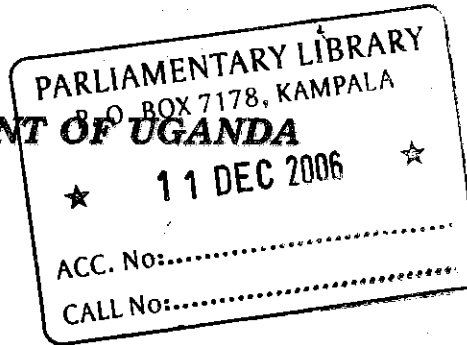


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REPUBLIC OF UGANDA

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**REPORT OF THE PUBLIC ACCOUNTS COMMITTEE ON
UNRESOLVED DIFFERENCE OF SHILLINGS 108 BILLION
DEBITED ON THE UGANDA CONSOLIDATED FUND**

**THE PARLIAMENT OF UGANDA
PARLIAMENT BUILDINGS
KAMPALA - UGANDA**

SEPTEMBER, 2005

REPORT OF PUBLIC ACCOUNTS COMMITTEE ON UNRESOLVED DIFFERENCE OF SHILLING 108 BILLION DEBITED ON THE UGANDA CONSOLIDATED FUND.

1.0 BACKGROUND

In his report to Parliament for the year ended 30th June 1999, the Auditor General reported an unreconciled amount of shs. 108,542,962,336 on the Uganda consolidated Fund Accounts, citing difficulties in tracing the supporting documentation to these transactions due to weaknesses in the government accounting and internal control that had existed over along time.

During discussions with the Accounting Officer, he requested the Committee to have the unresolved difference written off to ensure that Treasury book records reflect the actual position of funds available in Bank of Uganda. The Committee was further told that this difference had been cumulative and had been forwarded for a long period and that there was no hope in resolving it.

Basing on these facts, the Public Accounts Committee recommended to the House to write off this difference after being assured by the Treasury that this was the only available alternative.

During the debate on the Report of the Committee, the House raised concern and rejected this recommendation basing on the fact that the reasons given for write off were not substantiative enough and directed for further investigation on the matter. The matter was referred back to the Committee.

2.0 ISSUES / TERMS OF REFERENCE

The Committee embarked on the investigations with the following objectives: -

- To have the reconciliation statement presented by the Accountant General, verified by the Auditor General to explain the difference.
- Establish the cause of the unexplained difference of shs. 108 billion
- Establish whether payments made out of the consolidated funds for the period 1991- 1999 were properly authorized and supported by Audit warrants
- Establish whether this difference was actually cumulative and therefore give a breakdown of the accumulation.

3.0 APPROACH

The Committee held meetings with the Auditor General, Governor Bank of Uganda and the Accountant General on the matter.

Arising out of these meeting the Committee directed the Secretary to Treasury to reconstruct the cashbook of the Consolidated Fund and avail to the Auditor General the Consolidated Fund reconstructed cash Books, Bank statements for the period 1991 / 92 to 1998/99 checked for their completeness and accuracy.

The Committee also asked the Auditor General to verify payments from the Consolidated Fund to ascertain if they were supported by the Audit warrants.

The Committee during this exercise incorporated the support of interested Members of Parliament on the matter.

4.0 AUDITOR GENERAL'S FINDINGS AND RECOMMENDATIONS OF THE PUBLIC ACCOUNTS COMMITTEE.

The Auditor General reported differences he found between the Treasury Consolidate Fund Cash book and Bank statements as follows: -

i) Differences Between Treasury and Bank of Uganda Records.

The audit report noted that the major cause of the differences was failure by Treasury to periodically reconcile its Uganda Consolidated Fund records with Bank of Uganda. The first reconciliation of the Consolidated Fund Account was carried out in 1998/99.

ii) Charges on the Consolidated Fund Account.

On further examination of the Treasury records and Bank statements, the unreconciled differences representing debits on the Consolidated Fund Account that had not been recorded in Treasury records and which were previously reflected as being shs. 108, 542,962,336 were readjusted to the tune of shs. 441,999,195,643. The previous unreconciled amount of shs. 108 billion was therefore subsumed into the shs. 442 billion, reflected as follows

• Unpaid Revenue Cheques	-	shs.1,147,103,078
• Promissory Note/Treasury Bill	-	shs. 4,189,807, 599
• Reversals	-	shs. 39,614,806,251
• External Debt payment	-	shs.358,423,590,348
• Interest charges	-	shs.15,000,000,000
• Bank charges	-	shs. 92,600
• Letter of credit	-	shs. 3,248,526,126
• Releases	-	shs. 20,375,269,642
Total	-	shs. 441,999,195,643

The Details of these transactions were as follows: -

a) Unpaid Revenue Cheques

Revenue cheques amounting to shs. 1,147,103,078 reported to have been banked by Treasury and credited to the Consolidated Fund were on being dishonoured, debited on the Uganda consolidated fund account. Corresponding entries had not been passed to Treasury records. The Treasury cashbook has now been updated to reflect this. Cheques amounting to shs. 144,752,227 were made good by Treasury.

However the Auditor General reported that he had not been provided with evidence that the remaining cheques amounting to shs. 530,851 were replaced. Treasury had promised to provide this evidence but later reported back to the Committee that he had failed to trace the cheque in question.

b) Promissory notes and Treasury Bills.

A promissory note of shs. 4,189,041,095 and mature Treasury bills of shs. 766,504 that were also wrongly paid out of the Consolidated Fund in 1992/1993 and 1994/95 respectively had also been omitted in the cashbook. Although the transactions are now

reflected in the reconstructed cashbook, they appeared not to have been authorized by Auditor General.

The explanation given was that both Bank of Uganda and Treasury thought that since this was statutory revenue, there was no need for Audit warrant.

Opinion of the Solicitor General was sought, who ruled that the warrant would still be required. The dilemma now is as to whether the retrospective warrant could be issued after several years. This however has remained in the Consolidated Fund as a debit but with no warrant.

On the Treasury Bill (shs. 766,504) Bank of Uganda accepted to reverse the entry, as it was misposting and therefore no longer relevant.

The Committee recommends the House to take a decision on this matter.

iii) Reversals.

This comprised several debits on the consolidated Fund totaling shs.39,614,806,251 that were made as reversals of entries that had been erroneously credited on the Uganda Consolidated Fund Account.

The Auditor General reported to the Committee that supporting documents explaining the reversals had been provided to him and he verified and found them satisfactory. He further confirmed that the whole amount of shs. 39,614,806,251 had been reflected in the reconstructed cashbook.

The public Accounts Committee noted that the money was wrongly debited. It however accepted the confirmation of the Auditor General that the error had been rectified in the reconstructed cashbook.

IV) External Debt Payment.

External debt payment totaling shs. 358,423,90,347 had been charged on the Uganda consolidated Fund without corresponding entries being made in the Treasury cashbook. These payments were made during the financial years 1992/93, 1994/95, 1996/97 and 1997/98.

Although these payments are chargeable on the Uganda Consolidated fund, a detailed audit warrant test carried out on payments relating to a selected sample of financial years 1992/93, 1993/94 and 1995/96 showed that the payments of shs. 358,358,097,293 were supported with audit warrants, contrary to the earlier report that the payment lacked audit warrants.

The Auditor General also confirmed that the difference of shs. 65,492,654 arose from differences in exchange rates used by Treasury and Bank of Uganda.

The committee accepted the confirmation made by the Auditor General.

v) Interest Rates.

Quarterly interests of shs. 1,500,000,000 totaling shs. 12,000,000,000 were paid out of the Uganda Consolidated fund in 1996/1997 and 1997/1998

against a Treasury note issued for impaired capitalization of Bank of Uganda. An additional interest on Treasury Bill of shs. 3,000,000,000 had also been made on the account.

These payments were chargeable on Uganda consolidated fund but had been entered in the Treasury cashbook. Documents supporting the expenditure had been provided verified and found satisfactory by the Auditor General. Corresponding entries in the reconstructed cashbook were also passed by treasury.

The Committee asked the Auditor General to confirm with the Solicitor General as to whether this charge was not a violation of the law- and further to find whether the charge was included in the budget for that financial year and thereby authorized by Parliament.

In his opinion to the Committee the Solicitor General advised that the securities in question indeed constituted a debt owed by the Government of Uganda (to Bank of Uganda). He advised that in terms of article 160 of the Constitution, such a debt is a public debt and therefore chargeable upon the consolidated Fund. As such, expenditure related thereto is statutory expenditure because it is charged on the Consolidated Fund by the Constitution.

The foregoing being the case, redemption of securities and payment of interest thereon does not have to be approved by Parliament.

vi) Bank charges

Bank charges on the Uganda Consolidated fund totaling shs.92,600 which were chargeable on the Consolidated fund had not been reflected in the Treasury cashbook. The Auditor General confirmed that it had then been charged on the consolidated fund and corresponding entries have been made in the Treasury records to recognize them.

vii) Letter of Credit:

A letter of credit of shs. 3,248,526,126 paid by Treasury in 1994/95 to purchase railway wagons for government had been erroneously omitted in the Treasury records. Supporting documents to authenticate this transaction was provided, verified and found to be a proper charge on the Uganda Consolidated Fund.

Corresponding entries have been also passed by Treasury in it's books.

The Committee accepted the position.

viii) Releases

Releases of funds totaling shs. 20,375,269,642 charged on the Consolidated Fund of which shs. 10,086,239,000 was to Ministries and shs. 10,289,030,642 to statutory account 308 had not been recorded in Treasury records. The amounts have now been charged on the Consolidated Fund and the Auditor General confirmed authorizing all these payments.

The Committee accepted Auditor General's confirmation.

ix) Receipts into the Consolidated Fund.

The Auditor General reported that he used Treasury documents relating to receipts into the Consolidated Fund and verified them against the entries made in the cashbook and Bank records. He also made tests on transfers from Uganda Revenue Authority collection accounts and a number of budget support accounts to the Uganda Consolidated Fund. The Auditor General confirmed that from the samples selected, the results indicated that there were no significant difference between the receipts reported by Treasury and Bank of Uganda.

5.0 CONCLUSION

The Public accounts Committee has done all within its means to get the matter of unresolved debits on the Consolidated Funds answered by both Treasury and bank of Uganda. Both the Secretary to Treasury and the Governor Bank of Uganda were put to task to give explanations. It is the view of PAC that the matter now be put to rest.


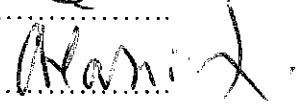
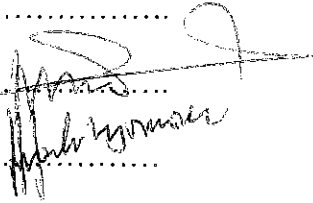
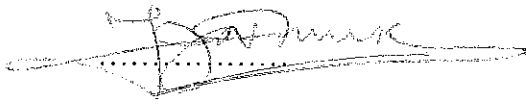
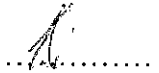
The committee notes that this arose mainly as a result of having poor systems in place resulting into poor record keeping.

The committee however now reports that the Accountant General has taken steps to address these weaknesses in government bookkeeping and internal control system that caused the differences. The steps taken include: computerization of the cash book and reconciliation process improving the filling system, strengthening internal audit, putting in place appropriate staffing policies and the Committee was also informed of a memorandum of understanding between Bank of Uganda and Treasury to harmonise the rules of both parties.

The Committee is confident that the Public Finance and Accountability Act and the accompanying regulation will address this problem.

The Committee however strongly warns Treasury on this matter and directs for improvement in the Management of the consolidated Fund.

MEMBERS OF PUBLIC ACCOUNTS COMMITTEE

NAMES	SIGNATURE
1. Hon. Okullo Epak (Dr) – Chairperson	
2. Hon. Sabiiti Jack – Vice Chairperson	
3. Hon. John Kazoora
4. Hon. Birimumaaso	
5. Hon. Lyomoki
6. Hon. Norbert Mao
7. Hon. Dombo Lumala
8. Hon. Tibarimbasa Avitus
9. Hon. Okumu Reagan
10. Hon. Mukama Francis	
11. Hon. Nsubuga William
12. Hon. Anyolo Samuel
13. Hon. Mutuluza Peter Claveri	
14. Hon. Ntacyotugira Philip
15. Hon. Katongole