to ministries. Within the ministries, internal audit staff report to the AO of the ministry, although they also copy their reports to the Commissioner, Internal Audit, MoFPED. However, the support available from the Commissioner in MoFPED is limited as this top position is too low in the Government structures to be able to effectively advise somebody at PS level.

3.42 The IAD's current duties still contain a large 'pre-audit' component, although there has been some movement towards internal control (system) review and other advisory services. No technical and VFM audits are carried out as the department does not have the necessary skills. In the longer term, there will need to be appropriate strategies for the co-ordination of system's audit work with the work carried out by the PPDA.

3.43 The staffing profile of the IAD will obviously need to change to match its new structure. Currently the full establishment of 45 professional staff is available, comprising twelve qualified accountants (11 ACCA and one Certified Public Accountant (CPA)) and 33 first-degree graduates (mostly registered as ACCA and CPA students). There has been negligible staff turnover in the department since 2001. Nine additional staff members qualified with the ACCA qualification during that time (previously only one ACCA and one CPA were the qualified members of the team).

3.44 The Government is in the process of installing its IFMS. This will lead to changes in the audit approach and will require revisions of the draft Internal Audit Manual.

Recommendations

3.45 It is important to note that the area of Internal Audit as well as financial management in general is undergoing change – change for the better. The team's observations above acknowledge this, thus the recommendations below relate primarily to suggestions to optimise the implementation of the changes:

Short-term (1-2 years)

- Develop a formal implementation plan for the proposed changes to the system required by the PFAA that came into force on 1 July 2003 including recent proposals from the Internal Audit Forum held in Kenya.
- Elevate status of internal audit at both headquarters and ministry level to enable them to advise senior management effectively.

- Recruit additional qualified audit managers to manage the function in each of the ministries as they will now become stand alone departments.
- Revise the draft Internal Audit Manual to incorporate auditing in a computerised environment.

Medium-term (3-5 years)

- In conjunction with the newly established IIA Uganda Chapter, arrange more audit specific training for staff in each of traditional auditing, VFM auditing, and auditing in a computerised environment.
- Finalise the process of establishing legislation to legalise the Ugandan Chapter of the IIA.

4. LEGISLATIVE SCRUTINY, ACCESS TO INFORMATION ON PFM, ETHICS AND INTEGRITY

A. LEGISLATIVE SCRUTINY

Review and assessment of the current system

Legislative environment

4.1 Uganda has a unicameral Parliament with 303 members, 214 directly elected by popular vote, 81 nominated by legally established special interest groups[16]. and eight ex officio members. The Cabinet is appointed by the President. Members of Parliament (MPs) serve five-year terms. There is a Movement political system. The President is both Head of State and Head of Government, the Prime Minister is leader of Government business.

4.2 There are 12 Standing Committees of which five are directly concerned with financial matters: (i) Committee on Budget; (ii) PAC; (iii) the Committee on Commissions, Statutory Authorities and State Enterprises (COSASE); (iv) the Local Government Accounts Committee (LGAC); and (v) Committee on the National Economy, which deals with issues relating to the national economy including approval of loan agreements. Each Standing Committee with the exception of the Budget Committee has 15 members, who are nominated and subsequently elected by MPs. In addition to the elected members, all Chairpersons of the other Committees are ex-officio members of the Committee on Budget.

4.3 There are 10 Sessional Committees including one for Finance, Planning and Economic Development. The Sessional Committee on Legal and Parliamentary affairs reviews the report of the IG amongst others. All Sessional Committees comprising of not less than 15 and not more than 25 interested members are responsible for examining critically Government recurrent and capital budget estimates relating to their specific ministry.

4.4 According to Rule 134 of the Rules of Procedure of Parliament of Uganda[17], the remit of the PAC is the examination of the audited accounts showing the appropriation of the sums granted by Parliament to meet the public expenditure of the Central Government and the Judiciary. The functions of COSASE are set out in Rule 147 and include the examination of the reports and audited accounts of statutory authorities, corporations and PEs or other bodies or organisation established by an Act of Parliament, and the monitoring of the operations of any of these bodies. The LGAC, which was established in 2001/02 is assigned the examination of the audited accounts in relation to the report laid before Parliament by the Minister[18] under Section 88 of the LGA, 1997 showing the appropriation of the sums granted by Parliament to LGs. All three Committees are expected to report to Parliament twice a year and according to the Constitution, the House is expected to hold a debate on the AudGen's reports within six months of their receipt. The Committees are open to the media and members of the public.

[16] Women 56, army 10, persons with disabilities 5, youth 5, workers 5.
[17] Rules of Procedure of Parliament of Uganda, 30th April 2002
[18] Minister for Local Government

Although the press always exercises this right, members of the public do not attend because they are unaware of this right[19].

4.5 The functions of the Budget Committee are to (i) focus on preliminary estimates and the macroeconomic plan and programs and submit recommendations to the Speaker; and (ii) consider the national Budget and compile amendments and refer them to the relevant Committees.

Current situation

4.6 As shown in Table 14 below, the PAC has managed to eliminate a considerable amount of the backlog. However the requisite time has not been allocated by the Business Committee to allow Parliament to debate the outcomes of the reports. Whilst recognising the burden on Parliament, the failure to allocate appropriate time to the reports undermines the scrutiny process and the whole cycle of accountability.

Table 14. Status of reports on Central Government Accounts

	1997/ 1998[a]	1998/ 1999	1999/ 2000	2000/ 2001	2001/ 2002	2002/ 2003
AudGen Report Issued	YES	YES	YES	YES	YES	W.I.P[b]
PAC Report Completed	YES	YES	YES	YES	W.I.P	
Report presented to Parliament	YES	NO	NO	NO		
Treasury Memorandum Issued by MoFPED	YES					

b. Refers to the year of the accounts
c. W.I.P–Work in Progress

4.7 Procedurally following the submission of the PAC findings to Parliament, a Treasury Memorandum (TM) is issued by MoFPED to inform Parliament of what action has been taken on each recommendation. Only when the PAC reports have been tabled to Parliament do they become publicly available. Since the presentation of the PAC reports are so behind, the issuing of the TMs are also way behind schedule, therefore undermining the effectiveness of the process. The PAC can advise the Minister of Finance to take appropriate action against public officers who have contravened any Act or abused their position, but constitutionally the legislature has no executive powers. In addition, the PAC is supported by a special unit from the Criminal Investigation Department, which can take forward criminal investigations, if required.

4.8 In 2003, some PAC members participated in overseas visits to observe the operations of other PACs. In addition, some training was provided and limited computer facilities installed in Parliament for use by all MPs. It is recognised however that only a few of the members have the necessary expertise to review part two of the AudGen report which sets out the financial statements of all the Central Government votes.

4.9 It is understood that COSASE has a significant backlog of work and information on the entities to be reviewed by the Committee is incomplete. According to the AudGen's records, which are considered to be reasonably comprehensive (but not totally), there are 71 entities, which should submit reports to the Committee. Review of these reports in addition to the specific review of the operations of particular

[19] Other reasons for not attending may be that the public view the Parliament as a "sacred" place, and that Parliament has not sufficiently educated the public about the business of the House and its Committees.

organisations, such as the National Social Security Fund (NSSF) and the URA requested by Parliament places a significant burden on the Committee. TMs are not produced as in most instances it is the responsibility of the Board of Directors to ensure that appropriate action is taken. The extent to which Boards do carry out this important governance role is discussed in Section 6.

4.10 Unlike PAC members, COSASE members have received no special training and only a few of the members have specific expertise in financial management issues. The Committee is supported by only one Secretary. LGAC members have been quite active in reviewing the reports of the LGPACs and associated audited accounts. However it is understood that there is some debate as to the relevant authority of the LGAC vis a vis the LGPACs.

4.11 Whilst some personnel in the Parliamentary Commission have postgraduate training, their ability to provide appropriate research and technical support to the Committees is severely limited both by the volume of work and available funds. Whilst funds are allocated by the Executive to the Committees, it is generally regarded as insufficient to enable the Committees to carry out their work effectively. Work carried out by the PAC to eliminate the backlog was done during Recess and thus was limited by available time and funds to facilitate meetings outside normal parliamentary hours. COSASE is faced with similar financial and resource constraints and yet is responsible for overseeing significant levels of expenditure.

4.12 In recent years, a number of Commissions of Inquiry have been set up to deal with issues of serious public concern where there are alleged breaches of standards of accountability and where it is considered inappropriate to rely on the normal systems of auditing and investigations. Commissions of Inquiry report to their appointing authority who will take the necessary action.

Recommendations

4.13 In order to improve the effectiveness of legislative scrutiny and enhance the overall cycle of accountability, it is recommended that consideration be given to the following recommendations.

Short-term (1-2 years)

- Eliminate remaining backlog of PAC reports and ensure that all outstanding reports are presented to Parliament within the next twelve months.
- Establish a comprehensive list of all entities to be reviewed by COSASE and the status of all associated audit reports. Develop a costed plan for the elimination of the backlog.
- Develop a programme of training[20] for all Committee members and relevant Commission staff on financial management issues.
- Raise public awareness of their right of access to committee meetings. This would assist in minimising the politicisation of certain recommendations.
- Develop a regional forum of PAC/COSASE (or equivalent)/LGAC members to facilitate exchange of ideas, knowledge and experiences.
- Develop procedures for the review of VFM reports and required actions.
- Ensure that reports of Commissions of Inquiry are made available to the public.

[20] This training would be in addition to the more generalised training requirements set out in the DFID funded study of the Uganda Parliamentary Service carried out in July 2003.

Medium-term (3-5 years)

- Develop capacity of all MPs to contribute to discussions on financial and economic management issues.
- Continue the improvement of technical support, library and information facilities available to Parliament and associated committees to carry out their assigned responsibilities.
- Review the funding mechanism of parliamentary committees.

B. ACCESS TO INFORMATION ON PUBLIC FINANCIAL MANAGEMENT

Review and assessment of the current system

Legal framework and actual practice

4.14 In international human rights legislation, freedom of information is part of the fundamental right of freedom of expression. A key statement on human rights is the Universal Declaration of Human Rights which is by customary international law binding on all states. Article 19 of the Declaration guarantees everyone the "right to freedom of opinion and expression" that includes the right to "seek, receive and impart information". The Commonwealth Law Ministers endorsed the Freedom of Information Principles in May 1999[21], and these were approved by the Commonwealth Heads of Government in November[22] of the same year. These principles, to which Uganda is bound, as a member of the Commonwealth, recognise the "importance of public access to official information, both in promoting transparency and accountable governance and in encouraging the full participation of citizens in the democratic process"[23].

4.15 Article 29 of the Constitution of the Republic of Uganda, 1995, provides "protection of freedom of conscience, expression, movement, religion, assembly and association" to every person. Subsection (1) (a) of Article 29 guarantees the right to "freedom of speech and expression, which shall include freedom of the press and other media". These fundamental rights of Article 29 may not be restricted in any way. Article 41 (1) of the Constitution guarantees the right of access to information except where "the information is likely to prejudice the security or sovereignty of the State or interfere with the right to privacy of any other person".

4.16 Uganda, in line with other democratic societies, has made some progress towards ensuring the public has access to financial information. Article 155 of the Constitution requires that budget estimates be laid before Parliament "not later than the fifteenth day of the commencement of the financial year". Article 163 (4), without setting a time limit, requires the AudGen to submit to Parliament annually an audit report of the Government accounts for the financial year immediately preceding. Then, Article 163(5) of the Constitution requires Parliament to debate, consider and take appropriate action on the report of the AudGen on the annual accounts within six months of its submission to Parliament. These Articles guarantee that budget estimates and audited annual accounts of Government come to the public domain through Parliament, whose sittings are open to the public.

4.17 The deliberations of the PAC are open to the public. The approved budget reports, the Government's annual accounts and AudGen's report thereon, and reports of the PAC are available in public libraries for public scrutiny. Civil society is engaged in the public sector budget preparation

---

[21] *Communiqué*, Meeting of Commonwealth Law Ministers, Port of Spain, 10 May 1999, para. 21.
[22] The *Durban Communiqué*, Commonwealth Heads of Government Meeting, Durban, 15 November 1999, para. 57.
[23] *Communiqué*, Commonwealth Functional Co-operation Report of the Committee of the Whole, Commonwealth Heads of Government Meeting, Durban, 15 November 1999, para. 20.

process through the budget framework workshops, which are conducted at all levels of Government. These examples show that Uganda has legislation, policies and practices that allow public access to the budget preparation process, however a key weakness is that civil society is not fully engaged in the budget execution process. For example Chapter 6 of the UPE guidelines, December 2002 requires that schools must publicly display pupil enrolment and attendance, budgets and expenditures, UPE capitation grant received, names of teachers and total teachers' salaries received, amount received as extra charges, and quarterly reports. However, the guidelines do not require parents and the public in general to hold public hearings on the usage of funds for efficiency and effectiveness.

4.18 Similarly, citizens should be empowered to take charge of governance and development issues at community level for other sectors as well. Public hearings involve exposing official records to external scrutiny thus eliminating the culture of secrecy that fosters corruption. It is one of the most powerful ways of demanding accountability from decentralized governance units and therefore needs to be institutionalised in Uganda at the community level.

4.19 There are provisions in laws, such as the Official Secrets Act, Cap 302, the Public Service Act, Cap 288, the Penal Code Act, Cap 120 and the Anti-Terrorism Act, 2002 that may, if applied inappropriately, restrict access to public information. Equally, subsidiary laws regulating the operations of the press and other media, that is, the Press and Journalist Act, Cap 105 and the Electronic Media Act, Cap 104 may limit how much information the media can publish. For example, Section 4 of the Press and Journalist Act allows "access to official information subject to any law in force relating to national security, secrecy or confidentiality of information".

4.20 However, it is recognised that despite the provisions in these laws that potentially control the freedom of the press, the Government has been relatively tolerant of press criticism. In addition, Sections of the Press and Journalist Act provide some protection by not compelling journalists to disclose the source of their information except with the consent of the person who provided the information or by an order of the law. Nevertheless, the potential to use these laws to shut down media houses or outlaw independent media outlets that publish or broadcast information that is very often critical of the Government has negative implications on the proper functioning of the media and free flow of information. Instead, the media should be required to establish a non-statutory media council and a code of ethics that will advance media self-regulation practices. This will help balance and protect the interests of both the Government and the media practitioners.

4.21 In addition, gaps in law exist that may limit access to information. Article 41(2) of the Constitution require Parliament to enact "laws prescribing the classes of information" that citizens have a right to access under Article 41(1) and the "procedure for obtaining access to that information". Provisions of this Article of the Constitution have not yet been implemented. The Access to Information Bill, No. 7 of 2004 is currently with Parliament

Recommendations

4.22 Uganda has a sound legal basis on which to build a robust public access to information framework. Further improvements can best be achieved by the Government working with civil society and the private sector to initiate the following:

Short-term (1-2 years)

- Enactment of the Access to Information Bill.
- Review of any legislation, which might contradict the Access to Information Bill.

Medium-term (3-5 years)

- As part of the implementation of the Access to Information Act, MDAs should provide training for their employees. This training should address the culture of lack of openness and secrecy within Government and ensure that civil servants are familiar with their obligations to disclose information.
- Building upon the provisions of the Access to Information Act, the Government should launch a nation-wide public education programme to raise awareness of the constitutional provisions that guarantee public access to information. This will be a programme of two to three years and should include programmes to empower civil society to be able to actively participate in debates on the utilisation of public financial and economic resources.
- Develop the capacity of the business media to report on financial and economic management issues.

Long-term (6-10 years)

- Launch public hearing initiatives (form to be defined) to bring into focus the need for citizens to take charge of governance and development issues at community level. Organized by civil society public hearings should be attended by beneficiaries of development projects, concerned officials, NGO activists, the media and the public.

C. ETHICS AND INTEGRITY

Review and assessment of the current system

Legislation and regulatory environment

4.23 In July 2000, the President launched the "Government Strategy and Plan of Action to fight corruption and rebuild ethics and integrity in Public Office: Fiscal Years 2000/1–2002/3." In the intervening period a number of Acts have been updated and changes in legislation proposed. A second three-year plan is currently being developed and is expected to be completed by April 2004.

4.24 The two most significant pieces of legislation were the Inspectorate of Government Act, 2002 and the Leadership Code Act, 2002. The IG Act provides for the powers and procedures required by the IG to fight corruption. The IG is a Constitutional Office and its functions include: (i) the supervision of the enforcement of the Leadership Code; (ii) the promotion and fostering of strict adherence to the rule of law; (iii) public awareness programmes; and (iv) investigations. It is headed by the IGG. The Leadership Code calls for open citizen access to leaders' assets. The IG has established a leadership directorate and the media has published details of leaders assets. It is understood that the publishing of this information received a mixed response from some political leaders and that a recent Constitutional Court ruling means that the IGG has no powers to investigate officers appointed by the President.

4.25 Proposals for a revised and updated Prevention of Corruption Act are at the point of completion and were to be submitted to Cabinet in March 2004. The purpose of the revised legislation is to provide a more effective legal framework for combating corruption and misappropriation of public resources. It seeks to consolidate existing legislation and identify and fill gaps in current provision. The revised act intends to strengthen enforcement, and provide for the confiscation, freezing and seizure of assets as well as dealing with issues such as conflict of interest.

4.26 Public consultations are planned on proposed Whistleblower Protection/Qui Tam legislation. There are practical difficulties of implementation of such legislation in the Ugandan context but it is seen as an important step in encouraging and protecting members of the public in divulging information. Principles of whistleblower legislation are expected to be presented to Cabinet by June 2004. Anti-money laundering legislation is in draft form and is also due to go to Cabinet during 2004. GoU recently signed the United Nations Convention against Corruption (December 2003). A Memorandum for the ratification of this convention and the African Union Convention on combating Corruption has been submitted to Cabinet for decision. As noted in the previous section, the Access to Information Bill is with Parliament, and is seen to be a key piece of legislation on the path to more open Government.

4.27 The Uganda Government Standing Orders were designed to check on the conduct of public officers and are currently implemented by the various service commissions. However, it is generally acknowledged that these are out of date. The URA, Ministry of Health and the MoPS have developed new codes of conduct for staff and there is a plan to update the Government Standing Orders.

4.28 The Directorate for Ethics and Integrity (DEI) is under the Office of the President and is headed by a Minister of State for Ethics and Integrity. It represents the political voice of anti-corruption action in Uganda. It is charged with: (i) the responsibility for developing policies and legislation to fight corruption; (ii) co-ordinating the activities of the anti-corruption agencies; (iii) monitoring and reporting on the implementation of anti-corruption programmes; and (iv) the establishment of ethical codes of conduct for public sector employees.

Progress to date, challenges and constraints

4.29 Corruption is generally recognised as both a major barrier to sustainable development and a potential cause of social unrest. Whilst there is a general recognition of the need to have core Government functions working well if the Government is going to curb corruption, include cross cutting reforms such as pay, HRM, procurement and financial management. It is also acknowledged that there is a need to improve detection, investigation and prosecution of corruption cases.

4.30 All stakeholders understand the difficulties and dangers associated with the successful prosecution of grand corruption cases. The existence of the political will at both the Central and Local Government level to tackle corruption is the key factor in determining whether these issues will be addressed successfully. Given the lack of a social contract between the Government and many members of the public, there appears to be little incentive for the public to become actively involved in ensuring that the Government uses public funds appropriately.

4.31 As shown in Table 15 according to the Transparency International (TI) report the perception of corruption in Uganda remains high. The report showed a slight improvement in rating between 2002 and 2003 which is encouraging.

Table 15. Uganda's ranking in the TI Corruption Perception Index

Year	Position	Sample Size	Ranking from the Bottom[24]
1998	73	85	8th
1999	87	99	12th
2000	80	90	10th
2001	88	91	3rd
2002	93	102	9th
2003	113	133	17th

4.32 According to the Second National Integrity Survey conducted in 2003, some progress has been made and although admittedly based on a small sample size, there has been a decline in the reported percentage levels of bribery since the initial survey in 1998. The comparative situation is set out in Table 16.

Table 16. Reported percentage levels of Bribery in selected Institutions

Institution/Year	1998	2003
Police	63%	46%
URA	40%	31%
Magistrate's Courts	50%	29%
LG	30%	16%

4.33 However the report also notes that corruption remains a significant problem, and adversely affects the poor in a number of instances. The Police were cited as the most corrupt institution with Health services as the second most corrupt. Whilst institutions rated Traffic Police as the worst offenders, Tender Boards second and URA third. It also demonstrates an increasing tolerance of corruption, particularly petty corruption. Whilst the IG's public awareness programmes have greatly increased the public's knowledge and understanding of its own activities, it appears to have had limited effect on disseminating the costs of corruption to the nation and to the poor in particular.

4.34 Both DEI and the IG have serious staffing problems and concerns have been raised that staff in the IG are too inexperienced to be able to deal effectively with some of the issues. The ability of both institutions to retain highly qualified and experienced staff is limited by pay and terms and conditions of service. Unlike other countries, employees of both these institutions share the same pay, terms and conditions of service as other public sector employees. The DEI has a professional staff of just three people currently and the position of PS has been vacant for over a year.

4.35 Despite staffing constraints, DEI has advanced the process of getting new legislation approved including anti-corruption legislation and whistle blower protection. The twice-yearly IG's reports show the type of work being carried out, although the latest available report is only for the period June – December 2002. Following receipt of the information on leaders assets, the IG's leadership directorate has, with DANIDA support, completed analysis of the returns received from Government Ministers (65), and is now due to commence the verification process for this group.

[24] The ranking from the bottom shows the actual position from the bottom in terms of scores and ignores the fact that there is sometimes more than one country with the same score.

4.36 Table 17 shows the volume of work being handled by the IG, it should be stressed that a lot of work is carried out in conjunction with the Police and the DPP and therefore the numbers of prosecutions and court cases will not include those handed over to these authorities.

Table 17. Cases handled by the IGG

Year	Number of new cases	Number of completed cases	Number of Prosecutions	Number of Court Cases Resolved	Convictions
1996	848	586			
1997	1148	740			
1998	2944	2449	6	0	
1999	3318	2811	31	6	3
2000	4809	4236	47	8	1
2001	3294	3428	100	20	6

Source: Second Integrity Survey

4.37 Figures for 2002 show that there were 1967 new cases for the period July to December 2002 and 1501 for the period January to June. It is worth noting that the IG has had difficulty in enforcing the implementation of many decisions at a local level because of the autonomy and independence of LG conveyed under the Constitution. These and many other aspects are subject to the current constitutional review process.

4.38 The DEI arranges an Inter Agency Forum[25] on a monthly basis and this facilitates improved working relationships, however it is understood that there is some debate both within and outside the forum on the respective roles of some of the agencies and the lack of clarity on some issues, including mandates. A key question relates to the extent to which forum members can coordinate without compromising their constitutional independence. The DEI seeks to work in the area of common good and joint action. It is also understood that there is considerable concern as to how effective MoFPED can be in carrying out oversight as well as implementation activities.

4.39 Recent Cabinet proposals to the CRC to dilute some of the powers of the IG appear to be in contradiction to the President's statement on zero tolerance of corruption. Proposals include removing the power to prosecute, to dismiss personnel and suspend the possibility of receiving complaints in the tendering process. It would seem more appropriate to obtain greater clarity on the respective roles and responsibilities of various players to ensure that there are the appropriate checks and balances.

4.40 The importance of the Public and Civil Society in the fight against corruption cannot be underestimated and therefore the increasing tolerance of society to petty corruption is of concern to many Ugandans.

Recommendations

4.41 Whilst it is recognised that many issues need to be addressed to combat corruption including public sector pay, greater public access to information and improved financial reporting systems, the following recommendations are designed to complement these efforts.

[25] Membership of this forum includes representatives from DEI, OAG, IG, Police (Criminal Investigation Department), DPP, PAC and the MoFPED.

Short-term (1-2 years)

- Finalise the development of the second national anti-corruption plan including the development of appropriate measurement indicators.
- Enact legislation on anti-corruption and anti-money laundering and assess the institutional implications of the introduction of new legislation.
- Continue awareness programmes conducted by civil society with growing emphasis on the opportunity cost of corrupt practices (e.g. although a new road has been built, money allocated should have built a road, hospital and school).
- Clarify roles of some of the anti-corruption agencies and other bodies (e.g. PPDA) to ensure that there are appropriate checks and balances and that appropriate action is taken.
- Clarify role of IG at the local level and develop civil society forum for discussion on practical solutions to the issues.
- Present recommendations to Cabinet on the Whistle Blower Protection/Qui Tam legislation including practical recommendations.
- Based on the results of the National Integrity Survey, develop with the appropriate authorities anti-corruption programmes for specific ministries or organisations e.g. Police, URA, Tender Boards and Health.
- Assess the adequacy of funding for the relevant institutions.
- DPs should share with each other and the GoU information on 'banned' companies and individuals.

Medium-term (3-5 years)

- Develop regional forums and networks on anti-money laundering, anti-corruption issues further and explore the feasibility of exchange of personnel.
- Review the terms and conditions of service of personnel in anti-corruption agencies in other countries and assess their relative effectiveness e.g. Hong Kong, Botswana, South Africa.
- Implement the institutional changes required to carry out the requirements of any new legislation.

Long-term (6-10 years)

- Improve the professional capacity of personnel at district level institutions.

5. PUBLIC ENTERPRISES (PE's)

A. REVIEW AND ASSESSMENT OF THE CURRENT SITUATION

Legal and regulatory framework

5.1 The overarching law covering PEs in Uganda is the Public Enterprises Reform and Divestiture Act, Cap 98, as amended. The objective of the Act is "to provide for reform and divestiture of PEs, to establish the Reform and Divestiture Committee charged with implementing the Government's programme on the matter, and for related matters." The Act also specifies Government's intention as being to:

- Reduce the direct role of Government in Uganda's economy and to provide a correspondingly greater role for the private sector; and
- Improve the efficiency and performance of those PEs remaining under the ownership and control of Government.

5.2 The Reform and Divestiture Committee is chaired by the Minister responsible for Finance, and includes both the line Minister for the enterprise for sale, as well as the Minister of State responsible for Privatisation, among others.

5.3 Individual PEs are also governed by the Acts of Parliament establishing those enterprises, where applicable. For example, the NSSF is governed by the National Social Security Fund Act, Cap 222 which is the primary Act establishing the fund.

5.4 PEs' accounting and reporting is also covered by the new PFAA. As will be noted below, the PFAA super-cedes the requirements of the other acts in so far as the reporting is concerned. Lastly, those PEs that are limited liability companies also need to comply with the requirements of the Companies Act, Cap 110.

Public enterprise reform and divestiture

5.5 The Minister responsible for Privatisation within the MoFPED has established a Parastatal Monitoring Unit (PMU) to exercise the strategic economic monitoring role in relation to the PEs while liasing with the relevant line ministry. This involves reviewing operational plans before implementation, and monitoring performance against those plans. To guide and facilitate the unit's operations, the Government has categorised PEs into five different classes. The categorisation is in terms of what the Government believes is the way forward for each of the enterprises, and is as follows:

- Class I – representing PEs in which the State is required to retain 100 % shareholding. Included in this class are the Uganda Wildlife Authority, Civil Aviation Authority, Cotton Development Organisation, NSSF, Uganda Tea Authority, Uganda Tourism Board, Uganda Coffee Development Authority, and any regulatory agencies formed as a result of sectoral reform;

- Class II – representing PEs in which the State is required to retain a majority shareholding. There are twelve entities in this class, mostly corporations such as Uganda Air Cargo, Uganda Posts and New Vision Printing and Publishing;
- Class III – represented PEs in which the Government was required to retain a minority shareholding. This category was successfully revoked by Statutory Instrument 14 of 1997 hence there are no more enterprises in this class;
- Class IV – represents PEs in which the State is required to fully divest. There are approximately eighty enterprises in this category; and
- Class V – represents PEs, which the Government should liquidate.

5.6 The PMU has good working relationships with the majority of enterprises in classes II, IV and V. This ranges from representation on the Board, to participation in key management decisions, especially with regard to any impending privatisation. The unit has however not been fully accepted by the majority of class I enterprises, who insist that the Acts establishing the entities only recognise the line ministry as the one to which they have any reporting responsibilities. The unit has therefore not been able to fully exercise its monitoring role on behalf of the MoFPED with respect to these enterprises. Most of their annual audited financial statements are not submitted to the PMU in time. Important to note is the fact that a number of these class I enterprises are not self-financing, drawing upon Government for the bulk of funding for their budgets.

5.7 The PMU is however thinly staffed, hence if all PEs were to comply with their reporting requirements, the unit would have serious HR capacity constraints.

5.8 In order to control outputs and outcomes of PEs, PMU plans to introduce Results Oriented Management (ROM) were performance contracts are agreed with the management team and used as a basis of measuring their performance.

Accounting, internal control and audit

5.9 The Acts of Parliament establishing the individual PEs impose accountability and reporting requirements. Continuing with the example of the NSSF, the National Social Security Fund Act gives the Fund six months in which to produce and present to the line Minister audited financial statements.

5.10 Most PEs have an accounting and finance department headed by a senior level manager, and an IAD whose power and authority vary from organisation to organisation. In some enterprises, the IAD reports to the Chief Executive, while in others, the department still falls under Finance. The tendency however is towards giving the department greater authority and direct access to the Chief Executive.

5.11 According to Section 39 of the PFAA, external auditing of PEs is the responsibility of the AudGen. However, he may appoint a private audit firm to carry out the audit on his behalf and report on it to him in a form determined by him.

5.12 Most PEs have a financial management manual and have an established system of internal controls. Weaknesses are normally highlighted in the reports of both the internal auditors and external auditors. A few PEs have independent bodies, such as 'audit committees', to oversee implementation of internal and external audit recommendations.

5.13 The Public Enterprise Reform and Divestiture Act allows the enterprises only three months after year end in which to produce and present to the line Minister and the Minister responsible for Finance audited financial statements for the enterprise as well as a report of its operations for the year. The new

PFAA, on the other hand requires PEs to produce their annual audited financial statements within four months of the end of the financial year, unless allowed a longer period by resolution of Parliament. Since the PFAA super-cedes the previous legislation on these matters, hence there is no conflict.

5.14 As noted above, most of the PEs have their own IADs. The effectiveness of the IAD has however been limited by capacity (in most instances the department is manned by three people or less), competence (not enough professionally trained auditors), and independence (most audit departments reported to the Head of Finance). The situation appears to be under review in a number of enterprises since the advent of the PFAA, with efforts being made to upgrade the post of Head of Internal Audit to full managerial grade, and reporting directly to the Chief Executive. Audit committees may also be introduced as required by the Act.

5.15 The role of internal audit is also being developed from a predominantly pre-audit approach to a more value adding post audit and internal control bias.

Corporate governance

5.16 The Public Enterprise Reform and Divestiture Act, the Companies Act, the PFAA as well as the individual Acts establishing the various PEs all seek to entrench corporate governance within the organisations. This general corporate governance framework tends to follow international benchmarks. To help the various sectors cope with the demands of modern corporate governance, an Institute of Corporate Governance of Uganda has been established. The Institute has produced a Manual on Corporate Governance to highlight the recommended guidelines for Uganda. However, the PMU plans to ensure that PEs comply with corporate governance principles by requiring a statement of compliance of corporate governance regulations to be included in the published accounts.

5.17 The framework highlights the rights and responsibilities of all stakeholders, from shareholders, management and the Board (including audit committees), and the requirement for timely and accurate disclosure of information through annual budgets and financial reports. Elements such as the newly introduced audit committees are obviously not yet in place in the majority of the PEs, but their need has been recognised and entrenched by the PMU and new PFAA. In addition, the Public Enterprise Reform and Divestiture Act also specifically requires each enterprise to issue, within three months of the end of the financial year, a certificate signed by the Chairman, the Chief Executive, and the Chief Financial Officer, acknowledging responsibility for the proper and due regard for safeguarding of assets of the enterprise, and their compliance with those responsibilities.

B. RECOMMENDATIONS

5.18 It is apparent that the legislation necessary for improving both the control and performance of PEs is already in place. What may still be lacking is its full implementation. Also, as mentioned in Sections 4 and 5, the problem of non-submission of accounts for audit and the lack of oversight by the COSASE reduces accountability.

Short-term (1-2 years)

- Include all class I enterprises under the ambit of the PMU. This would ensure all PEs are subjected to scrutiny by the Government unit set up for the purpose.
- Improve HR capacity at the PMU to enable it to more effectively participate in the monitoring of all PEs.
- Implement ROM in PEs by use of performance contracts.

- Implement the requirement to have audit committees for each enterprise. This will enhance the independence of the audit function, as well as facilitate monitoring of the implementation of audit recommendations.

Medium-term (3-5 years)

- Improve internal audit capacity within PEs. This includes both training of audit staff, equipping them with the necessary tools and resources, as well as the audit committees (to be formed).
- Improve on corporate governance within PEs through ensuring that a statement of compliance with corporate governance regulations is part of the published accounts.

6. NON-GOVERNMENTAL ORGANISATIONS (NGO's)

A. REVIEW AND ASSESSMENT OF THE CURRENT SITUATION

Legislative and regulatory environment

6.1 NGOs are governed under the NGO Registration Act, Cap 113 and the NGO Regulations, 1990. NGOs are registered by the National Board of NGOs, which issues them with a Certificate of Registration. There are about 4,800 registered NGOs in Uganda, although most are very small. In Uganda, the majority of NGOs are almost entirely dependent on public funding for their activities.

6.2 The NGO Registration Act and Regulations do not have a specific requirement for NGOs to either prepare annual audited accounts or submit these accounts and associated management letters to the National Board of NGOs. In addition, the National Board of NGOs does not receive any data on the annual monetary value of NGO revenue (grant receipts). This lack of information on actual income and expenditure represents a potentially high fiduciary risk that public funds are not being used by for their intended purposes. However NGOs are required to provide information on estimated income and expenditure to District Development Committees and proposed work plans to the Ministry with responsibility for planning and economic development.

6.3 The National Board of NGOs has a Secretariat based at the Ministry of Internal Affairs (MoIA) whose main responsibility is to register and supervise the activities of NGOs in Uganda. Currently the Secretariat lacks capacity and resources to effectively perform its role. It has three staff (including the Secretary to the National Board of NGOs) seconded from the Immigration Department in the MoIA who report to the Commissioner Immigration. The Board has no control over the Secretariat staff who can be transferred to any department within the ministry at any time.

6.4 The Secretary to the National Board is an officer in the Immigration Department and not a vote holder. These institutional and administrative arrangements mean that the Board has insufficient control over its budget allocations to carry out its functions. In other countries there is a move towards the establishment of a more autonomous co-ordinating and regulating body with the responsibility of registering and monitoring NGOs.

6.5 There is an NGO database but it is not being updated due to manpower constraints. In order to improve on the information in the database, NGOs will have to be re-registered.

Financial management

6.6 Some NGOs, in particular the larger, well established ones, prepare annual audited accounts as demanded by Development Partners and they use International Accounting Standards (IAS) in preparing the accounts. However, most of the small NGOs lack the capacity to prepare accounts and therefore require training to improve on their accountability function.

6.7 Most of the small NGOs do not have internal audit units or audit committees to ensure either effective internal control systems or support the principles of good corporate governance.

Reforms

6.8 A Non-Governmental Organisations Registration (Amendment) Bill, 2001 was drafted several years ago to replace and amend the NGO Registration Act. The main objective of the Bill is to include monitoring of NGO operations and development of policy guidelines for Community Based Organisations as part of the function of the NGO Board. However, the requirement for NGOs to submit annual audited accounts to the NGO Board or any other independent body is not included in the Bill and hence the high fiduciary risk remains. To address this risk, an NGO Policy document is retrospectively being developed that will provide operational guidelines to NGOs hence facilitate the monitoring of their activities.

B. RECOMMENDATIONS

6.9 Improving NGO accountability is critical for maintaining and strengthening the sector's role as an effective mechanism for alleviating poverty. In order to strengthen the financial accountability of the NGO sector without compromising their independence, the following is recommended:

Short-term (1-2 years)

- The process of registering NGOs needs to be updated and supported.
- The NGO policy that is being developed should take into account the requirement that all NGOs should prepare and submit annual audited accounts to the NGO Board.
- A needs assessment should be carried out to determine the priority training needs for NGOs to increase financial accountability. This training should consider the need to support report writing, basic accounting procedures for non-accountants, and preparing financial statements.

Medium-term (3-5 years)

- Consideration should be given in the new legislation to the establishment of a more autonomous co-ordinating and regulating body with responsibility for the registration and monitoring of NGOs.
- NGOs operating at national level should advertise the release of audited accounts in the local press, and provide the public with access to the information.
- Consideration should be given to the establishment of a pooled accountancy resource within the overall NGO sector. This pooled accountancy resource would be accessible by all NGOs and would provide guidance to NGOs on preparing annual accounts. This would supplement formal training courses.

7. THE ACCOUNTING AND AUDITING PROFESSION

A. REVIEW AND ASSESSMENT OF THE CURRENT SITUATION

Legislation and regulatory environment

7.1 The Institute of Certified Public Accountants of Uganda (ICPAU) was established by the Accountants Act, Cap 266. The Institute is governed by a Council that comprises eight elected members, three ex-officio members (the AudGen, the Commissioner TOA and the Commissioner of Education) and one member appointed by the Minister of Finance. The main functions of the Institute, as outlined in Section 5 of the Act, are to regulate and maintain the standards of accountancy in the country and to prescribe and regulate the conduct of professional accountants in Uganda. The detailed functions of the Council are stated in Section 14 of the Act. The Institute was admitted as a member of the Eastern, Central and Southern Africa Federation of Accountants (ECSAFA) in 1996 and joined IFAC in 1997.

7.2 The Accountants Act is being revised under a new Accountants Bill, 2003. This draft Bill clarifies the issue of membership of the Institute, limits the associate members[26] who can be granted a license of practice to only those who were in practice prior to 1992, and changes the Registrar of Accountants from the AudGen to the Secretary of the Institute. The draft Bill gives the Council authority to amend the Statutory Instruments with the approval of the Minister of Finance and will repeal the Accountants Act. It also proposes that the profession regulates itself. Internationally, the accountancy profession now recommends that a national independent regulatory body is created[27]. This regulatory body would include representatives from the accountancy profession and other interest groups, with no single group having a controlling interest.

7.3 The Council meets regularly and is assisted by a number of committees including Education, Examinations Board, Member Services, Accounting and Auditing Services, Disciplinary and Ethics, Finance and Marketing. Staffing of the Institute comprises a full-time Secretary who is also the Chief Executive Officer, an Examinations Officer, an Administrative Officer and six support staff.

7.4 The Institute has occupied its own premises since April 1999. There are plans to acquire more spacious premises in order to accommodate the demand for study facilities from the large number of students and members. Currently the Institute is self funding with tuition and examination fees representing a significant proportion of its income.

Recent developments

7.5 Significant progress has been made by ICPAU in regulating and developing the accountancy profession since 2001. The number of professional accountants registered with the Institute has increased

[26] Associate membership is granted to persons without a professional accounting qualification but who have international professional qualifications such as The Institute of Chartered Secretaries and Administrators and The Institute of Chartered Managers and Administrators, who were in public practice when the Act was enacted in 1992. The Institute issues Associate members with a License of Practice.

[27] The recent Enron and Parlamat sagas triggered this change.

from 222 in 2001 to 365 in 2004, while registered associate members have fallen from 20 in 2001 to 16 in 2004. The distribution of the membership throughout the economy is shown in table 18.

Table 18. Distribution of ICPAU membership

Professional Accountants	Percentage
Public Practice and Consultancy	60
Commerce and Industry	25
Parastatals	10
Government	5
Total	**100**

7.6 The Institute has established, with the assistance of the Institute of Chartered Accountants of Scotland, an examination scheme/syllabus consisting of five levels with a total of 15 papers. A Public Accountants Examination Board oversees this process. To date nine professional accountants and 29 accounting technicians have qualified.

Professional education and continued professional development training

7.7 The Institute's number of students for the professional accounting course, the Certified Public Accountant of Uganda – CPA(U), has increased to 2,200 from 292 in 2001 while the accounting technician course, which began in 2001, Accounting Technician of Uganda – ATC(U), now has 1650 students. This increase is mainly due to the EFMP-II project sponsored by the World Bank and the FAP sponsored by DFID.

7.8 The Association of Chartered Certified Accountants (ACCA) has the largest number of students being trained in professional accounting in Uganda. While ACCA has been active in Uganda since the sixties, a Uganda country office was opened in September 1999 to support its students and members. The Uganda branch of ACCA has a membership of 493 professional accountants and 2,946 students. The Association also offers training at the Accounting Technician level. Currently there are 182 qualified technicians and 330 students. Most of the ACCA professionals eventually become members of the ICPAU. Approximately, four out of every five members of ICPAU are also members of ACCA.

7.9 The minimum level of general education required for entry to the Institute's professional accounting course is an Advanced level certificate with at least 2 principal D passes at Advanced level and 5 credits at Ordinary level including English and Maths or equivalent qualifications. While for ACCA, the requirement for entry is an Advanced level certificate with a minimum of 2 principal passes. The minimum entry requirement for the Institute's accounting technician course is an Ordinary level certificate with at least passes in English and Maths while for ACCA, anyone can apply although an Ordinary level certificate is recommended.

7.10 The Institute, according to the Accountants Act, has three categories of membership which are full membership, associate membership and honorary membership. The draft Accountants Bill intends to delete honorary membership and replace it with retired members. Full membership of the Institute, which is open to all nationalities, can be achieved through either:

- A student passing the qualifying examinations conducted by the Examination Board and completing practical training of three years; or
- The Council granting membership to a member of a Society or Institute of Accountants approved as being a society or institute with a status equivalent to that of the Institute.

7.11 Certificates of Practice are offered to full members of the Institute who intend to practice accounting and auditing in Uganda. At the moment, there is no specific requirement to have auditing experience in order to acquire a Certificate of Practice but the Institute has plans underway to make auditing experience a requirement for acquiring a Certificate.

7.12 The Institute and ACCA carry out Continuous Professional Development (CPD) Programmes for their members regularly during the year mainly through seminars. The Institute and ACCA recommend CPD of 35 and 40 hours respectively. This CPD is voluntary but highly recommended although IFAC plans to ensure that in 2005, their member institutions make CPD compulsory. The Institute also produces quarterly technical news letters.

7.13 The country has about 10 institutions providing professional accounting and accounting technician courses. The leading institution is the Management Accountancy Training Centre which produces about 100 accounting graduates per year. Makerere University Business School also provides training for professional accountants and accounting technicians at all levels. Most of these institutions are located in Kampala. A major challenge is to have training centres in the main upcountry towns. The cost of training is high in the best institutions and this is a major constraint for students who are not sponsored by organisations.

7.14 The Institute does not publish its own manuals/textbooks for its examinations but issues approved reading lists for its students. The ACCA does publish its own manuals/textbooks. In both cases, the cost of these manuals/textbooks is high and causes significant difficulties for students who are not sponsored by organisations.

7.15 The Institute grants exemptions to graduates, accounting technicians and diploma holders who want to pursue the professional accounting course, based on an assessment of the student's qualification and its accreditation of the institution/university at which the qualification was acquired e.g. a Bachelor of Commerce (Accounting Option) degree holder from Makerere University would get credits for 10 subjects covering levels 1 & 2 of the professional accounting course, while an accounting technician would get credits in 7 subjects within levels 1 & 2. Currently, the Institute only provides credits to Makerere University graduates and not to graduates of any other Ugandan University.

Professional and technical standards

7.16 With effect from January 1, 1998, the Institute adopted both IASs and International Standards on Auditing for use in Uganda. Additionally, it has developed one local accounting standard dealing with Value Added Tax. A Code of Ethics was also developed in 1997 for its members.

7.17 There is no quality control or peer assessment programme to monitor local auditing firms to ensure that they comply with minimum standards and maintain high technical standards.

Challenges

7.18 A number of issues impact on the performance and effectiveness of ICPAU. Firstly it has been embroiled in a legal wrangle since its establishment regarding the list of international accountancy bodies

whose members may be admitted as full members. This dispute is not resolved after eight years and it has had a damaging effect on the Institute's capacity to discharge its mandate.

7.19 Secondly, the Institute lacks the capacity and resources to monitor and enforce compliance of accounting and auditing standards amongst practicing firms. Plans are in progress to solve this issue regionally with ECSAFA but they are limited by financial resources. However, the Big[28] 4 firms do carry out their standard internal quality reviews to ensure they are complying with the accounting and auditing standards.

7.20 Finally, while the Institute has reciprocity arrangements with the Institute of Certified Public Accountants in Kenya and the National Board of Accountants and Auditors in Tanzania. There is a need to have more reciprocity arrangements with other countries and international accountancy associations in order to ensure that Certified Public Accountants of Uganda can practice in these countries.

Reforms

7.21 The Institute is overseeing the development of the Association of Accounting Technicians of Uganda. The Association has a constitution which was adopted in December 2003 and executive members have been elected. The Association is based at the Institute's offices. However, it is expected that the Association will become independent in the long term and will prescribe and regulate the conduct of accounting technicians in Uganda.

B. RECOMMENDATIONS

7.22 The accountancy profession in Uganda plays an important role in enhancing accountability for public funds, not only through their members who are employed in the public sector, but also providing audit services to institutions entrusted with public funds. The fiduciary risks related to insufficient regulation and compliance mechanisms of the profession can be reduced through the following measures:

Short-term (1-2 years)

- The eight year legal wrangle on membership criteria should be resolved. The draft Accountants Bill which aims at strengthening the accountancy profession should also be passed by Parliament.
- The Institute plans to use ECSAFA's resources to monitor and enforce compliance of accounting and auditing standards amongst practicing firms. However, ECSAFA needs to be supported financially to carry out this activity in its member countries which include Uganda.
- The Institute should continue overseeing the establishment of the Association of Accounting Technicians of Uganda in order to become an independent body.
- The Institute should implement its plans to make audit experience a requirement for a full member to be granted a Certificate of Practice.
- CPD should be made mandatory.

Medium-term (3-5 years)

- The feasibility of introducing training loans to students who have financial constraints should be explored.
- The accountancy profession should consider practical ways of how training can be provided in the main upcountry towns.

[28] They are PricewaterhouseCoopers, KPMG, Ernst and Young and Deloitte and Touche.

- The Institute should have more reciprocity arrangements with other countries so that its members' qualifications become more internationally recognized.
- Stakeholders in the accountancy profession in Uganda should consider the relevance of recent international developments on how the profession should be regulated which basically advocates for the creation of a strong national independent regulator to which the accountancy profession contributes expertise but which it does not control.

APPENDIX

APPENDIX 1. STATUS MATRIX OF 2001 CFAA ACTION PLAN

Section of the CFAA Report and Recommendations	Status of action	Comments
Legal and Institutional		
1. Further scrutiny and final revision of the draft Public Finance Bill, and presentation to Parliament.	Implemented	
2. Finalize the Draft Treasury Accounting Instructions and Financial Regulations & promulgate the new set.	Implemented	Financial Regulations had been promulgated. Treasury Accounting Instructions still in draft as discussed in par. 2.4.
3. Incorporate provisions in the Public Finance Bill defining the mandate and role of MFPED in ensuring the efficient and effective use and accountability by Local Governments of centrally funded programs.	Implemented	
4. Draft constitutional changes for an enhanced public accountability framework, and seek approval by Parliament.	In progress	Constitutional Review Commission report has been issued but has not yet been discussed by Government. This action is in relation to the independence of the Auditor General. Refer also Section 4.1.
Budget and Expenditure Control		
5. Improving on recent milestone developments:		
• Pursuit of co mpleteness of the budget framework by capturing all donor funds for programming under the MTEF;	Under imple-mentation	Projections captured. No mechanism as yet for the timely reconciliations of outturn. To be operationalised as part of Integrated Project ceilings.
• Measures to e nhance budget execution;	Under imple-mentation	PFAA 2003, CCS implemented and IFMS in progress to ensure budget discipline and feasible output.
• Measures to i mprove performance in domestic revenue mobilization;	In progress	More tax sources identified and collection by URA instituted. NTR management being improved further.
• Enha ncing the transparency of the budget process.	Implemented	Through consultative process, performance reports, Citizen's guide and budget at a glance.
6. Consolidating and sustaining recent gains: requiring a strategic framework for integrating and sustaining the implementation of the on-going initiatives, and capacity building.	In progress	All the above measures under 5 aimed at achieving this.

Accounting and Reporting		
7. Mitigating high risks in the short term:		
• Reg ularize material non-reconciled items in the Public Accounts;	Not achieved	Being discussed in current Parliamentary session.
• Ens ure timely monthly reporting by ministries;	Implemented	
• Introduce quarterl y consolidated financial reports;	Implemented	
• Establis h a representative Financial Management Committee to reinforce internal oversight;	Implemented	PEMCOM.
• Surchar ge or censure errant public officers who are charged with the responsibility of managing and controlling public funds;	Implemented	Treasury Memorandum advises Parliament on action which government has taken. Parliament can sanction government re defaulters e.g. withholding of budget approval.
• Developin g a Pay Reform Strategy should be prioritized.	In progress	Implementation to be achieved over a 5 year period effective 2001/2.
8. Reducing risks in the short to medium-term:		
• I mprove the quality of Public Accounts;	Implemented	Accounts for FY2002/03.
• Recruit, develop and retain be tter qualified staff;	Implemented	Now more than 60 professionally qualified staff in service.
• Enforce fi nancial discipline and minimize non-compliance with set procedures, rules and regulations;	Implemented	PFAA 2003, IFMS and strengthening of CCS.
• Eli minate potential overlap in the mandates and roles of the Treasury Inspectorate/Internal Audit Depts;	Under imple-mentation	New roles of AccGen's Office redefined as per to PFAA will eliminate remaining overlaps.
• Rein force management and coordination of internal oversight.	Implemented	PEMCOM set up.
9. Medium to long-term:		
• I mplement IFMS;	Partially achieved	In process of piloting and rollout.
• Co mplying with IFAC promulgations.	Implemented	Required by PFAA.
Oversight Arrangements		
10. Enhance OAG independence by having its own annual budget approved by Parliament.	Not achieved	Was delayed due to constitutional review Commission's work. May now be implemented under the revision of the Audit Bill, 2002.
11. An audit certificate should be provided by the AG on the annual audited Public Accounts as required by law and in line with international practice.	Implemented	
12. Salary issues: development of a Pay Reform Strategy should be prioritized.	Partially achieved	Pay reform is being implemented through salary increase and a single spine salary introduced in July 2003 in line with the job evaluation recommendation.
13. Measures to strengthen quality assurance and other capacity building in OAG, including TA and establishing a Technical Services Dept.	Implemented	

14. Mobilize technical and financial support to enable the PAC to discharge its mandate effectively.	Partially achieved	Study tours were undertaken to enhance capacity. Still lack of resources.
15. Mobilize technical and financial support to enable COSASE to discharge its mandate effectively.	Not achieved	Facilitation required. Refer also to footnote 20.
16. Update accounts, clear the backlog of audits and address accounting weaknesses in commissions, statutory authorities and state enterprises.	Implemented	
17. Institute procedures to empower the OAG with rights of access to all public bodies for audit purposes.	Implemented	PFAA regulations, 2003.
18. Arrears of project audit reports should be addressed (Accounting Officers and OAG).	Implemented	
19. Divestiture arrangements require strengthening.	Implemented	DRIC set up chaired by the Minister of State for Finance (privatisation) to over see divestiture process.
Local Governments		
20. To reduce fiduciary risk: rationalize, improve efficiency and reinforce accounting controls for PAF and conditional grants funds.	Partially achieved	PFAA 2003 requiring reporting on a monthly basis, quarterly inspections to verify status being done. LGA to be revised. IFMS to be introduced in some Local Governments.
21. Technical assistance and incentives to enable Local Governments to prepare complete and reliable annual audited financial reports on a timely basis.	Partially achieved	
22. Study to determine the optimum staff structures and new salary arrangements to attract and retain relevantly qualified staff.	In progress	MoPS to review structures and implement pay reform strategy. Training ongoing for accounting cadre.
23. Change the legal and administrative set up of the Local Government PACs to ensure their effectiveness and sustainable funding of their operations.	Implemented	
24. Implementation of LGDP.	Implemented	
Ethics and Integrity		
25. Mobilize resources for identified agencies to effectively implement the GOU Strategy Plan to fight corruption and build ethics and integrity in public office.	In progress	There are pledges from Norway and DFID to fund the new strategy for ethics and integrity which is to be launched in May 2004 for 4 years.
26. Enforce procedures to sanction and penalize for "informalities" in the management of public resources.	Not achieved	Procedures in place. However, there is a human resource gap especially in Ethics and Integrity department which curtails process of implementation. Recent court rulings and proposed constitutional review amendments would reverse progress.
The Accountancy Profession		
27. Timely resolution of the legal wrangle on criteria for ICPAU membership.	Not achieved	Issue to be resolved with revised legislation mentioned in par 7.2.
28. Develop and implement a Strategic Plan to strengthen the capacity of the ICPAU to discharge its statutory obligations.	Implemented	Will be further strengthened by revised proposed legislation.

APPENDIX 2. BIBLIOGRAPHY

A. Books, Reports, Statutes and Articles

1. Crown Agents. *Draft Final Report on Business Processes of the Payroll and Pension Systems in the Central Government of Uganda.* December 2003. MoFPED, Second Economic & Financial Management Project and Financial Accountability Program.
2. Department for International Development (DFID) (UK). *Managing Fiduciary Risk When Providing Direct Budget Support (Issues Paper).* March 2002.
3. Department for International Development (DFID) (Eastern Africa). *Draft Annex on Fiduciary Risk in Uganda.* November 2003.
4. Eastern Africa Media Institute – Uganda Chapter. *Report of the Media Law Reform Committee on a Statutory Media Council.* November 2002. Supported by Friedrich Ebert Stiftung.
5. Eastern Africa Media Institute – Uganda Chapter. *Coming of age: Towards a Self Regulating Media.* May 3, 2003. World Press Freedom Day Magazine. Supported by Friedrich Ebert Stiftung.
6. Eastern, Central and Southern African Federation of Accountants (ECSAFA). *Governance in the Public Sector – An ECSAFA Perspective.* June 2002.
7. International Monetary Fund. *Experimental IMF Report on Observance of Standards and Codes: UGANDA.* August, 1999. IMF: Fiscal Affairs Department.
8. International Monetary Fund. *UGANDA: Report on Observance of Standards and Codes — Fiscal Transparency Module — Update.* March, 2003. IMF: Fiscal Affairs Department.
9. International Monetary Fund. *UGANDA: Report on the Government Finance Statistics Mission (May 5-16, 2003). July 15, 2003.* Prepared by A.F. Jiménez de Lucio, Statistics Department.
10. International Organisation of Supreme Audit Institutions. *Lima Declaration of Guidelines on Auditing Precepts.* October 1977 – adopted by acclamation of the delegates at the IX INCOSAI in Lima (Peru).
11. Murphy, P. *Review Report: Financial Accountability Program (FAP) and the Uganda Second Economic and Financial Management Project (Financial Management Component).* September 2003. MoFPED, DFID Eastern Africa & World Bank.
12. Murphy, P. *Review Report: Uganda Second Economic and Financial Management Project (Financial Management Component) and Financial Accountability Program (FAP).* January 2004**a**. MoFPED, DFID Eastern Africa & World Bank.
13. Murphy, P. *Output to Purpose Review Report: Financial Accountability Program (FAP) and the Uganda Second Economic and Financial Management Project (Financial Management Component).* January 2004**b**. MoFPED, DFID Eastern Africa & World Bank.
14. PriceWaterhouseCoopers. *Discussion Paper for a Strategy for the Control and Management of Government of Uganda Public Funds and Resources.* November 2000. Ministry of Finance, Planning and Economic Development.
15. PriceWaterhouseCoopers. *Final Report: OAG 2000 Project Uganda.* February 2001. Report prepared for DFID.
16. Republic of Uganda. *The Pensions Act, 1946 (as amended): CAP 286, Volume II.* Uganda Printing and Publishing Corporation, Entebbe.
17. Republic of Uganda. *The Companies Act, 1964 (as amended): CAP 110, Volume V.* Uganda Printing and Corporation, Entebbe.
18. Republic of Uganda. *The Official Secrets Act, 1964 (as amended): CAP 302, Volume XII.* Uganda Printing and Publishing Corporation, Entebbe
19. Republic of Uganda. *The Loans Act, 1965 (as amended): CAP 236, Volume X.* Uganda Printing and Publishing Corporation, Entebbe.
20. Republic of Uganda. *The Public Service Act, 1969 (as amended): CAP 288, Volume XII.* Uganda Printing and Publishing Corporation, Entebbe.
21. Republic of Uganda. *The National Social Security Fund Act, 1985 (as amended): CAP 222, Volume IX.* Uganda Printing and Publishing Corporation, Entebbe.
22. Republic of Uganda. *Non-Governmental Organisations Registration Act, 1989 (as amended): CAP 113, Volume V.* Uganda Printing and Publishing Corporation, Entebbe.
23. Republic of Uganda. *The Non-Governmental Organizations Regulations, 1990.* 1990. Statutory Instruments 1990, No. 9. Uganda Printing and Publishing Corporation, Entebbe.
24. Republic of Uganda. *The Accountants Act, 1992 (as amended): CAP 266, Volume XI.* Uganda Printing and Publishing Corporation, Entebbe.

25. Republic of Uganda. *The Public Enterprises Reform and Divestiture Act, 1993 (as amended): CAP 98, Volume IV.* Uganda Printing and Publishing Corporation, Entebbe.
26. Republic of Uganda. *The Bank of Uganda Act, 1993 (as amended): CAP 51, Volume III.* Uganda Printing and Publishing Corporation, Entebbe.
27. Republic of Uganda. *Constitution of the Republic of Uganda.* 1995. Uganda Printing and Publishing Corporation, Entebbe.
28. Republic of Uganda. *The Press and Journalist Act, 1995 (as amended): CAP 105, Volume V.* Uganda Printing and Publishing Corporation, Entebbe.
29. Republic of Uganda. *The Electronic Media Act, 1996 (as amended): CAP 104, Volume V..* Uganda Printing and Publishing Corporation, Entebbe.
30. Republic of Uganda. *Local Governments Act, 1997 (as amended): CAP 243, Volume X.* Uganda Printing and Publishing Corporation, Entebbe.
31. Republic of Uganda. *The Local Governments Financial and Accounting Regulations, 1998.* 26th June 1998. Statutory Instruments 1998, No. 15. Uganda Printing and Publishing Corporation, Entebbe.
32. Republic of Uganda. *The Local Governments (Public Accounts Committee) Regulations, 2000.* 11th April 2000. Statutory Instruments 2000, No. 10. Uganda Printing and Publishing Corporation, Entebbe.
33. Republic of Uganda. *The Local Governments Internal Audit Manual, 2000.* January 2000. Ministry of Local Government, Kampala.
34. Republic of Uganda. *The Report of the Public Accounts Committee for the Year Ended June 30, 2000.* Printed by the Uganda Printing and Publishing Corporation, Entebbe.
35. Republic of Uganda. *Government Strategy and Plan of Action to Fight Corruption and Build Ethics and Integrity in Public Office: Fiscal Years 2000/1 – 2002/3.* July 2000. Directorate for Ethics and Integrity., Office of the President, Kampala.
36. Republic of Uganda. *The Non-Governmental Organisations Registration (Amendment) Bill, 2001: Bill No. 26.* 15th December 2000. Uganda Printing and Publishing Corporation, Entebbe.
37. Republic of Uganda. *The Budget Act, 2001 (as amended).* Uganda Printing and Publishing Corporation, Entebbe.
38. Republic of Uganda. *The Local Governments Book-keeping Manual, 2001.* May 2001. Ministry of Local Government, Kampala.
39. Republic of Uganda. *Budget Speech (Economic Growth and Structural Transformation).* 14th June 2001. Minister of Finance, Planning and Economic Development, Hon. Gerald M. Ssendaula. Delivered at the Meeting of the 5th Session of the 6th Parliament of Uganda.
40. Republic of Uganda. *The National Records and Archives Act, No. 12 of 2001.* 15th June 2001. Uganda Printing and Publishing Corporation, Entebbe.
41. Republic of Uganda. *National Agricultural Advisory Services (NAADS): Memorandum of Understanding among the Government of Uganda (Ministry of Finance, Planning and Economic Development & Ministry of Agriculture, Animal Industry and Fisheries) and Participating Partners.* October 2001.
42. Republic of Uganda. *The Companies Bill, 2002.* 2002.
43. Republic of Uganda. *Report on Tracking Study for Primary Health Care (PFC) Conditional Grants: 1999/2000 and 2000/2001.* March 2002. Prepared for the Ministry of Health by Horizons International Ltd, Kampala.
44. Republic of Uganda. *The Report and Opinion of the Auditor General to Parliament on the Public Accounts of the Republic of Uganda for the Year Ended 30th June 2001.* 28th March 2002. Office of the Auditor General.
45. Republic of Uganda. *Report on The National Consultative Workshop on Coalition Building for Anti-Corruption.* April 2000. Directorate for Ethics and Integrity., Office of the President, Kampala. Report written by Anne Musisi.
46. Republic of Uganda. *The Public Enterprise Reform and Divestiture (Vesting of Undertaking of National Insurance Corporation) Instrument, 2002.* 26th April 2002. Statutory Instruments 2002, No. 25. Uganda Printing and Publishing Corporation, Entebbe.
47. Republic of Uganda. *Draft Charter for Internal Audit Functions.* August 2002. MoFPED: Accountant General's Office.
48. Republic of Uganda. *Draft Government Internal Audit Guidelines.* August 2002. MoFPED: Accountant General's Office.
49. Republic of Uganda. *Draft Ethical Guidelines for Internal Auditors.* August 2002. MoFPED: Accountant General's Office.
50. Republic of Uganda. *Draft Charter for Audit Committees.* August 2002. MoFPED: Accountant General's Office.
51. Republic of Uganda. *Ministry of Works, Housing and Communications: Financial Statements 2001/2002.* 13th September 2002.
52. Republic of Uganda. *Annual Budget Performance Report FY 2001/02.* November 2002. Ministry of Finance, Planning and Economic Development.

53. Republic of Uganda. *Universal Primary Education (UPE) Capitation Grant: Planning and Implementation Guidelines for District and Urban Councils.* December 2002. Ministry of Education and Sports. Uganda Printing and Publishing Corporation, Entebbe.
54. Republic of Uganda. *Brochure: The Integrated Financial Management System (IFMS).* 2003. Treasury, MoFPED. Printed by LithoConsult.
55. Republic of Uganda. *The Proposed Accountants Bill, 2003.* 2003.
56. Republic of Uganda. *Financial Management Team Progress Report: October - December 2002.* January 2003. MoFPED, EFMPII/World Bank Project.
57. Republic of Uganda. *The Public Procurement and Disposal of Public Assets Act, No. 1 of 2003.* 17th January 2003. Uganda Printing and Publishing Corporation, Entebbe.
58. Republic of Uganda. *Final Report: Second National Integrity Survey.* 5th March 2003. Inspectorate of Government.
59. Republic of Uganda. *The Report and Opinion of the Auditor General to Parliament on the Public Accounts of the Republic of Uganda for the Year Ended 30th June 2002.* 31st March 2003. Office of the Auditor General.
60. Republic of Uganda. *Ministry of Works, Housing and Communications: Financial Statements for the Period July 2002 – March 2003.* 29th April 2003.
61. Republic of Uganda. *Classifications and Chart of Accounts.* May 2003. Treasury,. MoFPED.
62. Republic of Uganda. *Progress Report on Government's Strategy and Plan of Action to Fight Corruption and Rebuild Ethics and Integrity: May 2001 to March 2003.* May 2003. Directorate for Ethics and Integrity., Office of the President, Kampala.
63. Republic of Uganda. *Strategy for Development of Ethical Codes of Conduct for Policy Makers and Professionals in Uganda.* May 2003. Directorate for Ethics and Integrity., Office of the President, Kampala. Supported by DFID.
64. Republic of Uganda. *The Third National Consultative Workshop on Coalition Building to Fight Corruption and Build Ethics and Integrity — Jinja Nile Resort, 27th – 29th November 2002.* May 2003. Directorate for Ethics and Integrity., Office of the President, Kampala.
65. Republic of Uganda. *Kampala City Council Accounts for the Year Ended 30th June 2002 together with The Report and Opinion thereon by the Auditor General.* 7th May 2003. Office of the Auditor General.
66. Republic of Uganda. *Mbale District Local Government Accounts for the Year Ended 30th June 2002 together with The Report and Opinion thereon by the Auditor General.* 7th May 2003. Office of the Auditor General.
67. Republic of Uganda. *The Public Finance and Accountability Act, No. 6 of 2003.* 23rd May 2003. Uganda Printing and Publishing Corporation, Entebbe.
68. Republic of Uganda. *Power Point Presentation: Implementing an External Audit Reform Program – A Country Case Study (Uganda).* 24th May 2003. J.F.S Muwanga, Auditor General of Uganda. Addis Ababa.
69. Republic of Uganda. *Background to the Budget: Financial Year 2003/04.* June 2003. Ministry of Finance, Planning and Economic Development.
70. Republic of Uganda. *Draft Treasury Accounting Instructions, 2003: Part I – Finance.* June 2003. Accountant General's Office.
71. Republic of Uganda. *Ministry of Education and Sports: Reports and Financial Statements for the Financial Year Ended 30th June 2003.*
72. Republic of Uganda. *Budget Speech (Increased Production for Increased Exports and the Eradication of Absolute Poverty).* 12th June 2003. Minister of Finance, Planning and Economic Development, Hon. Gerald M. Ssendaula. Delivered at the Meeting of the 3rd Session of the 7th Parliament of Uganda.
73. Republic of Uganda. *Financial year 2003/04: District Transfers for Health Services.* July 2003. Ministry of Health. Printed by Prime Concepts Investments Ltd.
74. Republic of Uganda. *Aid Management Manual.* August 2003. Ministry of Finance, Planning and Economic Development. Printed by Printex International.
75. Republic of Uganda. *Budget Monitoring and Evaluation Manual.* August 2003. Ministry of Finance, Planning and Economic Development. Printed by Printex International.
76. Republic of Uganda. *Report to Parliament of the Inspectorate of Government: July – December 2002.* 1st August 2003. Office of the Inspector-General of Government (IGG).
77. Republic of Uganda. *Corporate Plan 2003-2006.* September 2003. Office of the Auditor General, MoFPED.
78. Republic of Uganda. *The Public Procurement and Disposal of Public Assets Regulations, 2003.* 5th September 2003. Statutory Instruments 2003, No. 70. Uganda Printing and Publishing Corporation, Entebbe.
79. Republic of Uganda. *Gulu District Local Government Accounts for the Year Ended 30th June 2002 together with The Report and Opinion thereon by the Auditor General.* 16th September 2003. Office of the Auditor General.
80. Republic of Uganda. *The Public Finance and Accountability Regulations, 2003.* 19th September 2003. Statutory Instruments 2003, No. 73. Uganda Printing and Publishing Corporation, Entebbe.

81. Republic of Uganda. *The Public Finance and Accountability (Classified Expenditure) Regulations, 2003.* 19th September 2003. Statutory Instruments 2003, No. 72. Uganda Printing and Publishing Corporation, Entebbe
82. Republic of Uganda. *Ministry of Health: Reports and Financial Statements for the Period Ended 30th June 2003.* 30th September 2003.
83. Republic of Uganda. *Ministry of Works, Housing and Communications: Financial Statements 2002/2003.* 30th September 2003.
84. Republic of Uganda. *Annual Budget Performance Report FY 2002/03.* October 2003. Ministry of Finance, Planning and Economic Development.
85. Republic of Uganda. *Ministry of Agriculture, Animal Industry and Fisheries: Annual Performance Monitoring and Evaluation Report for July 2002 – June 2003.* October 2003.
86. Republic of Uganda. *Paper & Power Point Presentation on Accountability Sector: PEAP Revision & Budget National Stakeholder Consultative Workshop.* 28-30th October 2003. P.W. Mangeni, Commissioner Treasury Inspectorate, MoFPED.
87. Republic of Uganda. *Presentation on Financial Management and Accountability: PEAP Revision & Budget National Stakeholder Consultative Workshop.* 28-30th October 2003. G.O.L. Bwoch, Accountant General of Uganda.
88. Republic of Uganda. *Final Aide Memoire for the Tenth Education Sector Review (ESR).* November 2003. Ministry of Education and Sports.
89. Republic of Uganda.. *Report on the IT and IT Audit Consultancy for Office of the Auditor General.* February 2004. Prepared by IT-Consultant, Office of the Auditor General, MoFPED.
90. Republic of Uganda. *Budget Circular from MoFPED to Sector Ministries for the Fiscal Year 2004/05.* Ministry of Finance, Planning and Economic Development.
91. The New Vision. *Groups call for info law.* Tuesday, February 3, 2004. By Richard Komakech. Page 8.
92. The New Vision. *IIA to make auditing stronger – Ndyanabo.* Friday, March 26, 2004. By Richard Komakech. Page 17.
93. The New Vision. *Auditors get world affiliation.* Friday, March 26, 2004. By Richard Komakech. Page 18.
94. The New Vision. *NGOs oppose Bill.* Thursday, April 22, 2004. By Josephine Maseruka. Page 5.
95. The New Vision. *The Non-Governmental Organisations Registration (Amendment) Bill 2001: A Challenge to Constitutional Guarantees and the Democratisation Process in Uganda.* Thursday, April 22, 2004. Advertisement by CONOB. Page 34.
96. United Nations Conference on Trade and Development. *Technical Assistance Mission Report: Supply and Installation of DMFAS, Uganda, 15 June 2000-11 August 2003.* 11th August 2003. Prepared by Jacques Baert, Debt Management Consultant.
97. Williamson, D. & Canagarajah S. *Is there a Place for Virtual Poverty Funds In Pro-Poor Public Spending Reform? Lessons from Uganda's PAF.* Development Policy Review, Volume 21, Number 4, July 2003.
98. World Bank. *UGANDA: Country Assistance Strategy.* FY 2001-2003, Uganda Country Department, Africa Region.
99. World Bank. *Uganda: Country Financial Accountability Assessment.* January 10, 2001.
100. World Bank. *Mozambique: Country Financial Accountability Assessment.* December 2001.
101. World Bank. *UGANDA: Country Portfolio Performance Review (CPPR).* FY 2002-2003, Uganda Country Department, Africa Region.
102. World Bank and International Monetary Fund. *Report on the Tracking of Poverty-Reduction Spending in Uganda: 2001-02.* 2002. The World Bank's Poverty Reduction and Economic Management Network and IMF: Fiscal Affairs Department.
103. World Bank. *Aide Memoire: Second Poverty Reduction Support Credit (PRSC2) UGANDA: World Bank Appraisal Mission.* January 28-February 7, 2002.
104. World Bank. *Fiduciary Compliance FY02: Africa Region.* August 28, 2002. Africa Region, Financial Management Unit.
105. World Bank. *CPIA 2003 Benchmarking Country Worksheet, UGANDA.* 2003.
106. World Bank/International Development Association and International Monetary Fund. *Update on Implementation of Action Plans to Strengthen Capacity of HIPCs to Track Poverty-Reduction Public Spending.* March 7, 2003. IMF Fiscal Affairs Department and The World Bank's Poverty Reduction and Economic Management Network.
107. World Bank/International Development Association and International Monetary Fund. *Highly Indebted Poor Countries (HIPC) Initiative—Statistical Update.* April 11, 2003. Prepared by Staffs of the World Bank and IMF.
108. World Bank. *The Republic of The Gambia: Country Financial Accountability Assessment.* June 2003. Report No. 26046-GM. Africa Region, Operational Quality & Knowledge Services Unit

109. World Bank. *Program Document for a Proposed Grant in the Amount of SDR 106 million ($150 million) to the Republic of Uganda for a Third Poverty Reduction Support Operation.* July 28, 2003. Report No. 26078-UG. PREM 2, Country Department of Uganda, Africa Region.

110. World Bank. *The Republic of Uganda: Poverty Reduction Strategy Paper — Annual Progress Report and Joint IDA-IMF Staff Assessment.* August 13, 2003. Report No. 26567-UG. PREM 2, Africa Region.

111. World Bank. *Fiduciary Compliance FY03: Africa Region.* September 12, 2003. Africa Region, Financial Management Unit.

112. World Bank. *The Republic of Uganda: Public Expenditure Review 2003 (Supporting Budget Reforms at the Central and Local Government Levels).* September 2003. Report No. 27135-UG. PREM 2, Country Department of Uganda, Africa Region.

113. World Bank. *Aide Memoire: Second Economic and Financial Management Project, UGANDA: Implementation Review Mission.* September 15 to October 2, 2003.

114. World Bank. *Aide Memoire: Fourth Poverty Reduction Support Credit (PRSC4) UGANDA: Pre-appraisal Mission.* October 27-November 7, 2003.

115. World Bank. *Unedited input to Financial Management Component of Aide Memoire: Fourth Poverty Reduction Support Credit (PRSC4) UGANDA: Pre-appraisal Mission.* October 27-November 7, 2003.

116. World Bank. *Draft Financial Management Component of Policy and Results Matrix: Fourth Poverty Reduction Support Credit (PRSC4) UGANDA.* January 2004.

B. Responses on CFAA Checklists by Stakeholders

Public Sector

117. Budgeting
118. Sector Ministries (Financial Accountability Arrangements)
119. Public Sector Accounting and Financial Reporting
120. The Auditor General
121. Staffing of Public Sector Financial Management Departments
122. Internal Audit
123. Internal Control and Records Management
124. Government Business Enterprises
125. Legislation and Legal Framework
126. Donor Funds Financial Management and Aid Policy Coordination
127. Non-Governmental Organizations (NGO's) & Community Based Organizations (CBO's)
128. Legislative Scrutiny, Ethics and Integrity
129. Public Access to Information on Public Sector Financial Management

Private Sector

130. Accounting and Auditing Standards and Accounting & Auditing Standards

C. Web Resources

131. European Corporate Governance Network. *Corporate Governance Codes, Principles and Recommendations.* Online. Available URL address: http://www.ecgi.org/codes/index.htm.

132. INTOSAI (International Organisation of Supreme Audit Institutions). *Auditing Standards.* 1992 (revised 1995). Online. Available URL address: http://www.intosai.org/1_defaue.html.

133. Organisation for Economic Co-operation and Development (OECD). *OECD online — Corporate Affairs.* Online. Available URL address: http://www.oecd.org/department/0,2688,en_2649_33721_1_1_1_1_1,00.html.

134. The Institute of Internal Auditors. Standards for the Professional Practice of Internal Auditing. Online. Available URL address: http://http://www.theiia.org/ecm/guidance.cfm?doc_id=1499.

APPENDIX 3. LIST OF PEOPLE MET

Title	Name	Department/Unit/Organisation	Job Title
MINISTRY OF FINANCE, PLANNING & ECONOMIC DEVELOPMENT			
Mr	C.M. Kassami	MoFPED	Permanent Secretary/Secretary to the Treasury
Mrs	M.C. Muduuli	MoFPED	Deputy Secretary to the Treasury
Mr	G.O.L. Bwoch	Treasury: Accountant General's Office	Accountant General
Mr	L. Semakula	Directorate of Accounts	Commissioner/Treasury Officer
Mr	P.W. Mangeni	Treasury Inspectorate Department	Commissioner: Treasury Inspectorate
Mr	D.T. Kisembo	Treasury: Internal Audit Department	Commissioner: Internal Audit
Mr	J.S. Kagoro	Treasury: Internal Audit Department	Asst. Commissioner: Internal Audit
Mr	H. Rwamibazi	Integrated Financial Management System	IFMS Project Manager
Mr	R. Byaruhanga	Treasury Inspectorate Department	Senior Accountant
Mr	R.H. Muwanga	Second Economic and Financial Management Project	Project Coordinator
Mr	R. Byarnhanga	Treasury Inspectorate Department	Senior Accountant
Mr	W. Mwambu	Treasury Office of Accounts	Principal Accountant
Mr	C. Ndyareeba	Treasury: Internal Audit Department	Senior Internal Auditor
Mr	A. Kizza	Treasury Inspectorate Department	Accountant
Mr	A. Ndayondi	Treasury: Internal Audit Department	Principal Internal Auditor
Mr	Y. Lubega	Treasury Office of Accounts	Accountant
Mr	J.L. Ewarna	Office of the Auditor General	Principal Auditor
Mr	A. Okok	Accountant General's Office	Senior Personnel Officer
Mr	J. O. Onyoin	Accountant General's Office	Financial Management Specialist
Ms	S. Flynn	Accountant General's Office	Financial Management Specialist
Mr	P. Ambrose	Treasury	Senior Accountant
Mr	L. Mbulamuko	Budget Policy and Evaluation Department	Senior Economist
Mr	G. Kakama	Budget Policy and Evaluation Department	PFO
Mr	M. Zzuwa	PAD	Senior Economist
Mr	K. Kayondho	Infrastructure & Social Services Department	Commissioner
Mr	G. Serunjogi	ISSD	PFO
Mr	I. Magona	Budget Policy and Evaluation Department	Commissioner
Mr	R. B. Okudi	Aid Liaison Department	Principal Economist
Mr	W. Nabongo	Directorate of Accounts	Snr. Accountant
Mr	F.Matyama	Macro-economic Policy Department	Economist
Mr	L. Semuakula	Treasury Office of Accounts	Commissioner: Treasury Office of Accounts
Miss	S. Flynn	Accountant General's Office - EFMP-II	Financial Management Specialist - Training
Mrs	J. Nantongo	Registry	Principal Records Management Officer
Mr	S. Emasu	Accountant General's Office - EFMP-II	Financial Management Specialist – Internal Audit/Policy
Mr	D. Nyende	Accountant General's Office - EFMP-II	Financial Management Specialist – Budget/Financial Management
Mr	M. Ochai	Macro-economic Policy Department	Principal Economist
Mr	C. Mugune	Treasury Inspectorate Department	Principal Accountant
PARLIAMENT & OVERSIGHT INSTITUTIONS			
Mr	J.F.S. Muwanga	Office of the Auditor General	Auditor General
Mr	A. Mayanja	Office of the Auditor General	Director of Audit (PTA)
Mr	E. Obwona	Office of the Auditor General	Director of Audit (LGs)
Mr	C. Lalonde	Office of the Auditor General	Technical Advisor
Mr	A. Ghosh	Office of the Auditor General	IT Audit Consultant
Ms	F. Candiru Sebina	Inspectorate of Government	Principal Assistant Secretary
Ms	J. Nafuna	Inspectorate of Government	Principal Inspectorate Officer
Mr	K. Kivumbi	Parliament : Public Relations	Clerk to Parliament
Mr	S. Emiku	Parliament (Public Accounts Committee)	Secretary to PAC
Mr	L.M. Mpitsi	Parliament (COSASE)	Senior Clerk Assistant/Secretary COSASE

OFFICE OF THE PRESIDENT			
Dr	J.P. Okullu-Mura	Department of Information	Director of Information
Mr	A. Aheebwa	Directorate of Ethics and Integrity	Acting Permanent Secretary
Mr	P. Beggan	Directorate of Ethics and Integrity	Governance Advisor
MINISTRY OF PUBLIC SERVICE			
Mr	B.K. Muwonge	Ministry of Public Service	Asst. Commissioner: Archives & Records
Mr	J. Mughuma	Public Service Commission	Senior Assistant Secretary
Ms	P.B.M. Sezi	Directorate of Human Resource Management	Director
MINISTRY OF AGRICULTURE, ANIMAL INDUSTRY & FISHERIES			
Ms	Prisca Boonabantu	Finance and Administration	Principal Assitant Secretary
Mr	M.R. Otim	Planning Department	Acting Head of Planning
Mr	G.E. Okongo	Human Resource Management	Principal Personal Officer
Mr	D. Kalongole	Accounts	Senior Accountant
MINISTRY OF EDUCATION & SPORTS			
Mr	A. Byamugisha	Statistics, Monitoring & Evaluation Department	Asst. Commissioner
Mr	J.B. Ssemakula	Personnel Department	Asst. Commissioner
Mr	M. Ongona	Budgeting Department	Senior Finance Officer
Mr	C. Mulyalya	Planning Department	Senior Education Planner
Mr	J.B. Timanywa	Accounts Department	Principal Accountant
Mr	J. Muvawala	Economic Department	Principal Economist
MINISTRY OF HEALTH			
Dr	E. Mukooyo	Resource Centre	Asst. Commissioner Resource Centre
Mr	C. Mugarura	Budgeting Department	Senior Economist
Ms	M. Wamibu	Personnel Department	Personnel officer
Mr	J. Mukasa	Accounts Department	Principal Accountant
Mr	J. Kwesiga	Accounts Department	Accountant
Mr	C.R. Ojara	Accounts Department	Snr. Accounts Assistant
Mr	J. Orogot	Accounts Department	Snr. Accounts Assistant
Mr	J. Kisitu	Procurement Department	Principal Procurement Officer
Mr	L. Semujju	Planning Department	Principal Health Planner
MINISTRY OF JUSTICE AND CONSTITUTIONAL AFFAIRS			
Mr	E. Bafaki	Finance and Administration	Under Secretary
Mr	B. Byakusaage	Finance and Administration	Head, Policy and Planning Unit
Ms	L. Kiwanuka	Uganda Law Reform Commission	Research Assistant
MINISTRY OF WORKS, HOUSING & COMMUNICATIONS			
Mr	D. Bbuye	Finance & Administration	Asst. Commissioner Accounts
Ms	B. Kasunbazi	Finance & Administration	Under Secretary
Mr	F.S. Kateregga	Personnel	Asst. Commissioner
Mr	N. Munyenya	Personnel	Senior Personnel Officer
Mr	C. Opio-Owalu	Policy Department	Asst. Commissioner
Mr	I. Ojok	Information Department	Senior Information Scientist
Mr	J.M. Angwandia	Budget Department	Accountant
PUBLIC ENTITIES			
Mr	S.D. Kabugu	Bank of Uganda	Acting Chief Accountant
Mr	K. Kalyegira	Parastatal Monitoring Unit (MFPED)	Head of Unit
Dr	A. Ssemwanga	National Insurance Corporation	Chief Manager: Accounting
NGO's			
Mrs	J. Mpanga	National Board for NGOs	Chairperson
Ms	S. Kasule	National Board for NGOs	Secretary
Mr	P.M. Ssentongo	National Board for NGOs (Board Member);	Asst. Commissioner: Coordination & Monitoring Department, Office of the Prime Minister
Mr	W.B. Kasaija	CARE International Uganda	Internal Auditor
Mr	Apollo Matovu	Actionaid Uganda	Finance Manager

PRIVATE SECTOR INSTITUTIONS			
Mr	G.M. Kasanya	Institute of Certified Public Accountants of Uganda	Secretary/Chief Executive Officer
Ms	J. Kaleebi	The Association of Chartered Certified Accountants (ACCA Uganda)	Manager
Mr.	A. Kateregga	Uganda Journalists Association	President
Mr.	A. Lubowa	Uganda Journalists Association	Committee Member
Ms.	J. Kakeebo	Uganda Journalists Association	Treasurer
Ms.	M. Ziribaggwa	Uganda Journalists Association	Education Secretary
DEVELOPMENT PARTNERS & INSTITUTIONS			
Ms	W. Gichuru	Department for International Development, Eastern Africa (Kampala)	Governance Adviser
Mr	J. Beynon	Department for International Development Eastern Africa (Kampala)	Economic Adviser
Mr	T. Wingfield	Department for International Development Eastern Africa (Kampala)	Assistant Governance Adviser
Ms	J. Serunjogi	Department for International Development Eastern Africa (Kampala)	Programme Officer
Mr	E. Åberg	Embassy of Sweden (SIDA), (Kampala)	Ambassador
Ms	A. Hildeman	Embassy of Sweden (SIDA), (Kampala)	First Secretary, Economist
Ms	G.K. Mugambe	Embassy of Sweden (SIDA), (Kampala)	Economist
Mr	W. ten Kate	Ambassade van het Koninkrijk der Nederlanden (Kampala)	First Secretary, Macroeconomist
Mr	M. Heide	Royal Norwegian Embassy (Kampala)	First Secretary, Senior Economist
Mr	T. Williamson	Overseas Development Institute	Research Officer: Center for Aid and Public Expenditure, Poverty and Public Policy Group
Mr	T. Djurhuus	Royal Danish Embassy	Deputy Head of Mission/Counsellor