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THE REPUBLIC OF UGANDA

MINISTRY OF JUSTICE AND
CONSTITUTIONAL AFFAIRS
P.O. BOX 7183
Kampala, Uganda

31th January 2012

The Deputy Secretary to Cabinet
Cabinet Secretariat
Kampala.

**CERTIFICATE OF COMPLIANCE ISSUED BY THE FIRST PARLIAMENTARY
COUNSEL IN RESPECT OF THE DRAFTING OF THE PUBLIC FINANCE BILL, 2012**

This is to confirm that the Public Finance Bill, 2012 has been drafted by the Directorate of Legislative Drafting/First Parliamentary Counsel in accordance with the revised principles for the Bill submitted by the Ministry of Finance, Planning and Economic Development.

A handwritten signature in black ink, appearing to read 'Sarah Mitanda'.

Sarah Mitanda
For: First Parliamentary Counsel

THE PUBLIC FINANCE BILL, 2012

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A Bill for an Act

Entitled

THE PUBLIC FINANCE ACT, 2012

An Act to provide for fiscal and macroeconomic management, to provide for the Charter of Fiscal Responsibility; to provide for the Budget Framework Paper; to provide for the roles of the Minister and the Secretary to the Treasury in the budgeting process; to provide for reallocations, multiyear expenditures, supplementary budgets and excess expenditure; to provide for the Contingencies Fund; to provide for the Consolidated Fund and for the investment of balances, grants of credit on and commitments against the Consolidated Fund; to provide for bank account management, management of expenditure commitments, raising of loans by the Minister, management of the Government debt, authority to receive monetary grants and assets management; to provide for the roles of Accounting Officers; to establish accounting standards and audit committees; to provide for in year reporting; to provide for the preparation of annual accounts and for the accounting for classified expenditure; to establish the Petroleum Fund and the collection and deposit of revenues into and the withdrawal of revenue from the Petroleum Fund; to provide for the establishment and management of the Petroleum Investment Reserve; to provide for the role of the Bank of Uganda in the operational management of the Petroleum Investment Reserve; to provide for the establishment of the Investment Advisory Committee; to provide for the financial reports, annual reports and annual plans of the Petroleum Fund; to provide for offences; to repeal the Public Finance and Accountability Act, 2003 and the Budget Act 2001; and to provide for connected matters.

BE IT ENACTED By Parliament as follows:

PART I - PRELIMINARY

1. Commencement

(1) This Act shall come into force on a date the Minister may by statutory instrument appoint.

(2) The Minister may appoint different dates of commencement for different provisions of this Act.

2. Purpose of Act

The purpose of this Act is to provide for public financial management in Uganda by establishing-

- (a) the principles and procedures for sound fiscal policy and macroeconomic - management;
- (b) the requirements for the preparation, approval and management of transparent, credible and predictable annual budgets;
- (c) the mechanism for the operation of the Contingencies Fund;
- (d) the mechanisms for cash, assets and liability management;
- (e) the reporting and accounting systems, and internal audit framework;
- (f) the petroleum fund; and
- (g) a legal and regulatory framework for the *collection, allocation and management of petroleum revenue in a responsible, transparent and accountable manner*

3. Application.

This Act shall not apply to local governments except as provided in this Act.

4. Interpretation

In this Act unless the context otherwise requires-

“Accountant General” means the person appointed as such by the Public Service;

“Accounting Officer” means –

- (a) an Accounting Officer designated or appointed in writing as such by the Secretary to the Treasury;
- (b) a person appointed under an Act of Parliament or under an instrument of appointment made under an Act of Parliament;

“accounting standards” means authoritative statements approved by the Accountant General, indicating how particular types of transactions and other events are to be reflected in the accounts and financial statements of a vote;

“appropriation” means an authorization made under an Appropriation Act permitting payment out of a fund which is established by law, under specified conditions or for a specified purpose;

“Appropriation Act” means the Act which authorises expenditure of public monies for a financial year;

“budget” means the process by which Government sets levels to efficiently collect revenue and allocate the spending of resources among all sectors to meet national objectives;

“capital expenditure” means any expenditure for the creation or acquisition of a fixed asset, inventory, other valuable physical stock, or financial asset;

“classified expenditure” means the expenses and commitments incurred by an authorised agency for the collection and dissemination of information related to national security interests;

“commitment” or “committed” in reference to a vote, means entering into a contract or other binding arrangement which creates a future expense or liability;

“Consolidated Fund” means the fund established under Article 153 of the Constitution and includes the accounts into which all revenues or other moneys raised or received for the purpose of, or on behalf of, or in the trust of the Government are held;

“currency point” has the value assigned to a currency point in Schedule 1;

“expenditure” means a non repayable and a non repaying payment by Government, whether required or unrequired and whether for current or capital purposes;

“financial year” means a period of twelve months commencing on the 1st day of July and ending on the 30th day of June of the following year;

“generally accepted accounting practice” means accounting practices and procedures recognised by the Institute of Public Accountants of Uganda and approved by the Accountant General, as appropriate for recording and reporting financial information of votes;

“Government” means the central Government;

“Government debt” means a financial claim on Government that requires a payment of the principal and the interest or the principal, by Government to the creditor;

“inventories” means-

- (a) assets in the form of materials or supplies to be consumed in the production process;
- (b) assets in the form of materials or supplies to be consumed or distributed in the rendering of services; or
- (c) assets held for sale or distribution in the ordinary course of operations.

“investment” means an expenditure on the creation or acquisition of fixed assets, inventories, other valuable physical stocks, or financial investments;

“liability” means a liability measured in accordance with generally accepted accounting practice and includes a liability that is contingent on an uncertain future event depending on the circumstances of each case;

“medium-term” means a minimum period of three years which may be extended to five years;

“Minister” means the Minister responsible for finance;

“Ministry” means the Ministry responsible for finance;

“public corporation” means –

(a) any authority established by an Act of Parliament other than a local government, which receives a contribution from, or the operations of which may, under the Act establishing it or any Act relating to it, impose or create a liability upon the public funds; or

(b) any public body which in a financial year receives any income from public funds;

“public money” means money received by a vote or collected for a Government purpose and includes revenue from taxes and government charges, proceeds of loans raised on behalf of the Government, grants received by the Government, recoveries of loan principals, redemption and maturity of investments, sale or conversion of securities, sale proceeds on government property, other recoveries, or other funds for government purposes and any other money that the Minister or the Secretary to the Treasury may direct to be paid into a bank account of a vote;

“public officer” means any person holding or acting in an office in the Public Service;

“public resources” includes public money, stores, property, assets, loans and investments;

“state enterprise” means-

(a) notwithstanding paragraph (b); a body corporate established under any Act other than the Companies Act or a local government council;

(b) a company registered under the Companies Act in which the Government or a state enterprise is able to-

(i) control the composition of the board of directors of the company;

(ii) cast, or control the casting of more than fifty percent of the maximum number of votes that might be cast at a general meeting of the company; and

(iii) control more than fifty percent of the issued share capital of the company, excluding any part of that issued share capital that carries no right to participate beyond a specified amount in a distribution of either profits or capital;

“statutory expenditure” means expenditure charged on the Consolidated Fund by the Constitution or by an Act of Parliament, but does not include the expenditure of moneys appropriated or granted by an Appropriation Act or a Supplementary Appropriation Act;

“subvention” means appropriation of funds to a vote for onward transfer to an entity which is not a vote.

“Supplementary Appropriation Act” means an Act, the purpose of which is to supplement the appropriations already granted by an Appropriation Act;

“vote” means an entity for which an appropriation made by an Appropriation Act or Supplementary Appropriation Act.

PART II - MACROECONOMIC AND FISCAL POLICY

5. Development of economic policy

The Minister shall develop and implement a macroeconomic and fiscal policy framework for Uganda and for this purpose shall -

- (a) advise Government on the total resources to be allocated to the public sector and the appropriate level of the resources to be allocated to the votes within the public sector;
- (b) supervise and monitor the public finances of Uganda; and
- (c) co-ordinate the international and inter-governmental financial and fiscal relations of Uganda.

6. Charter of Fiscal Responsibility

(1) For the purposes of section 5, the Minister shall prepare a Charter of Fiscal Responsibility.

(2) The Charter of Fiscal Responsibility shall provide -

- (a) a detailed statement of the Medium Term Fiscal Framework which shall indicate the measureable objectives of the Government, the local governments, state enterprises and government agencies for a fiscal policy of a period of not less than three financial years; and
- (b) the criteria for measurement of economic performance against the fiscal objectives and reporting requirements.

- (3) The Charter of Fiscal Responsibility shall be based on the following principles -
- (a) maintenance of prudent levels of Government debt to ensure that the burden of debt is shared between generations;
 - (b) ensuring that the fiscal balance, calculated without petroleum revenues, is maintained at a sustainable level over the medium term;
 - (c) management of petroleum resources and other finite natural resources for the benefit of the current and future generations;
 - (d) management of fiscal risks in a prudent manner; and
 - (e) raising revenue to sustainably finance government investment programmes.
- (4) The Charter of Fiscal Responsibility shall be in the format in Schedule 2 to this Act.
- (5) The Minister shall within one month of the commencement of the first session of Parliament, submit to Parliament the Charter of Fiscal Responsibility for approval.
- (6) The Charter of Fiscal Responsibility shall, through appropriate means, within one month after approval by Parliament, be published .

7. Deviations from fiscal objectives

- (1) The Minister may, in exceptional circumstances, with the approval of Cabinet, deviate from the objectives in the Charter of Fiscal Responsibility.
- (2) The Minister may deviate from the objectives in the Charter of Fiscal Responsibility where Uganda experiences a natural disaster, an unanticipated severe economic shock or any other significant unforeseen event that cannot be funded from the Contingencies Fund, other funding mechanisms provided for in this Act, or using prudent fiscal policy adjustments.
- (3) Where the Minister deviates from the objectives in the Charter of Fiscal Responsibility, the Minister shall, within thirty days of the deviation, submit a report on the deviation to Parliament.
- (4) The report in subsection (3) shall state the reasons for the deviation, the plans to be used to address the deviations and the expected time to achieve the plan.
- (5) The Minister shall publish the report under subsection (3) in a newspaper of wide circulation and the website of the Ministry within thirty days after deviation.

8. Budget Framework Paper

- (1) The Minister shall for each financial year, prepare a Budget Framework Paper.
- (2) The Budget Framework Paper shall contain-

- (a) the medium-term macroeconomic assumptions and targets;
- (b) the medium term fiscal framework;
- (c) the macroeconomic plan and programmes for economic and social development;
and
- (d) the fiscal risks and their potential impact on the budget and economy.

(3) For the purposes of facilitating the Minister to prepare a Budget Framework under subsection (1), an Accounting Officer shall prepare and submit a budget framework paper for the vote for which he or she is responsible by 15th November of the year preceding the financial year to which the Budget Framework paper relates.

(4) The Budget Framework Paper shall be in the format prescribed in Schedule 3 and shall be consistent with the Charter on Fiscal Responsibility.

(5) The Minister shall, with the approval of Cabinet, submit the Budget Framework Paper to Parliament by the 31st of December of the year preceding the financial year to which the Budget Framework Paper relates.

(6) Parliament shall review and approve the Budget Framework Paper by 1st February of the year preceding the financial year to which the Budget Framework Paper relates.

(7) The Minister shall, within thirty days after approval by Parliament, cause the Budget Framework Paper to be published on the website of the Ministry and in a newspaper of wide circulation.

9. The functions of the Secretary to the Treasury

(1) The Secretary to the Treasury shall –

- (a) advise the Minister on economic, budgetary, and financial matters;
- (b) coordinate the annual budgeting process including the preparation of the Budget Framework Paper, the budget estimates and the Appropriation Bill;
- (c) promote and enforce transparent, efficient, and effective management of the revenue, expenditure, assets and liabilities of votes;
- (d) set standards for the financial management systems and monitor the performance of those systems;
- (e) be responsible for the internal audit function of Government;
- (f) manage the Consolidated Fund and other funds that may be assigned to the Minister;

- (g) appoint or designate Accounting Officers in accordance with this Act;
- (h) issue the annual cashflow plan of Government as a basis for commitment of expenditure by Accounting Officers;
- (i) mobilise resources including assistance from development partners and integrate the funds into the planning, budgeting, reporting and accountability processes prescribed by this Act;
- (j) monitor the financial and related performance of the votes;
- (k) authorise the creation and reorganization of votes;
- (l) provide the framework for conducting banking and cash management for Government, local governments and the other votes governed by this Act;
- (m) prepare the Treasury memorandum; and
- (n) prepare for the Minister, a quarterly report on the execution of the annual budget by the Government.

(2) In the discharge of the functions in subsection (1), the Secretary to the Treasury may –

- (a) issue directives and instructions to Accounting Officers;
- (b) in writing, require an Accounting Officer, chief administrative officer, town clerk, or the chief executive, to supply any information that the Secretary to the Treasury considers necessary for the purposes of this Act;
- (c) inspect during working hours, the office of a vote and gain access to any information the Secretary to the Treasury may require, with regard to the moneys and records regulated by this Act.

(3) For the purposes of subsection (2) (c), the Secretary to the Treasury may authorise a public officer to inspect the offices of a vote.

10. Parliament to analyse policy issues

(1) The Parliament shall analyse the policies and programmes that affect the economy and the annual budget and where necessary, make recommendations to the Ministry on alternative approaches to the policies or programmes.

(2) The Parliament shall ensure that public resources are held and utilised in a transparent, accountable, efficient, effective and sustainable manner and in accordance with the Charter of Fiscal Responsibility and the Budget Framework Paper.

PART III - BUDGET PREPARATION, APPROVAL AND MANAGEMENT

11. Annual Budget

- (1) The Minister shall, in consultation with other stakeholders, prepare the annual budget of Government for a financial year.
- (2) The Minister shall, on behalf of the President, present the annual budget of a financial year to Parliament, by the 1st of April of the preceding financial year.
- (3) The financial year for the Government, state enterprises, government agencies and local governments shall commence on 1st July and end on 30th June of the following year.
- (4) The annual budget shall be effective on the 1st day of July of each year.
- (5) The annual budget shall be consistent with the National Development Plan, the Charter of Fiscal Responsibility and the Budget Framework Paper.
- (6) The annual budget shall provide a comprehensive summary of the past, current, and future revenues, expenditures and financial position of Government and grants to local governments and shall be based on sound analysis and forecasts of macroeconomic developments and fiscal prospects.
- (7) The annual budget shall -
 - (a) set out recent trends and developments on the indicators of the economy of Uganda;
 - (b) identify the period considered by the Minister to be appropriate for the planning of the fiscal policy of the Government;
 - (c) provide forecasts of the indicators in paragraph (a), for the financial year and the period determined by the Minister under paragraph (b);
 - (d) supply detailed information on recent fiscal developments and forecasts for the period determined by the Minister under paragraph (b) in respect of -
 - (i) revenues;
 - (ii) recurrent and capital expenditures;
 - (iii) borrowing and debt servicing;

- (iv) contingent liabilities; and
- (v) any other information in respect of assets and liabilities that may be considered appropriate by the Minister.

(8) The annual budget shall consist of -

- (a) the financing estimates for the financial year to which the budget relates, including-
 - (i) the financing to be transferred from the Petroleum Fund to the Consolidated Fund;
 - (ii) the plans for external financing of the budget in the form of borrowing and grants;
 - (iii) a plan for the domestic issue of government debt and any other financial liabilities;
 - (iv) a plan for the issue of guarantees; and
 - (v) a plan for divestment of government assets;
- (b) the expenditure estimates for the preceding financial year, the current financial year, and proceeding financial year;
- (c) a statement of the multi-year commitments made by Government;
- (d) a statement of the tax expenditures of Government;
- (e) the budgets of the self accounting departments, commissions and organisations set up under the Constitution and the opinion of the Minister on these budgets;
- (f) grants to local governments and any subventions for the financial year;
- (g) the identity of the Accounting Officer appointed under section 9(1)(g) responsible for the vote;

(h) the Appropriation Bill and any other Bills that are necessary to implement the annual budget;

(9) The Minister shall present with the budget-

(a) a Treasury memorandum specifying the measures taken by the Ministry to implement the recommendations of Parliament relating to treasury management in respect of the audit report of the preceding financial year; and

(b) a statement of budget honesty signed by the Minister and the Secretary to the Treasury attesting to the reliability and completeness of the information provided under this section and the conformity of the information to the Charter of Fiscal Responsibility.

(10) The Minister shall, using appropriate means, publish the information in this section by the 1st of July.

(11) The Ministers and the heads of the other votes, shall by the 15th of March submit to Parliament, the policy statements for the preceding financial year, for the Ministries or the other votes as the case may be.

(12) The Minister shall prescribe the format of the policy statements to be submitted by a vote.

(13) A policy statement shall contain –

- (a) the achievements of the vote for the previous year;
- (b) the annual and quarterly work plan, objectives, outputs, targets and performance indicators for the financial year;
- (c) the annual procurement plan of the vote;
- (d) the recruitment plan of the vote;
- (e) a statement of the actions taken by the vote on the recommendation by Parliament on a report of the Auditor General ; and
- (f) the cashflow projections of the vote.

12. Approval of annual budget by Parliament

(1) The Parliament shall, by the 31st of May each year, consider and approve the annual budget and work plans of Government for the next financial year and the Appropriation Bill and any other Bills that may be necessary to implement the annual budget.

(2) Where the President is satisfied that the Appropriation Act in respect of any financial year, will not or has not come into operation by the beginning of any financial year, the President may, in accordance with Article 154 Constitution, by warrant under his or her hand, addressed to the Minister, authorise the issue of monies from the Consolidated Fund Account for purposes of

meeting expenditure necessary to carry on the services of the Government until the expiration of four months from the beginning of that financial year, or from the coming into operation of the Appropriation Act, whichever is the earlier.

13. Commitment of approved budget

(1) After approval of the annual budget by Parliament, the Secretary to Treasury shall issue the annual cashflow plan of Government, based on the procurement plans, work plans and recruitment plans as approved by Parliament.

(2) The Annual cashflow plan issued under subsection (1) shall be the basis for release of funds by the Accountant General to Accounting Officers.

(3) An Accounting Officer shall commit the budget in accordance with the annual cashflow plan issued under this section.

(4) A vote shall not take any credit from any local company or body unless it has no unpaid domestic arrears from a debt in a previous financial year; and it has capacity to pay for the expenditure from the approved estimates as appropriated by Parliament for that financial year."

14. Report on expenditure commitments

(1) An Accounting Officer shall prepare and submit to the Secretary to the Treasury a quarterly expenditure commitment report indicating the actual and forecast commitments and cash position of the vote.

(2) The Secretary to the Treasury shall, using the report submitted in subsection (1) submit a consolidated report to the Minister, within thirty days after the end of every quarter.

15. Expiry of appropriations

(1) Every appropriation by Parliament shall expire and cease to have any effect at the close of the financial year for which it is made.

(2) This section shall also apply to the estimates of revenues and expenditure under Article 155(2) of the Constitution.

(3) Any balance of any moneys that is withdrawn from the Consolidated Fund that is not committed by Government or Local Government by the close of the financial year shall be repaid into the Consolidated Fund by the 31st of July.

(4) Subsections (1) and (3) shall not apply to an unconditional or an equalization grant made to a local government.

(5) Any money that is committed by a vote but which is not spent by the end of a financial year shall be revoked by appropriation by Parliament.

- (6) Parliament may authorise the appropriation in subsection (5) by the 31st of August.

16. Reporting on fiscal performance

(1) The Minister shall, shall, by every end of February and October, make a report to Parliament on -

- a. the current and projected state of the economy;
- b. the finances of Uganda;
- c. the performance of Government against the objectives in the Charter for Fiscal Responsibility;
- d. the performance of the annual budget;
- e. the Contingencies Fund under section 22; and
- f. virements made under section 18.

(2) The report made under subsection (1), shall provide -

- i. the macroeconomic and fiscal forecasts and the changes, if any, from these forecasts;
- ii. the execution of the annual budget compared to the appropriations approved by Parliament;
- iii. information on how the changes in the forecasts, if any, or how the actual fiscal performance may affect compliance with the objectives in the Charter of Fiscal Responsibility and the targets set in the Budget Framework Paper; and
- iv. reasons for any deviations from the principles and objectives in the Charter of Fiscal Responsibility, if any, and where applicable, the plans to address the deviations, and the time within which the objectives are expected to be achieved.

17. Budget performance reports by Accounting Officers

(1) An Accounting Officer shall, based on the annual cashflow plan issued by the Secretary to the Treasury under section 13, plan and manage the activities as indicated in the policy statement of the vote.

(2) An Accounting Officer shall after every three months, in the format prescribed by the Secretary to the Treasury, make a report to the Secretary to the Treasury on the activities of the vote and the execution of the budget of the vote.

18. Reallocations

(1) The Minister may, upon request by an Accounting Officer, vary the amount allocated within a vote, except that-

- (a) the total amount authorized by Parliament for that vote shall not be exceeded;
- (b) the variation shall be limited to 10% of the amount appropriated to that vote;
- (c) contentious variations shall not be made; and
- (d) virements which result into future liabilities shall not be made.

19. Multi-year expenditure commitments

(1) A vote shall not enter into 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 is authorised by the Parliament.

(2) Parliament shall, in the annual budget, authorize a vote to make a multiyear commitment, and shall in the annual budget indicate the commitment approved for the financial year and the approved multiyear commitments.

(3) Parliament shall authorise a vote under subsection (2) where the multiyear commitment is consistent with the targets in the Charter of Fiscal Responsibility and the medium term expenditure framework.

(4) The Minister shall make annual performance reports to Parliament on multiyear commitments.

20. Classified expenditure

(1) Classified expenditure shall apply to defence and national security purposes as will be determined by Parliament from time to time.

(2) To ensure the confidentiality, a classified expenditure budget shall be presented as a single line item.

(3) An Accounting Officer to whom subsection (1) applies shall in accordance with standards and guidelines issued by the Accountant General, establish appropriate systems of internal control in respect of all transactions and resources under his or her control.

(4) Where money appropriated by Parliament for classified purposes is not sufficient, a request for supplementary funding shall be in accordance with section 21.

21. Supplementary budgets

(1) Where in respect of any financial year, it is found that the amount appropriated by an Appropriation Act is insufficient, or that a need has arisen for expenditure for a purpose for which no amount has been appropriated by that Act, a supplementary estimate, showing the amount required shall be laid before Parliament, and the expenditure votes shall be included in a Supplementary Appropriation Bill to be introduced in Parliament to provide for their appropriation.

(2) The total sum of monies expended by Government under article 156(2) (b) shall not exceed the total approved budget allocated to the contingencies fund under section 22.

(3) The Minister may, upon request by an Accounting Officer, approve a supplementary budget of up to 10% of the initial approved budget of the vote, without prior approval of Parliament.

(4) A supplementary budget under this section shall be approved where there is an unabsorbable, unavoidable and unforeseeable expenditure for which no amount has been appropriated.

(5) For purposes of this section "unabsorbable, unavoidable and unforeseeable" have the following meanings-

- (a) "unabsorbable" means that the virement possibilities have been exhausted
- (b) "unavoidable" means that the need for additional spending is compelling and urgent; and
- (c) "unforeseeable" means that the need for additional spending stems from unexpected events not foreseeable at budgeting but does not include an oversight in budgeting.

(6) Where the Minister considers that the supplementary expenditure or financing sought under the Supplementary Appropriation Bill is likely to breach the principles in section 6 or the objectives in the Charter of Fiscal Responsibility, the Minister shall apply section 7.

(7) Any expenditure in excess of the total approved budget of a vote that contravenes procedures for Supplementary funding under this Act shall be treated as loss of public funds.

PART IV – CONTINGENCIES FUND

22. The Contingencies Fund

- (1) The Contingencies Fund shall be used to provide funding for
- (2) a natural disaster and supplementary expenditure under section 21, as specified in this Part.
- (3) The Contingencies Fund is a vote and shall be replenished annually with an amount equivalent to three and a half percent of the initial approved budget of the previous financial year.
- (4) The Contingencies fund shall form part of the annual budget and Parliament may, in addition to amount under subsection (2), appropriate such other monies as it may deem necessary.
- (5) Section 15 shall apply to the contingencies fund.
- (6) Of the initial approved budget allocated to the contingencies fund under subsection (2), eighty five percent shall be used to finance supplementary expenditure and fifteen percent shall be used to finance response to natural disasters.
- (7) The Contingencies Fund shall be administered by the Minister.

(8) The Minister shall by warrant addressed to the Accountant-General, authorise a withdrawal from the Contingencies Fund.

(9) A direct charge shall not be made on the Contingencies Fund except where the charge is for a transfer of money from the Contingencies Fund to another vote for the purposes of subsection (1).

(9) A report under section 16(1)(e) shall provide information on the date of withdrawal, the amount withdrawn, the vote that received the funds, the purpose of the expenditure and an explanation confirming that the withdrawal complies with the requirements of this Part.

(10) The Parliament may invalidate a withdrawal from the Contingencies Fund where Parliament determines that the requirements of this Part are not complied with.

(11) A withdrawal that is invalidated by Parliament under subsection (10) shall be treated as a loss of public funds.

(12) The Accountant General shall, for every financial year, using accounting standards under section 44 (7), prepare and submit to the Auditor-General the accounts of the Contingencies Fund.

(13) The Auditor General shall in accordance with the National Audit Act, make a report to the Parliament on the accounts of the Contingencies Fund.

23. Natural disasters to be funded from the Contingencies Fund

(1) In this Part "natural disaster" means an event that causes severe human suffering or material, economic or environmental damage and which results in or is likely to result in the loss of essential services required to meet basic human needs and which -

(a) cannot be responded to with the resources available from the annual budget or other sources of funds; and

(b) creates a compelling need for funding that is in the public interest.

(2) The money in the Contingencies Fund which is reserved for financing natural disasters may be used to evacuate a Ugandan citizen who is affected by a natural disaster that occurs outside Uganda, where the conditions of subsection (1) are met.

(3) A financial donation to a vote, toward a natural disaster shall be declared to the Minister within thirty days of receipt, and the financial donation shall form part of the report under section 16(1)(e).

24. Supplementary expenditure financed from the Contingencies Fund

(1) The Minister shall authorise withdrawals from the Contingencies Fund for supplementary expenditure in accordance with section 21.

(2) A request to the Minister for financing from the Contingencies Fund shall be made by the responsible Minister or head of the vote that requires financing, in a written statement which shall indicate -

(a) the recipient of the funding, the amount required and the purpose for which the funding is required;

(b) the justification why a delay of funding to another financial year, would harm the public interest; and

(c) confirmation that the expenditure cannot be accommodated under section 18.

(3) The Minister shall within four months after an authorization under subsection (1), table before Parliament for approval, the withdrawals from the Contingencies Fund.

PART V- CASH, ASSET AND LIABILITY MANAGEMENT

25. Collection and deposit of revenue and retention of revenue

(1) Revenue shall not be collected or received by a government agency, except where the government agency is authorised by an Act of Parliament to collect or receive revenue.

(2) Revenue collected or received by a government agency under subsection (1) shall be paid into and shall form part of the Consolidated Fund.

(3) Notwithstanding subsection (2), revenue collected or received by a government agency shall be -

(a) receivable into a public fund established for a specific purpose where this is authorised by an Act of Parliament;

(b) retained by the government agency that receives it where the revenue collected or received is in the form of levies, licences, fees or fines and the government agency is authorised through appropriation by Parliament to retain the revenue;

(c) retained by the government agency that receives it where the revenue is a monetary grant exempted by the Minister under section 40.

(6) Dividends due to Government shall be paid into the consolidated fund without any deductions.

26. The Consolidated Fund

(1) All revenues or other monies raised or received for the purpose of the Government, shall be paid into and shall form part of the Consolidated Fund except the revenue specified in section 25

(3).

(2) For the avoidance of doubt, revenue raised or received for the purpose of the Government, does not include moneys received on deposit or moneys held on trust by or under the control of court, an officer of court, the Public Trustee, the Attorney General or money held on trust by any other public officer for any purpose other than the purposes of the Government.

(3) Subject to the issue of a grant of credit under section 29, the Minister may, by warrant to the Accountant-General, authorise a temporary advance from the Consolidated Fund to –

- (a) a special fund established under section 27; or
- (b) to a public officer, where the temporary advance is to fund an expenditure which is approved under an Appropriation Act or a Supplementary Appropriation Act.

(4) A temporary advance shall be repaid before the end of the financial year in which it is issued.

(5) For the avoidance of doubt, a temporary advance made under subsection (3), shall not constitute a withdrawal of funds from the Consolidated Fund.

27. Special funds

(1) The Minister may, by statutory instrument, establish a special fund.

(2) A special fund shall not form part of the Consolidated Fund, and the receipts, earnings and accruals of a special fund, shall not, at the end of a financial year, be repaid into the Consolidated Fund.

(3) The Minister shall, by statutory instrument, provide for the control and management of the special fund and -

- (a) the purposes for which the special fund is established; and
- (b) identify the Accounting Officer responsible for its operations.

(4) Expenditure shall not be incurred using the money of a special fund, except where the Minister, by a warrant, authorises the Accounting Officer.

(5) The estimates of the income and expenditure of a special fund for a financial year shall be prepared in accordance with instructions issued by the Secretary to the Treasury and tabled before Parliament for approval.

(6) The Minister may, by statutory instrument, dissolve a special fund where the Minister is satisfied that -

(a) the moneys forming part of any special fund are exhausted and that there is no legal provision to allow any moneys to be paid into the special fund; or

(b) that it is in the public interest to dissolve the special fund.

(7) Where a special fund is dissolved under subsection (6), the moneys or resources standing to the credit of the special fund at the time of the dissolution, shall be paid into the Consolidated Fund.

(8) Where the Accounting Officer for the special fund to be dissolved under sub-section (6) is not the Secretary to the Treasury, the Minister shall before dissolving the special fund, consult the responsible Minister.

(9) Any Accounting Officer administering a special fund, and any Accounting Officer or other public officer administering any agency, trust or other fund or account not provided for in this section, shall prepare, sign and submit to the Accountant General, with a copy to the Auditor General, an account of the agency, trust, fund, or account in the form the Accountant General may from time to time direct.

28. Investment of balances on the Consolidated Fund

(1) Any sums standing to the credit of the Consolidated Fund may be invested -

(a) with an approved bank at call;

(b) subject to notice not exceeding twelve months; or

(c) in an investment authorised by the law for the investment of trustee funds and approved by the Minister.

(2) An investment made under this section, shall not constitute a withdrawal of funds from the Consolidated Fund.

29. Grants of credit on the Consolidated Fund

(1) The Minister shall on the advice of the Accountant General, request the Auditor-General to issue a grant of credit on the Consolidated Fund.

(2) A grant of credit issued under subsection (1) shall be -

(a) for the funds that are payable for statutory expenditure, during a financial year; and

(b) for the funds that are payable for services to be rendered during a financial year where the funds are -

- (i) authorized by an Appropriation Act or Supplementary Appropriation Act; or
- (ii) required for investment under section 28.

30. Withdrawals from the Consolidated Fund

(1) Money shall not be withdrawn from the Consolidated Fund except upon the authority of a warrant by the Minister, to the Accountant-General.

(2) The Minister shall not issue a warrant under subsection (1) except where a grant of credit is issued by the Auditor-General under section 29 and the expenditure for which the warrant is issued –

- (a) is authorised for the financial year during which the withdrawal is to take place by an Appropriation Act or a Supplementary Appropriation Act;
- (b) is a statutory expenditure;
- (c) is for repaying money received in error by the Consolidated Fund; or
- (d) is for paying sums required for an advance, refund, rebate or drawback where the payment of the advance, refund, rebate or drawback is provided for in this or any other Act.

(3) The Minister may suspend, withdraw, limit or place conditions on a warrant under this section where the Minister determines that it is necessary due to a financial exigency or that it is in public interest to do so.

31. Bank account management

(1) The Secretary to Treasury shall prescribe the framework within which votes shall conduct the banking and cash management of the votes.

(2) The Accountant-General shall authorise a vote to open a public or official bank account and a public or official bank account shall not be opened without the written authority of the Accountant-General.

(3) Subsection (2), shall not apply to a local government.

(4) A request from another vote to a local government to open a public or official bank account shall be made upon clearance, in writing, by the Accountant General.

(5) A public or official bank account shall be managed by a vote in accordance with the terms and conditions the Accountant-General may determine.

(6) A local government, shall notify the Accountant General of any public or official bank account opened by the local government, within twenty one days of the opening of the account.

- (7) For the avoidance of doubt, the Bank of Uganda shall be the depository of cash for the recurrent and development operations of the votes.
- (8) The Accountant General may authorise a vote to open a public or official bank account in a commercial bank.
- (9) The Accountant General shall regulate the operation of a public or official bank account of a vote and may suspend or close a bank account if he or she deems it necessary in public interest
- (10) An Accounting Officer shall notify the Accountant General in writing of the closure of a public or official bank account under his or her control, within thirty days of the closure.
- (11) The Bank of Uganda or where applicable, a commercial bank that holds a public or official bank account, shall upon request by the Accountant General or the Auditor General, disclose any financial information regarding the account, within fourteen days after receiving the request.

32. Authority to raise loans

(1) Subject to the provisions of the Constitution, the authority to raise money by loan, to issue guarantees and to accept grants for and on behalf of the Government shall vest solely in the Minister and no other person, public organisation or local government council shall, without the prior approval of the Minister, raise any loan or issue any guarantee, or take any other action which may in any way either directly or indirectly result in a liability being incurred by the Government.

- (2) For the purposes of subsection (1), the Minister shall raise loans -
- (a) to finance a budget deficit;
 - (b) for the management of a treasury and monetary policy;
 - (c) to obtain foreign currency;
 - (d) for on-lending to an approved institution; or
 - (e) for defraying an expenditure which may lawfully be defrayed.

(3) The Minister may raise a loan by issuing Government bills, bonds or stock or using any other method the Minister may deem expedient, including a fluctuating overdraft.

(4) Where a loan is raised by issuing Government bills, bonds or stock, the loan, shall be subject to the conditions contained in Schedule 4 to this Act.

(5) With the exception of a loan raised for the purpose of subsection (2) (b), the terms and conditions of a loan raised by the Minister shall be laid before Parliament and the loan shall not be enforceable except where it is approved by a resolution of Parliament.

(6) A loan raised under this section shall be paid into the Consolidated Fund and shall form part of the Consolidated Fund and shall be available in the manner in which money of the Consolidated Fund is available.

(7) Where a loan is raised for a purpose of a special fund established under section 27, the Minister shall direct that the amount of the loan be paid into and form part of the special fund.

33. Repayment, conversion and consolidation of loans.

The Minister may, on terms and conditions the Minister may determine and, where necessary, with the approval of the lender—

- (a) repay any loan prior to the redemption date of that loan;
- (b) convert the loan into any other loan; or
- (c) consolidate two or more loans into an existing or new loan.

34. Expenses of loans.

All expenses of and incidental to the raising of loans and the issue or management of any moneys raised under section 32 shall be a charge on the Consolidated Fund, or if the Minister directs, shall be payable out of the principal moneys raised.

35. Authority to guarantee loans

(1) Where the Minister is satisfied that it is in the public interest, he or she may, with the approval of Parliament, and on behalf of the Government, guarantee the repayment of the principal money and the payment of the interest and other charges on any loan raised either within or outside Uganda in the manner and on conditions he or she may think fit by—

- (a) a state enterprise;
- (b) a local government council;
- (c) any public body which has in any of its financial years received more than half its income from public funds;
- (d) any entity other than a local government council, which is audited by the Auditor General under any Act; or
- (e) Private sector entities

(2) The Minister shall, prior to guaranteeing a loan ensure that—

- (a) the intended purpose of a loan is deemed to be consistent with government policy and in the public interest;
 - (b) the borrowing entity is assessed as being capable of servicing the loan; and
 - (c) The guarantee will not cause the total stock of public and private liabilities guaranteed by the Minister to exceed the amount approved by Parliament in the Appropriation Act or Supplementary Appropriation Act or cause the Government to exceed the loan guarantee targets specified in the Charter of Fiscal Responsibility.
- (3) A public entity shall not enter into any public private partnership contract, transaction, or agreement that binds that entity or the government to any future financial commitment or results in a contingent liability, unless such a contract, transaction or agreement is approved by Parliament.
- (4) The Minister shall lay before Parliament, on an annual basis and as part of the budget, a status report on guarantees, including a risk analysis associated with the guarantees executed.

36. Reimbursement of costs of a guarantee

(1) Where a guarantee is given under section 35, the state enterprise, local government council or other authority or body, for whose benefit that guarantee is given, shall reimburse the Government in the manner the Minister may direct-

- (a) all sums of moneys which the Government has paid to fulfill the guarantee; and
- (b) all the expenses which the Government incurs in relation to the guarantee and, in addition, shall pay the Government the interest or service charge in relation to that sum or money paid by the Government or expense incurred by the Government, as the Minister may direct.

(2) All moneys received under sub-section (1) shall be paid into the Consolidated Fund.

37. Amounts due on loans or guarantees to be charged on consolidated fund.

Any sum of money due from the Government-

- (a) in respect of any loan either by way of repayment or payment of interest, or
- (b) by way of interest on or otherwise in respect of any bond or stock issued under section 32(3) and in accordance with the First Schedule to this Act; or
- (c) in respect of any guarantee given under section 25 shall be charged on and paid out of the Consolidated Fund without further appropriation.

38. Management of Government debt

(1) The Minister shall be responsible for management of the Government debt, guarantees, and any other financial liabilities of Government.

(2) The Minister shall prepare and submit to Parliament an annual report on the management of the Government debt, guarantees and the other financial liabilities of Government by 1st April of every preceeding financial year.

(3) The Minister shall cause to be published, through appropriate means, an annual report on the management of the Government debt, guarantees, and the other financial liabilities of Government.

(4) The report shall set out the management of the debt, guarantees, and the other financial liabilities of Government against the National Development Plan, the objectives in the Charter for Fiscal Responsibility, and the medium-term debt management strategy.

39. Control of expenditure from donor funds

(1) All expenditure incurred by the Government on donor funded projects shall be appropriated by Parliament for the applicable financial year and listed in the approved estimates of revenue and expenditure for that financial year.

(2) Sections 29 shall apply to donor funded projects.

(3) Except for the purposes dealing with humanitarian emergencies, estimates of expenditure of a donor funded project shall not be considered or approved by the Minister to be included in an Appropriation Bill or a supplementary Appropriation Bill unless proper costings and appraisal have been carried out by the concerned Accounting Officer.

(4) The operation of bank accounts of a donor-funded project shall be in accordance with section 31(5).

(5) Preparation and reporting of accounts of donor-funded projects shall be in accordance with instructions issued by the Accountant General.

40. Authority to receive grants

(1) The Minister shall receive all monetary grants made to Government or to a vote by a foreign government, international organization or any other person.

(2) The monetary grants shall be paid into the Consolidated Fund and shall form part of the Consolidated Fund and shall be available for the purposes for which the monetary grant is intended.

(3) The Minister may grant an exception in writing from the requirements of this section where –

(a) it is in the public interest to do so; and

- (b) the person responsible for the administration of the monetary grant informs the Minister of the purpose of the grant and the remittance, deposit, and domestic disbursement of the monetary grant before the grant is remitted.
- (4) The Minister shall issue directives on the receipt, deposit and disbursement of a grant to be received under subsection (3).
- (5) The Minister shall, every financial year table before Parliament a report of the grants received under this section.

41. Asset management

- (1) An Accounting Officer shall be responsible for the management of the assets and the inventories of the vote of the Accounting Officer.
- (2) Every vote shall, using the format prescribed by the Accountant-General, keep a register of the assets and the inventories of the vote.
- (3) An Accounting Officer shall the assets and the inventories of a vote to be inspected regularly and for written reports on the general condition of the assets and inventories and the storage facilities for the inventories to be made regularly.
- (4) The Accountant General shall, after the close of business on the last working day of each financial year, or before the start of business of the first day of a financial year, appoint a Board of Surveys for each vote, to survey the assets of the vote, at the end of the preceding financial year.
- (5) The Board of surveys shall comprise at least two public officers, none of whom shall have any direct responsibility for the assets to be surveyed.
- (6) An Accounting Officer shall not pledge or otherwise encumber the assets of that vote without the permission of Parliament.
- (7) The Secretary to Treasury may authorise entities to acquire assets by lease or hire purchase as well as used assets.
- (8) The Accountant General shall issue guidelines for accounting, recording, reporting and recognition of all government assets

42. Abandonment of claims and write off of public money and stores

- (1) The Minister may, if authorised by a resolution of Parliament, and to the extent specified in the resolution, abandon and remit any claims by or on behalf of the Government, or any service to government and write off losses of or deficiencies in public moneys or public resources.
- (2) Notwithstanding subsection (1) the Minister may, without approval of Parliament, abandon and remit any claims by or on behalf of the Government, or any service to government and write

off losses of or deficiencies in public moneys or public resources not exceeding 500 currency points.

(3) The Minister may surcharge any officer for a loss not exceeding 500 currency points.

(4) The Minister shall, within three months after the financial year-

(a) present to Parliament a statement of Losses written off and a statement of losses above the threshold for Parliament to write off; and

(b) furnish Parliament with a list of officers surcharged for loss or misuse of public assets.

(5) A resolution referred to in subsection (1) may specify the amount authorised for each write off or abandonment and the total sum authorised to be written off or abandoned in a financial year.

(6) The sums written off or abandoned by the Minister under this section shall be included in the Supplementary Appropriation Bill to be introduced in Parliament, to provide for the appropriation of those sums.

(7) Where any one instance of loss, abandonment or remittance of the total lost, abandoned or remitted exceeds the amount authorised by the resolution referred to in subsection (1), the amount involved shall be treated as loss of public funds..

PART VI - ACCOUNTING AND AUDIT

43. Accounting Officers

(1) An Accounting Officer shall control -

(a) the regularity and propriety of the expenditure of money appropriated to the vote of the Accounting Officer, including the use of the money as required by an expenditure vote or any other provision to the vote; and

(b) the resources received, held or disposed of by or on account of the vote of the Accounting Officer.

(2) In the exercise of his or her duties under this Act an Accounting Officer shall -

(a) have control over the incurring of commitments; and

(b) put in place effective systems of , risk management ,internal control and internal audit, in respect of all resources and transactions of the vote.

(3) An Accounting Officer shall enter into an annual budget performance contract with the Secretary to the Treasury which shall bind the Accounting Officer to deliver on the activities in the work plan of the vote for a financial year, submitted under section 12 (1).

- (4) Where an Accounting Officer receives a subvention on behalf of another entity, the Accounting Officer shall remit the subvention to the entity in accordance with the approved cashflow plan of the subvention.
- (5) An Accounting Officer shall be responsible and personally accountable to Parliament for the activities of a vote.
- (6) An Accounting Officer may delegate a function or responsibility of Accounting Officer specified in this Act, to a public officer under the control of the public officer.
- (7) Where an Accounting Officer delegates a function or responsibility under subsection (5) the Accounting Officer shall give such directives as may be necessary to ensure the proper exercise or performance of the function or responsibility.
- (8) An Accounting Officer shall be personally accountable for a function or responsibility that is delegated under this section.

44. Accountant General

- (1) Subject to this Act, the Accountant-General shall be responsible for -
- (a) the compilation and management of the accounts of votes;
 - (b) the custody and safety of public money;
 - (c) the resources of Government;
 - (d) the custody of all government certificates of titles for investments; and
 - (e) the maintenance of a register of government investments.
- (2) For the purposes of subsection (1), the Accountant-General may give general instructions, guidelines and procedures to Accounting Officers which are consistent with this Act, or any regulations made under the Act.
- (3) The Accountant General shall, for every vote -
- (a) specify the basis for the accounting to be adopted and the classification;
 - (b) ensure that an appropriate system of accounting is established which ensures that all money received is promptly and properly brought to account;
 - (c) ensure that the system of internal control is appropriate to the needs of the vote and conforms to international standards as far as practicable;
 - (d) disallow payment on any voucher or electronic request for funds which is wrong or deficient in content or which contravenes any law for the management of public money or which is unacceptable in support of a charge on public funds;
 - (e) report to the Secretary of Treasury, in writing, any apparent defect in the management of revenue, expenditure, cash or assets and any breach or non-

observance of a law that comes to his or her notice or is brought to his or her notice;

- (f) ensure as far as practicable that adequate provisions exist for the safe custody of public moneys, securities, valuable documents and information; and
- (g) take precautions by the maintenance of checks including surprise inspections against the occurrence of fraud, embezzlement or mismanagement.

(4) The Accountant General shall inspect an office of a vote and shall for every three months prepare and submit a report of the inspection, to the Secretary to the Treasury, within thirty days after the end of the three months.

(5) For purposes of inspection under subsection (5,) the Accountant General shall have access to the office of the vote and any information that may be necessary.

(6) The Accountant General shall, issue guidelines on the accounting standards to be used in the preparation of the financial statements of the votes.

(7) All accounts submitted under section 48 shall be prepared in accordance with guidelines issued by the Accountant General.

(8) Where a financial statement makes a departure from the accounting standards, the departure shall be identified and explained in the disclosures in the financial statements.

(9) The Accountant General shall, in every financial year, make a report to the Secretary to the Treasury on the discharge of his or her duties under this Act, and in the reports required under section 48, shall identify -

- (a) the basis of the standards required under subsection (3) (b); and
- (b) any defect, shortcoming or other factor which in his or her opinion has affected materially the responsibility of the Minister under this Act.

(10) A copy of a report submitted under subsection (9) shall be sent to the Auditor General.

45. Internal audit

(1) Every vote shall have an internal auditor.

(2) An internal auditor shall -

- (a) appraise the soundness and application of the accounting, functional and operational controls of a vote;
- (b) evaluate the effectiveness and contribute to the improvement of risk management processes of a vote; and

- (c) provide assurance on the efficiency, and effectiveness of the economy in the administration of the programs and operations of a vote.
- (3) In performing his duties, an internal auditor shall have unlimited access to information, explanations and property required for the performance of his or her duties.
- (4) An internal auditor shall prepare an annual work plan of the activities to be performed by the internal auditor in a financial year which shall be determined by the fiscal risk of the vote.
- (5) The internal auditor shall submit the work plan to the Accounting Officer of the vote, the Audit Committee specified in section 46 and a copy of the work plan to the Ministry.
- (6) The internal auditor shall on a quarterly basis, make a report on the execution of the work plan and submit the report to the Accounting Officer of the vote, the Audit Committee specified in section 46 with a copy of the report to the Ministry.
- (7) The report specified under subsection (6) shall assess the integrity of internal controls and financial management practices of the vote.
- (8) The Secretary to the Treasury shall cause to be prepared, within three months after the end of a financial year, an annual consolidated internal audit report of all the votes.
- (9) The Auditor General shall have access to the reports prepared under this section.

46. Audit Committees

- (1) The Minister shall establish an audit committee for each vote which shall comprise not more than five members.
- (2) An audit committee established under subsection (1) may serve more than one vote.
- (3) A member of an audit committee established under subsection (1) shall not be a public officer.
- (4) The members of an audit committee shall be appointed by the Minister on the recommendation of the Secretary to the Treasury.
- (5) An Audit Committee shall-

- (a) assist the Accounting Officer in carrying out the oversight responsibilities relating to financial practices, internal controls, corporate governance issues, compliance with laws and ethics and audit matters;
- (b) review the arrangements established by the Accounting Officer for compliance with regulatory and financial reporting requirements;
- (c) review the financial statements prepared by the Accounting Officer to ensure that disclosure is adequate and that fair representation is achieved and
- (d) facilitate risk assessment to determine the amount of risk exposure of the assets of the vote and the possibility of loss that may occur, with a view to mitigating the risks;
- (e) consider the reports submitted by the internal auditor to the Accounting Officer under section 45 and make recommendations on the findings of the internal auditor.

(6) The Accounting Officer shall report to the audit committee the actions taken or planned, in response to the recommendations in the report of the audit committee.

(7) The scope, purpose, constitution and authority of the Audit Committee shall be in accordance with guidelines issued and approved by the Minister.

47. In-year financial reporting

(1) An Accounting Officer shall, prepare and submit half year financial statements to the Accountant General by 15th February and shall submit such other reports and within such time as the Accountant General may require.

(2) The Accountant General shall, prepare and submit half year consolidated financial statements to the Secretary to treasury, by 15th March of that financial year..

48. Annual accounts

(1) An Accounting Officer of a vote and an Accounting Officer of a local government, shall within two months after the end of each financial year, prepare and submit to the Auditor-General, and the Accountant-General, the accounts and information set out in paragraph 2 of Schedule 5 to this Act.

(2) The Accounting Officer of a public corporation shall, within two months after the end of each financial year, using the format prescribed by the Accountant-General, prepare and submit to the Accountant-General, a summary statement of financial performance of the public corporation with a copy to the Secretary to the treasury.

(3) The accounts submitted under this section shall -

- (a) be prepared in accordance with the generally accepted accounting practice and in accordance with any instructions issued by the Accountant General;
- (b) identify any significant departures from the generally accepted accounting practice and shall state the reasons for those departures;
- (c) state the basis of accounting used in the preparation of the accounts, identify any significant departures from that basis of accounting and the reasons for the departure; and
- (d) state actions taken on previous recommendations of Parliament on the report of the Auditor General.

(4) The Auditor General shall, in accordance with the National Audit Act, examine and audit the accounts submitted under this section.

49. Consolidated annual financial statements

(1) The Accountant General shall within three months after the end of each financial year prepare and submit to the Minister and the Auditor General the consolidated accounts set out in paragraph 2 of Schedule 5 to this Act.

(2) The consolidated accounts in subsection (1) shall include –

- (a) the consolidated annual accounts of Governments;
- (b) the consolidated annual accounts of the local governments;
- (c) the consolidated summary statement of the financial performance of public corporations;
- (d) the accounts of the Contingencies fund; and
- (e) the accounts of the Petroleum fund.

50. Accounting for classified expenditure

(1) The Accounting Officer of a vote to which section 20 applies, shall prepare the accounts of the vote in the format to be prescribed by the Accountant General.

(2) The Accounting Officer of a vote to which section 20 applies, shall submit the financial statements required under section 48 to the Minister, the Auditor General, and the Accountant General.

(3) The Auditor General shall, in accordance with the National Audit Act, examine and audit the accounts submitted under this section.

PART VII - PETROLEUM REVENUE MANAGEMENT

51. Application of Part

This Part shall apply to the collection, deposit, management, investment, and expenditure of petroleum revenue which accrues to Government from the exploitation of the petroleum reserves in Uganda.

52. Interpretation

In this Part unless the context otherwise requires –

“petroleum revenue” means signature bonus, surface rentals, royalties, revenue from company profit oil and gas, revenue from Government profit oil and gas as specified in an agreement between Government and a petroleum exploration company and revenue from Government shares of state participation and any other revenues directly related to petroleum exploration and production.

53. Establishment of the Petroleum Fund

(1) There is established a fund to be known as the Petroleum Fund into which shall be paid all the petroleum revenue which accrues to Government.

(2) The Minister shall be responsible for the overall management of the Petroleum Fund and shall oversee the transfer into and the disbursements from the Petroleum Fund.

(3) The Petroleum Fund shall consist of-

- (a) the Petroleum Revenue Holding Account into which all petroleum revenue accruing to Government shall be paid; and
- (b) the Petroleum Investment Reserve to finance investments for the benefit of current and future generations

54. Revenues of the Petroleum Fund

- (1) The moneys of the Petroleum Fund shall constitute -
 - (a) revenue accruing to Government from the exploitation of the petroleum resources in Uganda; and
 - (b) earnings from the Petroleum Investment Reserve established under section 61.
- (2) The moneys specified in subsection (1) shall be deposited directly into the Petroleum Fund.

55. Collection and deposit of petroleum revenues into the Petroleum Fund

- (1) The petroleum revenue due to the Government shall be collected by the Uganda Revenue Authority.
- (2) The petroleum revenue assessed as due each month, shall be paid by the fifteenth day of the following month by the person obliged to make the payment.
- (3) Where a person does not make a payment by the date specified in subsection (2), the person shall pay as a penalty, a surcharge of five percent of the amount in default for each day of default.
- (4) Where Government accepts petroleum instead of cash, the value of the petroleum shall be calculated in an international and freely convertible currency, on the day the petroleum is to be received and shall be reported and recorded by an entity designated to receive the petroleum as the payment to the Petroleum Fund.
- (5) Upon disposal of the petroleum received under subsection (4) the proceeds shall be collected by the Uganda Revenue Authority and shall be remitted directly to the Petroleum Revenue Holding Account.

56. Withdrawals from the Petroleum Fund

Withdrawals from the Petroleum Fund shall only be made under authority granted by an Appropriation Act or a Supplementary Appropriation Act and a warrant of the Auditor General –

- (a) to the Consolidated Fund, to support the annual budget; and
- (b) to the Petroleum Investment Reserve established under section 61, for investments to be undertaken in accordance with section 62.

57. Transfers to the Consolidated Fund

- (1) The moneys withdrawn from the Petroleum Fund to the Consolidated Fund to support the annual budget shall not exceed the amount authorized by Parliament in the Appropriation Act.
- (2) The moneys withdrawn from the Petroleum Fund to the Consolidated Fund shall, upon deposit, constitute an integral part of the Consolidated Fund and shall be governed by the provisions of this Act.

(3) Any moneys that is authorised, but is not withdrawn from the Petroleum Fund by the end of a financial year shall be retained in the Petroleum Fund.

58. Prohibition on encumbrance of the Petroleum Fund

(1) The financial assets of the Petroleum Fund including present or future financial assets shall not be earmarked, pledged, committed, loaned out, or otherwise encumbered by any person or entity.

(2) "Earmarked, pledged, committed, loaned out, or otherwise encumbered by any person or entity" in subsection (1) means -

(a) providing credit to Government, or any other person or entity;

(b) using the financial assets of the Petroleum Fund as collateral for debts, guarantees, commitments or other liabilities of any person or entity; or

(c) borrowing from the reserves of the Petroleum Fund.

(3) The Government shall not-

(a) borrow money from the Petroleum Fund; or

(b) hold a financial instrument that places or may place a liability or a contingent liability on the Petroleum Fund.

(4) For the avoidance of doubt, a contract, agreement or arrangement, to the extent that it encumbers a financial asset of the Petroleum Fund, whether by way of guarantee, security, mortgage or any other form of encumbrance is contrary to this Act and shall be null and void.

59. Reporting and accountability

(1) The Accountant General shall -

(a) maintain proper books of accounts and proper records of the Petroleum Fund;

(b) submit semi-annual and annual financial statements to the Minister, Secretary to the Treasury and the Auditor General by the 15th of February and the 31st of August, respectively.

60. Reports on Petroleum Fund to Parliament

(1) The Minister shall -

(a) not later than 30th September, table before Parliament the estimated petroleum revenue for the financial year, which shall be based on the underlying assumptions including the projected production levels and the average price of petroleum;

(b) for every financial year, table before Parliament, the financial statements and the

semi annual and annual reports of the Petroleum Fund which shall include the half yearly and annual audited financial statements of the Petroleum Fund and indicate

- (i) the amount transferred to the Consolidated Fund, for the preceding two financial years;
- (ii) the actual inflows and outflows of the Petroleum Fund;
- (iii) Recommendations for the reconciliation and adjustments needed to account for any deviations so that the estimated inflows and outflows of the Petroleum Fund match the actual of the financial year;
- (iv) the volumes and values of the petroleum produced; and
- (v) the source of the petroleum revenue.

(2) The Minister shall cause to be published the reports specified in this section, in newspapers of wide circulation.

61. Establishment of the Petroleum Investment Reserve

(1) There is established a fund to be known as the Petroleum Investment Reserve into which shall be paid, in every financial year, with the approval of Parliament and a warrant of the Auditor General, money from the Petroleum Fund, for investment to support future generations.

(2) The moneys withdrawn from the Petroleum Fund to the Petroleum Investment Reserve, in a financial year, shall not exceed the amount authorized by Parliament.

62. Investments under the Petroleum Investment Reserve

~~(1)~~ The monies of the Petroleum Investment Reserve shall be invested in accordance with the petroleum investment policy issued by the Minister.

(2) The petroleum investment policy shall be prepared by the Minister, in consultation with the Investment Advisory Committee and the Secretary to the Treasury.

(3) The investment policy shall include a requirement that the monies of the Petroleum Investment Reserve shall be invested only in the following qualifying instruments-

- (a) an internationally convertible currency deposit with, or a debt instrument denominated in an internationally convertible currency that bears interest or a fixed amount equivalent to interest issued by-
 - (i) the Bank for International Settlements;
 - (ii) the European Central Bank; or
 - (iii) the Central Bank of a government, other than the Government of Uganda, with a long-term investment grade rating;
- (b) a debt instrument denominated in internationally convertible currency that bears

interest or a fixed amount equivalent to interest-

- (i) that is of an investment grade security; and
 - (ii) that is issued by or guaranteed by the International Monetary Fund, the World Bank or by a government, other than the Government of Uganda, if the issuer or guarantor has investment grade rating; and
- (c) any other qualifying instrument prescribed by the Minister.

(4) An instrument that ceases to be a qualifying instrument due to a change in the rating of the instrument or the issuer of the instrument, shall immediately or as soon as is practicable, be disposed off.

(5) For the avoidance of doubt, monies of the Petroleum Investment Reserve shall not be invested in any instrument issued by a bank or corporation which is, or an individual who is resident in Uganda or a bank or corporation which is owned or controlled by a Ugandan national or which is registered in Uganda.

(6) Section 58 shall apply to the Petroleum Investment Reserve.

63. Management of the Petroleum Investment Reserve

(1) The operational management of the Petroleum Investment Reserve shall be governed by the principles of transparency, accountability, intergenerational fairness and equity and shall -

- (a) be in accordance with the petroleum investment policy specified in section 62;
- (b) be in accordance with the principles of portfolio management;
- (c) maximise return without causing undue risk to the Petroleum Investment Reserve; and
- (d) avoid prejudicing the reputation of Uganda as a responsible member of the world community.

(2) The Bank of Uganda is responsible for the operational management of the Petroleum Investment Reserve.

(3) The Bank of Uganda shall manage the Petroleum Investment Reserve within the framework of a written agreement entered into between the Minister and the Bank of Uganda for that purpose.

(4) The written agreement between the Minister and the Bank of Uganda shall-

- (a) provide for the liability for paying damages to the Government for losses that may arise as a result of negligence or intent on the part of the Bank of Uganda or an

external manager or external service provider operating under an agreement with the Bank; and

- (b) indicate the amount of money to be paid to the Bank of Uganda for the cost of providing the management services.
- (5) The Bank of Uganda shall manage the Petroleum Investment Reserve prudently, using the qualifying instruments specified in section 62.
- (6) The Petroleum Investment Reserve shall not form part of the Central Bank reserves and shall be managed separately from the other reserves of the Bank of Uganda.

(7) For the purposes of ensuring that there is no undue risk caused to the Petroleum Investment Reserve, the Bank of Uganda shall-

(a) establish, satisfactory risk management arrangements for the instruments to be used in the management of the Petroleum Investment Reserve ; and

(b) only invest in a derivative if the financial exposure does not exceed the exposure that would result from investing directly in the underlying instrument.

(8) The Bank of Uganda may, in accordance with the procurement laws, appoint an external investment manager to manage the investment of the Petroleum Investment Reserve.

(9) An external investment manager appointed under subsection (8) shall adhere to the petroleum investment policy.

(10) An external investment manager appointed under subsection (8) shall -

(a) be a legal person;

(b) have sufficient capital and adequate guarantee and insurance against operational risks;

(c) have a sound record of operational and financial performance; and

(d) have references and reputation in the field of fund management of the highest standard.

(11) The Bank of Uganda shall be liable for paying damages to the Government for losses arising as a result of negligence or intent on the part of the Bank of Uganda, an external manager or an external service provider operating under an agreement with the Bank of Uganda.

64. Directions of the Minister

(1) The Minister may give directions to the Bank of Uganda regarding the expectations of the Government on the performance of the Petroleum Investment Reserve, including the expectations regarding risk and return.

(2) The Minister shall within one month of giving a direction under subsection (1), table the direction in Parliament.

(3) The Bank of Uganda shall notify the Minister of how it proposes to have regard to any direction and shall in the annual report of the Bank of Uganda specified in section 71 indicate how the direction was dealt with.

65. Investment Advisory Committee

There shall be an Investment Advisory Committee to advise the Minister on the investments made under the Petroleum Investment Reserve.

66. Appointment and qualifications of members of Investment Advisory Committee

- (1) The Investment Advisory Committee shall consist of 5 members.
- (2) The members of the Investment Advisory Committee shall be appointed by the Minister.
- (3) A member of the Investment Advisory Committee shall be a person with substantial experience, training, and expertise in financial investments, portfolio management or investment law.
- (4) A person shall not be eligible for appointment as a member, or continue as a member of the Investment Advisory Committee where that person -
 - (a) is declared bankrupt or insolvent;
 - (b) is convicted of a criminal offence; or
 - (c) is unfit for office.
- (5) A member shall be appointed for a term of three years and may be reappointed for one further term.
- (6) The terms of appointment of the members of the Investment Advisory Committee shall be determined by the Minister.
- (7) On appointment, the Minister shall cause the names of members of the Investment Advisory Committee to be published in the Gazette, on the Ministry website and in any other media the Minister may determine.

67. Functions of Investment Advisory Committee

- (1) The Investment Advisory Committee shall advise the Minister on-
 - (a) the petroleum investment policy of the Petroleum Investment Reserve and any amendments to it and the statement of investment policies, standards and procedures that the Petroleum Fund is to adhere to;
 - (b) comparable suitable benchmarks for the Petroleum Investment Reserve;
 - (c) the performance of the Petroleum Investment Reserve;
 - (d) the agreement with the Bank of Uganda for managing the Petroleum Investment Reserve; and
 - (e) any other matter that the Minister may request advice on.
- (2) The advice on the statement of investment policies, standards, and procedures shall be subject to section 61 and shall include-

- (a) the classes of investments in which the moneys of the Petroleum Investment Reserve may be invested and the selection criteria to be used to determine the investments within the classes;
 - (b) the benchmarks or standards against which the performance of the Petroleum Investment Reserve, the classes of investments and the individual investments, are to be assessed;
 - (c) the standards for reporting the investment performance of the Petroleum Investment Reserve;
 - (d) the ethical investment, including policies, standards, or procedures for avoiding prejudice to the reputation of Uganda as a responsible member of the world community;
 - (e) the balance between risk and return in the overall Petroleum Investment Reserve portfolio;
 - (f) the use of options, futures, and other derivative financial instruments;
 - (g) the management of credit, liquidity, operational, currency, market, and other financial risks;
 - (h) the retention, exercise, and delegation of voting rights acquired through investments;
 - (i) the method of, and basis for, valuation of investments that are not regularly traded at a public exchange; and
 - (j) prohibited or restricted investments or any investment constraints or limits including the requirements in section 62.
- (3) The Investment Advisory Committee in giving its advice shall take into account the economic conditions, opportunities and constraints in the investment markets and the constraints under which the Bank of Uganda operates.
- (4) The Investment Advisory Committee shall submit quarterly reports on the performance of their function to the Minister not later than thirty working days after the end of each quarter.

68. Accounts of the Petroleum Investment Reserve

- (1) The Bank of Uganda shall, using international recognised accounting standards, maintain proper books of accounts and records for the Petroleum Investment Reserve.
- (2) The Bank of Uganda shall prepare and submit Semi-Annual and Annual financial statements of the Petroleum Investment Reserve to the Minister with a copy to the Auditor General, Secretary to Treasury and Accountant General by 15th February and 31st August.
- (3) The financial statements in subsection (2) shall be prepared in accordance with generally accepted accounting practice and where there are any deviations from the generally accepted

accounting practice, the Bank of Uganda shall in the financial statements explain the deviations.

69. Performance reports by the Bank of Uganda

(1) The Bank of Uganda shall, not later than fifteen days after the end of each month, present to the Minister, a report on the performance and activities of the Petroleum Investment Reserve.

(2) The Bank of Uganda shall not later than the 15th of February and the 15th of August of each year, publish reports on the performance and activities of the Petroleum Investment Reserve and shall make the reports publicly available on its website within one week of publication.

70. Annual plan for the Petroleum Investment Reserve

(1) The Bank of Uganda shall for each financial year prepare an annual plan for the Petroleum Investment Reserve and submit it to the Minister for approval.

(2) The annual plan of the Petroleum Investment Reserve shall -

(a) include a statement of the expectations of the Bank of Uganda on the performance of the Petroleum Investment Reserve in the financial year and for the next four subsequent financial years and how the expectations compare with the petroleum investment policy;

(b) include a statement of the key risks to the performance of the Petroleum Investment Reserve in the financial year and the actions taken by the Bank of Uganda to manage those risks;

(c) forecast financial performance of the Petroleum Investment Reserve for the financial year, including a statement of accounting policies; and

(d) Include a long-term projection of the performance of the Petroleum Investment Reserve covering not less than ten years and how the expectations compare to the petroleum investment policy.

(3) The Minister shall table the annual plan of the Petroleum Investment Reserve in Parliament by 1st April before the beginning of the financial year to which it relates as part of the annual budget.

(4) The Bank of Uganda shall publish the annual plan of the Petroleum Investment Reserve on the website of the Bank of Uganda by the 31st of July and shall make it available to the public in printed form as soon as shall be practicable.

(5) The Bank of Uganda shall make such other reports on the Petroleum Investment Reserve, as the Minister may require.

71. Annual report

(1) The Bank of Uganda shall for each financial year, prepare the annual report of the Petroleum Investment Reserve and submit it to the Minister and the Auditor General, three months after the

end of the financial year to which the annual report relates.

(2) The annual report shall indicate -

- (a) the financial statements of the Petroleum Fund for the financial year;
- (b) a statement of responsibility for the financial statements of the Petroleum Investment Reserve signed by the Governor of the Bank of Uganda;
- (c) the audit report on the financial statements;
- (d) an analysis and explanation of the performance of the Petroleum Investment Reserve over the financial year and in the medium term, including a comparison of the performance of the Petroleum Investment Reserve with the expectations of the Bank of Uganda that are set out in the annual plan in relation to the financial year;
- (e) a statement signed by the Governor of the Bank of Uganda certifying whether or not the investment policies, standards, and procedures for the Petroleum Investment Reserve were complied with throughout the financial year;
- (f) a schedule of the investment managers used by the Bank of Uganda during the financial year and the classes of investments for which each was responsible; and
- (g) advice on the sources of the information for the annual reporting including the financial statements.

(3) The Minister shall table the annual report of the Petroleum Investment Reserve in Parliament by 1st April before the beginning of the financial year to which it relates as part of the annual budget.

72. Audit of Petroleum Fund

(1) The Petroleum Fund shall be audited in accordance with the National Audit Act.

(2) The Auditor General shall examine and audit books of accounts and financial statements under section 67 and submit a report to Parliament by 30th June and 31st December respectively.

73. Sharing of revenues from royalties

(1) The Government shall retain ninety three percent of the revenues from royalties arising from petroleum production and the remaining seven percent shall be shared among the local governments located within the petroleum exploration and production areas of Uganda.

(2) The sharing of the revenues shall be based on-

- (a) intra regional fairness having regard to the effects of the oil and gas activities on a local government;
 - (b) the level of production of gross oil and gas derived from the boundaries of a local government; and
 - (c) the population size and sustainability.
- (3) The sharing of revenues from royalties among local governments shall be based on a formula prescribed in Schedule 6.
 - (4) A local Government, in consultation with the Ministry responsible for culture, may agree to grant a subvention to a cultural or traditional institution out of their share of revenue from royalties.
 - (5) A sub county within a local government that is eligible for a share of revenue from royalties shall share royalties net of the subvention granted to a cultural or traditional institution under subsection (4) on the basis of weighted population.
 - (6) Upon determining the share of revenue from royalties in accordance with subsection (3) the revenues shall be transferred to a local government in the form of a block grant through the budget.
 - (7) The revenue from royalties transferred to a local government in a financial year shall not exceed one hundred percent of the non-oil revenue of that local Government.
 - (8) Where the revenue from royalties derived from the formula under subsection (3) is in excess of one hundred percent of the non-oil revenue of a local government the excess money shall be held in trust by the Minister, for the local government.
 - (9) The excess funds held in trust under subsection (8) shall be used for purposes of stabilizing fluctuation in non-oil revenues for the local government.

PART VIII – MISCELLANEOUS

74. Cost estimates for bills

- (1) Every Bill introduced in Parliament shall be accompanied by a certificate of financial implications issued by the Minister.
- (2) The certificate of financial implications issued under subsection (1) shall indicate the estimates of revenue and expenditure over the period of not less than two years after its coming into effect.
- (3) In addition to the requirements under subsection (2) the certificate of financial implications shall indicate the impact on the economy.

75. Report on exemption of tax

(1) A person or an authority granted power to exempt the payment or to vary any tax under an Act of Parliament, shall in each financial year, on or before the 30th day of September, the 31st day of December, the 31st day of March and the 30th day of June, make a report to Parliament.

(2) A report made under subsection (1) shall include -

- (a) the person exempted from the payment of tax;
- (b) the reasons for the exemption;
- (c) the amount of tax foregone by the Government; and
- (d) the benefits to Government, from the exemption.

76. Offences

A person commits an offence if that person, without lawful authority under this Act or any other lawful authority-

- (a) without reasonable excuse, fails to provide by the due date, any information the Secretary to the Treasury may reasonably require under section 9 (2) (b);
- (b) without reasonable excuse fails to provide any information that the Accountant General, or a person authorised by him or her may reasonably require under this Act;
- (c) without reasonable cause fails to provide, or willfully obstructs access to any item required under this Act;
- (d) opens or causes to be opened any bank account for public or official use without the permission of the Accountant General or in any other way contravenes section 31(2) in respect of any bank account;
- (e) willfully obstructs access to any item as required under this Act;
- (f) being an Accounting Officer, without reasonable excuse fails to comply with any requirement of this Act or fails to execute duties and functions imposed on him or her under this Act;
- (g) borrows money on behalf of the Government, or repays or converts existing loans;
- (h) issues public securities, or varies their terms and conditions;
- (i) opens a bank account in the name of the Government;
- (j) maintains a bank account for a government purpose outside Uganda;
- (k) lends money or other assets on behalf of the government;

- (l) issues guarantees or indemnities on behalf of the Government;
- (m) issues securities for loans made to the Government;
- (n) disposes of, pledges, or encumbers Government property;
- (o) refuses or neglects to pay any public money into a public or official bank account as may be required;
- (p) incurs unauthorized expenditures or makes unauthorized commitments;
- (q) fails to keep proper records or conceals or wrongfully destroys information that is required to be recorded by this Act;
- (r) makes any statement or declaration, or gives any information or document, required under this Act, knowing it to be false or misleading;
- (s) divulges data in electronic or other form without authority;
- (t) diverts funds to unauthorized activities.

77. Penalties and surcharge.

(1) Any person who commits an offence under section 76 of this Act shall be liable to a penalty not exceeding a fine of two hundred fifty currency points, or a term of imprisonment not exceeding two years or both.

(2) Where-

- (a) a loss of or deficiency in public money that has been advanced to or was under the control of a public officer, occurs; or
- (b) a loss or deficiency of or damage to public property or other property occurs while the property was in the care of a public officer,

and the Minister is satisfied after due inquiry, that the negligence or misconduct of the public officer caused or contributed to the loss or deficiency the amount of the loss or deficiency, the value of the property lost or destroyed or the cost of replacing or repairing the damage to that property, as the case may be, shall be a debt due to the Government, and may be recovered from the public officer either administratively or through a court of competent jurisdiction.

(3) Where the negligence or misconduct of a public officer is not the sole cause of any loss, deficiency or destruction resulting in an action under subsection (2), the amount recoverable from the public officer may be restricted to only the cost of replacing or repairing the loss, deficiency, damage or destruction that the Minister considers, after due enquiry, to be just and equitable, having regard to the contribution made by the public officer to that loss, deficiency, damage or destruction.

(4) In this section a reference to a public officer includes a person who has been a public officer.

78. Regulations

(1) The Minister may, by statutory instrument make regulations for the better carrying into effect this Act.

(2) Notwithstanding the general effect of subsection (1) the Minister shall make regulations for-

- (a) the operation of public accounts;
- (b) recording and controlling expenditure commitments and payments;
- (c) management of assets;
- (d) management of Government debt;
- (e) management of any special fund
- (f) the meeting of audit committees ;
- (g) the abandonment of claims and write off of public moneys and stores; and
- (h) the roles, responsibilities, reporting, conduct and methods of work of audit committees.

(3) Regulations made under this section may prescribe for a contravention of any of the provisions of the regulations, of a fine not exceeding two hundred and fifty currency points, or imprisonment not a term of imprisonment not exceeding three years or both.

79. Repeal of Public Finance and Accountability Act and Budget Act

The Public Finance and Accountability Act, 2003 and the Budget Act, 2001 are repealed.

80. Amendment of the Bank of Uganda Act and the National Audit Act

(1) The Bank of Uganda Act is amended -

(a) in section 4, by substituting for subsection (2) (e) the following -

“(e) act as financial adviser to the Government;”

(b) in section 33 by inserting immediately after subsection (3) the following -

“(4) The bank shall not guarantee a payment to any person on behalf of Government or make an advance to Government or to any person on behalf of Government, without the prior approval of Parliament.”

(2) Section 19 of the National Audit Act is amended by substituting for “nine months” appearing in subsection (2), the words “six months”.

81. Transitional provisions

(1) Any loan raised by the Government under any Act and in respect of which any liability is substituting immediately before the commencement of this Act shall be deemed to be a loan raised under this Act notwithstanding that the amount of the loan or any obligation undertaken by the Government in respect of the loan exceeding any limitation imposed by this Act.

(2) All bills, bonds and other securities issued under any Act and substituting immediately before the commencement, shall continue in effect and be binding in the same manner and to the same extent as if they were issued under this Act.

(3) A state enterprise or a public corporation whose financial year is not in accordance with the financial year in this Act, shall within three years after the commencement of this Act, align its the financial year with the financial year in this Act.

82. Amendment of Schedule

The Minister may, by statutory instrument, with the approval of Cabinet amend the Schedules to this Act.

SCHEDULES

Schedule 1

Currency point

section 4

A currency Point is equivalent to twenty thousand shillings.

Format of Charter of Fiscal Responsibility

1. Statement of fiscal policy objectives

The statement shall indicate the measureable objectives of Government for a fiscal policy of a period of no less than the next three financial years which are consistent with the principles in section 6.

2. Methodology for assessing fiscal performance

The methodology to be used to measure the performance of the Government against the objectives required under paragraph 1 of this Schedule.

3. Sources of data to be used for reporting fiscal performance

The sources of data shall include the consolidated audited accounts of Government and the audited accounts of the Petroleum Fund.

4. Consistency of Charter of Fiscal Responsibility with the principles in section 6

This shall demonstrate of how the fiscal objectives required under paragraph 1 of this Schedule are consistent with the principles in section 6. The consistency shall be determined using the macroeconomic and fiscal data, assumptions, and projections provided in a post election economy and the financial updates.

Format for Budget Framework Paper**1. Medium-Term Macroeconomic Forecast**

The medium term macroeconomic forecast shall indicate the actual, estimate, and projection covering the previous two financial years, the current financial year, and the next five financial years and shall indicate in respect of each financial year the following economic variables -

- (a) the average and year end gross domestic product;
- (b) the rate of inflation (average and year-end);
- (c) the rate of employment and unemployment;
- (d) the average and year end exchange rate;
- (e) the interest rates; and
- (f) the money supply.

2. Medium-Term Fiscal Framework

This is a statement of the government's targets for the variables which are the subject of a fiscal objective under paragraph 1 of Schedule 2.

3. Medium-Term Fiscal Forecast

The medium term fiscal forecast shall cover the previous two financial years, the current financial year, and the next five financial years and shall indicate in respect of each financial year, the following economic variables-

- (a) the non-petroleum revenue of Government in respect of -
 - (i) tax revenue;
 - (ii) non-tax revenue; and
 - (iii) external grants for towards the annual budget and project grants;
- (b) the petroleum revenue;
- (c) the expenditure and net lending of Government for -
 - (i) current expenditure;
 - (ii) investment expenditure; and
 - (iii) net lending;
- (d) the overall balance of Government;
- (e) the non-petroleum revenue balance;
 - (i) financing of Government including -external financing;
 - (ii) domestic financing; and
 - (iii) petroleum fund financing;
- (f) any errors and omissions.

3. Compliance with the Charter of Fiscal Responsibility

This is a demonstration of how the fiscal targets in the Budget Framework Paper are consistent with the objectives set out in the Charter for Fiscal Responsibility.

4. A statement of the resource for the annual budget for the next financial year

A statement of the resource to be endorsed by Parliament and used by the Ministry in the preparation of the budget for the next financial year including-

- (a) a ceiling on total central government expenditure in the budget year;
- (b) a floor on total central government investment in the budget year; and
- (c) a ceiling on total budget funding from the Petroleum Fund in the budget year.

5. A statement of the policy measures

Statement of major expenditure and revenue policies the government plans to introduce in order to ensure that the targets in paragraph 2 and limits in paragraph 4 of this Schedule are respected.

6. Medium-Term Expenditure Framework

The projections of Government expenditure by a vote for the financial year and the next financial year split into current expenditure and investment expenditure.

7. Fiscal Risks Statement

This is a statement of the main sources of risk to the fiscal objectives of Government and a quantified estimation of their fiscal impact including-

- (a) alternate fiscal scenario based on more pessimistic assumptions about key macroeconomic variables; and
- (b) a statement of individual sources of fiscal risks and an estimate of their likely fiscal impact were they to materialize.

Terms and conditions for raising loans.**1. Conditions and terms for bills, bonds and stocks.**

The following terms and conditions shall apply to any loan raised under section 32 of this Act

- (a) bills and bonds shall be issued upon the best and most favorable terms and conditions that can in the opinion of the Minister be obtained;
- (b) no bill issued may provide for maturity at a date later than one year after the date of issue;
- (c) stock shall be issued as registered stock upon the best and most favorable terms and conditions that can, in the opinion of the Minister, be obtained and shall be transferable by a written instrument of transfer;
- (d) every stock certificate lawfully issued shall be *prima facie* evidence of the title of the person named in it for the stock specified in it;
- (e) stock shall be redeemable at par on a date to be named when issuing it, the date not being later than forty years from the date of issue;
- (f) the Minister may reserve the option to redeem the stock in whole or in part, by drawings or otherwise, at any time prior to the date specified in paragraph (e), on such conditions as may be declared at the time of issue;
- (g) on the date appointed for the redemption of the stock or any part of it, all the interest on the principal moneys shall cease to accrue whether payment of the principal has been demanded or not;
- (h) interest on stock, and on bonds if interest is payable on it, shall be payable half-yearly or at such longer intervals as the Minister may direct.

2. Conditions for issue of bills, bonds and stocks.

The Minister may at the time of issue of any bills, bonds or stock, impose conditions, consistent with this Act as to all or any of the following matters-

- (a) the price of issue of the security;
- (b) the denominations in which the security will be issued and transferred;
- (c) the rate of interest;
- (d) in the case of bonds, the rates of capital appreciation which may accrue to the principal moneys;
- (e) the times and places of the repayment of the principal and payment of the interest;

- (f) in the case of bonds in respect of which payments of premiums or prizes are provided for in lieu of, or in addition to the interest, the manner in which the bonds shall be selected or the manner of payment of the premiums or prizes ;
- (g) the exchange of stock into certificates to bearer and the exchange, as circumstances may require, of those certificates into stock;
- (h) the exchange of bonds, during their currency, into stock; or
- (i) any other conditions he or she may deem expedient.

3. Exemption from stamp duty.

No stamp duty shall be payable in respect of any interest certificate or transfer stock.

4. Exemption from laws relating to lotteries.

Nothing in any written law relating to lotteries shall apply in relation to bonds issued under this Act by reason of any use or proposed use of chance to select particular bonds for special benefits, if the terms of the issue provide for the repayment in full of the amount subscribed for those bonds.

5. Interest subject to withholding tax.

For the avoidance of doubt, any interest on bills, bonds and stock shall be deemed to be interest for the purpose of the Income Tax Act, and the provisions of that Act relating to withholding tax shall apply to that interest; unless that interest is exempt from withholding tax by an order made under that Act.

SCHEDULE 5

section 48

Provisions for Submission of Accounts.

1. Accounts to be submitted by the Accountant General

The following accounts shall be submitted to the Auditor General and the Minister by the Accountant General-

- (a) a balance sheet showing the consolidated assets and liabilities of all public funds and other entities wholly funded through the Consolidated Fund;
- (b) a consolidated statement of the cashflow for all public funds and other entities wholly funded through the Consolidated Fund showing the revenues, expenditures and financing for the year;
- (c) a balance sheet showing the assets and liabilities of the Consolidated Fund;
- (d) a statement of the cashflow for the Consolidated Fund showing the revenues, expenditures and financing of the fund for the year;
- (e) a summary statement of revenue and expenditure, being a summary of all the statements signed by Accounting Officers under subparagraphs (a) and (c) of paragraph 2 of this Schedule;
- (f) a statement of the amounts outstanding at the end of the year in respect of the Government debt;
- (g) a statement of the amounts guaranteed by the Government at the end of the financial year in respect of bank overdrafts, loans, public loan issues and other contingent liabilities;
- (h) a statement of the amount outstanding at the end of the year in respect of loans issued by the Government;
- (i) a statement of investments held by the Government at the end of the year showing the original cost and current value;
- (j) a statement of the net worth of all state enterprises as at the end of the financial year;
- (k) a statement of losses of public moneys and stores written off and claims abandoned during the financial year and the authority for such write off or abandonment;

- (l) a statement of losses of public moneys and stores reported during the year whether written off or not;
- (m) a summary statement of arrears of revenue for each revenue head, being a summary of the statements of arrears of revenue signed by Accounting Officers under sub-paragraph (d) of paragraph 2 of this Schedule;
- (n) a summary statement of commitments outstanding for the supply of goods and services for each vote at the end of the financial year being a summary of the amount included for such commitments in the statement signed by Accounting Officers under subparagraph (b) of paragraph 2 of this Schedule;
- (o) a summary statement of stores and other assets for each vote, being a summary of the statement of assets signed by Accounting Officers under subparagraph (e) of paragraph 2 of this Schedule; and
- (p) any other statement and in the form Parliament may from time to time require.

2. Accounts to be submitted by Accounting Officers.

The following accounts shall be submitted to the Accountant General by Accounting Officers-

- (a) an appropriation account signed by the Accounting Officer showing the services for which the moneys expended were voted, the sums actually expended on each service, and the state of each vote compared with the amount appropriated for that vote by Parliament;
- (b) a statement signed by the Accounting Officer and in the form the Accountant General may direct containing the amount of commitments outstanding for the supply, goods and services at the end of the financial year and any other information the Minister may require;
- (c) a statement of revenues received signed by the Accounting Officer and in the form the Accountant General may direct showing the amount contained in the estimates of revenue for each source of revenue, the amount actually collected and containing an explanation for any variation between the revenues actually collected and the amount estimated;
- (d) a statement of arrears of revenue signed by the Accounting Officer showing the amount outstanding at the end of the financial year for each source of revenue and containing information in the form the Accountant General may direct; a nil return should be submitted if appropriate;
- (e) a statement of assets signed by the Accounting Officer containing details and values of all unallocated stores under his or her control at the end of the financial year, together with

the details and values of any other classes of assets under the control of the Accounting Officer as the Accountant-General may from time to time determine;

- (f) a statement of performance providing each class of outputs provided during the year signed by the Accounting Officer that-
 - (i) compares that performance with the forecast of the performance contained in the estimates laid before Parliament under section 11(8) (b); and
 - (ii) gives particulars of the extent to which the performance criteria specified in that estimate in relation to the provision of those outputs was satisfied; and
- (g) any other statements and in the form the Accountant-General may from time to time require.

SCHEDULE 6

Formula for sharing of revenue from royalties.

section 73

1. The royalty share for a local Government is a function of the sum of the weighted population share and the weighted production share as represented below:

$$\text{LGRS} = R/2 * (\text{Weighted LG population share} + \text{Weighted LG Production Share})$$

Where; LGRS is the local Government Royalty revenue share;

LG is the local government; and

R is the total Local Government Royalty Share.

* R/2 splits the royalty into two halves. The first half to be shared on the basis of population and the second on the basis of production.

2. Weighted LG population share represents the population share of a particular local government in the overall population of all the local governments located in the oil rich region and recognizes that the entire population within the oil and gas region will be affected by the industry activity regardless of whether their specific localities are in production and therefore must receive some form of compensation. The weighted LG population share entitles all eligible local governments within the oil and gas resource regions to a share of the royalties irrespective of the stage of activity undertaken.

3. Weighted LG production share represents the share of a particular district in the overall level of production of all the local government located in the oil rich region. The weighted LG production share is intended to compensate local governments on the basis of the level of production.