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<table>
<thead>
<tr>
<th>Acronym</th>
<th>Meaning</th>
</tr>
</thead>
<tbody>
<tr>
<td>MoFPED</td>
<td>Ministry of Finance Planning &amp; Economic Development</td>
</tr>
<tr>
<td>URA</td>
<td>Uganda Revenue Authority</td>
</tr>
<tr>
<td>ISA</td>
<td>International Standards on Auditing</td>
</tr>
<tr>
<td>ISSAI</td>
<td>International Standards of Supreme Audit Institutions</td>
</tr>
<tr>
<td>PPDA</td>
<td>Public Procurement and Disposal of Assets</td>
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<tr>
<td>OBT</td>
<td>Output Budget Tool</td>
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<tr>
<td>EACCET</td>
<td>East African Community Common External Tariff</td>
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<tr>
<td>NSSF</td>
<td>National Social Security Fund</td>
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<tr>
<td>UCF</td>
<td>Uganda Consolidated Fund</td>
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<tr>
<td>PFI</td>
<td>Participating Financial Institutions</td>
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<tr>
<td>MDI</td>
<td>Micro Deposit taking Institutions</td>
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<tr>
<td>MoU</td>
<td>Memorandum of Understanding</td>
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<tr>
<td>ACF</td>
<td>Agricultural Credit Facility</td>
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<tr>
<td>EU</td>
<td>Enterprise Uganda</td>
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<tr>
<td>RFSP</td>
<td>Rural Financial Services Program</td>
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<tr>
<td>SACCO</td>
<td>Savings and Credit Cooperatives Organization</td>
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<tr>
<td>UCSCU</td>
<td>Uganda Cooperatives Savings and Credit Union</td>
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<tr>
<td>POPSEC</td>
<td>Population Secretariat</td>
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<tr>
<td>TAT</td>
<td>Tax Appeal Tribunal</td>
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<tr>
<td>PFA</td>
<td>Public Finance and Accountability</td>
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<tr>
<td>IT</td>
<td>Information Technology</td>
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<tr>
<td>NL</td>
<td>National Lottery</td>
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<tr>
<td>NLB</td>
<td>National Lottery Board</td>
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<td>VAT</td>
<td>Value Added Tax</td>
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<tr>
<td>BoU</td>
<td>Bank of Uganda</td>
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<tr>
<td>URA</td>
<td>Uganda Revenue Authority</td>
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<tr>
<td>BFP</td>
<td>Budget Framework Paper</td>
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<tr>
<td>TAI</td>
<td>Treasury Accounting Instructions</td>
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<tr>
<td>PIBID</td>
<td>Presidential Initiative on Banana Industrial Development</td>
</tr>
<tr>
<td>MSME</td>
<td>Micro, Small &amp; Medium Scale Enterprises</td>
</tr>
<tr>
<td>PFA</td>
<td>Prosperity For All</td>
</tr>
<tr>
<td>RFSS</td>
<td>Rural Financial Services Strategy</td>
</tr>
<tr>
<td>MOP</td>
<td>Micro-Finance Outreach Plan</td>
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<tr>
<td>NTR</td>
<td>Non-Tax Revenue</td>
</tr>
<tr>
<td>TBI</td>
<td>Training Business Incubator</td>
</tr>
<tr>
<td>NPAP</td>
<td>National Population Action Plan</td>
</tr>
<tr>
<td>NPART</td>
<td>Non-Performing Assets Recovery Trust</td>
</tr>
<tr>
<td>PFMA</td>
<td>Public Finance Management Act</td>
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REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS
OF MINISTRY OF FINANCE, PLANNING AND ECONOMIC DEVELOPMENT FOR
THE YEAR ENDED 30TH JUNE, 2015

THE RT. HON. SPEAKER OF PARLIAMENT
I have audited the accompanying financial statements of Ministry of Finance, Planning and Economic Development for the year ended 30th June 2015. These financial statements comprise of the statement of financial position as at 30th June 2015, statement of financial performance, statement of changes in equity, cash flow statement together with other accompanying statements, notes and accounting policies.

Management Responsibility for the Financial Statements
Under Article 164 of the Constitution of the Republic of Uganda, 1995 (as amended) and Section 45 of the Public Finance Management Act, 2015, the Accounting Officer is accountable to Parliament for the funds and resources of Ministry of Finance, Planning and Economic Development. The Accounting Officer is also responsible for the preparation of financial statements in accordance with the requirements of the Financial Reporting Guide, 2008, and for such internal control as management determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the financial statements as well as evidence supporting compliance with relevant laws and regulations. The procedures selected depend on the Auditor’s judgment, including the assessment of risks of material misstatement of the financial statements whether due to fraud or error. In making those risk assessments, the Auditor considers internal controls relevant to the entity’s preparation of financial statements in order to design audit procedures that are appropriate in the circumstances but not for purposes of expressing an opinion on the effectiveness of the entity’s internal
control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion audit opinion.

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

**PART A**

**Basis for Qualified Opinion**

**Un-Budgeted for Expenditure for PU**

It was noted that UGX.1,060,000,000 was disbursed to the Privatization Unit and yet this amounts had not been budgeted for. The PU was expected to obtain its funding from the divestiture funds under sections 23(4) and 26 of the PERD Act CAP.

**Qualified Opinion**

In my opinion, except for the possible effects of matters described in the Basis for Qualified Opinion paragraph, the financial statements of Ministry of Finance, Planning and Economic Development for the year ended 30th June, 2015 are prepared, in all material respects, in accordance with Section 51 of the Public Finance Management Act, 2015, and the Financial Reporting Guide, 2008.

**Other Matters**

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

- **Forex Effect on FINMAP Contract Staff Salary Paid in US Dollar**
  The volatile fluctuations in the forex market during the year greatly affected the budget for the project staff salaries. The salaries were budgeted for when the exchange rate for US Dollar was at UGX.2,706.5 as opposed to the closing rate of UGX.3,307.46 as at 30th June, 2015. As a result, additional payment of UGX.262,281,218.57 was made over and above the approved project salary budget.
• **Payment of Avoidable Interest on VAT of UGX.168,747,557**

It was noted that as of November, 2014, the outstanding VAT obligations for BIDCO was reported as at UGX.744,420,170, included is late payment interest of UGX.168,747,557. Accordingly, a sum of UGX.700,000,000 inclusive of interest charges was paid to URA towards settlement of the tax arrears. The expenditure in respect of interest is considered nugatory.

John F.S. Muwanga

**AUDITOR GENERAL**

KAMPALA

21st December, 2015
REPORT OF THE AUDITOR GENERAL AND SUPPLEMENTARY INFORMATION
PART "B"

DETAILED REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF MINISTRY OF FINANCE, PLANNING AND ECONOMIC DEVELOPMENT FOR THE YEAR ENDED 30TH JUNE 2015

This Section outlines the detailed introduction, background information, entity financing, audit findings, management responses, and my recommendations in respect thereof.

1.0 INTRODUCTION

In accordance with Article 163(3), of the Constitution of the Republic of Uganda, 1995 (as amended), I am required to audit and report on the public accounts of Uganda that is to say, all public offices including the courts, the central and the local government administrations, universities and public institutions of the like nature and any public corporation or other bodies or organizations established by an Act of Parliament. Accordingly, I carried out the audit of the Ministry of Finance, Planning and Economic Development to enable me report to Parliament.

2.0 BACKGROUND INFORMATION

The Ministry of Finance, Planning and Economic Development (MoFPED) mandate is derived from the 1995 Constitution of the Republic of Uganda and other related subordinate laws, including the Budget Act (2001), the Public Finance Management Act (2015) and acts establishing agencies and auxiliary organizations.

One of the key prerequisites to achieving the Ministry’s mandate is through utilization of credible statistics to facilitate effective and efficient policy formulation, planning and implementation. It is therefore of paramount importance that the statistics are of high quality.

The Ministry of Finance, Planning and Economic Development headquarters is located at Plot 2-12 Apollo Kaggwa Rd, Kampala.

The Ministry’s Vision is “to be the most effective and efficient Ministry of Finance, Planning and Economic Development that is capable of achieving the fastest rate of economic transformation among the emerging economies.”
The Mission is “to formulate sound economic policies, maximize revenue mobilization, and ensure efficient allocation and accountability for public resources so as to achieve the most rapid and sustainable economic growth and development.”

3.0 ENTITY FINANCING
The Ministry was financed by grants from central Government. Grants totaling to UGX.257,226,569,487 were received which constituted 97% of its approved budget estimates of UGX.265,277,868,000. Total expenditures during the year amounted to UGX.266,136,206,084. UGX.298,860,000 was collected as NTR.

4.0 OBJECTIVES
- Formulate policies that enhance stability and accelerate economic growth and development;
- Plan and design strategies for rapid economic growth and transformation;
- Mobilize domestic and external resources;
- Ensure efficient allocation and utilization of public resources; and
- Monitor and account for the utilization of public resources.

5.0 AUDIT PROCEDURES
The audit was carried out in accordance with International Standards on Auditing and accordingly included a review of the accounting records and agreed procedures as was considered necessary. The audit was carried out with regard to the following objectives:

a. The financial statements have been prepared in accordance with the requirements of the Public Finance Management Act 2015 and the regulations, and fairly present the income and expenditures for the year and of the financial position as at the end of the year.

b. All the Ministry funds were utilized with due attention to economy and efficiency and only for the purposes for which the funds were provided.

c. Goods and services financed have been procured in accordance with the PPDA law.

d. Evaluating and obtaining a sufficient understanding of the internal control structure of the Ministry, assess control risk and identify reportable conditions, including material internal control weaknesses.
e. Management was in compliance with the Government of Uganda financial regulations.

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

6.0 PROCEDURES PERFORMED

The following audit procedures were undertaken:

a. **Revenue**
   Obtained all schedules of all revenues collected and reconciled the amounts to the Ministry’s cashbooks on the IFMS and bank statements.

b. **Expenditure**
   The Ministry payments vouchers were examined for proper authorization, eligibility and budgetary provision, accountability and support documentation.

c. **Internal Control System**
   Reviewed the internal control system and its operations to establish whether sound controls were applied throughout the period.

d. **Procurement**
   Reviewed the procurement of goods and services under the Ministry during the period under review and reconciled with the approved procurement plan.

e. **Fixed Assets Management**
   Reviewed the use and management of the assets of the Ministry during the period under review.

f. **Financial Statements**
   Examined, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessed the accounting principles used and significant estimates made by management; as well as evaluating the overall financial statement presentation.
7.0 CATEGORIZATION AND SUMMARY OF FINDINGS

7.1 Categorization of findings
In the OAG, the risk will be classified as follows:

<table>
<thead>
<tr>
<th>No</th>
<th>Category</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>High significance</td>
<td>Has a significant/material impact, has a high likelihood of reoccurrence, and in the opinion of the Auditor General, it requires urgent remedial action. It is a matter of high risk or high stakeholder interest.</td>
</tr>
<tr>
<td>2</td>
<td>Moderate significance</td>
<td>Has a moderate impact, has a likelihood of reoccurrence, and in the opinion of the Auditor General, it requires remedial action. It is a matter of medium risk or moderate stakeholder interest.</td>
</tr>
<tr>
<td>3</td>
<td>Low significance</td>
<td>Has a low impact, has a remote likelihood of reoccurrence, and in the opinion of the Auditor General, may not require much attention, though its remediation may add value to the entity. It is a matter of low risk or low stakeholder interest.</td>
</tr>
</tbody>
</table>

7.2 Summary of findings
For the Ministry of Finance, Planning and Economic Development, the risks have been classified as follows:

<table>
<thead>
<tr>
<th>No</th>
<th>Issue Raised</th>
<th>Category of significance</th>
</tr>
</thead>
<tbody>
<tr>
<td>8.1</td>
<td>Un-Budgeted for Expenditure for PU - UGX.1,060,100,000</td>
<td>High</td>
</tr>
<tr>
<td>8.2</td>
<td>Mischarges- UGX.515,586,527</td>
<td>Moderate</td>
</tr>
<tr>
<td>8.3</td>
<td>Payment of Avoidable Interest on VAT of UGX.168,747,557</td>
<td>High</td>
</tr>
<tr>
<td>8.4</td>
<td>Delays in Implementation of Agreed Terms</td>
<td>High</td>
</tr>
<tr>
<td>8.5</td>
<td>Payment of Annual Subscriptions to International Organizations</td>
<td>High</td>
</tr>
<tr>
<td>8.6</td>
<td>Recognition of tax arrears inclusive of interest for Quality Chemical Industries</td>
<td>High</td>
</tr>
<tr>
<td>8.7</td>
<td>Un- Registered Gaming and Pooling Companies</td>
<td>High</td>
</tr>
<tr>
<td>8.8</td>
<td>Non-Compliance with the Workers Compensations Act CAP 225</td>
<td>Moderate significance</td>
</tr>
<tr>
<td>8.9.1</td>
<td>Enterprise Uganda</td>
<td>Low</td>
</tr>
<tr>
<td>8.9.2</td>
<td>POPSEC</td>
<td>Low</td>
</tr>
<tr>
<td>8.9.3</td>
<td>TAT</td>
<td>Low</td>
</tr>
<tr>
<td>8.9.4</td>
<td>PIBID</td>
<td>High</td>
</tr>
</tbody>
</table>
8.0 DETAILED FINDINGS

8.1 Budgeted for Expenditure for PU
The Ministry of Finance remitted UGX.1,060,100,000 to the Privatization Unit account to cater for its operational activities. It was noted that PU operations were expected to be financed through divestiture proceeds as provided for in sections 23(4) and 26 of the PERD Act CAP. This implies that PU activities have always been financed from the divestiture proceeds and not from the UCF. However, the Ministry did not budget for this expenditure during the year under review. There is a risk that funds were diverted from other planned activities to finance the PU operations.

Management explained that divesture activities have ceased thus no source of funding was expected for PU operations. PU is in the process of winding up and has been downsized.

I await the outcome of the process of winding up PU.

8.2 Mischarge of Expenditure
The Parliament of Uganda appropriates funds through the budget in which funds are tagged to particular activities and outputs using account codes and MTEF codes. The Government Chart of Accounts defines the nature of expenditures for each item code to facilitate better classification of financial transactions and also track budget performance per item. However, it was noted that the ministry charged wrong expenditure codes to a tune of UGX.515,586,527. Such a practice may lead to misreporting in the financial statements.

Management explained that the expenditure were charged to respective outputs where they were budgeted which makes it appear mischarged because of the categorisation.

I advised the Accounting Officer to liaise with the Accountant General to reconcile the chart of accounts to the budgeting tool.

8.3 Payment of avoidable interest on VAT
It was noted that as of November, 2014, the outstanding VAT obligations for BIDCO stood at UGX.744,420,170, included in this figure was late payment interest charge of UGX.168,747,557. Accordingly, a sum of UGX.700,000,000 was paid to URA towards settlement of the tax arrears.
It was further observed that this interest was not budgeted for and appropriated by Parliament as required.

Management explained that delays in paying the tax obligation was as a result of inadequate funds and that payment of this interest did not affect other planned activities.

I urged the Accounting Officer to ensure timely payment of tax obligations to avoid unnecessary penalties.

8.4 **Delays in implementation of agreed terms**

The Government of Uganda entered into an agreement with BIDCO for the development of the Oil Palm Industry in Uganda on the 4th April, 2003. Under Article 5(7) of the agreement, Government agreed to pay all VAT obligations on behalf of BIDCO for oil products for period of eleven (11) years from the date of agreement. After the eleven (11) years, BIDCO would start paying VAT directly on its own and from the 12th year start refunding to Government the VAT plus 5% interest for the first eleven (11) years in (8) equal installments over a period of (8) years. This condition was subject to fulfillment of article 4(3) of the agreement which requires Government to have handed fully to BIDCO all the agreed 26,500 hectares of land.

However, the above provisions have not been achieved due to delays in implementation of the agreed terms. For instance, Government obligations to pay VAT on behalf of BIDCO for eleven (11) years was supposed to end on 4th April, 2014. From 5th April, 2015, BIDCO was supposed to start meeting its own VAT obligations and by 4th April, 2015, the first refund instalment would be due to Government. Government has continued to pay all BIDCO VAT obligations and BIDCO is exercising their right under article 5(7) to delay the refunds to Government.

Management explained that the delay was due to unsuitable land offers from prospective sellers; otherwise Government is committed to acquiring the balance of 10,000 hectares of land as per the agreement.

I await the results of the Government commitment.
8.5 Payment of annual subscriptions to International Organizations

8.5.1 Outstanding Capital Subscription to PTA Bank - USD.2,135,779

The Government of Uganda subscribes to the PTA bank and as such was required to contribute a total of USD.8,160,120 in five instalments of USD.1,632,024 starting 1st January, 2009 to 1st January, 2013. Although Uganda was expected to have completed its contributions by January, 2013, only a sum of USD.930,000 had been paid as of 2013. In return Ugandan economy is reported to have benefited through credit facilities extended by the bank to various sectors to the tune of USD.191.1 million distributed to various sectors.

- During the year, a total of USD.3,187,444 was paid. The outstanding balance at the year-end stood at USD.2,135,779 inclusive of interest of USD.1,309,359.
- Included in that payment was USD 1,173,460 in respect of interest charges on late payments of subscription that could have been avoided.

Accumulation of interest poses the risk of increased interest charges. It may affect the bank’s ability to grant credit facilities to Ugandan businesses.

Management explained that delays in capitalizing PTA Bank were a result of insufficient funding. The outstanding balance is anticipated to be settled in the financial year 2016/17.

I advised the Accounting Officer to ensure timely payment of subscriptions to avoid accumulation of interest.

8.5.2 Payment of the fourth instalment under ADB Subscription

In August, 2010, the Governing Council of the African Development Bank (AfDB) under the sixth general capital increase of the bank allocated Uganda shares worth USD.19,759,798 payable over a 12 years period in annual instalments of USD.1,646,649.

It was noted that the payment of Uganda’s 4th instalment of USD.1,293,299 which became due on 16th March, 2015 had not been made. As a result, the callable shares related to the missed instalment had been suspended in line with the Board of Governors resolution on the sixth general capital increase of the bank meeting.
Delays in settlement of agreed annual subscriptions poses a risk of withdrawal of Uganda’s shareholding in the bank which may negatively affect our economy and international relations with member states.

I advised the Accounting Officer to ensure timely payment of agreed annual subscription instalments to avoid possible suspension.

8.5.3 Payment of avoidable interest on arrears of EADB - USD 1,173,460

A review of the capital subscription statement for the EADB dated 2nd May, 2014 revealed that Government of Uganda has 1,800 shares @USD22,667 per share amounting to US$.40,800,600 and 20% was payable in five instalments worth US$.8,160,120 (i.e. US$.1,632,024 per year).

It was noted that there was a delay in settlement of due subscriptions especially for the period 2009-2012 leading to accumulation of interest of USD.1,173,460 which was eventually paid together with other arrears. Payment of the interest on such obligations is regarded as nugatory expenditure.

Management explained that the delay in subscribing to EADB Bank was as a result of insufficient funding.

I urged the Accounting Officer to ensure timely payment of annual subscriptions as they fall due to avoid accumulation of avoidable interest.

8.5.4 Forex loss due to delays in settlement of Subscriptions to International Organization

Uganda has obligations to make on agreed upon annual subscription to a number of international organisations. There have been delays in settlement of such international obligations with arrears accumulating to the tune of UGX.63,093,097,768 at the year-end.

As a result of the delays in settlement of these obligations, forex losses were incurred while undertaking payments during the year. For instance, USD.3,187,444 and USD.1,000,000 respectively were paid to PTA and EADB respectively in July, 2014 at a rate of UGX.2,670 per US Dollar, the equivalent of UGX.11,180,475,480. However, higher exchange rates were used to make subsequent payments due to forex fluctuations. For instance, a sum of USD.1,600,000 was paid to the EADB at a
higher rate of UGX.2,900 per US Dollar in January, 2015, equivalent to UGX.4,640,101,150.

From the above analysis it is noted that the forex loss amounted to UGX.367,000,000 in the case of EADB alone. There is a risk that all subsequent forex payments were made at a loss caused by delays to make payments as they fall due.

I urged the Accounting Officer to ensure timely settlement of agreed upon annual subscriptions to avoid forex losses occasioned by unfavourable fluctuations due to delayed payments.

8.5.5 Inadequate budget provision for Subscriptions to International Organization
According to the ministry approved estimates for the FY 2014/15, a provision of UGX.35.8bn was made for contributions to autonomous institutions, an amount lower than that of the prior year provision of UGX.52.86bn. Despite the reduction in the budget provision for the year under review, only UGX.31.2bn was released and utilized in meeting both arrears and current obligations.

As a result of inadequate budgeting, the arrears for contributions to international organizations remained at UGX.63,093,097,768 for the last two years. There is a risk that the arrears may increase beyond manageable levels with additional accrued interest.

Management explained that the Ministry has always been in arrears for subscription for International Organizations due to limited MTEF allocation.

I advised the Accounting Officer to liaise with the PS/ST to ensure adequate budgets for payments to international organizations to cater for both outstanding arrears as well as current bills that fall due.

8.6 Recognition of tax arrears inclusive of interest for Quality Chemical Industries
The ministry recognised in its financial statements outstanding obligation to pay taxes worth UGX.7,060,137,353 on behalf of Quality Chemical Industries Limited as tax incentive. The taxes were in respect of corporation tax (tax on profits) for the years 2014 and six months provision tax for 2015.
It was noted that this figure includes interest on late payment of UGX.604,620,309. Recognition of tax liability inclusive of interest implies the ministry has committed to pay the interest component as well. On payment, the interest component becomes nugatory expenditure since it would have been avoided had timely payments been made.

The Accounting Officer explained that Government undertook to pay for Quality Chemicals corporation tax and other incentives. Any charges resulting from delayed payment are automatically the responsibility of Government.

I advised the Accounting Officer to re-consider the financial implications of accumulation and recognition of tax interest among the arrears; otherwise timely payments should be made.

8.7 Un-registered gaming and pooling companies

The Lottery Board under the MoFPED mandated to issue licenses for the players in the Casinos, Pool and betting business. In the process URA collects these fees on behalf of the Lottery Board.

A comparison of the MoFPED list of licensed pooling companies as published in the New Vision Tuesday, 30th June 2015 with those registered with URA for the period 2014/15; revealed that a number of companies were registered and are subsequently remitting taxes to URA. However, 45 companies transacted business during the year under review without a licence. As a result, the expected NTR from license fees were not fully realized.

Management explained that Lotteries and Gaming Act 2015 was recently passed and is expected to establish a fully-fledged organization to monitor and regulate the gaming industry.

I await the outcome of the Accounting Officer’s commitment.

8.8 Non-Compliance with the Workers Compensations Act CAP 225

Section 18 of the Workers Compensation Act requires every employer to insure and keep workers insured in respect of any liability which workers may incur. Section 2 of the same Act provides that insurance shall apply to all employment within Uganda except for active members of the armed forces in Uganda.
A review of the ministry payments for the year revealed that no payment for the workers compensation was made to any insurance company. It was further noted that there was no budget provision for the insurance of workers.

The Ministry therefore did not comply with the Act and is exposed to the risk of litigations in case employees gets injured at the work place.

The Accounting Officer explained that the Ministry has communicated to the Public Service and the Commissioner for Labour in the Ministry of Labour and Social Development for further guidance on the matter.

I urged the Accounting Officer to budget for the activity to enable the enforcement of the Workers Compensation Act.

8.9 **SUBVENTIONS**

I audited the subventions that are under MoFPED and observed the following:

8.9.1 **ENTERPRISE UGANDA**

Enterprise Uganda (EU) is a public entity duly registered and constituted according to the laws of Uganda with the objectives among others to work with Government to promote Government policies, directives and programmes. EU envisages Micro, Small and Medium Scale Enterprises (MSMEs) as important vehicles for expanding production, providing self-employment and generally enhancing economic growth in the country. This is in line with the government objective of enhancing the quality and availability of gainful employment and uplifting the standards of living in households.

The entity received a subvention of UGX.1,857,500,000 from Ministry of Finance, Planning and Economic Development. A review of the expenditure records of the entity revealed the following observations:

(a) **Staffing Gaps**

It was noted that the approved structure provides for 24 positions out of which 19 are filled with a shortfall of 5 which represents 20.8% shortfall. The vacant positions include some critical ones like the Director training, HR and Procurement officers. The entity had not come up with the recruitment plan at the time of the audit to enable me assess the need for such staff. There is a risk that staff shortages will
continue to affect the entity in achieving its objectives. EU management attributed this gap to lack of funding.

I urged the Accounting Officer to liaise with MoFPED to provide necessary budget support to embark on the recruitment process of staff.

(b) **Non provision of Medical insurance to Staff**

Section 5.7 of the entity HR manual provides that all employees should be covered by a medical and health insurance plan (contributory or non-contributory) or some other equivalent form of medical expense reimbursement which will provide coverage over and above specified medical costs which shall be borne by the employee.

It was noted that there is no medical insurance scheme in place to cover the employees of Enterprise Uganda. There is a risk that the EU’s staffs’ performance may be compromised as a result of non-provision of medical insurance services.

Management attributed this to insufficient funding to Enterprise.

I urged the Accounting Officer to re-consider the need for medical insurance services for staff motivational purposes and lobby Treasury for the necessary funding.

(c) **Non-Compliance with the Workers Compensations Act CAP 225**

Section 18 of the Workers Compensation Act requires every employer to insure and keep workers insured in respect of any liability which workers may incur. Section 2 of the same Act provides that insurance shall apply to all employment within Uganda except for active members of the armed forces in Uganda.

A review of payments for the period revealed that no payment for the workers compensation to any insurance company was made. It was further noted that there was no budget provision for the insurance of workers. Enterprise Uganda therefore did not comply with the Act and is exposed to the risk of litigations in case any employee gets injured in the work place. EU management attributed this to lack of funding.

I advised the Accounting Officer to enforce the Workers Compensation Act and budget for the activity by lobby Treasury.
8.9.2 **THE POPULATION SECRETARIAT (POPSEC)**

The population secretariat (POPSEC) is a semi-autonomous department under Ministry of Finance Planning and Economic Development (MOFPED) established under The National Population Act, 2014 responsible for the implementation of the policy decisions of the National Population Council and promote the integration of population factors in development planning at the national and lower levels in accordance with the agreed framework under the National Development Plan.

The following observations were made from the audit:

(a) **Shortfall in Budget Releases**

According to the secretariat budget, it had planned to receive releases worth UGX.6,010,420,996 during the year under review. However, I noted that only UGX.5,123,347,291 was actually received leading to a shortfall of UGX.887,073,705. As a result, planned activities were not implemented such as the first draft of the National Population Action Plan-II, media campaign and advocacy on population and development issues, advocacy for integration and prioritization of accelerated fertility reduction in districts planning and budgeting processes and development of NPPAP framework to track progress on implementation among others. This action poses the risk of mischarge of expenditure due to the need to finance priority activities without necessarily following the original budget.

I advised the Accounting Officer to liaise with treasury to ensure funds are released as per approved budget.

8.9.3 **TAX APPEAL TRIBUNAL**

The Tax Appeal Tribunal is a statutory body created by an Act of Parliament under the Tax Appeal Tribunal Act 1998 CAP 345. It derives its mandate from Article 152(3) of the Constitution of Uganda.

The Tribunal was set up as a specialized court to provide the taxpayer with easily accessible, efficient and independent arbitration in tax disputes with URA. It is mandated to expeditiously settle tax disputes between URA and taxpayers. The tribunal therefore enhances taxpayer compliance and improves revenue collection in the long run.
(a) **Un-resolved tax disputes**
The tribunal had planned to resolve (120) tax disputes countrywide during the year. However, review of the annual budget performance report for the year revealed that only 103 cases were resolved leaving a balance of (17) tax disputes outstanding at the year-end. Delays in resolving tax disputes may discourage tax payers from registering appeal cases with the tribunal which turn may negative affect revenue collections.

The Registrar Tax Tribunal attributed this to the expiry of the term of the Members of the Tribunal at the end of October 2014 which was only renewed in January 2015. For a period of 2 months there were no Tribunal Members to handle disputes.

I advised the Accounting Officer to embark on clearing the backlog cases and also ensure in future proper planning and timely request to the relevant authorities for renewal of the Tribunal term.

(b) **Delays in disposal of un-serviceable assets**
It was noted that various assets as captured in the asset register had un-serviceable items no longer in use (obsolete) including motor vehicle number UG0129F, motor cycle No. UG0229F, printers, fax machine and photocopiers which the entity has delayed to plan to dispose-off as expected. The obsolete items had spent more than one year without being put to use. There is a risk that these assets may further deteriorate in disposable values leading to loss of expected revenue. Management was advised to expedite the disposal process for these assets and in future carry out regular reviews.

(c) **Gaps in the Personnel Manual**
Tax Appeals Tribunal issued a revised Personnel Manual on 26th August 2014 to enable smooth running of its operations and achievements of her mandate. A review of the manual revealed some gaps that required attention as shown below;

- **Authentication of certificates**
The manual does not have a provision to have academic certificates of the recruited staff authenticated by the issuing Authority before assumption of duty. This may pose the risk of the Tribunal recruiting staff with forged academic certificates. Such staff may not be effective and efficient in delivering the Tribunal mandate.
- **Bonding trained staff**
  The manual does not have a provision for bonding employees pursuing fulltime training through the tribunal's facilitation. Bonding helps protect the Tribunal from staff who exit immediately after training as they would be required to refund all expenses incurred by the entity on his/her training whilst he/she was on fulltime training.

- **Health and Safety Procedures**
  The manual does not have safety and health provision to regulate staff behavior. For instance, smoking restrictions to avoid inconveniencing non-smokers and in places where there are inflammable materials. There is no clause to prohibiting use of intoxicants or illicit and addictive substances within the office premises or while on duty. Waste management provisions to ensure that waste is disposed properly in designated facilities were also lacking.

  Management explained that they have informed the Appointing Authority about the gaps.

  I advised the Accounting Officer to benchmark with other institutions and consider amendment of the manual to include the above provisions.

**8.9.4 PRESIDENTIAL INITIATIVE ON BANANA INDUSTRIAL DEVELOPMENT (PIBID)**

(a) **The Project Legal Status/Attachment to Line Ministry**

The Presidential Initiative on Banana Industrial Development (PIBID) and its Board and Management Committee (BMC) was established by Executive Instrument in 2005 and its term renewed for another (5) years in 2011 which also expired in October, 2015. Following the expiry of the executive instrument the Minister of Finance wrote to the Attorney General in his communication referenced EDP141/278/01 of 16th March, 2015 seeking opinion on the legal status of PIBID and its Board and Management Committee.

Accordingly, the Attorney General in his reply referenced FPC/33/62/01 of 10th September, 2015 advised as follows:

- Under issue (10) that in his opinion, the legality of the Executive Instruments establishing PIBID and its Board and Management Committee are open to challenge.
• In issue (15) he proposed that PIBID and its Board and Management Committee are established as a Public Agricultural Research Institute under the National Agricultural Research Act, 2005. He argued that an institute established under this Act is in many respects similar in nature and form to PIBID and its Board and Management Committee.

• Issue (16) further explains that the primary function of a public agricultural research institute is similar to the primary function of PIBID and its Board and Management Committee.

Following the above facts and legal advice it’s clear that the legal status of PIBID and its Board and Management Committee remains questionable. It was therefore noted that by the time of writing this report, no evidence was available from PIBID management to show that the issue of the legal status had been or is being resolved. There is a risk that the project is currently operating without any authority and mandate in place.

I advised the Accounting Officer to liaise with relevant authorities to ensure that the legal status of PIBID is properly established as per the Attorney General’s opinion.

(b) Lack of an Approved Strategic Plan
A strategic plan is an important tool in steering any organization towards achieving its vision, mission and its overall mandate. It is from this plan that annual activities of an organization are usually derived. It was noted that the PIBID project has been operating without an approved strategic plan. The strategic plan is supposed to guide the budgeting process by creating integrated link with the annual work plans which feed into the budget to ensure effective service delivery and achievement of set project objectives.

Management explained that PIBID operations have been guided by the project document 2005-2015 and the next (5) year strategy has been formulated awaiting approval.

I advised the Accounting Officer to prepare a strategic plan and have it approved by the board.
(c) **Lack of an Approved Business Plan**

A business plan is an essential document which describes the roadmap for business success and generally projects 3-5 years ahead and outlines the route a project intends to take to grow returns. It covers objectives, strategies, sales, marketing and financial forecasts. It also helps clarify the business idea, justify the heavy investment in research, identify potential problems, set out project goals and measure progress among others.

It was noted that the PIBID project has been operating without an approved business plan despite the banana research developing into a fully-fledged production level and expected to go into commercialization of the product. There is a risk that the project transition into full commercial production may not be justified.

Management explained that the pilot project phase did not envisage commercial operations necessitating a business plan, though PIBID has operated basing on annual work plans and budgets.

I advised the Accounting Officer to develop a project business plan justifying the need for its commercialization that should be in line with the overall strategic objectives.

(d) **Disclosure and Accounting for Domestic arrears**

According to available communication dated 7th July, 2015, from the ED (PIBID) addressed to the PS/ST, it was indicated that the project had accumulated arrears of UGX.8,399,202,215 arising from release of only Vote on account for the year under review and decline by Parliament to appropriate the full budget. **See details in the table below;**

<table>
<thead>
<tr>
<th>Item Particulars</th>
<th>Amounts (UGX)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service Providers &amp; Allowances</td>
<td></td>
</tr>
<tr>
<td>Service Providers</td>
<td>653,230,851</td>
</tr>
<tr>
<td>Activity Funds</td>
<td>57,598,600</td>
</tr>
<tr>
<td>Per-Diem &amp; Allowances</td>
<td>263,516,998</td>
</tr>
<tr>
<td><strong>Sub-Total</strong></td>
<td><strong>974,346,449</strong></td>
</tr>
<tr>
<td>Contractual Works/Certificates</td>
<td></td>
</tr>
<tr>
<td>Water Works Pending Certificate</td>
<td>361,661,674</td>
</tr>
<tr>
<td>BEC Pending Certificate</td>
<td>50,015,925</td>
</tr>
<tr>
<td>Additional Works Pending Certificates</td>
<td>2,020,000,000</td>
</tr>
</tbody>
</table>
Arc Pending Certificate | 12,383,815
---|---
**Sub-Total** | **2,444,061,414**
Dott Services (Variation on Prices) | 3,565,794,352
Estimated Tax Liabilities on Imports | 1,415,000,000
**Grand Total** | **8,399,202,215**

However, there was no evidence that these arrears had been verified, approved and included on the database maintained by the Accountant General. Besides, these arrears were not disclosed in the financial statements. Furthermore, the justification for accumulations of prices variations up to the tune of UGX.3,565,794,352 was not provided. The tax liability was a mere estimate without supporting documentation. The supporting schedules for the other arrears were also not provided. I could not confirm that the above arrears have been properly accounted for and disclosed.

I advised the Accounting Officer to ensure that the arrears are approved, and the Accountant General disclosed this in the financial statements.

(e) **Un-Resolved Status of the PIBID Patents**

Section 119(3) of the Constitution of the Republic of Uganda provides guidance that; the Attorney General shall be the principal legal adviser of Government. Sub-section 4(a) further guides that the Attorney General shall give legal advice and legal services to the Government on any subject.

The PIBID project has been running on five patents which have been researched and developed through Government funding since the financial year 2004/2005. However, it was noted that patent rights were registered as intellectual property under the names of an individual. It appears these patents were registered without guidance from the Attorney General and therefore it is difficult to know whether government’s stake in the patents was taken care of following the huge investment of over 50bn in the project through MFPOED. It was further noted that only (3) out of the five patents were registered in Uganda while the (2) were register with the African Regional Intellectual Property Organisation (ARIPO). **See details in table below;**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Extraction of low Amylose Matooke (Banana) starch from a triploid acuminate East Africa highland varieties</td>
<td>UG/P/2004/00012</td>
<td>27/12/2004</td>
</tr>
</tbody>
</table>
Table:

<table>
<thead>
<tr>
<th></th>
<th>Process Description</th>
<th>Reference</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>Process for preparation of raw matooke (Banana) flour.</td>
<td>AP/P/2005/003308</td>
<td>25/04/2005</td>
</tr>
<tr>
<td>3</td>
<td>Processing for extracting banana wool and sponge</td>
<td>AP/P/2008/004542</td>
<td>03/05/2007</td>
</tr>
<tr>
<td>4</td>
<td>Preparation of pre-cooked instant banana flour</td>
<td>UG/P/04/00010</td>
<td>22/07/2010</td>
</tr>
<tr>
<td>5</td>
<td>Extrusion cooking process of matooke/non-cooking banana flour into extrudents which serve as raw materials for a highly soluble extruded banana flour.</td>
<td>UG/P/2004/00011</td>
<td>27/12/2010</td>
</tr>
</tbody>
</table>

There is a risk that government interests in the patent may be forfeited or lost when the project is commercialised unless a follow up and legal advice is sought on this matter.

Accounting Officer explained that the State Minister for Finance had sought the legal opinion of the Attorney General, and no position regarding the Government interests in the patents had been communicated by the time of writing this report.

I advised the Accounting Officer make a follow-up with the Attorney General and resolve the status of the patents.

(f) **Status of the Land Located in Bushenyi**

The banana project owns land in Bushenyi together with other movable properties. However, it was noted that the land title is still in the names of the project without the legal mandate to continue owning this land of behalf on government unless the expired legal status is resolved following the legal opinion of the Attorney General to transfer the project under Agriculture sector.

There is a risk that Government may lose this land especially when the project is fully commercialized through a Private Sector arrangement under a PPP. Government has heavily invested in land, constructions, production equipment, transport facilities and banana plantations as a source of raw materials through this arrangement.

I advised the Accounting Officer to properly secure all Government land and other moveable assets under this project prior to its privatization.
(g) **Unfunded project planned activities - UGX.6,682,145,000**

During the financial year 2014/2015, the PIBID project had a budget provision of UGX.9bn out of which only UGX.2.7bn was released as vote on account and as a result, activities worth UGX.6,682,145,000 were not undertaken. The affected activities include: purchase and installation of machinery and equipment (UGX.2.5bn), Construction materials (UGX.1.457bn.), marketing of the tooke products (UGX.777,665,000) and procurement of transport equipment (UGX.780,000000). The practice of not funding the respective project work plan activities undermines the achievement of the project mandate and objectives relating to its establishment.

Management explained that efforts are underway to obtain additional funding to fully implement project activities.

I await the outcome.

(h) **Advances to Personal Accounts**

It was observed that a sum of UGX.192,664,939 was paid to personal accounts for purposes of payment for services rendered to PIBID contrary to TAI's part 1 (227-229). The payments included fuel, water bills, police allowances, staff meals, PIBID launch and allowance to participants. I could not confirm whether the funds were eventually received by the service providers for the services rendered to PIBID and how they were eventually accounted for.

Management explained that the payments were made adhoc due to the emergency nature during the time cash transactions were suspended.

I advised the Accounting Officer to have the amounts accounted for and ensure that all service providers are paid directly through their bank accounts in compliance with regulations.
APPENDIX 1

FINANCIAL STATEMENTS