



THE REPUBLIC OF UGANDA

TREASURY MEMORANDUM

**ON THE REPORT OF PARLIAMENT ON THE REPORT OF
THE AUDITOR GENERAL FOR THE FINANCIAL YEAR 2023/24**

VOLUME I

**CONSOLIDATED FINANCIAL STATEMENTS OF GOVERNMENT
AND TREASURY OPERATIONS VOTE 130**



PRESENTED BY

**THE HON. MINISTER OF FINANCE, PLANNING
AND ECONOMIC DEVELOPMENT**

MARCH 2026



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TABLE OF CONTENTS

LIST OF ABBREVIATIONS AND ACRONYMS	iii
GLOSSARY OF KEY TERMS IN PUBLIC FINANCE MANAGEMENT	viii
Statement by the Hon. Minister Of Finance, Planning and Economic Development	xii
Statement by the Permanent Secretary/Secretary to the Treasury	xiii
1.0 CONSOLIDATED FINANCIAL STATEMENTS OF GOVERNMENT	21
Review of Fiscal Administration	1
Performance of the Resource Envelope	1
Un-funded Approved Budget	4
Continued Increase in Payables	6
Unfunded Invoices at the close of the Financial Year	6
Continued Increase in Payables	6
Non-Performing Receivables	8
Management of Letters of Credit	9
Slow Recovery of Accumulated Arrears of Revenue	10
Supplementary Releases without requests from Accounting Officers	11
Irregular Share Purchase in M/s ROKO Construction Ltd	13
Irregular Investment in M/s Dei-Biopharma Ltd	17
Failure to Fully Implement Parish Development Model	18
Irregular Procurement	21
2.0 TREASURY OPERATIONS VOTE.....	25
Continued Increase in payables	25
Unwarranted Supplementary Funding	28
Public Debt	28
Increase in External Debt	31
Increase in Domestic Debt	33
High Cost of Bond Switches	35
High Cost of Using Private Placements	37
Unsustainable Debt	38
Domestic Debt Service Burden on Revenue	40
Domestic Debt Interest Payments to Total Domestic Revenue Ratio – Assessment of the Domestic Debt Service Burden	40
Fiscal Deficit	41
Fiscal deficit to GDP – Assessment of Fiscal Discipline	41
3.0 UGANDA PETROLEUM FUND	48

LIST OF ABBREVIATIONS AND ACRONYMS

BC	Business Continuity
Bn	Billion
BoQ	Bill of Quantities
BoU	Bank of Uganda
CDC	Centers for Disease Control and Prevention
CDO	Cotton Development Organisation
CFR	Central Forest Reserve
CID	Criminal Investigations Directorate
CIP	Compliance Improvement Plan
CNDPF	Comprehensive National Development Framework
CoC	Certificate of Compliance
COSASE	Commissions, Statutory Authorities and State Enterprises
Covid-19	Coronavirus Disease
CSC	City Service Commission
DCIC	Directorate of Citizenship and Immigration Control
DDA	Dairy Development Authority
DGF	Democratic Governance Facility
DHoM	Deputy Head of Mission
DLB	District Land Board
DLG	District Local Government
DR	Disaster Recovery
DSC	District Service Commission
DTS	Digital Tracking Solution
EAC	East African Community
EC	Electoral Commission
ECCMIS	Electronic Court Case Management Information System
ECD	Economic and Commercial Diplomacy
EDMS	Electronic Document Management System
EFRIS	Electronic Fiscal Receipting & Invoicing Solution
EIA	Environmental Impact Assessment
EMIS	Education Management Information System
EOC	Equal Opportunities Commission
ERP	Enterprise Resource Planning
ETD	Emergency Travel Document
FIA	Financial Intelligence Authority
FMD	Foot and Mouth Disease
FSA	Foreign Service Allowance
FSO	Foreign Service Officer

FY	Financial Year
GBP	Great British Pound
GFMIS	Government Financial Management Information Systems
GoU	Government of the Republic of Uganda
GPA	Gross Payments Account
HCM	Human Capital Management
HESFB	Higher Education Students' Financing Board
HIV/AIDS	Human Immunodeficiency Virus/Acquired Immunodeficiency Syndrome
HLG	Higher Local Government
HoM	Head of Mission
HSC	Health Service Commission
IAS	International Accounting Standards
IASB	International Accounting Standards Board
ICT	Information and Communications Technology
IDI	Infectious Diseases Institute
IFMS	Integrated Financial Management System
IFRS	International Financial Reporting Standards
IHMIS	Integrated Hospital Management Information System
ILMIS	Integrated Loan Management Information System
IPC	Interim Payment Certificate
IPPS	Integrated Personnel and Payroll System
IT	Information Technology
JICA	Japan International Cooperation Agency
JSC	Judicial Service Commission
JVA	Joint Venture Agreement
KCCA	Kampala Capital City Authority
Km	Kilometer
LC	Letters of Credit
LG	Local Government
LGFC	Local Government Finance Commission
LLG	Lower Local Government
LLIN	Long-Lasting Insecticidal Nets
M&E	Monitoring and Evaluation
MAAIF	Ministry of Agriculture, Animal Industry and Fisheries
MBPS	Megabits Per Second
MCC	Milk Collection Center
MDA	Ministries, Departments and Agencies
MDALG	Ministries, Departments, Agencies and Local Governments
Mn	Million

MoES	Ministry of Education and Sports
MoFA	Ministry of Foreign Affairs
MoFPED	Ministry of Finance, Planning and Economic Development
MoH	Ministry of Health
MoICT&NG	Ministry of ICT and National Guidance
MoJCA	Ministry of Justice and Constitutional Affairs
MoLHUD	Ministry of Lands, Housing and Urban Development
MoPS	Ministry of Public Service
MoTIC	Ministry of Trade, Industry and Cooperatives
MoU	Memorandum of Understanding
MoWT	Ministry of Works and Transport
MTEF	Medium-Term Expenditure Framework
MTR	Mid-Term Review
NAADS	National Agricultural Advisory Services
NAGRC&DB	National Animal Genetic Resources Centre and Data Bank
NARO	National Agricultural Research Organisation
NBI/EGI	National Backbone Infrastructure/E-Government Infrastructure
NCDC	National Curriculum Development Centre
NDA	National Drug Authority
NDP	National Development Plan
NEF	National Environment Fund
NEMA	National Environment Management Authority
NFA	National Forestry Authority
NIN	National Identification Number
NIRA	National Identification and Registration Authority
NITA-U	National Information Technology Authority - Uganda
NL&GRB	National Lotteries and Gaming Regulatory Board
NMS	National Medical Stores
NMTS	National Meteorological Training School
NPA	National Planning Authority
NPC	National Population Council
NSC	National Standards Council
NSSF	National Social Security Fund
NTR	Non-Tax Revenue
NWSC	National Water and Sewerage Corporation
ODPP	Office of the Director of Public Prosecutions
PAC	Public Accounts Committee
PAP	Project Affected Persons
PAU	Petroleum Authority of Uganda
PAYE	Pay as You Earn

PBS	Programme Budgeting System
PCA	Parish Coffee Advisor
PDM	Parish Development Model
PDMIS	Parish Development Management Information System
PFMA	Public Finance Management Act, Cap. 171
PIAP	Programme Implementation Action Plan
PPDA	Public Procurement Disposal of Public Assets
PPR	Peste des Petits Ruminants
PROCAMIS	Prosecution Case Management Information System
PS/ST	Permanent Secretary/Secretary to the Treasury
PSC	Public Service Commission
PVoC	Pre-Export Verification of Conformity
PWD	Persons with Disabilities
RAPEX	Rationalisation of Agencies and Public Expenditure
SACCO	Savings and Credit Cooperative Organisation
SDLC	Systems Development Lifecycle
TB	Tuberculosis
TIN	Tax Identification Number
TREP	Taxpayer Registration and Expansion Program
UBOS	Uganda Bureau of Statistics
UBTEB	Uganda Business and Technical Examination Board
UCDA	Uganda Coffee Development Authority
UDC	Uganda Development Corporation
UEPB	Uganda Export Promotion Board
UESW	Uganda Electronic Single Window
UFZA	Uganda Free Zones Authority
UGX	Uganda Shilling
UHRC	Uganda Human Rights Commission
UIA	Uganda Investment Authority
UIRI	Uganda Industrial Research Institute
ULC	Uganda Land Commission
ULRC	Uganda Law Reform Commission
UMRA	Uganda Microfinance Regulatory Authority
UNBS	Uganda National Bureau of Standards
UNCST	Uganda National Council for Science & Technology
UNMA	Uganda National Meteorological Authority
UNMEB	Uganda National Medical Examination Board
UNRA	Uganda National Roads Authority
UNSA	Uganda National Students' Association
UPPC	Uganda Printing and Publishing Corporation

URA	Uganda Revenue Authority
URBRA	Uganda Retirements Benefits Regulatory Authority
URF	Uganda Road Fund
URSB	Uganda Registration Services Bureau
USD	United States Dollar
USPCL	Uganda Security Printing Company Limited
UTB	Uganda Tourism Board
UVRI	Uganda Virus Research Institute
VAT	Value Added Tax
WHT	Withholding Tax

GLOSSARY OF KEY TERMS IN PUBLIC FINANCE MANAGEMENT

Absorption of Funds: This refers to funds spent by Ministries, Departments and Agencies as a proportion of the funds released from Central Government, or, simply, the proportion of the budgeted funds that have been spent by an entity.

Academic Information Management System: It is an Integrated Information System locally designed and customised to meet the unique needs of the public educational institutions (with special emphasis on colleges and universities).

Accounts Payable: This refers to the amount of an entity's short-term obligation to pay for goods and services which the entity procured on credit. It includes payroll liabilities, third-party liabilities and other payables.

Adoption of the report of the Auditor General: Parliament shall, within six months after the submission of the report of the Auditor General, debate, consider and may adopt the report.

Approved Budget: The budget approved by the Parliament of the Republic of Uganda, normally adopted in May of the preceding Financial Year.

Budget Item: This is the lowest operational level of the budget, and represents the resources necessary to carry out activities.

Chart of Accounts: A list of accounts set up for an organisation, used to classify and record transactions in the organisation's books. This forms the basis for the detailed budget estimates.

Commitment: In the context of a vote, this means entering into a contract or other binding arrangement that creates a future expense or liability.

Contingent Asset: This means a possible asset that arises from past events and whose existence shall be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent liability: This means;

- a) a possible obligation that arises from past events and whose existence shall be confirmed only by the occurrence or non-

occurrence of one or more uncertain future events not wholly within the control of the entity; or

- b) a present obligation that arises from past events but is not recognised because:
 - i) it is not probable that an outflow of resources embodying economic benefits or service potential shall be required to settle the obligation; or
 - ii) the amount of the obligation cannot be measured with sufficient reliability."

Domestic Arrears: These are financial obligations due but remain unpaid beyond the financial year in which they were incurred.

Electronic Government Procurement (e-GP): A web-based tool used to carry out public procurement and disposal, enabling the end-to-end Government procurement and disposal process online. It involves all stages, from procurement planning, bidding, evaluation, award, contract management, invoicing, and payment for supplies, works, and services.

Electronic Tax (e-Tax): It is an Integrated Tax Administration System that provides online services to the taxpayer on a 24-hour basis, making it easy for taxpayers to fulfil their tax obligations.

Entity: This includes a Government vote, fund, body corporate, and other organization and group of persons.

Expenditure limit: This is an amount provided under the annual or supplementary estimates which has been allocated to an entity by the Secretary to the Treasury to spend in a quarter.

Human Capital Management (HCM) System: An integrated system that streamlines and automates the various traditional administrative functions of Human Resource (HR) including; recruiting, training, payroll, compensation, and performance management to drive productivity and business value.

Integrated Financial Management System (IFMS): An integrated system that captures all accounting processes from budgeting, payment processing, cutting through to reporting.

Integrated Personnel and Payroll System (IPPS): It is a computerized automated Government Human Resource Management System. This system is being replaced by HCM.

Integrated Revenue Administration System (IRAS): It is a web and mobile application platform that aids local Government entities in collection of local revenue from registration, assessment, billing, payment, sensitization of taxpayers and linking the citizens to these entities.

Key Performance Indicators: These are measurable values to monitor progress of how effectively an organization is achieving specific objectives.

Letter of Credit: This is a written undertaking by a bank (the issuing bank) given to a supplier (the beneficiary) upon a request from a purchaser (the applicant) according to instructions to pay a specified amount of money on agreed fixed terms.

Microsoft Navision (NAV): This is the system used by Government to handle all payments and financial reporting in Uganda's foreign missions (Embassies, High Commissions and Consulates) as aligned with approved budget.

Programme Budgeting System (PBS): This is an online system used by all Government votes whose budgets are appropriated by Parliament for purposes of planning, budget preparation, and reporting on budget performance in a given financial year.

Programme: This relates to a group of entities (Votes) or parts of institutions which contribute towards a common function, e.g. Human Capital Development, Agro-industrialization, and Private Sector Development.

Reallocation of funds: Parliament may, by resolution, authorize the Minister to move funds from a vote to another vote where the functions of a vote are transferred to that other vote.

Secretary to the Treasury: This means a person appointed as such under Section 10 of the Public Finance Management Act, Cap 171.

Supplementary Budget: This is an in-year addition to an MDA's approved budget, which is also appropriated by Parliament during the course of the Financial Year as provided for in the PFM Act, Cap 171.

Treasury Single Account: This is a bank account held in Bank of Uganda for all Ministries, Departments, Agencies and Local Government entities.

Uganda Consolidated Fund: This is the Government account onto which all Government revenues and funds are paid and from which money is withdrawn to fund all activities of Government as per Article 153 of the Constitution.

Virement: This means the transfer of funds within the budget of a vote, from a budget line to another budget line authorised by the Minister responsible for Finance.

Vote: These are institutions (Ministries, Departments, Agencies and Local Governments) which are the basis of the annual budget and appropriations made by Parliament, and the basis for accountability

Warrant: This is an authority given by the Minister responsible for Finance to the Accountant General to withdraw funds from the Consolidated Fund as specified in section 32 of the Public Finance Management Act, Cap 171. Subsequently, the Accountant General issues quarterly warrants to Government entities to withdraw funds from the Consolidated Funds.

STATEMENT BY THE HON. MINISTER OF FINANCE, PLANNING AND ECONOMIC DEVELOPMENT

Rt. Hon. Speaker of Parliament,
Hon. Members of Parliament.


Rt. Hon. Speaker, Parliament passed resolutions on various Public Accounts Committee reports on the report of the Auditor General for the financial year ended 30th June 2024.

Rt. Hon. Speaker, Article 163 of the Constitution of the Republic of Uganda and Section 51 of the Public Finance Management Act, Cap. 171 requires the Minister responsible for Finance to submit a Treasury Memorandum detailing measures taken by each vote to implement the recommendations of Parliament.

This Treasury Memorandum presented before the House consists of six (6) volumes, namely:

- Volume I – Consolidated Financial Statements and Treasury Operations
- Volume II – Central Government Ministries
- Volume III – Uganda Missions Abroad
- Volume IV – Public Universities and Referral Hospitals
- Volume V – Local Governments
- Volume VI – Commissions, Statutory Authorities and State Enterprises

I thank Parliament for considering the report of the Auditor General and for carrying out its oversight role in ensuring that public funds are managed responsibly. The Executive reaffirms its commitment to the timely conclusion of the Public Financial Management accountability cycle.



Matia Kasaija (MP)

MINISTER OF FINANCE, PLANNING AND ECONOMIC DEVELOPMENT

STATEMENT BY THE PERMANENT SECRETARY/SECRETARY TO THE TREASURY

Section 10(2)(m) of the Public Finance Management Act, Cap. 171 requires the Secretary to the Treasury to prepare a Treasury Memorandum. Section 51 of the same Act specifies that a Treasury Memorandum shall contain measures taken by each vote to implement the recommendations of Parliament.

In pursuit of the above legal provisions, this Treasury Memorandum has been prepared in six (6) volumes and below are the highlights of the recommendations of Parliament and measures taken to address them:

A. Cross-Cutting Issues

1) Change in Accounting Treatment for Non-Current Assets

The Fixed Assets Module (FAM) of the Financial Management System (IFMS) was re-engineered to support the journey to accrual accounting.

Historical asset data was loaded into the FAM, and a comprehensive asset register for the whole of Government is now in place. The change resulted in a revision to the accounting treatment of non-current assets.

The change in accounting treatment for non-current assets was initially piloted during FY 2022/23 in five (5) votes, namely the Ministry of Defence and Veteran Affairs; the Uganda Police; the Internal Security Organisation; the External Security Organisation; and Kalungu District Local Government.

The change in accounting policy for non-current assets was subsequently rolled out to all Local and Central Government votes in FY 2023/24 and completed in FY 2024/25. This means that all non-current assets of Government are recognised/recorded on the face of the Statement of Financial Position.

2) Implementation of the item master restrictions

To support the above change and the management of assets, effective 1st July 2026, the GoU will implement item master restrictions, starting with the capital development budget. An item master is a centralised database within an Enterprise Resource Planning system, such as the Integrated Financial Management System; it is an inventory system that contains detailed, accurate, and structured information about every product, service, or raw material an organisation handles.

The item master will be enforced for capital expenditure items in the PFM systems of PBS, IFMS, and e-GP. The Item Master will ensure that work plans and budgets are implemented as intended and properly appropriated.

Training is ongoing country-wide for the item master implementation across both central and local Government entities.

3) Management of Non-Tax Revenue

The report of Parliament highlighted instances of under- or over-budgeting of non-tax revenue by entities. Some of these non-tax revenue budgets were not supported by underlying historical data.

To ensure credible revenue projections and to avoid mid-year corrections and supplementary budget requests, Accounting Officers have been requested to submit detailed, realistic source-by-source revenue forecasts to the Ministry of Finance, Planning and Economic Development for validation. You are further required to outline the key reforms and assumptions to improve non-tax revenue collections.

Section 27 of the Public Finance Management Act, Cap. 171 mandates the remittance of all Non-Tax Revenue collected by Votes to the Uganda Consolidated Fund. Accounting Officers have been reminded to comply with this provision of the Public Finance Management Act, Cap. 171.

Non-tax revenue collections against set targets will be one of the parameters for assessing the performance of Accounting Officers for non-tax revenue-collecting institutions.

Accordingly, performance contracts for Accounting Officers of non-tax revenue-collecting entities have been updated. Accounting Officers should ensure that NTR collections are in line with the annual budget forecast as approved by Parliament.

The Integrated Revenue Administration System (IRAS) has been implemented across all Local Governments to facilitate budgeting and revenue collection. The Ministry of Finance, Planning and Economic Development undertook consultative meetings with all votes to determine realistic non-tax revenue budgets.

4) Utilisation of the Wage, Pensions and Gratuity Budgets

The performance of the Wage, Pensions and Gratuity Budgets continues to pose a challenge to Government. One of the key recommendations of the special audit of the payroll by the Auditor General was the full integration of the Human Capital Management (HCM) system with the Integrated Financial Management System (IFMS).

The Government, through the Ministry of Public Service, has deepened the rollout of the Human Capital Management system to replace the Integrated Personnel and Payroll System. The Human Capital Management system offers more robust payroll management features, including salaries, retirement, transfers, and pensions, and this information feeds into the budgeting and payment process for salaries.

Government reiterates its commitment to enhancing the salaries and pensions of civil servants and ensuring they are paid by the 28th of each month.

5) Settlement of Domestic Arrears

Parliament has consistently and correctly recognised the persistent increase in domestic arrears despite various Government interventions. This is further obscured by some Accounting Officers concealing domestic arrears and paying these arrears that were previously neither disclosed nor budgeted for, leading to the diversion of funds and the crowding out of services planned for the year.

It is the duty of Accounting Officers to ensure that budget implementation occurs effectively, adhering to both approved work plans and budgetary constraints, to prevent the accumulation of new arrears.

A phased approach has been adopted to eliminate domestic arrears over the next three (3) financial years. This was informed by a verification conducted by the Auditor General to ensure only confirmed/verified domestic arrears are considered for settlement.

Payments will prioritise suppliers of goods/services in the following categories: statutory obligations; contractors for infrastructure, energy and water; taxes/deductions; utilities; and compensations under the Uganda Land Commission, the Ministry of Lands, Housing and Urban Development, and the Ministry of Justice and Constitutional Affairs.

In financial year 2025/26, UGX 1.4Tn has been allocated for payment of domestic arrears. The Ministry has instituted the following measures:

- i) Sanctioning Accounting Officers for the creation of new domestic arrears by not renewing their contracts as Accounting Officers;
- ii) Accounting Officers should not sign any new contracts without confirmation of the availability of resources.

Accounting Officers have been reminded in their appointment letters of their duty to ensure proper utilisation of appropriated budget in line with the approved work plans.

6) Implementation of Approved Work Plans and Activities

The report of Parliament also highlighted instances of partial or non-implementation of approved work plans across several entities.

During budget implementation, Accounting Officers are required to submit quarterly budget performance reports. Expenditure limits are communicated based on the work plans, performance of the previous quarter and the actual cash projections of Government.

Accounting Officers have also been directed to put in place robust monitoring and evaluation frameworks to enable real-time tracking of the execution of ongoing projects. In addition, Accounting Officers were advised to re-scope ongoing projects and activities to address bottlenecks that lead to time and cost overruns.

B. Specific Issues

Uganda Missions Abroad

7) Operationalisation of the Economic and Commercial Diplomacy Strategy

The Economic and Commercial Diplomacy Strategic Plan has been fully rolled out for implementation, enabling Missions abroad to contribute to the Tenfold Growth Strategy.

Accordingly, this Ministry will continue working closely with the Ministry of Foreign Affairs and the National Planning Authority to support the Missions Abroad in fully integrating their Economic and Commercial Diplomacy interventions into the Programme Implementation Action Plans and the Mission Strategic Plans.

The Economic and Commercial Diplomacy funding is results-based, and consequently, the budget allocations are guided by:

- i) Strategic positioning of Missions with regard to economic potential
- ii) Implementation performance
- iii) Prevailing conditions for implementing activities

8) Exchange Rate fluctuations/Loss of Poundage

Releases to Missions were hitherto transferred in United States dollars on a quarterly basis, which often resulted in a loss of poundage due to foreign exchange rate fluctuations, thereby affecting the implementation of activities.

As a mitigation measure, the release of funds to Missions has been changed to a semi-annual basis and in several major currencies, such as the United States dollar, the euro, the British pound and the Danish krone to hedge against loss of poundage and to enable Missions to meet obligations which require one-off payments, such as rent.

However, the Missions have been advised to continue holding quarterly finance committee meetings to agree on the priority areas of expenditure before the warrants are issued. Once warrants are issued, the Finance Committee meets to review progress.

Public Universities and Referral Hospitals

9) Off-Budget Financing

Off-budget financing continues to persist, especially amongst Public Universities, Referral Hospitals, and Specialised Health Facilities.

The Programme Budgeting System was upgraded with features that make it mandatory for Accounting Officers to declare known and/anticipated external financing during the budgeting process.

Accounting Officers have also been notified not to accept any external financing without prior authorisation from the Minister responsible for Finance.

10) Status of Medical Equipment

The report highlighted that hospitals lacked specialised personnel to operate medical machines, often leaving these machines idle. This is an indication of poor human resource planning as health facilities acquired

machines without due regard to the existence of personnel to operate them. In addition, the maintenance of medical equipment was either lacking or inadequate. Idle/non-functional medical equipment denies the community proper health services.

Government adopted the policy of using the Placement Method in the acquisition of medical equipment as opposed to outright purchase of viable medical equipment, such as laboratory and dialysis equipment.

The Ministry of Health should take lead to address the recruitment and placement of health workers at the various health facilities with the appropriate skill sets to operate the machines.

The budget allocation for medical equipment maintenance at health facilities will continue to be addressed through the Government appropriation processes.

Commissions, Statutory Authorities and State Enterprises

11) Rationalisation of Government Agencies and Public Expenditure

H.E. the President assented to 34 RAPEX Bills. The rationalised institutions/functions and their respective budgets have been transferred to the receiving Votes or departments. All Accounting Officers have been advised to ensure that the new functions are fully operationalised.



Ramathan Ggoobi

PERMANENT SECRETARY/SECRETARY TO THE TREASURY

1.0 CONSOLIDATED FINANCIAL STATEMENTS OF GOVERNMENT

Query Review of Fiscal Administration

Audit Findings

Performance of the Resource Envelope – Revenue Performance

The Audit reviewed the approved resource envelope/revenue estimates of the Government for the FY 2023/24 and noted that Government planned to raise UGX 52.737Tn to fund its expenditures. This was later revised to UGX 56.247Tn. Details of performance of the resource envelope is shown in the table below;

Table 1: Performance of the Resource Envelope

Category	Funding source	Initial budget (UGX Tn) A	Revised budget (UGX Tn) B	Actual realized (UGX Tn) C	Variance (UGX Tn) D= (B-C)	% Variance
Domestic sources	Tax revenue	27.424	27.424	25.620	1.804	6.58
	Non-tax revenue	2.248	2.248	2.028	0.221	9.81
	Domestic financing	3.163	6.663	5.885	0.778	11.68
	Domestic refinancing	8.358	8.358	8.528	-0.170	(2.03)
	Local revenue (AIA)	0.287	0.297.403	0.208	0.090	30.14
Other sources	BOU recapitalization of securities	0.217	0.217	0.217	0.000	0
	Drawdown on savings of external funding	0.002	0.002	0.002	0.000	0
External sources	Grants	3.079	3.079	0.788	2.291	74.42
	Loans	7.958.	7.958	3.835	4.123	51.81
Total		52.736.7	56.247	47.110	9.137	

Source: OAG Analysis

Expenditure Performance

During the FY under review, the Government initially planned to spend a total of UGX 52.737Tn, which was later revised to UGX 61.669Tn. This indicated that the total expenditure supplementary budgets passed amounted to UGX 8.932Tn. The summary distribution of the expenditure budget is shown in the table below;

Table 2 Government Expenditure Budget

Spending category	Initial budget (UGX-Tn)	Revised Budget (UGX-Tn)	Amount Warranted (UGX-Tn)	Amount Spent (UGX-Tn)
Central Government (MDAs)	47.269	55.179	43.993	42.560
Local Government	5.468	6.490	6.179	6.121
Total	52.737	61.669	50.172	48.680

Observation

From the two tables above, the Committee noted the following;

- i) Government revised its revenue budget from UGX 52.74Tn, to UGX 56.25Tn
- ii) Government actual revenue realized was UGX 47.11Tn, leading to a shortfall of UGX 9.14Tn
- iii) The actual revenue realized was UGX 47.11Tn, which is below the initial budget of UGX 52.74Tn implying that the revised revenue budget of UGX 56.25Tn was unrealistic.
- iv) Government revised its expenditure budget from UGX 52.74Tn to UGX 61.67Tn but actually expended UGX 48.68Tn
- v) Government failed to match the revised budget of UGX 61.67Tn with corresponding revenue revision, resulting into a shortfall of UGX 5.44Tn.
- vi) Government's actual expenditure of UGX 48.68Tn was over and above total Government revenue of UGX 47.11Tn, resulting into an over expenditure of UGX 1.57Tn
- vii) The Committee further discovered that Government had an overdraft of UGX 1.57Tn which was an unauthorized borrowing contrary to section 34 of the PFMA 2015.
- viii) This overdraft was later settled by revenue of another financial year 2024/2025, which is illegal.
- ix) The Committee further observed that Government continued to operate an unbalanced budget where the total expenditure estimates have not been balanced with total revenue. This has been a recurring concern over the years as per the table below:

Table 3: Trend of unbalanced national budget

Financial Year	Revised Budget (UGX-Tn)	Total Revenue (UGX-Tn)	Variance between the Revised Budget and Revenue (UGX-Tn)
2023/2024	61.669	56.247	5.422
2022/2023	52.548	48.136	4.412
2021/2022	51.561	47.2	4.361
2020/2021	51.626	48.726	2.9

Source Audit Reports, FY 2020/2021-2023/2024 and PBO computations

The Committee further observed that the budget has been largely misleading and perhaps the only purpose is to provide a huge quantum of the obnoxious yield of 3% supplementary expenditure.

Recommendation

- i) The Committee recommends that the Accounting Officer and the Minister of Finance should be personally held liable for running an unbalanced budget.
- ii) The Accounting Officer should put in place mechanisms to ensure that the national budget is always balanced.

Action Status

Government implements a cash-based budget. The quarterly expenditure limits are issued based on revenue projections for the quarter. However, during the year under review, the actual revenue deviated from the projections due to internal and external economic shocks below:

- i) Climate change which affected agricultural production and infrastructure
- ii) Regional and global geopolitical tensions,
- iii) High interest rates which constrained access to affordable debt, and
- iv) Fluctuations in global commodity prices which resulted into imported inflation.

During the year under review, out of the projected domestic revenue of UGX 29.67Tn, the actual outturn was UGX 27.60Tn resulting into a shortfall of UGX 2.07Tn. Regarding grants, Government received UGX 1.01Tn against the target of UGX 3.08Tn for the FY2023/24.

Failure to release the funds as projected was attributed to the above circumstances.

Additionally, the Ministry deferred external borrowing amounting to USD414 million that was expected to cover the revenue gap due to high interest rates globally. The interest rates on US Dollar denominated loans was about 10 percent per year, and on the Euro denominated loans was between 8 and 9 percent. The above rates would pose significant risks for debt sustainability.

In order to ensure that warrants are supported by prudent cash flow projections, the Ministry developed a Cash Management Framework which provides for, among others, a cash flow committee mandated to review and recommend quarterly revenue projections and expenditure limits.

The Committee also undertakes periodic analysis of revenue and expenditure performance to ensure alignment of the budget to the cash flow.

Query	Un-funded Approved Budget
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Audit Findings

Section 14 (1) & (2) of the PFMA, Cap 171 requires that after approval of the annual budget by Parliament, the Secretary to the Treasury shall issue the annual cash flow plan of the Government, based on the procurement plans, work plans, and recruitment plans approved by parliament. The annual cash flow plan shall form the basis for the release of funds by the Accountant General to the Accounting Officers.

During the financial year 2023/24, Parliament appropriated a total of UGX 61.67Tn to finance Government expenditure as highlighted in the table below;

Table 1: Government budget performance per spending category (Figures in UGX Tn)

Spending category	Revised budget	Total warrants	Variance	Unwarranted funds %
MDAs	55.179	43.993	11.187	20.27
LGs	6.490	6.179	0.311	4.79
Total	61.669	50.172	11.498	18.64

Source: OAG analysis of the Government budget performance report.

The PS/ST explained that the Government implements a cash budget and the quarterly expenditure limits are issued based on revenue projections for the quarter. However, sometimes the actual revenue deviates from the projections due to internal and external economic shocks.

Observation

The Committee observed that issuing expenditures limits to entities to spend beyond the revenue projections creates unnecessary outstanding commitments to Government. Section 14 (1) & (2) of the PFMA, Cap 171 requires that after approval of the annual budget by Parliament, the Secretary to the Treasury shall issue the annual cash flow plan of the Government, based on the procurement plans, work plans, and recruitment plans approved by Parliament. The annual cash flow plan shall form the basis for the release of funds by the Accountant General to the Accounting Officers. Therefore, the assertions by the PSST that the actual revenue deviates from the projections due to internal and external economic shocks contradicts the law and is an aspect of poor planning.

Furthermore, for Parliament to continue to approve budget estimates without corresponding and predictable sources of funding is an indictment on the keenness of scrutiny and approval processes of the Budget by Parliament.

Recommendations

The Committee recommended that;

- i) Parliament should exercise more due diligence on the budget and only proceed to approve if the proposals by Government are matched with projected revenue sources.
- ii) MoFPED should ensure that all warrants issued are supported by sufficient revenue resources to fund such warrants and also provide guidance to MDAs in regard to prioritization of activities to the levels of availed resources in cases of shortfalls.

Action Status

Government operates a cash budget, and quarterly expenditure limits are issued based on revenue projections for the quarter. However, in some quarters, actual revenue deviates from the projections due to internal and external economic shocks.

The Ministry issues guidelines in various Circulars, including the Budget Execution Circular urging Accounting Officers to prioritize and implement interventions within the available resources and not to commit Government when resources are not available.

QUERY

Continued Increase in Payables

Audit Findings

Unfunded Invoices at the close of the Financial Year

The Audit noted that a total of UGX 11.12Tn worth of invoices remained unfunded by the close of the financial year. The unfunded invoices are mainly comprised of Treasury Operations (UGX 8.31Tn), MDAs and LGs (UGX 2.81Tn). Audit noted that the unpaid debt obligations of Treasury Operations attract penalties by BoU that may lead to accumulation of domestic arrears.

Continued Increase in Payables

The Audit reviewed the statement of financial position and the disclosure in Note 25 and noted an increase in payables from UGX 10.50Tn in the FY 2022/23 to UGX 13.81Tn by the end of FY 2023/24, an increase of 31.54%.

Further analysis revealed that new payables accrued stood at UGX 6.64Tn compared to only UGX 3.68Tn paid during the year. This indicates that the rate at which Government contracts domestic arrears is much higher than the rate of payment, leading to continued accumulation of domestic arrears.

The PS/ST explained that the Government operates a cash budget which takes into account revenues received from 1st July to 30th June of the FY, and invoices remain unpaid due to shortfalls in revenue performance. This was further attributed to inadequate budgeting, cash flow constraints and competing Government demands.

Observations

The Committee observed that payables had increased from UGX 10.50Tn in the FY 2022/23 to UGX 13.81Tn by the end of FY 2023/24. Further

analysis revealed that UGX 6.64Tn had been recognized as new payables accrued during the year. A payment of UGX 3.68Tn was made.

However, the audit revealed that unfunded invoices by 30th June, 2024 stood at UGX 11.12Tn. This implied that by the close of the financial year, the actual payable stood at UGX 24.58Tn, (which is UGX 13.81Tn plus, UGX 11.12Tn) instead of UGX 13.81Tn.

The Committee observed that during the appropriation, Parliament had allocated only UGX 200Bn towards the settlement of Domestic Arrears. However, Government paid UGX 3.68Tn during the year. This was an overpayment of UGX 3.48Tn, which is irregular.

Recommendation

The Committee recommended that the Accounting Officer be held accountable for an over-payment of UGX 3.48Tn over and above the appropriation.

Action Status

The major drivers of the payables are; redemptions, compensations and tax expenditure.

The accumulation of redemptions along with other payables begun during the COVID period. Government has since agreed with BOU to amortize the redemption figure of UGX 7.8trillion

The Ministry undertakes reviews of the budget to ensure that multi-year commitments, statutory and contractual obligations are adequately provided for in the budget and in the medium-term expenditure framework.

For subscriptions to international organisations, the Ministry, in collaboration with the Ministry of Foreign Affairs, is reviewing the portfolio of organisations to rationalise and retain only those with significant benefits.

The allocation for clearing arrears was increased from UGX 200Bn in the FY 2024/25 to UGX 1.4Tn in the FY 2025/26 and this will be maintained in the resource envelope until all the outstanding arrears are cleared.

The Ministry is also currently undertaking a review of the arrears portfolio to disaggregate by age of accrual and payee to inform the prioritisation process over the medium term.

Query	Non-Performing Receivables
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Audit Findings

The Audit noted that, included in the receivables under Note 20 of the Accounts are loans to private and state enterprises of UGX 7.7Tn, which included non-performing receivables of UGX 0.92Tn and had not been performing for over 20 years. A provision of bad debts of UGX 0.25Tn has been made in this regard.

The amounts appear irrecoverable and, hence, overstating the receivables. Audit further noted that some of the private enterprises no longer exist, and those that still exist do not recognise the liability in their financial statements. Under the circumstances, the non-performing receivables in question may not be recoverable. The Accounting Officer explained that attempts to seek write-off approval from the Attorney General and Parliament had not yielded results.

Observation

Upon review of the list of companies submitted to the committee, the committee noted that most of the companies and entities were still existing therefore, the assertion by the Accounting Officer is misleading.

The Committee further noted that some of the companies for which MoFPED is seeking a write-off are in a good and strong financial position. Therefore, asking to write off their receivable may be a scheme to defraud the Government. For example, the committee established that DFCU Bank made a post-tax profit of UGX 72 billion in 2024, a significant increase

from UGX 28 billion in 2023. Therefore, derecognising a receivable is tantamount to a deliberate loss of public funds.

Other entities with non-performing receivables included: Entebbe Airport UGX 481.6Bn, Uganda Railways Corporation UGX 128 Bn, and Uganda Tea Growers Corporation UGX 186Bn. The Committee noted that most of the entities exist. The Accounting Officer should proceed and make recoveries.

Recommendation

The Committee recommended that the Accounting Officer institutes recovery measures from the companies, including exploring the possibility of turning the outstanding amounts into equity.

Action Status

Management has engaged the Attorney General regarding a possible writing off of the unrecoverable receivables from private enterprises and converting some (SOE debt) to equity.

Query

Management of Letters of Credit

Audit Findings

The audit reported that, disclosed under Note 19 are prepayments and advances of UGX 1.472Tn which comprised of Letters of Credit of UGX 223.23Bn, Other prepayments of UGX 478.865Bn and advances of UGX 770.161Bn.

He further reported that Letters of Credit worth UGX 219.98Bn were classified under other prepayments and advances. In addition, 101 letters of credit worth UGX 154.84Bn had not performed for more than a year, out of which 80 letters of credit worth UGX 124Bn (80.1%) had not performed for two (2) years. Further, the Government incurred UGX 3Bn as cost for renewals, extensions and commissions for letters of credit.

The Accounting Officer explained that a circular was issued in 2022, guiding on the management of LCs which includes balances to be returned

to the source account in case of non-performance after three months, among others. However, he noted that the circular had not been enforced.

Observation

The Committee observed that despite the PSST guidance on letter of credit, there is weak enforcement by Accounting Officers. The Committee further notes that delays in the performance of LCs, holds financial resources for other priority activities, besides the avoidable extra costs incurred in renewals and extensions.

Recommendation

The Committee recommended that the PSST enforces the guidelines on opening letters of credit, and that any Accounting Officer found culpable be reprimanded in accordance with the law.

Action Status

The guidelines on opening and managing letters of credit have been reviewed and address the Committee's concerns.

Query

Slow Recovery of Accumulated Arrears of Revenue

Audit Findings

Audit noted that Government had accumulated revenues by 30th June 2024 in the entities amounting to UGX 0.722Tn as follows;

- i) Out of arrears of revenue (NTR) as at 30th June 2023, worth UGX 0.475Tn, only UGX 0.107Tn was collected during the year, leaving UGX 0.367Tn (77.4%) uncollected for two consecutive years as of 30th June 2024.
- ii) A total of 45 votes had accumulated arrears of revenue from previous financial years of UGX 0.077Tn, with zero collections/recoveries made during the year.
- iii) By 30th June 2024, the entities had accumulated arrears of revenue amounting to UGX 0.722Tn.

The Accounting Officer attributed the anomalies to inadequate policy guidelines in recognising doubtful debts and uncollectible arrears.

Observation

The Committee observed that Government had not only failed to pay domestic arrears amounting to UGX24Tn, but also failed to collect UGX722Bn in outstanding revenue arrears. This reflects a breakdown in both revenue expenditure discipline.

The Committee further noted that the continued accumulation of revenue arrears deprives the Government of much-needed financial resources and may result in the loss of public funds. Furthermore, the government had failed to formulate adequate policy guidelines in recognising doubtful debts and uncollectible arrears. This explanation by the PSST is, therefore, misleading.

Recommendation

The Committee recommended that;

- i) Accounting Officers who failed to collect revenue should be personally held liable,
- ii) The PS/ST should formulate an effective policy to manage revenue and the resulting receivables as a matter of priority.

Action Status

Several reforms have been implemented to improve revenue management, starting with budgeting for non-tax revenue through IRAS, to collection and reporting under IFMS.

QUERY**Supplementary Releases without requests from Accounting Officers****Audit Findings**

The audit noted that 185 entities received supplementary funding worth UGX 382Bn for pension and gratuity expenditures in FY 2023/2024, without any written requests from the Accounting Officers, as summarised in the table below;

Table 5: Supplementary expenditure not requested by Accounting Officers

Sn	Number of beneficiary entities	Pension (UGX Bn)	Gratuity (UGX Bn)	Total Amounts (UGX Bn)
1	8 MDAs	15.209	0.793	16.002
2	177 LGs	179.918	186.080	365.998
	Total			382

Source: OAG analysis

The Accounting Officer explained that after the submission of estimates in 2023/24, it was observed that some statutory obligations, such as transfers to Local Governments and subventions, were underfunded due to budget cuts, leading to inadequate Pension and Gratuity allocations for several institutions, mainly LGs. He further explained that a supplementary budget was issued in Quarter One of FY 2023/24, to align the allocations with the Ministry of Public Services' recommendations.

Observation

The Committee observed that providing supplementary funds to MDAs and LGs without their formal requests contravenes the Public Finance Management Regulation 18 (2), which requires that an Accounting Officer who intends to spend money as supplementary expenditure shall request the Minister's approval in writing. The Committee further noted that some entities had received supplementary budgets not meant for pension and gratuity without requests from the Accounting Officers.

Recommendation

Parliament should not approve any supplementary requests without formal requests from Accounting Officers.

Action Status

Government transitioned from Sector and Vote-Based MTEF to Programme Budgeting in the FY 2023/24. This reform gave the Programme Working Groups the mandate to allocate resources to the Votes.

When the Votes submitted the Draft Estimates, the Ministry reviewed them to ascertain the adequacy of the provisions for pension and gratuity with reference to the projections provided by the Ministry of Public Service.

It was noted that in the process, some programme working groups underprovided for pension and gratuity, especially for LGs. The Ministry, therefore, provided additional allocations under supplementary in Quarter one of FY 2023/24 to address the shortfall as guided by MoPS.

Query	Irregular Share Purchase in M/s ROKO Construction Ltd
<p>Audit Findings</p> <p>On 21st July 2022, the Parliament of Uganda passed a resolution authorising the Government to acquire 150,000 preference shares in M/S ROKO Construction Ltd, valued at UGX 207.013Bn. Audit noted that the Clerk to Parliament had communicated to MoFPED to pay UGX 207.13Bn, which was subsequently paid, resulting in an excess payment of UGX 117Mn.</p> <p>A share subscription agreement was signed on the 28th day of July 2022 between MoFPED, on behalf of the Government of Uganda, and the construction company. A review of the share purchase process revealed the following:</p> <p>Section 22(1) of the Public Finance Management Act Cap 171, states that a vote shall not enter a contract, transaction, or agreement that binds the Government to a financial commitment for more than one financial year or which results in a contingent liability, except where the financial commitment or contingent liability is authorised by Parliament.</p> <p>Section 90 of the Companies Act Cap 106 further provides that a certificate, under the common seal of the company or any other title, evidence of the securities under the Act or any other law, specifying any shares held by any member, shall be prima facie evidence of the title of the member to the shares.</p> <p>A review of the company records at the Uganda Registration Services Bureau (URSB) revealed that:</p> <ol style="list-style-type: none"> i) The company, in a special resolution dated 8th October 2021, as filed at URSB on 20th July 2022, resolved that the company create preference redeemable shares, each valued at UGX 1,000,000 and issued at a premium of UGX 380,367 per share. The resolution also provided for the rights attached to the redeemable shares. ii) In a subsequent resolution dated 22nd October 2021, and filed at URSB on 25th July 2022, the company resolved that 150,000 	

preference redeemable shares of UGX 1, 000,000 issued at a premium of UGX 380,367 per share be allotted to the Government of Uganda. In a special resolution of the company dated 22nd October 2021 and filed with the URSB on 14th July 2022, the company resolved to increase its share capital from UGX 15Bn to UGX 222.13Bn and to create 150,000 preference redeemable shares to be allotted to Government of Uganda.

- iii) The company filed an amended company Memorandum and Articles of Association for the company with the URSB on 20th July 2022, in which the company indicated its share capital as UGX 222.130 Bn, divided into 15,000 ordinary shares of UGX 1,000,000 each and 150,000 redeemable preference shares issued at a premium of UGX 380,367 per share.

The audit further noted that the process of purchase of shares and consequently binding Government, had been completed before the approval of Parliament as noted by the following facts.

- i) The share certificate issued by the company for the 150,000 redeemable shares for the Government, was issued on the 22nd day of October 2021.
- ii) In a Company resolution made on the 22nd of October 2021 at an extraordinary meeting, the company resolved that 150,000 preference redeemable shares, be created and allotted to the Government of Uganda.
- iii) The company Return of Allotment for shares dated 22nd October 2021 provided that 150,000 preference shares had been allotted to the Ministry of Finance, Planning and Economic Development for an amount of UGX 207.13Bn.

This implied that the prior allotment and purchase of shares were done before Parliament's approval. Furthermore, the entity's failure to follow proper process undermined the controls in place and may lead to legal disputes in the future.

The Accounting Officer explained that it's true the resolutions, allotment and share certificate was issued before approval of Parliament because the Parliamentary approval is the last stage and therefore documents had to be reviewed by Parliament to make an informed decision before approval.

He further explained that Preference redeemable shares also known as creditor's shares are different from ordinary shares (ownership shares) which create liability upon issuance. Allotment of preference shares to Government did not create any legal commitments to Government until the disbursements were made after the approval of Parliament. Therefore, given that the company was in great financial distress and had to avert creditor's petitions, issuing the preference share certificates was used to restore confidence in its investors and creditors so that the company could not be run over.

He further explained that that Government is currently working on the policy to guide bailouts and government investments in private companies. The policy document is yet to be submitted to Cabinet for approval.

Observation

The committee observed that,

- i) The process of purchase of shares and consequently binding Government which was completed before approval of parliament contravened section 22(1) of the PFMA 2015.
- ii) There was an over payment of UGX 117Mn to M/S ROKO Construction Ltd following a resolution by parliament authorizing the Government to acquire 150,000 preference share in M/S ROKO construction Ltd worth UGX 207.013Bn but instead MoFPED paid UGX 207.13Bn
- iii) There was no due diligence by MoFPED while paying out M/S ROKO hence the over payment mentioned above.
- iv) Government lacks Policy guidelines to guide bail out and government investment in private entities

Recommendation

- i) The PS/ST should be held responsible in accordance with section 77 of the PFMA Cap 171.
- ii) The PS/ST should review the transaction to mitigate any legal risk that may arise to safeguard public funds.
- iii) The Government should speed up the formulation of guidelines on bailouts and government investments in private companies
- iv) The PSST and the Attorney General should have the excess funds recovered or more shares acquired equivalent to the overpayment.

Action Status

The preference shares were issued to Government as security for guaranteeing disbursements in favour of ROKO Construction LTD by Trade Development Bank.

This guarantee was granted and funds disbursed on the basis of the communication of the Parliamentary approval by the Clerk to Parliament. However, all the money that was committed for the purchase of the preference shares corresponds with the shares allotted and will be recovered with interest thereon at the time of redemption.

The audit observation on the process of purchasing shares by Government in Roko LTD and the recommendation is noted.

It is true that the resolutions, allotment, and share certificate was issued before the approval of Parliament. Approval by Parliament is the last stage and therefore the documents had to be reviewed by Parliament to make an informed decision before approval.

Preference redeemable shares also known as creditor's shares are different from ordinary shares (ownership shares) which create liability upon issuance. Allotment of preference shares to Government did not create any legal commitments to Government up until the disbursements were made after the approval of Parliament.

Therefore, given that the company was in great financial distress and had to avert creditor's petitions, issuing the preference share certificates was used to restore confidence in its investors and creditors so that the company could not be run over.

The Ministry would also like to report that Government is currently working on the policy to guide bailouts and government investments in private companies. The policy document is yet to be submitted to Cabinet for approval.

Query	Irregular Investment in M/s Dei-Biopharma Ltd
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Audit Findings

The audit noted that in April 2024, Parliament approved a supplementary budget of UGX 1.106Tn out of which UGX 578.4Bn was meant to support a private company, M/s Dei-Biopharma Ltd, to meet its debt obligations and operational requirements. This payment followed the Government's initial investment in the company of UGX 70Bn which had been appropriated in the Budget of FY 23/24, and UGX 75Bn which was further added in December 2023. Cumulatively, the Government has so far invested UGX 723.4Bn as financial support. The The audit reviewed the investment and observed that;

- i) There was no valuation report to establish the net worth of the company in which Government was investing and as such, Audit could not confirm whether Government received shares worth the value.
- ii) The audit was not provided with the Shareholder's agreement of the Government investment in the company.
- iii) The Government has yet to receive the share certificates of the company.

The Accounting officer explained to the Committee that as at 23rd July, 2024 (date of signing the Agreement), the company was valued at UGX 2,057,466,404 and that the share certificates would be issued once the Articles of Association have been amended to include 9.4% of shares allotted to Government.

Observation

The Committee observed that;

- i) It defeats investment logic for Government to invest over UGX 723.4Bn to a company valued at UGX 2Bn only to get minority shareholding of just 9.4%.
- ii) There was no due diligence and feasibility study done by MoFPED to guide government decision to invest in the company. It is no wonder government invested UGX 723.4Bn in a company valued at UGX 2Bn
- iii) The Accounting Officer flouted Section 37(1)(c) of the Audit act by denying the audit information.

Recommendation

The Committee recommended that;

- i) The Accounting officer be held liable for flouting the Section 37(1)(c) of the national Audit Act.
- ii) The PS/ST engages the Attorney General and the company to ensure that the purchase agreement and share certificates are submitted to the MoFPED to mitigate any legal risk that may arise.

Action Status

As at 23rd July, 2024 (date of signing the Agreement), the company was valued by the Chief Government Valuer at UGX. 2,057,466,404.

The share certificates will be issued once the Articles of Association have been amended to include 9.4% of shares allotted to Government.

Query**Failure to Fully Implement Parish Development Model****Audit Findings**

In the FY 2023/2024, Parliament appropriated UGX 1,107.487Bn for the PDM Programme, of which UGX 1,059.4Bn was for the Parish Revolving Fund (PRF) to finance 10,594 PDM SACCOs in 176 LGs and Kampala Capital City Authority (KCCA). Below are the key observations from the thematic audit of the PDM:

- i) The audit was not provided with evidence for the identification of 5,099 PDM parish/ward priorities in 115 LGs, using the format prescribed in the guidelines for onward submission to LLGs and HLGs. In addition, he did not obtain evidence that the 25

participating MDAs aligned their work plans to the pillar implementation action plans.

- ii) A review of the status of the PDM data collection from the Parish Development Model Information System (PDMIS) National Household Registration Reports as of April 2024, revealed that household-level data collection was at 79.93% progress level, while the population registered was only at 46.30% progress level. This data should have been the basis upon which the population would be profiled to identify qualifying beneficiaries, as well as facilitate periodic reviews and impact assessments.
- iii) 2,985 PDM Savings and Credit Cooperative Societies (SACCOs) in 127 Local Governments did not have registered offices on their documents; 567 PDM SACCOs in 41 Local Governments registered offices did not exist, while 2,898 PDM SACCOs in 121 LGs did not have evidence of a signboard showing their names and address.
- iv) Out of the expected seven (07) modules of the PDMIS, two (02) modules were fully implemented, two (02) - modules were partially implemented, and 3 modules were not implemented. He further noted that the WENDI mobile application platform used by SACCOs to receive funds, is yet to be integrated with participating Government-owned banks.

Recommendations

The Committee recommended that;

- i) The Accounting Officers of LGs should ensure that Parish Development Committees (PDCs) and LLGs are trained in the prioritization and incorporation of PDM activities in the budgets and work plans and ensure that all PDCs are fully constituted and functional.
- ii) The Accounting Officer of MoICT&NG should engage the MoFPED, to allocate additional funding to ensure full implementation of the PDMIS and integration of the WENDI platform to all participating banks.

Action Status

The Ministry agrees with the audit observation in (i) and to address the gap, the Ministry issued a circular to all Local Government Accounting

Officers advising them to align their workplans, budgets and activities to the PDM programme.

Furthermore, a new role was introduced for the Parish Chief who is also the secretary of the Parish Development Committee, to compile and submit a State of the Parish Economy and Asset Register (SPEAR) report, on an annual basis. This report shall be the official implementation performance reporting mechanism for the Parish Action Plan, as per the simplified Parish Action Planning Guidelines issued by the National Planning Authority. In line with Parliament's recommendation (i), additional trainings for PDCs shall be organized by MoLG and NPA on the Parish Action Planning Guidelines.

With respect to the audit's observation (ii) on data collection via the PDMIS. We note that the coverage has since increased and that currently, household data collection stands at 101.29% and the population registered is reported at 51.24%. The data gaps are a result of inadequate human capacity and the lack of gadgets at the parish level.

The data gaps will now be comprehensively addressed after each parish was allocated by Government at least two gadgets (one for the Parish Chief and another for the PDM SACCO executive). The gadgets have been distributed to each of the 176 Local Governments and KCCA. Additionally, UBOS has scheduled trainings for the parishes to enhance their capacity to collect quality data via the PDM systems.

In line with Parliament's recommendation (ii), MFPED shall support MoICT and UBOS to update the community profiles in PDMIS with the data collected during the Census 2024.

With respect to the audit's observation (iii) on the lack of offices for PDM SACCOs. In the Establishment Phase, emphasis was put on mobilizing and sensitizing the communities to join PDM, formation of enterprise groups, registration of PDM SACCOs and provision of seed capital to kick start the SACCO. During the ongoing Stabilization Phase, emphasis is on

strengthening the governance and management of the funds provided through regular Audits and AGMs. Establishment of offices shall therefore be prioritized in the next phase of implementation (Sustainability). This is consistent with the organic growth progression of Microfinance Institutions such as the PDM SACCO. Similar examples can be found with Village Saving and Loans Associations (VSLAs), which have operated successfully without physical offices until such a time when they have built sufficient capacity to meet overhead costs from internally generated income.

With respect to the audit's observation (iv) that Wendi is yet to be integrated with the Government Owned Banks, this has since been addressed. In addition to all the three Government Banks (Post Bank Uganda, Housing Finance Bank and Pride Microfinance Ltd) being integrated with Wendi, the system has been integrated with PDMIS and NIRA as well.

As a result, PDM beneficiaries can conveniently and safely access their funds at any of the Government bank branches, bank agents and at any of the existing 6,115 Wendi agents, free of charge. WENDI has been fully integrated with all PDM participating banks, and all PDM SACCOs have been onboarded on WENDI.

Query	Irregular Procurement
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Audit Findings

The Government of Uganda, through the E-Procurement System, has endeavoured to automate the public procurement process, which enables the interactions of the Government with business services (G2B). With the system, a number of Government entities have moved their procurement processes for the purchase of goods, works, services, and non-consultancy services online. This is in a bid to help the Government ensure the efficiency of public procurement with the standardisation of electronic documents, supplier registration, goods and services information and to streamline public procurement transactions for efficient government service delivery.

The audit observed the following key findings, the details of which were included in the statutory entity reports issued;

- i) Out of 72 entities, 11 (15%) undertook sixty-three (63) unplanned procurements worth UGX 59.02Bn.
- ii) Audit noted the splitting of nineteen (19) procurements worth UGX 2.40Bn, without following the criteria, contrary to Regulation 10 of the PPDA (Rules and Methods for Procurement of Supplies, Works and Non-Consultancy Services) Regulations, 2023. This was noted in five (7%) out of 72 sampled entities.
- iii) Irregular initiation of procurements was noted in 8 (11%) entities, where twenty-one (21) procurements worth UGX 42.79Bn were undertaken. The procurements lacked requirements such as approval from the Accounting Officer and confirmation of availability of funds. There is risk of financial over-commitment, which leads to budgetary constraints in future periods thus impacting the entities' ability to deliver their mandates.
- iv) Seventy-nine (79) procurements worth UGX 25.45Bn were undertaken by 13 entities (18%) out of the sampled 72, without obtaining market prices to support the estimated values of the procurements. This leads to the award of contracts at unreasonable and uneconomical prices.
- v) Audit noted that 79 procurements worth UGX 1,062.45Bn in fourteen (14) entities took an average of six (6) months from initiation to final contract signing. Delayed procurements hinder timely service delivery and increase contract costs through inflation/fluctuations in prices and/or exchange rates, among others.

The Accounting Officers explained that most of the procurements were initiated in prior periods and completed in the current year, and thus not

included in the current year's plans. He further explained that the delays were due to delayed responses from various stakeholders during the procurement process and the need to undertake emergency procurement of critical goods and services.

Observation

The Committee observed that entities that exceed their procurement budgets led to domestic arrears. The Committee further observed that the Accounting Officer's justification of emergency procurement does not give them room to undertake irregular procurements.

A review of the use of e-GP revealed the following:

- i) There was a delay in rolling out e-GP to government entities. Only 36 (33 MDAs and 3 LGs) out of the planned 200 MDAs/LGs (medium-term planned entities) have been onboarded to the e-GP system, representing 18%. These 36 entities are using the system partially due to the system's incomplete development.
- ii) Non-compliance with the Standard Bidding financial proposal format. There was non-compliance with the standard pricing schedule provided by the PPDA. I was not able to confirm how the amounts charged for item were arrived at.
- iii) Audit noted that of the 2 proposed modules, all entities enrolled on the e-GP System were using only the procurement module. The supplier and oversight portals could not use or view the contents of the disposal function.
- iv) Failure by the System to generate Procurement Reports. A review of the reporting functionality under the oversight module indicated that the interface was not functional, as it returned an error upon selection.
- v) Audit noted procurements which were processed outside the e-GP System in the 36 on-boarded entities, which undermine the Government's investments in ICT Systems.

As technology continues to evolve, the risk of the current e-GP system becoming obsolete increases before other entities are onboarded. The slow

implementation negatively impacts the intended service delivery and undermines the attainment of the intended benefits, including enhanced transparency, efficiency and cost savings.

Recommendations

- i) Expedite the completion of the system design and development and roll out the implementation of the e-GP system to other MDAs/LGs to realise the full potential of electronic procurement in enhancing government efficiency, transparency, and accountability.
- ii) Enhance procurement planning processes by undertaking comprehensive needs assessments to ensure the procurement activities align with budget allocations. In cases of departure from the procurement plans, the PDEs should review and update them accordingly.
- iii) Avoid contract splitting, unless justifiable reasons are explicitly documented and approved.
- iv) Ensure the PDEs undertake adequate procurement planning to avoid the purported emergency procurements. In addition, the Accounting Officer should strengthen controls on procurement initiation to enhance adherence to the regulations.
- v) Ensure market assessments are done before procurement initiation to avoid overestimation of costs of items/materials, which potentially lead to overpayments.
- vi) Streamline the procurement processes and timely engage the various stakeholders in the procurement process to reduce delays.
- vii) Ensure that all contractors for supplies and works provide performance security for all qualifying procurements to mitigate financial risks associated with non-performance of contracts.

- viii) Enforce adherence to the evaluation criteria in the bidding documents to promote transparency and fairness in the procurement process, which builds trust among bidders and the public.
- ix) The Government should address the e-GP system failures and shortcomings to achieve the intended benefits of the system, including enhanced transparency, efficiency and cost savings.

Action Status

MoFPED has initiated enhancements to the e-GP system, expected to address Parliament's concerns.

2.0 TREASURY OPERATIONS

Query

Continued Increase in payables

Audit Findings

The audit reviewed the statement of financial position and disclosure Note 27 and noted a significant increase in payables from UGX 6.144Tn in the year 2022/23 to UGX 9.24Tn by the end of the 2023/24 financial year, an increase of 50%. Further analysis revealed that, in the year of the audit, new payables booked stood at UGX 4.95Tn, compared to only UGX 2.692Tn paid during the same year.

The above scenario implies that the rate at which the Government contracts domestic arrears is much higher than the rate of payment, leading to the continued accumulation of domestic arrears. It is also a failure to comply with the budget commitment control guidelines.

Failure to Fund Invoices at the Close of the FY UGX 8.313Trn

According to Para. 10.10.17 of the Treasury Instructions 2017, “An Accounting Officer will ensure that no payments due in any financial year remain unpaid at the end of that year. Towards the close of each financial year, the Head of Finance and Accounts function will take steps to obtain bills from any persons to whom money may be due, and submit payment vouchers for them to the appropriate Accounting Officer for payment”.

From the analysis of the budget performance at the close of the financial year under review, the audit noted that a total of UGX 8.313Tn worth of invoices remained unfunded by the close of the financial year. Under the circumstances, there was an accumulation of unpaid obligations to BoU, which attracted interest charges that could have been avoided with an effective budget execution policy that enforces budget discipline.

Further analysis by the audit revealed that, in the year of the audit, new payables booked stood at UGX 4.95Tn, compared to only UGX 2.692Trn paid during the year.

The Accounting Officer explained that several activities under the vote were hampered by cash-flow disruptions. The UGX 2Tn was part of GoU's outstanding reimbursement to the Bank of Uganda, which could not be warranted because there were no funds.

Observation

The Committee observed that the Government could not secure UGX 5.805Tn to offset its statutory obligations, which by the end of the audit year had amounted to UGX 9.240Tn. This was an increase from UGX 6.144Tn at the end of FY 2022/23 to UGX 9.240Tn, representing a 50% increase.

Furthermore, the Committee observed that in the FY ended June 2023, Government incurred penalties amounting to UGX 431.7Bn to Bank of Uganda on securities reimbursements. In the financial year ending June 2024, the Government incurred penalties amounting to significant UGX 250.98Bn. Whereas there was a reduction in the charges, the figure remains high and should have been avoided.

Recommendation

The Committee recommended that the Accounting Officer should ensure optimum use of all funds appropriated, and liaise with the relevant stakeholders to enhance the mobilisation and collection of revenues to support the activities of Government.

Action Status

Invoices totaling UGX 2.8Tn relating to goods and services were settled by cash in transit at the end of the financial year. UGX 8.313Tn relates to GOU indebtedness to BOU. Out of this amount, 452.2 Bn was also paid from CIT at the end of the financial year.

The balance of 7.78Tn was amortised for repayment of BOU over 10 years. This was approved by Parliament.

The outstanding payables as at 30th June 2024 largely related to Bank of Uganda re-imburements. This issue of payables was addressed as detailed below and as at 30th June 2025, they stood at UGX 2.53Trillion from UGX 9.24Trillion as at 30th June 2024.

UGX 7,779bn was restructured through issuance of an amortized 10-year Treasury Bond in favor of Bank of Uganda. The balance of UGX 452bn was as appropriated by Parliament and paid during the year.

Management budgeted and paid off Court Awards amounting to UGX 74 billion and the annual installment regarding to the ICJ award to Democratic republic of Congo amounting to UGX 243 billion (USD 65 million).

The major drivers of the payables are; redemptions, compensations and tax expenditure.

The accumulation of redemptions along with other payables begun during the COVID period. Government has since agreed with BOU to amortise the redemption figure of UGX 7.8trillion.

The Ministry undertakes compressive review of the budget to ensure that multi-year commitments, statutory and contractual obligations are adequately provided for in the budget and in the medium term expenditure framework.

For subscriptions to international organisations, the Ministry in collaboration with Ministry of Foreign affairs is reviewing the portfolio of organisations to rationalise and retain only those with significant benefits.

The Ministry is also currently undertaking a compressive review of the arrears portfolio to disaggregate by age of accrual and payee to inform the strategy for mobilising resources and prioritisation to clear all outstanding arrears in the medium term.

Query	Unwarranted Supplementary Funding
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Audit Findings

Analysis of the BIG file extracted from the IFMS indicated that a total supplementary funding amounting to UGX 2Tn was loaded into the system to warrant funds for expenditure. However, it was observed that warranting did not occur, hence funds were not made available for expenditure.

The Accounting Officer explained that the supplementary funding was intended to cover several statutory obligations. However, due to cash flow challenges, the vote was unable to warrant and utilise the appropriations.

The Committee observed that failure to warrant the approved supplementary funds undermines the purpose for which the supplementary funds were appropriated.

Recommendation

The Committee recommended that the Accounting Officer liaise with the relevant stakeholders to ensure that funding is secured for all appropriations approved by Parliament.

Action Status

Government implements a cash-based budget, and warrants are issued based on the cash projections. The supplementary funding was affected by the failure to realise projected financing due to high interest rates on both domestic and external markets.

Query	Public Debt
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Audit Findings

Audit observed that total public debt as at 30th June 2024 stood at UGX 93.607Tn, of which the Domestic Debt Stock was UGX 39.159Tn and the External Debt Stock was UGX 54.448Tn. The overall change in the total debt stock was by 0.51% as at 30th June, 2023. The table below shows the details;

Table 6: Government Debt

Financial year ended	Domestic debt (UGX Tn)	Foreign debt (UGX Tn)	Total (UGX Tn)	% change
June 2024	39.159	54.449	93.608	8.54%
June 2023	33.168	52.472	85.640	9.05%
June 2022	29.425	48.463	77.888	11.15%
June 2021	24.889	44.313	69.202	18.83%
June 2020	17.976	38.917	56.172	NA

From the table above, it can be noted that external/foreign debt has, over the years, dominated the total public debt stock, as evidenced by its consistent increase.

The Accounting Officer explained that concessional borrowing had dwindled over the years due to global financial constraints and pandemics. He added that GoU is seeking alternative financing options as contained in the Public Investment Financing Strategy (PIFS). He further explained that this strategy intends to leverage nontraditional options, some of which are non-debt-creating, to finance Government programs such as harnessing resources through Corporate Social Responsibility (CSR), remittances, and foreign direct investment, among others.

Observation

The Committee observed that the overall increase in the public debt was attributed to the persistent budget deficits, new borrowings for various development projects, especially on commercial terms, foreign exchange loss arising from the depreciation of the Ugandan Shilling against stronger currencies, and the escalating public expenditure coupled with a mismatch in revenue mobilisation.

Recommendation

The Committee agrees with the recommendation of the audit that the PS/ST should emphasize the acquisition of concessional loans as opposed to commercial loans to manage debt servicing obligations, as well as

enhancing revenue mobilisation and rationalising public expenditure, especially consumptive costs.

Action Status

The total public debt as at 30th June 2024, stood at UGX 94.72 Tn, of which Domestic Debt Stock was UGX 40.63 Tn and the External Debt Stock at UGX 54.09Tn. The overall increase in the total debt stock was by 9.13% from the previous Fiscal Year ending 30th June 2023, as indicated below;

Table 7: Total debt stock

FY Ended	Domestic debt (UGX Tn)	Foreign debt (UGX Tn)	Total (UGX Tn)	% change
Jun-24	40.63	54.09	94.72	9.13%
Jun-23	34.57	52.22	86.80	10.17%
Jun-22	30.66	48.12	78.78	13.85%
Jun-21	25.45	43.75	69.20	21.31%
Jun-20	18.25	38.79	57.04	

Source: Annual Debt Statistical Bulletin June 2024, MoFPED

The Auditor's concern is well noted. Concessional loans will continue to take the first call regarding acquisition of new debt. This is stipulated in the 2023 Public Debt and Other Financial Liabilities Management Framework, which under principle 3.2(a) states that "Social and Human Capital Development Projects shall be financed at Concessional Terms with a Grant element of at least 35%". For example, recently, a highly concessional loan with a grant element of 49% for the oncology centre was cleared by Parliament.

However, while this kind of borrowing is desirable, it has dwindled, following the past financial crisis as well as the recent and ongoing economic shocks, which have caused countries to focus their resources inwards.

Therefore, to finance the National Budget and to implement strategic projects as stipulated in the NDPs, Government employs semi/non

concessional and commercial financing for strategic projects such as the SGR, Meter Gauge, industrial parks, water and energy with the potential to generate economic returns, facilitate GDP growth, spur increased revenue mobilization and providing a base for debt repayment and sustainability without constraining Governments ability to pay.

In addition, Government is exploring debt and non-debt-creating financing options outlined in the 2022 Public Investment Financing Strategy (PIFS) that are cheaper than the existing commercial financing. For example, climate financing, Islamic finance, foreign direct investment, Remittances, crowd financing, and the use of international bonds, among others.

Query Increase in External Debt

Audit Findings

Analysis of External Debt by Category of Financier

Uganda's external debt as at 30th June 2024 was made up of Multilateral Creditors, Bilateral Creditors and Commercial Banks. Table 8 below categorises the performance of the different external creditors.

Table 8: External Debt

Financier	FY 2022/23 (UGXTn)	FY 2023/24 (UGXTn)	% change
Commercial banks	7.146	6.439	(9.89)
Bilateral creditors	12.982	12.860	(0.94)
Multi-lateral creditors	33.064	35.150	6.31
Total	53.191	54.449	2.36

The table above shows that Uganda's external debt portfolio increased from UGX 53.19Tn in FY 2022/23, to UGX 54.45Tn in FY 2023/24, representing a 2.36% growth. This growth is attributed to a significant increase in debt from Multilateral Creditors, rising from UGX 33.06Tn to UGX 35.15Tn.

It should also be noted that debt from Commercial Banks decreased by 9.9%, from UGX 7.15Tn to UGX 6.44Tn. Similarly, debt from Bilateral Creditors reduced from UGX 12.98Tn to UGX 12.86Tn in the FY 2023/24.

Analysis of the country's external debt stock indicated that the external debt grew from UGX 38.92Tn in FY 2019/20 to UGX 54.45Tn in FY 2023/24. However, the annual growth rate has steadily declined, with the year under review recording the lowest increase of 2.36%, indicating a reduction in debt accumulation. The details are provided in Table 9.

Table 9: Growth in external debt over the years

Financial year	Amount (UGX Tn)	Increase (UGX Tn)	% Change
2023/24	54.449	1.257	2.36
2022/23	53.191	4.763	9.84
2021/22	48.428	4.431	10.07
2020/21	43.997	5.081	13.05
2019/20	38.917	-	-

The Accounting Officer attributed the reduction in financing from bilateral creditors to a shift from concessional financing to Export Credit Agency (ECA) financing, in which bilateral creditors are increasingly opting to support their exporters.

The Accounting Officer also explained that the Government has put in place various measures to ensure the debt remains sustainable.

Observation

The Committee observed that the continued increase in external debt could, in the long run, strain Uganda's fiscal sustainability and limit resources available for domestic spending.

Recommendation

The Committee recommends that the Government review and enhance its medium-term debt management strategy to reduce reliance on debt and ensure sustainability.

Action Status

The increase in external debt during the period was mainly due to higher disbursements for major projects, which included:

- a) Acceleration of Rural Electrification
- b) IMF Extended Credit Facility

- c) World Bank Uganda North-Eastern Road Corridor Asset Management Project
- d) Additional financing for Uganda Support to Municipal Infrastructure Development Program

In addition, the Medium-Term Debt Management Strategy (MTDS) on an annual basis clearly indicates/provides the desired composition of both external and domestic borrowing with the aim of minimizing the cost and risk associated with new borrowing while ensuring its sustainability over the medium term.

Query Increase in Domestic Debt

Audit Findings

Trends in Domestic Debt Stock

The domestic debt stock grew from UGX17.98Tn in FY 2019/20, to UGX39.16Tn in FY 2023/24, as shown in the table below;

Table 11: Domestic debt stock over the years

FY	Domestic Debt Stock (Face value less premiums) – UGX Tn	Change in domestic debt stock UGX Tn	% Change
2023/24	39.159	5.991	18.06
2022/23	33.168	3.743	12.72
2021/22	29.425	4.537	18.23
2020/21	24.889	6.913	38.46
2019/20	17.976	-	

Further analysis revealed a corresponding movement in net domestic financing over the years. The table below shows the trends over the same period.

Table 12: Trends in domestic debt stock

Details	FY2019/20 - (UGX Tn)	FY2020/21 - (UGX Tn)	FY2021/22 - (UGX Tn)	FY2022/23 - (UGX Tn)	FY2023/24 - (UGX Tn)
Issuances (Bills & Bonds)	8.48	13.69	13.0	10.1	14.413
Redemptions (Bills & Bonds)	5.91	6.98	8.4	6.4	8.528
NET Domestic Financing	2.57	6.71	4.6	3.7	5.885

The table above shows that the net domestic financing (the balance after issuances and redemptions) fluctuated but remained positive over the years.

The data also indicates, as in Strategy 2 of section 4.2.2 of the Medium-Term Debt Strategy (MTDS), FY 2021/22-2024/25, that more domestic debt instruments are being issued to reduce refinancing risk by issuing longer-dated instruments, to finance budgetary gaps, and to manage redemption obligations.

The Accounting Officer explained that when preparing the MTDS, the Government considers the most feasible financing option and availability, while being mindful of the implications for the private sector.

Observation

The Committee observed that continued reliance on Net Domestic Financing signals the Government's borrowing appetite, whereby market players are inclined to demand higher interest rates, aware that the Government is in dire need of financing the budget. In addition, commercial banks will prefer lending to the Government over lending to the private sector, thus crowding out the private sector.

Recommendation

The Committee recommends that the Government adopt fiscal Consolidation Policies to minimise fiscal deficits, which compel the Government to borrow endlessly.

Action Status

The growth of debt is expected to slow-down as the economy continues to grow. This will further be supported by:

- i) Repurposing the budget to finance growth areas (Agro-industrialisation, Tourism development, Mineral development, Science, technology and innovation, including ICT) and their enablers.
- ii) Implementation of the Public Investment Financing Strategy by tapping into innovative financing options such as Sukuk bond issuance.

- iii) Continuing to prioritise the acquisition of concessional financing with multilateral agencies for development budget financing.

Query High Cost of Bond Switches

Audit Findings

The audit observed that, among other challenges, the Treasury faced cash flow constraints during the year. The Treasury requested BoU to switch Bonds totalling UGX 684.01Bn during the period under review, which resulted in the accumulation of accrued interest totalling UGX 1,546.91Bn by the maturity of those instruments. The table below refers;

Table 13: Total cost associated with bond switches acquired in UGX Bn

Instrument	Auction Date	Security Name	Cost	Interest rate	Interest p.a	Total Interest
3-Year bond	24-Aug-23	UG12G0907265 13.500% 09-JUL-2026	39.476	13.500%	5.329	15.988
10 Years Bond	24-Aug-23	UG12K0302337 14.375% 03-FEB-2033	0.010	14.375%	0.01	0.014
15 Years bond	24-Aug-23	UG12K1405378 16.000% 14-MAY-2037	24.165	16%	3.866	57.996
20 Years bond	24-Aug-23	UG12L1806433 15.000% 18-JUN-2043	422.396	15%	63.359	1,267.188
3-Year bond	19-Oct-23	UG12G0907265 13.500% 09-JUL-2026	50.767	13.500%	6.854	20.561
10 Years Bond	19-Oct-23	UG12K0302337 14.375% 03-FEB-2033	9.500	14.375%	1.366	13.656
15 Years bond	19-Oct-23	UG12K1405378 16.000% 14-MAY-2037	25.545	16%	4.087	61.308
20 Years bond	19-Oct-23	UG12L1806433 18- JUN-2043	13.510	15%	2.027	40.531
5 Years bond	19-Oct-23	UG12J1301280 14.125% 13-JAN-2028	98.641	14.125%	13.933	69.665
Totals			684.01	na	na	1,546.907

The audit noted that as part of the approved budget for the FY 2023/24 for TOP, the cost value for the redemption of maturing bonds worth UGX 8,358 Bn was included. However, the Government adopted a practice of negotiating bond switches for maturing bonds that are already budgeted, creating a risk of diverting already appropriated funds. Audit noted that there is an annual auction calendar for Treasury bills and bonds approved and published in the press. However, when it comes to bond switches, there appear to be no calendars at the beginning of the year.

The Accounting Officer explained that the Government does not settle redemptions through cash payment but rather rolls over (refinances) at the prevailing market rate. When faced with large maturities, to minimise the cost of refinancing, the Government opts to pay cash or to postpone payment to a future date through the use of Bond switches.

Observation

The Committee observed that while the intent of bond switches is to postpone the redemption of maturing debt, they create incremental debt at new/prevaling interest rates, which are not favourable to the Government, as they increase public debt.

The Committee further observed that bond switches involve a series of negotiations and compromises, with full discretion for Officials in the Ministry of Finance, Planning, and Economic Development to engage in this process, yet there is no policy to guide it.

Recommendations

The Committee recommends that,

- i) The Government should re-evaluate bond switching as a means of debt management and further develop policies that will widen the country's cash flows to reduce reliance on debt.
- ii) The Accounting Officer should always disclose to Parliament during the budget process, details of planned bond switches as a method of budget refinancing.

Action Status

The Government reaffirms its commitment to minimise the use of bond switches. As a result, no bond switch operations were programmed or conducted during the FY 2024/25. As an alternative, the Government continued to roll over maturing debt.

Bond switch auctions are integrated into the annual auction calendar framework. Accordingly, for the fiscal year 2023/24, the bond switch operations scheduled for August 23, 2023, and October 18, 2023, were formally incorporated into the approved auction calendar for the period.

Query	High Cost of Using Private Placements
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Audit Findings

Paragraph 1.4 (C) of the Guidelines for Selling Uganda Government Securities through Non-Calendar Auctions and Private Placement Mechanism 2019 provides that the use of non-calendar auctions and private placements shall be on a purely exceptional basis and as a last resort. This is intended to minimise secondary bond market price distortions that may result from the off-calendar increase in stock supply and the potential subsequent impact on primary auctions and on borrowing costs through higher rates.

Audit noted that a total of UGX 1,300.78 Bn was borrowed from the domestic market on the 8th of February, 2024, using a private placement. The additional borrowing on a non-calendar auction date signalled to the market that the Government was in dire need of the funds. In response, the market charged high interest rates on various debt instruments, resulting in an additional interest charge of UGX 3,362.98Bn payable by the Government over the life of the instruments sold. Refer to the table below;

Table 14: Debt acquired using private placement

Instrument	Auction Date	Security Name	Amount borrowed (UGX Bn)	Old interest rate	New interest rate	New interest P.A. (UGX Bn)	Total interest (UGX Bn)
3-year bond	08-Feb-24	UG12G0907265 13.500% 09- JUL-2026	123	13.500	14.25%	17.528	52.583
5-year bond	08-Feb-24	UG12J1301280 14.125% 13- JAN-2028	108.500	14.125	14.90%	16.167	80.833
10-year bond	08-Feb-24	UG12K0302337 14.375% 03- FEB-2033	40	14.375	15.80%	6.320	63.200
15-year bond	08-Feb-24	UG12K1405378 16.000% 14- MAY-2037	311.275	16	16.30%	50.738	761.067
20-year bond	08-Feb-24	UG12L1806433 15.000% 18- JUN-2043	718	15	16.75%	120.265	2,405.30
			1,300.775			211.018	3,362.983

The Accounting Officer explained that private placements arise when the Government faces significant financing pressures and is required to mobilise a large amount of resources from the domestic market. This allows GoU to negotiate with primary dealer banks to minimise a spike in the costs of debt. The Accounting Officer, however, indicated that the GoU

is committed to reducing debt in the medium term through the fiscal consolidation agenda.

The Committee observed that Failure to control Government expenditure through borrowing on private placement or non-calendar auction days raises concerns about the sustainability of public debt. In addition, private placements may distort secondary bond market pricing and influence future primary auction rates, thereby increasing the cost of borrowing for the Government.

Recommendation

The Committee recommends that Government considers the commitment noted above to avoid unsustainable debt.

Action Status

Private Placements are part of the debt management tools available to the Government when faced with a need to mobilise additional funds within the same financial year.

This operation enables Government to negotiate with the Primary Dealer banks on a lower rate which is not possible in a regular auction environment.

We note the Auditor’s recommendation to keep debt within sustainable levels.

Query	Unsustainable Debt
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Audit Findings

Public Debt to GDP Ratio – Assessment of Debt Sustainability

The Debt-to-GDP ratio is a measure that compares what a country owes (total debt) and what it produces (manufactured goods or services). A lower ratio indicates better debt sustainability, while a higher ratio suggests increased fiscal pressure and potential challenges in meeting debt obligations.

Objective 1(a) of the National Charter for Fiscal Responsibility FY 2021/22 – FY2025/26 provides that the total Public debt in nominal terms is reduced to below 50% of GDP by the financial year 2025/26.

Audit undertook an analysis and re-computed the debt-to-GDP ratio over the years. It was observed that the Debt-GDP ratio has increased from 40.21% in FY 2019/20 to a peak of 47.86% in FY 2021/22, driven by rising borrowing amid the effects of COVID-19.

However, the ratio declined to 46.80% in FY 2022/23 and further to 46.17% in the year under review. This recent trend indicates improvement in debt sustainability, reflecting better fiscal management and economic growth. The table and graph below illustrate this further.

Table 15: Re-computed debt-to-GDP ratio

Financial Year	GDP (UGX Bn)	Total debt (UGX Bn)	Debt to GDP ratio
2019/20	139,689	56,172	40.21
2020/21	148,310	69,202	46.66
2021/22	162,750	77,888	47.86
2022/23	183,004	85,640	46.80
2023/24	202,725	93,607.97	46.17

Management explained that there were various measures that had been put in place by the Government to ensure debt sustainability including; Improved Domestic Revenue Mobilization, Adoption of fiscal consolidation path, Supporting the private sector through providing cheaper credit under Uganda Development Bank, Implementation of the Public Investment Financing Strategy, Investment in income generating projects such as oil related investment, industrial parks, Parish Development model to facilitate economic growth. They added that GoU intended to control Government expenditure in the medium term through implementation of the fiscal consolidation agenda.

Recommendation

The Committee agrees with the audit recommendation that the PS/ST should review and effectively manage the above initiatives to improve performance.

Action Status

The Government will continue putting in place measures to ensure debt sustainability.

Query	Domestic Debt Service Burden on Revenue			
Audit Findings				
Domestic Debt Interest Payments to Total Domestic Revenue Ratio – Assessment of the Domestic Debt Service Burden				
<p>The National Charter for Fiscal Responsibility for the period FY 2021/22 – FY2025/26 under objective 1(b) adopted the fiscal objective of reducing this ratio to 12.5% over the period of this document.</p> <p>This benchmark shows the proportion of the domestic revenue that goes into servicing domestic interest costs. The table below shows the assessment of the benchmark over the years;</p>				
Table 16: Interest to total revenue ratio				
Financial year	Total domestic Revenue – UGX Bn	Total Interest – UGX Bn	% of Interest to revenue	Benchmark
2021/22	22.10	3.917	17.72	12.5
2022/23	25.909	4.632	17.88	12.5
2023/24	27.805	5.835	20.99	12.5
<p>It was noted that 20.99% of the revenue collected is used to service interest payments, as indicated in the table above, which exceeds the benchmark of 12.5%.</p> <p>The PS/ST explained that GoU is implementing the Domestic Revenue Mobilisation Strategy, which is expected to reduce reliance on debt, and is exploring new non-traditional financing options, such as Public Private Partnerships, to grow domestic revenue and subsequently reduce the ratio.</p> <p>The Committee observed that the high proportion of revenue used in servicing debt interest reduces the available resources to provide services to the citizenry.</p>				
Recommendation				
<p>The Committee recommended the PS/ST to intensify efforts towards domestic revenue mobilisation and rationalisation of expenditure to achieve the desired benchmark.</p>				
Action Status				
<p>The Government is committed to sound economic policies and maximising resource mobilisation to support budget execution and transformational</p>				

objectives. This is anchored on improved tax administration, compliance and revenue measures.

Query	Fiscal Deficit
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Audit Findings

Fiscal deficit to GDP – Assessment of fiscal discipline

A fiscal deficit occurs when a government's total expenditure exceeds its total revenue, including grants but excluding borrowing (external and domestic). This ratio measures the size of a country's fiscal deficit relative to its GDP (i.e. how well the economy is performing).

The National Charter for Fiscal Responsibility for the period FY 2021/22 – FY 2025/26 under objective 2(a) provided that the overall fiscal balance, including grants, should not exceed a deficit of 4.6 per cent of non-oil GDP in the financial year 2023/24. The table below shows the performance of this ratio over the years.

Table 17: Fiscal deficit to GDP ratio

Financial Year	Fiscal Deficit (UGX Bn)	GDP (UGX Bn)	Fiscal deficit to GDP ratio
2021/22	21,057.56	162,750	12.94
2022/23	17,355.96	183,004	9.48
2023/24	16,081.42	202,725	7.93

A high deficit-to-GDP ratio indicates possible unsustainable Government spending that may prompt debt accumulation, while a lower ratio suggests more disciplined fiscal management.

The fiscal deficit-to-GDP ratio has shown a declining trend over the three financial years, reducing from 12.94% in FY 2021/22 to 7.93% in FY 2023/24, compared to the target of 4.6%.

The PS/ST explained that the Government is committed to pursuing its fiscal consolidation strategy to achieve the set targets.

Observation

The Committee observed that this continued presence of a big fiscal deficit still presents the need for prudent fiscal policies to maintain long-term debt sustainability and achieve the set target. However, the PSST even in previous audits promised that Government would undertake a fiscal consolidation strategy, which has never been attained.

Recommendation	
The Committee recommended that the PS/ST should intensify efforts to realise the fiscal consolidation strategy.	
Action Status	
To realise the fiscal consolidation strategy, the Government continues to intensify its efforts towards improved domestic revenue mobilisation, controlling and prioritising expenditure, managing public debt prudently, strengthening PFM reforms, and improving public investment efficiency with the overall aim to gradually reduce fiscal deficit, stabilise public debt and create sustainable fiscal space to support Uganda's long-term economic transformation.	
Query	Value for Money Audit on Management of Public Debt
Audit Findings	
<p>The audit noted the following on the management of Public Debt during the year;</p> <ul style="list-style-type: none"> i) Uganda's external/foreign Debt stock for the period under review has had an upward movement/ increase from USD 12.55Bn in FY 2018/19 to USD 25.59Bn (equivalent to UGX 54.45Tn) in FY2023/24, representing a 104% increase over the six Financial Years. ii) The Debt service cost as a portion of the National budget increased by 08% from FY 2018/19 to FY 2023/24. iii) It cost the Government UGX 1,371.38Bn in interest payments for loans acquired through external sources for the FY ended June 2024. This represents a 151% increase over the last six financial years, from UGX 545.91Bn in FY 2018/19. iv) Audit noted that fifteen (15) out of the 49 loan-funded projects included in the Project Implementation Plan between FY 2018/19 and FY 2023/24 were implemented without having both the Pre-feasibility and the detailed feasibility studies. v) The current loan approval processes are so lengthy with duplicated responsibility centres. Audit noted that the average time taken during the loan approval process is approximately 756 days, which is over a two-year period. 	

- vi) Notable delays were registered in declaring Government loans effective from the date of loan signature. Twenty-seven (27) out of eighty-two (82) externally financed projects listed in the Report, had delays ranging from five (05) months to twenty-four (24) months between the signature date and declarations of effectiveness.
- vii) There is a growing number of non-performing Government loans meant to Finance Government projects and programs. A total of five (05) credit facilities were non-performing. The funds have not been put to use, and the government is incurring costs in the form of interest repayments, Commitment fees, and associated penalties.
- viii) There was a downward trend in Commitment fees paid by the Government on Undrawn loan funds. The Government paid UGX 73.82Bn in Commitment fees for the Financial Year ended 30th June 2024, down from UGX 90.64Bn (23%) in FY 2018/19.
- ix) There are notable delays in the completion of the Public Debt Funded Projects. The projects are completed beyond the set targeted periods upon securing extensions with the funders. The delays ranged from one year (01) to ten (10) years. A total of fifty-two (52) projects were observed to have been significantly delayed.
- x) The Government obtained two (2) non-concessional loans for FY 2022/23 amounting to USD.739 million, which was intended for budget support instead of infrastructure development.
- xi) It cost the Government UGX. 5.56Bn in penalty charges for the cancellation of a loan obtained from AFD meant for the Muzizi Hydropower plant project alone. For the period under review, two loans totalling USD 156 million were cancelled.

Observation

The Committee observed that the value-for-money audit on the management of public debt was a special audit. The Committee therefore agrees with the findings and recommendations of the audit.

Recommendation

- i) The Government should become more conscious of contracting new debt as a means to finance the budget deficit. Emphasis should be placed on obtaining loans from cheaper sources, as this helps lower the cost of debt incurred through interest rate payments on Government loans and enhances its revenue mobilisation strategies.
- ii) The Government should consider prioritising investments in more productive sectors of the economy to increase its domestic revenues, which will in turn be utilised to service debt. The increased incomes would then reduce the burden of the debt.
- iii) Feasibility studies should be undertaken for all projects that the Government intends to finance through Public Debt, as this helps to assess the viability of undertaking such projects and to determine any associated risks of the proposed projects.
- iv) The PS/ST should develop and implement a framework in consultation with all stakeholders in the value chain, to ensure that all functions related to the Government loan approval processes are approved within the timelines set in the framework.
- v) The Government should endeavour to prioritise and timely fulfil conditions precedent to the declaration of the loans effective, such that loan-funded projects can be executed on time.
- vi) As for the non-performing loans, the Ministry of Finance, Planning and Economic Development and the implementing Government agencies should ensure that loan funds are drawn as scheduled in the loan agreements to implement the intended project activities, as this practice saves the Government from paying commitment fees on undrawn amounts.

- vii) The project-implementing Government Agencies are encouraged to draw the loan funds as scheduled to avoid payment of commitment fees on any undrawn loan funds by Government. This in turn reduces the cost of public debt.
- viii) MoFPED should prioritize the acquisition of cheaper concessional external loans to finance its budget deficits as compared to the more expensive domestic borrowing, which has a crowding-out effect on the local investors.

Action Status

- i) The total public debt as at 30th June, 2024, stood at UGX 94.72Tn, of which Domestic Debt Stock was UGX 40.63Tn and the External Debt Stock at UGX 54.09Tn. The overall increase in the total debt stock was by 9.13% from the previous Fiscal Year ending 30th June, 2023 as indicated below;

Table 18: Total debt stock

FY Ended	Domestic debt (UGX Tn)	Foreign debt (UGX Tn)	Total (UGX Tn)	% change
Jun-24	40.63	54.09	94.72	9.13%
Jun-23	34.57	52.22	86.80	10.17%
Jun-22	30.66	48.12	78.78	13.85%
Jun-21	25.45	43.75	69.20	21.31%
Jun-20	18.25	38.79	57.04	

Source: Annual Debt Statistical Bulletin June 2024, MoFPED

The Auditor's concern is well noted. Concessional loans will continue to take the first call regarding the acquisition of new debt. This is stipulated in the 2023 Public Debt and Other Financial Liabilities Management Framework, which under principle 3.2(a) states that "Social and Human Capital Development Projects shall be financed at Concessional Terms with a Grant element of at least 35%". For example, recently, a highly concessional loan with a grant element of 49% for the Oncology Centre was cleared by Parliament.

However, while this kind of borrowing is desirable, it has dwindled, following the past financial crisis as well as the recent and ongoing economic shocks which have caused countries to focus their resources inwards.

Therefore, to finance the National Budget and to implement strategic projects as stipulated in the NDPs, Government employs semi/non concessional and commercial financing for strategic projects such as the SGR, Meter Gauge, industrial parks, water and energy with the potential to generate economic returns, facilitate GDP growth, spur increased revenue mobilization and providing a base for debt repayment and sustainability without constraining Governments ability to pay.

In addition, the Government is exploring debt and non-debt-creating financing options outlined in the 2022 Public Investment Financing Strategy (PIFS) that are cheaper than the existing commercial financing. For example, climate financing, Islamic finance, foreign direct investment, Remittances, crowd financing, and the use of international bonds, among others.

- ii) The Government targets to grow the size of the economy tenfold by the year 2040 through prioritizing Agro-Industrialization, Tourism Development, Mineral-based Industrial Development, including Oil and Gas, and Science, Technology and Innovation, including ICT (the Knowledge Economy), (ATMS). In addition, the Government has prioritised investments in key enablers for this accelerated growth. These include investments in energy, transportation and human capital development.
- iii) The Government has strengthened the Public Investment Management System (PIMS). All the projects follow the PIMS process and must have feasibility studies.

- iv) MoFPED has developed a framework for project implementation in 2024 and accordingly instituted a Project Execution Office to oversee and follow-up implementation of Government Projects for immediate action.
- v) MoFPED holds Portfolio Review Meetings and Sector-specific Deep-dive meetings with implementing agencies and development partners to identify such delays and devise remedial actions. MoFPED has also developed Standard Operating Procedures (SOPs) described above to ensure that projects are implemented on a timely basis. This Ministry will, in addition, develop SOPs with Development Partners to address delays that arise from Development Partner processes. The Ministry will also strengthen contract management, including introducing sanctions for project managers whose projects do not adhere to set timelines.
- vi) The Government continues to prioritise the acquisition of concessional financing with multilateral agencies for financing the budget deficit. Given that borrowing from concessional sources is limited, Government will borrow from commercial sources to meet the financing gap for key priority projects.

3.0 UGANDA PETROLEUM FUND	
Query	Un-Utilised Funds
<p>For the year ended 30th June 2024, the Petroleum Revenue Investment Reserve did not receive any appropriations, implying that the Fund balances of UGX 99.602Bn and USD. 8.4Mn remain unutilized and therefore do not generate any returns.</p>	
Recommendation	
<p>The Ministry should expedite the process of appropriation of funds from the Petroleum Fund to the Petroleum Revenue Investment Reserve for investment purposes.</p>	
Action Status	
<p>The delayed Investment is due to the absence of appropriation to the Petroleum Revenue Investment Reserve in accordance with the legal and regulatory framework.</p> <p>Funds will be invested once appropriation is obtained. It should also be noted that the current inflows are from non-oil activities and are largely used for capital expenditure, in accordance with the PFMA Cap 171. With the inflows from petroleum expected next year, proposals will be made for appropriation of funds effective 2026/27.</p>	



A Competitive Economy for National Development.



To formulate sound economic policies, maximise revenue mobilisation, ensure efficient allocation and accountability for public resources so as to foster sustainable economic growth and development.



MANDATE

Formulate policies that enhance economic stability and development, Mobilise local and external financial resources for public expenditure, Regulate financial management and ensure efficiency in public expenditure, and Oversee national planning and strategic development initiatives for economic growth.

FOR MORE INFORMATION PLEASE CONTACT US

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