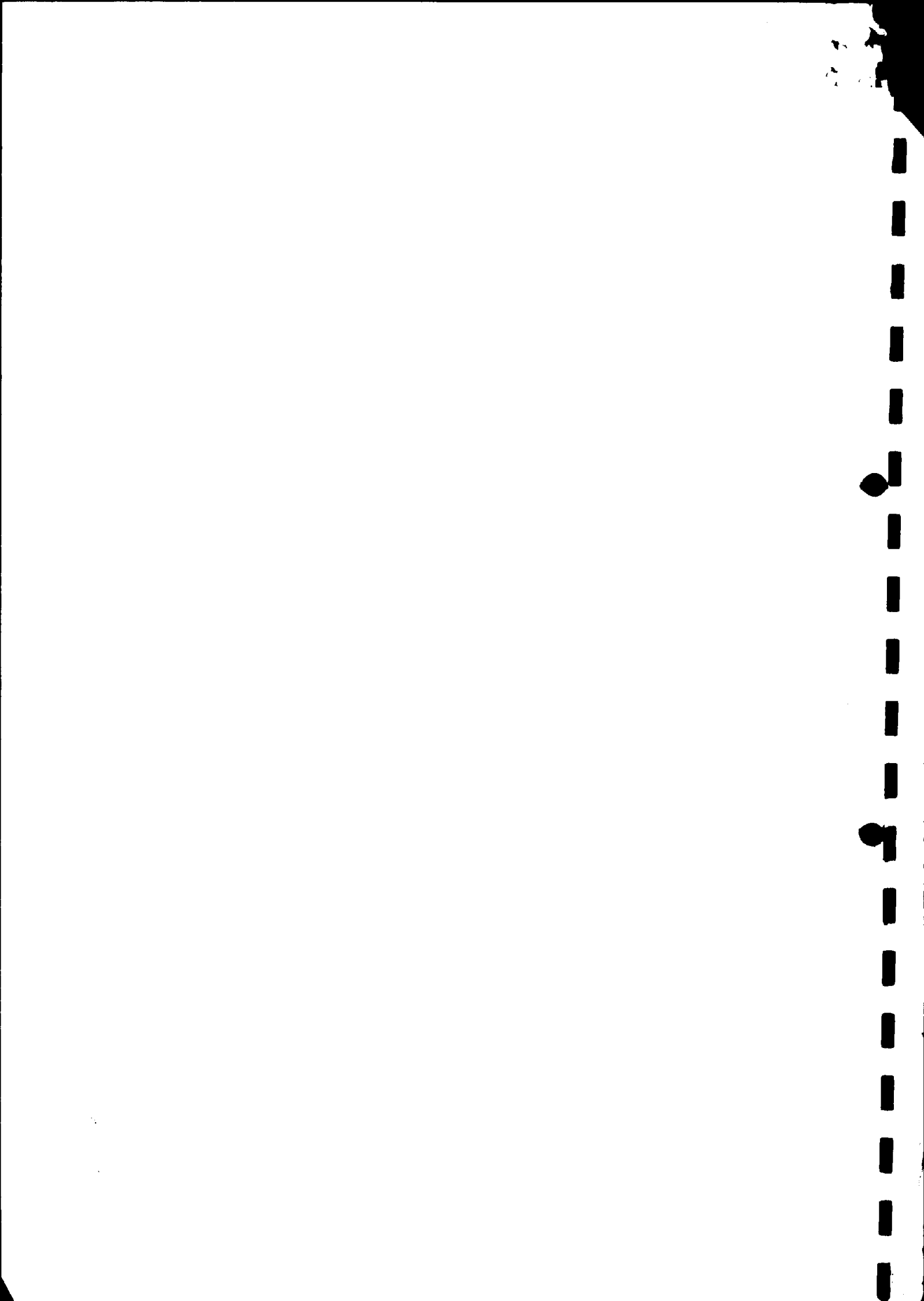


**REPORT OF THE PUBLIC ACCOUNTS COMMITTEE ON THE
REPORT OF THE AUDITOR GENERAL FOR THE YEAR ENDED
30TH JUNE 2013 ON UGANDA MISSIONS IN; GUANGZHOU, ABU
DHABI, KIGALI, PRETORIA, NAIROBI, KHARTOUM, ADDIS
ABABA, JUBA AND KINSHASA**

APRIL 2016

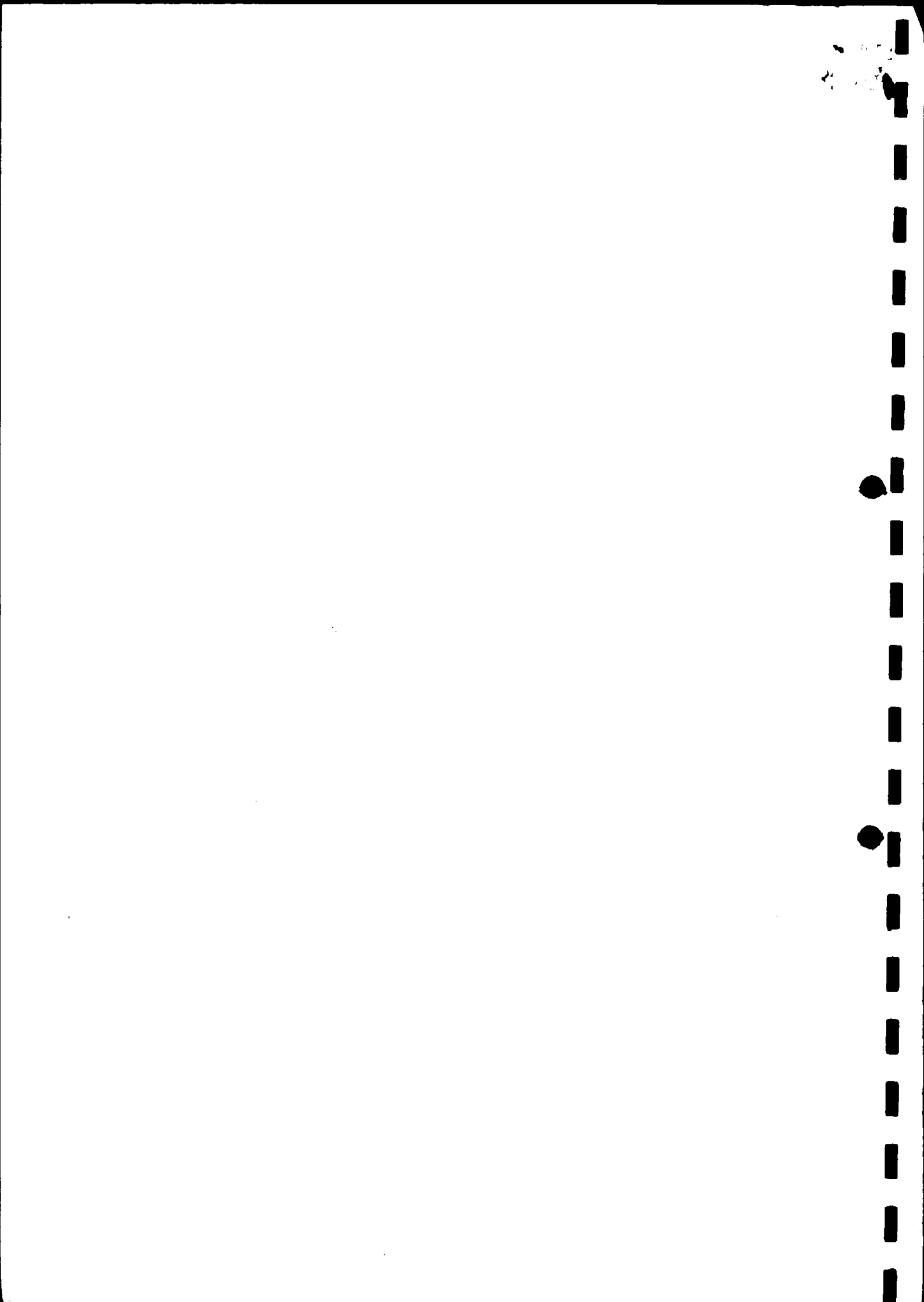
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ABBREVIATIONS

- AO: Accounting Officer
- MoFPED: Ministry of Finance, Planning and Economic Development
- MoU: Memorandum of Understanding
- GoU: Government of Uganda
- PSC: Public Service Commission
- MoPS: Ministry of Public Service
- AG: Accountant General
- PAC: Public Accounts Committee
- OAG: Office of the Auditor General
- FY: Financial Year
- MOFA: Ministry of Foreign Affairs
- FSA: Foreign Service Allowance
- PS: Permanent Secretary
- PSST: Permanent Secretary/Secretary to the Treasurer
- UCF: Uganda Consolidated Fund
- FSO: Foreign Service Officer
- BoU: Bank of Uganda

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1.0 INTRODUCTION

Article 163 (4) and (5) of the Constitution of the Republic of Uganda mandates the Auditor General to submit to Parliament annually a report of the accounts audited by him or her for the financial year immediately preceding and; that Parliament shall, within six months after the submission of the report referred to in clause (4) of this article, debate and consider the report and take appropriate action.

On Tuesday, 29th April 2014, the Annual Report of the Auditor General for the Year Ended 30th June 2013; Volume 2; Central Government was tabled in Parliament and referred to the Public Accounts Committee (PAC) for consideration.

Volume 2 comprises a total of 103 entities comprising Ministries, Agencies, Commissions, Departments, Uganda Missions abroad, Public Universities, Referral Hospitals and the Consolidated Government of Uganda Financial Statements.

In the FY 2012/13, out of the 103 entities audited, 60 entities had ~~unqualified~~ opinions, 39 had qualified opinions and 4 had disclaimed opinions. The basis upon which the audit opinion is premised forms the gist of the audit observations in the separate reports issued on individual entities, which PAC ultimately considered.

Pursuant to Article 90 of the 1995 Constitution and Rule 162 of the Rules of Procedure, PAC commenced the consideration of this report with an inaugural meeting with all Accounting Officers of entities under its purview on 24th July 2014. This was followed with public hearings that commenced on 13th August 2014.

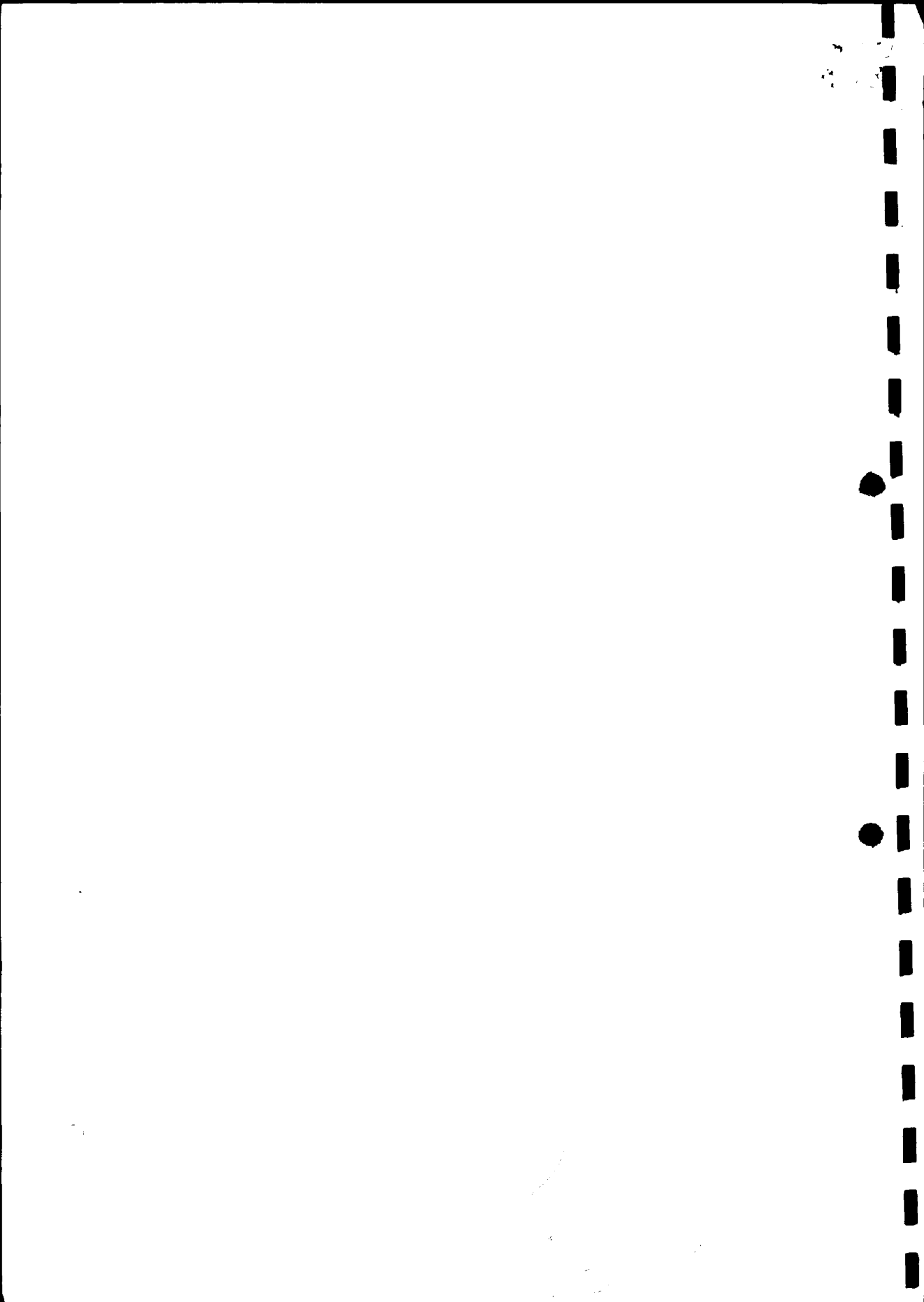
As a strategy for greater efficiency and effectiveness, PAC delineated the entities under its purview based on the peculiarity of audit opinion and the reports will be clustered based on opinion with this first three batches containing those

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entities with Disclaimer of opinion, and four volumes with entities with qualified opinions tabled in the House in March, June, July and August 2015 respectively. This is therefore the fifth batch and it contains the Uganda Missions abroad namely; Ottawa, Washington, New York, Guangzhou, Abu Dhabi, Kigali, Pretoria, Nairobi, Khartoum, Addis Ababa, Juba And Kinshasa

2.0 SCOPE OF THE REPORT

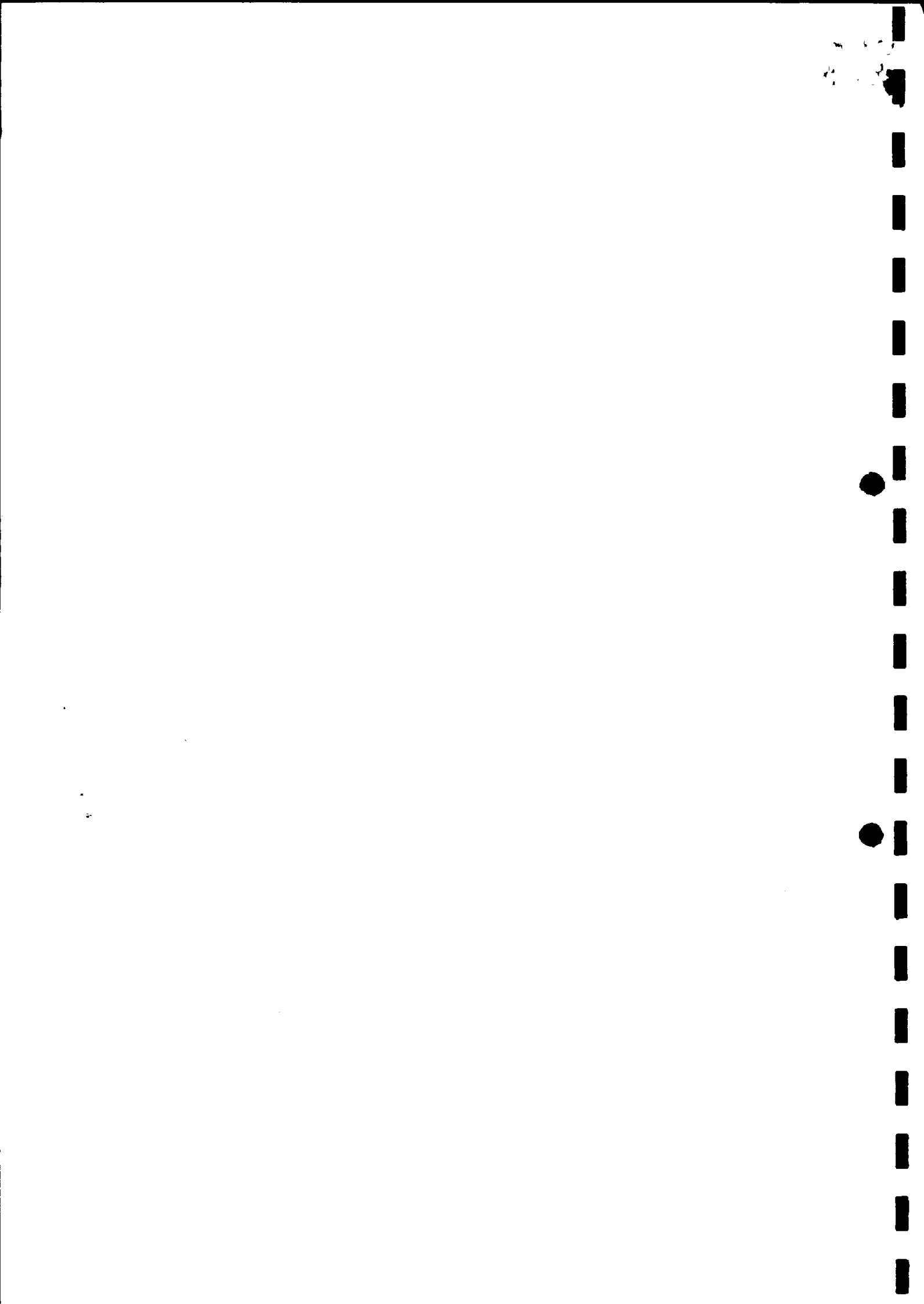
This report is on the financial audit for the year ended 30th June 2013 and covers an in-depth analysis of the audit observations of those entities with qualified opinions. The thrust of the Committee is on the need for improvement of management systems and corporate governance. This in the view of the Committee is integral in plugging the debilitating reality of fragile institutions that have to be strengthened if governmental efficiency and effectiveness and ultimately better service delivery is to be attained.

3.0 METHODOLOGY

- 1) The Committee met and held in-depth deliberations with the Accounting Officers of the various Missions and other relevant staff; including the Heads of Missions in the respective Missions;
- 2) The Committee reviewed relevant documents including; the Report of the Auditor General for the Year ended 30th June 2013; the Financial Statements of the Missions for the FY 2012/13 and other relevant documents;
- 3) The Committee conducted fact-finding visits to the respective Missions and selected properties of the Government of Uganda in those localities.

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Kabaratsya
NCA



4.0 FINDINGS, OBSERVATIONS AND RECOMMENDATIONS

4.1 GENERAL CROSS-CUTTING ISSUES

a). LACK OF A MISSION CHARTER

The Committee observed that most if not all the Embassies that were visited were operating without an approved Mission Charter. Whereas Draft Charters were submitted, including objectives, activities and the cost implications of the proposals, most of these have not been approved by the Ministry of Foreign Affairs.

In the absence of approved Mission Charters, there is a risk of implementing uncoordinated activities, and Missions may not achieve the objectives of Uganda's foreign policy.

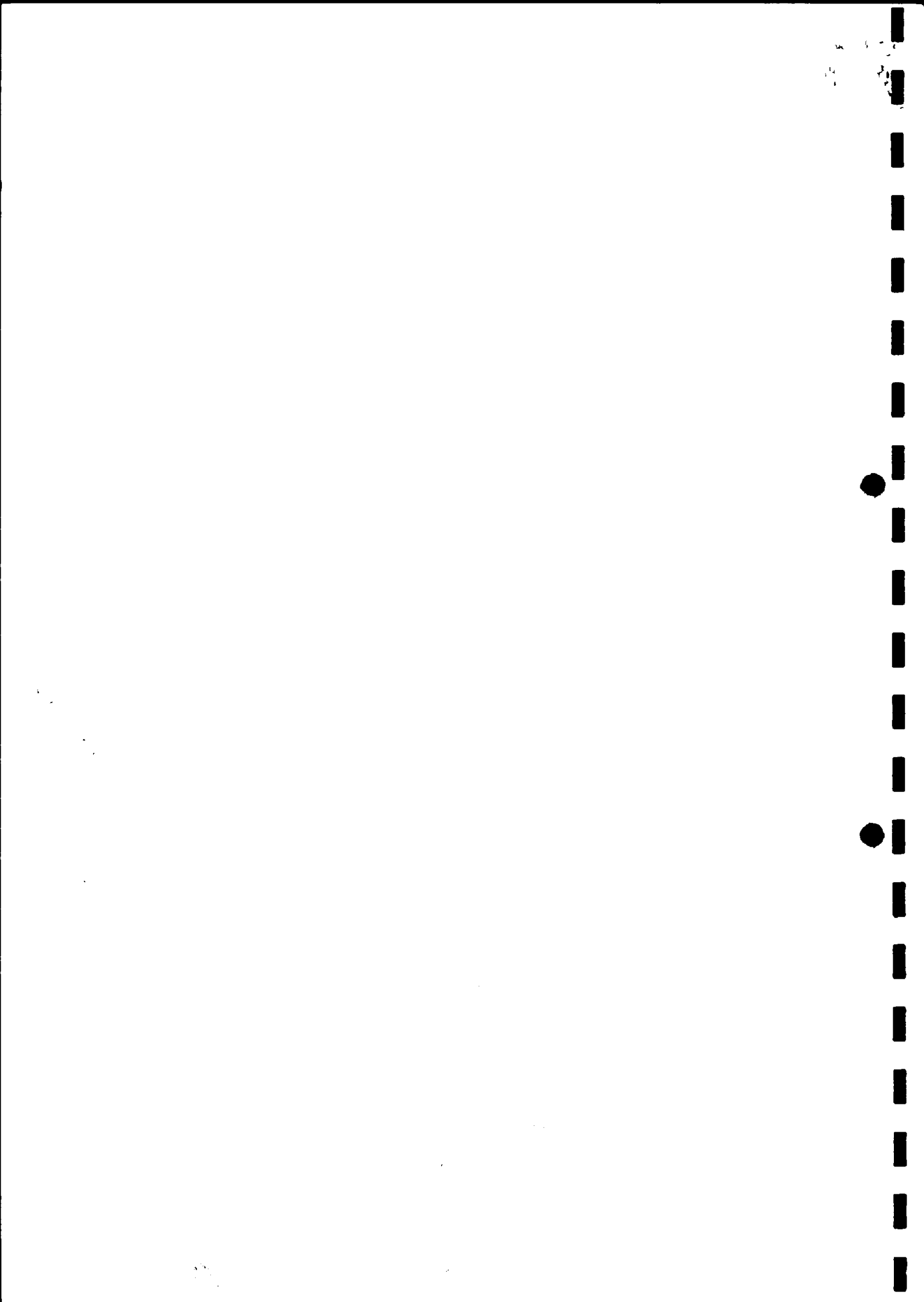
b). RENTING OF PROPERTY/ACCOMMODATION

It was observed that some Missions did not own any property in the form of buildings and were incurring colossal expenditure in rent costs.

- In the New Delhi Mission, the Chancery, the official residence and other residences for staff were rented at an annual cost of Rs.15,033,600 equivalent to US\$820,008 (2,141,040,888).
- The Guangzhou Consulate had been given notice of eviction in the previous year for delayed rent payment.
- In Abu Dhabi Mission, the staff of the Mission did not have appropriate accommodation befitting of their status.

The Committee noted that the cost of renting premises would be significantly reduced in the long run if an attempt is made by the Executive to acquire property through the normal budget process. Such

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efficiency gains, if realized, would enable channeling of financial resources to other more strategic and sustainable priorities. .

c). INEPT INTERNAL CONTROLS

The Committee generally noted the ineptness of existing internal controls such as the weak procurement procedures, non-adherence to matters of social security, irregular human resource and performance management systems to mention but a few.

The Abu Dhabi Mission had not yet recruited an Administrative Attache and a Translator, in the absence of whom the Embassy could not efficiently and effectively implement all its planned activities.

Although appraisal of staff is a requirement under Government Standing Orders and good human resource management practices, it was noted at the Guangzhou Mission that six local staff comprising; the accountant, two drivers, translator, visa clerk/receptionist and cleaner had not been appraised in the year under review.

The Foreign Service Allowance (FSA) paid to the home-based staff in the New Delhi Mission to cater for their cost of living had not been reviewed by the Ministry of Foreign Affairs and Public Service for a long time.

The Committee notes that the irregularity of the internal audit function under the Office of the Accountant General is partly responsible for this malaise. Therefore, the regularization of this function could go a long way in ameliorating some of the challenges faced by the Missions.

d). LAPSES IN PROCUREMENT MANAGEMENT

The Committee noted that the procurement function in the Missions was weak. Procurement laws and regulations were ignored and Accounting Officers were unable to explain acquisition of some items. The absence of separation of functions in the procurement process exposes the

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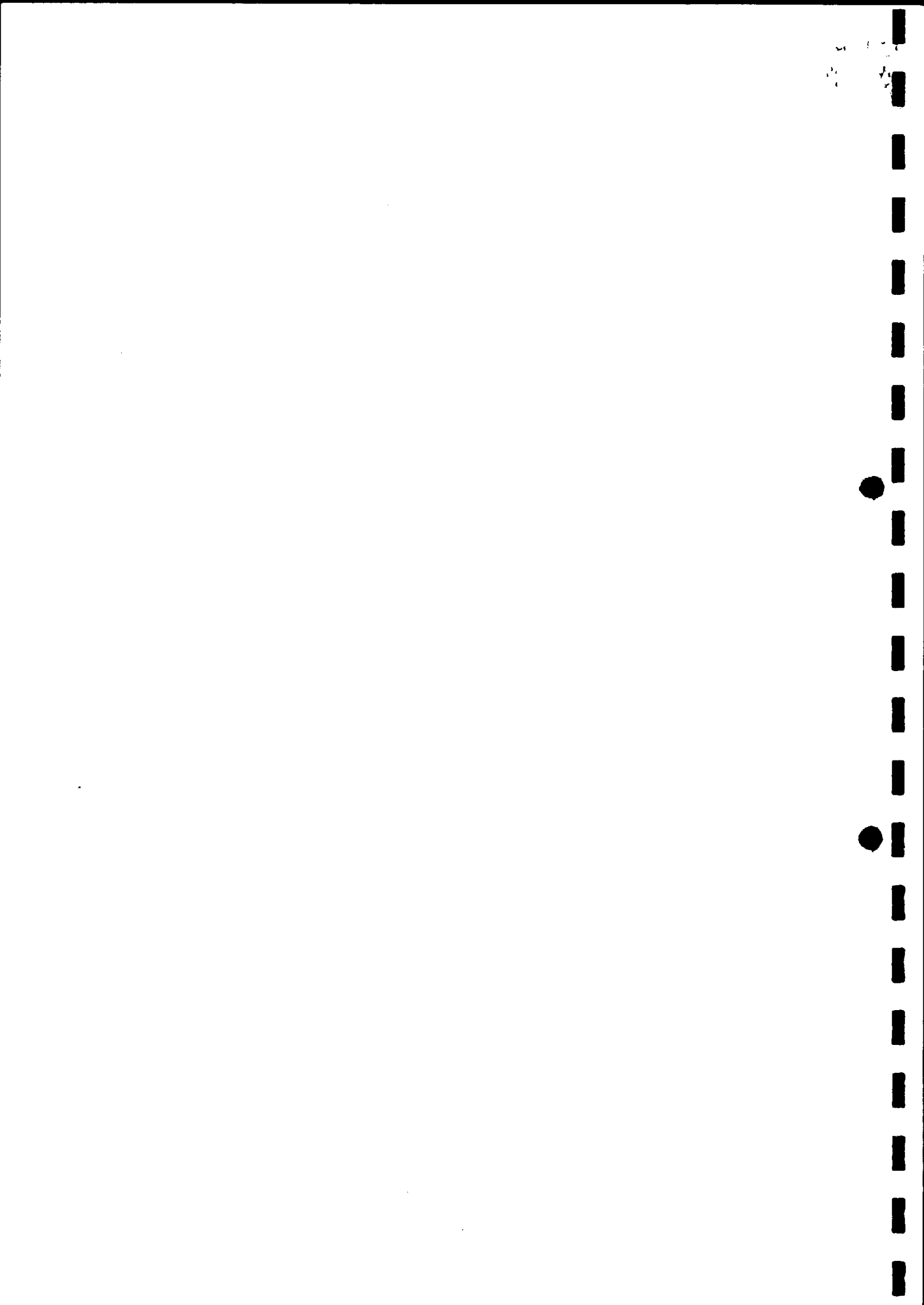
Missions to abuse. There is need for capacity building in as far as procurement management is concerned.

e). INCONSISTENCIES IN FINANCIAL STATEMENTS

The Committee noted glaring gaps, omissions and inconsistencies in the financial statements of the Missions. This is an indicator of either deliberate falsification or capacity gaps among the responsible staff. Whereas the introduction of the Navision Software is aimed at bridging this gap, there is need to build the capacity of the staff in this regard since the risk of inputting wrong data into the system will remain.

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5.0 UGANDA HIGH COMMISSION, KIGALI

a). Unauthorized Over Expenditure

Query: A review of financial statements revealed that the Embassy incurred a sum of UGX 516,640,239 in excess of the approved budget of UGX 2,643,120,000. However, there was no documentary proof to the effect that the necessary approval in the form of virements/reallocation warrants was granted contrary to section 17 of the Public Finance and Accountability Act, 2003. Under the circumstances, the expenditure is not a proper charge on government funds.

Response: The Accountant conceded the audit observation and attributed it to the over expenditure on non-residential buildings and transport equipment to funds retained as at 30th June 2012 for the construction of Chancery and procurement of Representation Car. She stated that they wrote to the Ministry of Finance, Planning and Economic Development albeit without a response. Nonetheless they proceeded to retain the said funds.

Observation and recommendation: The Committee notes that the Accounting Officer overstepped her mandate and contravened the Public Finance and Accountability Act 2003 and the regulations there-under,

The Committee further notes that the Accountant, who was locally recruited, did not demonstrate the willingness or the interest to improve on her capacity

The Committee further calls to question the capacity of the Accountant to understand and apply the relevant laws and regulations that govern her day to day work.

The Committee recommends that;

- i) the Accounting Officer be held responsible for unauthorized expenditure.

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ii) *the appointment of Accounts staff to Missions be vested in the Office of the Accountant General to forestall the current haphazard appointment of persons with questionable capacity.*

iii) *The Accountant General deploys a more capable Accounting Officer. The present one should be relieved of the function of Accounting Officer.*

b). Open-ended Mission Charter

Query: A Mission Charter outlines the strategic objectives of an Embassy/Mission established and how a given Mission should be run in the prevailing economic and political environment.

However, it was noted that the existing Charter which was approved by the Hon. Minister of Foreign Affairs on 23rd January 2006 had no implementation time- frame. In view of the dynamic political and economic environment within which the Embassy operates, the objectives may no longer be appropriate and realistic.

Response: The Committee was informed that the Mission is currently liaising with both MOFA and the MoFPED to ensure that a realistic Mission Charter is developed.

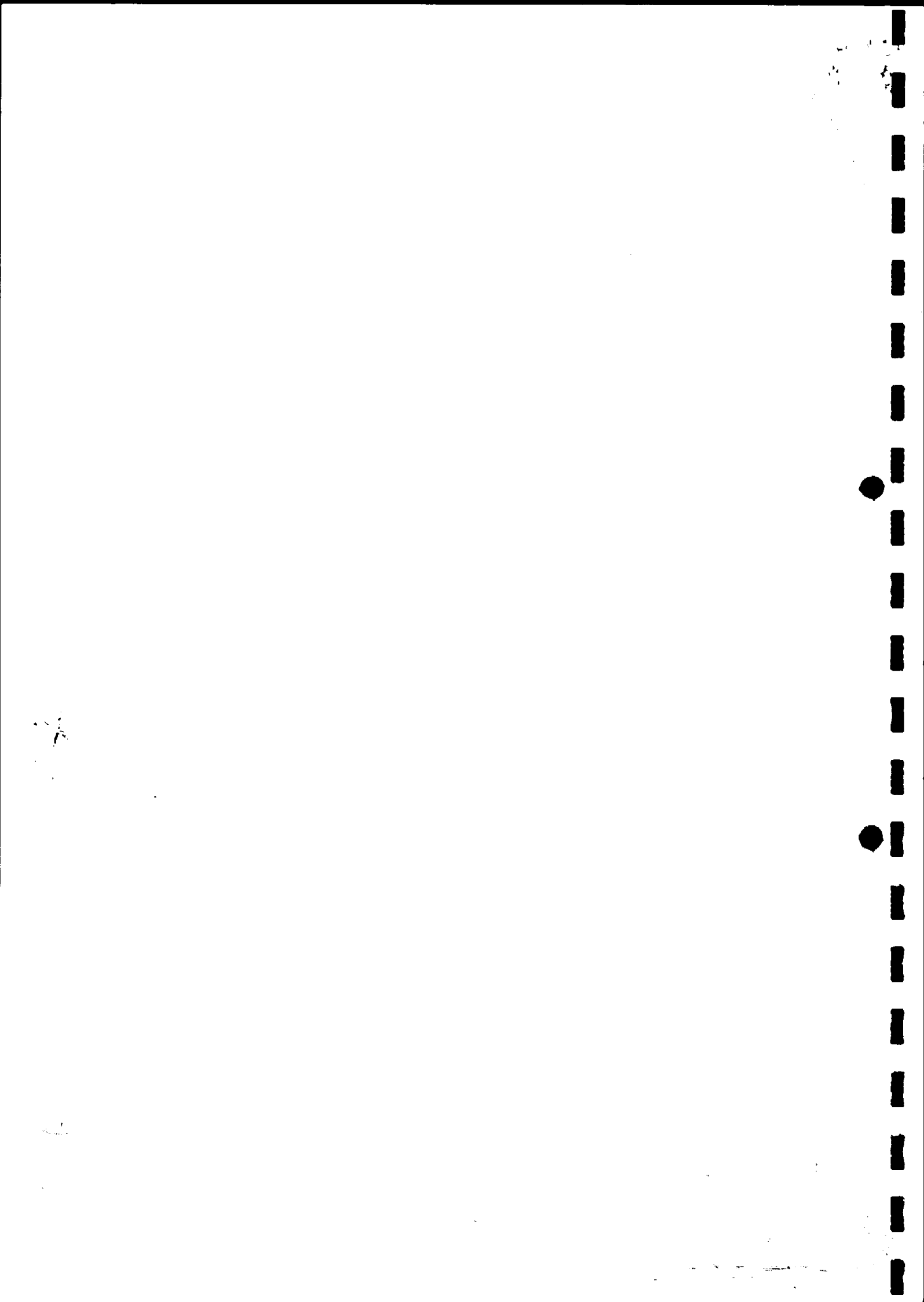
Observation and recommendation: The Committee notes that the absence of a Mission Charter impedes the monitoring and evaluation of the efficiency and effectiveness of the Mission.

The Committee recommends that the Mission expedites the finalization of the Mission charter within 3 months and develops the appropriate workplan to operationalise it.

c). Staffing Matters Staff Appraisals

Query: It is a requirement under Chapter (A-m), para 14 (a) of the Uganda Public Standing Orders 2010 for a staff performance appraisal report form to be completed for each confirmed officer and those on contract terms in

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Ministries and a copy submitted to the Responsible Permanent Secretary by 30th of June of every financial year. However, no such record was in place at the time of inspection of the Embassy.

Response: The Accountant conceded the audit observation and informed the committee that the Mission presently conducts annual appraisal of its staff.

Observation and recommendation:

The Committee notes that the absence of an objective assessment of staff through a performance appraisal impedes the recognition of their performance and reward. In addition, performance gaps may not be easily identifiable for appropriate action.

The Committee further notes that there was no competitive recruitment of local staff at the Mission as exemplified by the dubious recruitment of a former intern at the MOFA as a Systems Administrator and another as an Accountant. The absence of competitiveness in recruitment jeopardizes efficiency and effectiveness of the Mission and casts the public sector in bad light.

The Committee is concerned about the absence of an organogram for the local staff at the embassy and the arbitrary setting of salaries with its attendant inequities and subsequent ramifications on staff morale.

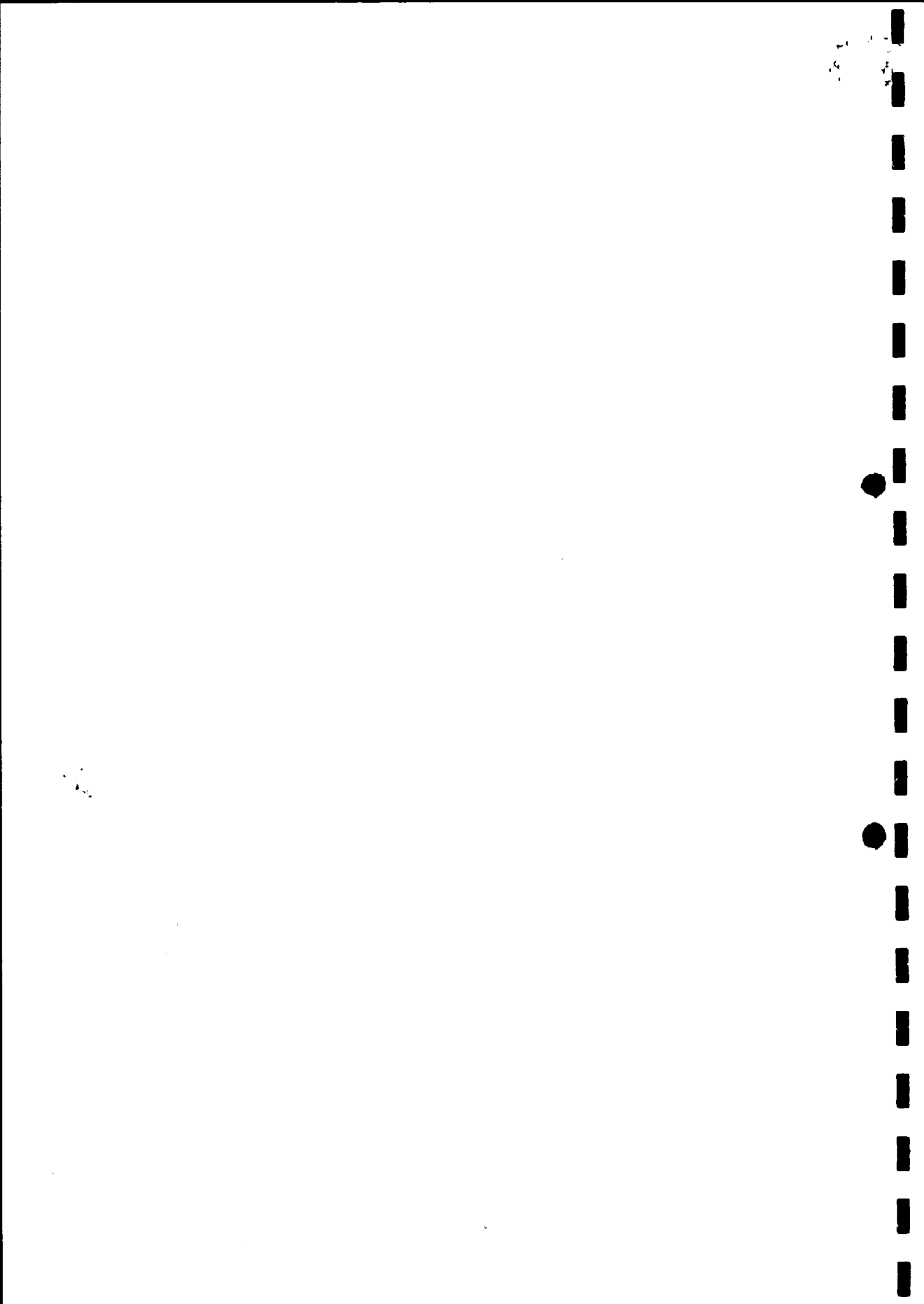
The Committee recommends that;

- i) the Accounting Officer adheres to the staff appraisal requirement of the Uganda Public Service Standing Orders.
- ii) recruitment of staff at the Mission should be transparent and competitive.
- iii) Appointment of the Accountant and the Systems Administrator be reviewed by the Public Service Commission.

d). Special Provision of Overtime for Drivers

Query: According to Section E-c, Para 37 of the Uganda Government Standing Orders, overtime, means any period of work on weekends, public holidays or in

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excess of 7 3/4 hours on any day, from Monday to Friday. Para 39 states that overtime which invariably no driver can avoid has been consolidated for drivers so that such drivers shall get a consolidated overtime payment calculated as 30% of their monthly basic salary.

In addition, Section 6 of the Embassy Drivers' appointment letters indicates that a driver may be called upon for official duty on Saturdays, Sundays and Public Holidays.

However, it was noted that the 30% was not paid to the drivers during the year under review. In the circumstances, the welfare of the officers is compromised which may affect their productivity.

Response: The Accountant and the Deputy Head of Mission conceded the audit observation and informed the Committee that this has since been rectified and drivers duly get overtime whenever applicable and that overtime is budgeted for by the Mission annually.

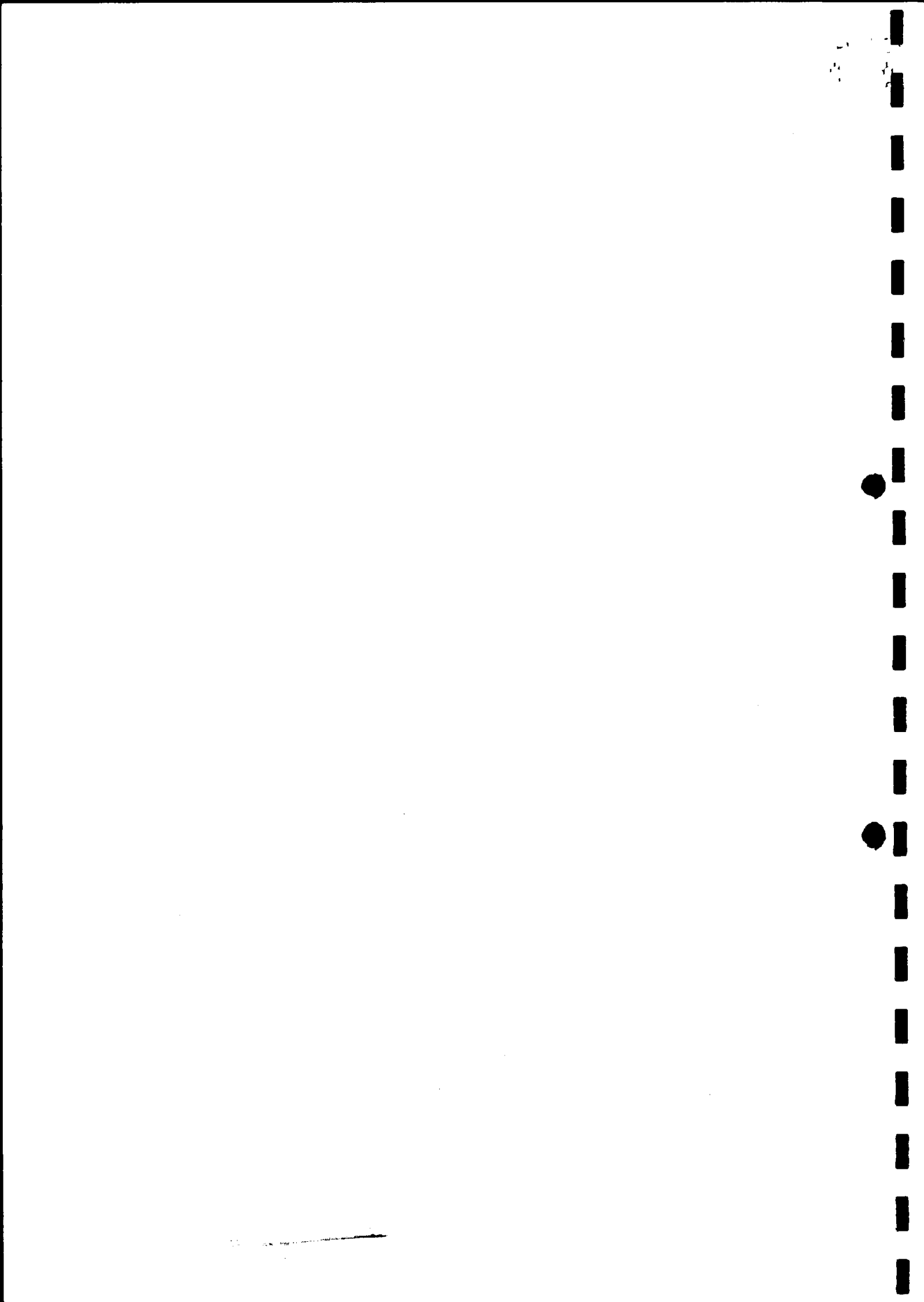
Observation and recommendation: The Committee notes that the failure to honour entitlements like overtime adversely affects staff motivation and ultimately output.

The Committee recommends that the Accounting Officer, as the custodian of the relevant laws and regulations should always ensure adherence to the Standing Orders.

e). Treasury Management

Query: The Embassy opened a USD Project Development Account No.5005347-04-50 (Bank 4) for purposes of managing transactions related to the construction of the Chancellery. However, it was noted that development releases were first deposited on the USD operational A/c No.5005347-02-56 (Bank 2) before being transferred to the Development A/c. In the circumstances, there is a risk of diversion of the development funds.

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Response: The Accounting Officer conceded the audit observation. She indicated that permission was being sought through the Ministry of Finance to add another account for receipt of the funds in question.

Observation and recommendation: The Committee notes that failure to delineate the bank Accounts predisposes the funds to diversion and impedes expenditure tracking.

The Committee further notes that whereas the authorization of the PSST was sought, the Accounting Officer did not wait for the authorization before lumping up the funds together on the same account.

The Committee recommends proper delineation of Mission accounts to ease public expenditure tracking and reduce the possibility of diversion of funds.

f). Irregular Power Refunds

Query: According to the Uganda Government Standing Orders, Sec H-e Para 9, responsibility of the cost of lighting and water lies with every public officer (other than Head of Mission) at the Embassy. On the contrary, a sum of Rwandese Francs 2,240,000 was paid to Embassy Staff to cater for power costs at their residences. In the circumstances, implementation of priority activities is compromised.

Management in response indicated that the 80% refund to staff was supported by section (H-e) 10 of the Standing Orders 2010.

Response: The Accountant and the Deputy Head of Mission insisted that the payment of power refunds was premised on section (H-e) 10 of the Standing Orders 2010.

Observation and recommendation: A review of the Public Service Standing Orders H-e revealed that the cost of heating and cooling if applicable will be met by Government. It is the considered view of the Committee that Rwanda neither qualifies for heating nor cooling and as such the refund of power bills is

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not only oblivious to the normal tropical climate of Rwanda but also a stark irregularity based on the misinterpretation of the Standing Orders.

The Committee directed that the Accounting Officer stops this payment pending clarification from the PSST and if the payment is found to be ineligible, the Committee recommends recovery from the Officer.

g). Inventory of Official Residence

Query: Chapter (H-e)(4) of the Uganda Public Standing Orders 2010 requires the Head of Mission to assign, in writing, an officer who should be responsible for the official residence. The assigned officer should compile an inventory of the contents of the official residence and undertake maintenance of the residence.

Response: The Deputy Head of Mission in response acknowledged the anomaly and indicated that the Head of Chancery had been duly assigned to undertake the assignment.

Observation and recommendation: The Committee notes that formally assigning this responsibility is integral for the assessment of the furnishing and maintenance needs of the Residence.

The Committee recommends that the assignment of a responsibility holder for the Official residence should be done immediately

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6.0 UGANDA MISSION IN KINSHASA; DEMOCRATIC REPUBLIC OF CONGO

a) Review of draft financial statements

The following matters were observed during a review of the draft financial statements;

i) Non Tax Revenue

Query: The financial statement for the period ended 30th June, 2013 indicated Non-Tax Revenue of UGX.26,695,914. It was however not possible to validate totals to ledger balances because revenue ledgers were not availed. The Accounting officer explained that all NTRs were transferred to the Consolidated Fund (CF) and receipts were given. However, evidence to this effect was not availed.

Response: The Accounting Officer explained that he secured the receipts from UCF in September after the audit. He tabled copies of the acknowledgement receipt and a statement from Bank of Uganda. The statement from BoU dated 2nd July 2013 indicates the money was on the UCF.

Observation and recommendation: The Committee takes note of the evidence provided by the Accounting Officer in regard to this transfer.

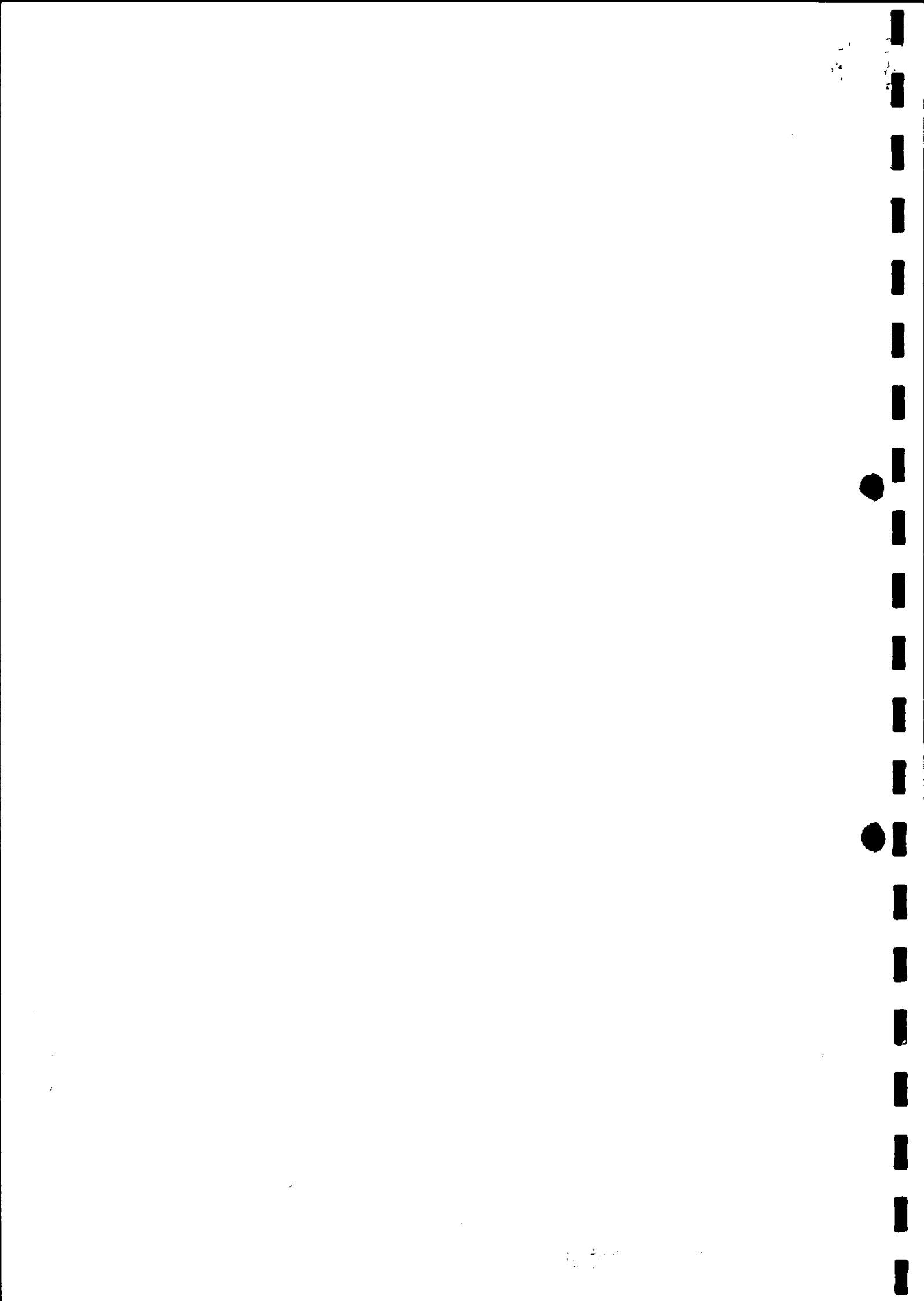
The Committee recommends that the Accounting Officer seeks timely evidence of acknowledgement.

ii) Payables

Query: Included in the Financial Statements is an amount of UGX. 130,999,921= that was committed to pay the sundry creditors. However particulars of the payables were not disclosed in a schedule rendering their authenticity doubtful.

Response: The Accounting Officer conceded the query and attributed it to the payment of outstanding terminal payments due to former locally recruited staff.

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Observation and recommendation: The Committee notes that the payment of terminal benefits to locally recruited staff was a good initiative.

iii) Cash at Hand

Query: Included in the financial statements is an amount of UGX.80,931,523 representing cash and bank balances. These balances were however not supported by certificates of bank balances rendering their accuracy doubtful.

Response: The Accounting Officer informed the Committee that the bank – Eco Bank only avails clients with the bank statement and not a certificate of bank balance.

Observation and recommendation: *The Committee notes the explanation of the Accounting Officer.*

iv) Employee Costs

Query: The financial statements indicated UGX.130,999,921 as unpaid employee costs for the last ten months.

Response: The Accounting Officer explained that the money relates to the outstanding terminal benefits due to the former locally recruited staffs of the mission from 1975 to 1997 when the Mission was forceful closed down after severance of diplomatic relations.

Observation and recommendation: *The Committee notes that this is related to the prior query on "Payables".*

b) Revision of Foreign Service Allowances

Query: The PAC made recommendations for the upward revision of the Foreign Service allowances after ascertaining the circumstances in which the staffs therein live in their respect missions abroad. However, there was no evidence that this recommendation of PAC was implemented.

Response: The Committee was informed that FSOs are paid their FSA and US\$2500 per annum per child as education allowance

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