

**ACTS SUPPLEMENT**

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**Act 3**                      *Public Finance Management Act*                      **2015**

**THE PUBLIC FINANCE MANAGEMENT ACT, 2015.**

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**THE PUBLIC FINANCE MANAGEMENT ACT, 2015**

**An Act to provide for fiscal and macroeconomic management; to provide for the Charter for 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 virements, multiyear expenditures, supplementary budgets and excess expenditure; to provide for the Contingencies Fund; to provide for the Consolidated Fund 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 and for the management of the Petroleum Revenue Investment Reserve; to provide for the role of Bank of Uganda in the operational management of the Petroleum**

**Revenue 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 and the Petroleum Revenue Investment Reserve; to provide for the sharing of royalties; to provide for offences; to repeal the Public Finance and Accountability Act, 2003 and to provide for connected matters.**

DATE OF ASSENT: 23rd February, 2015.

*Date of Commencement:* 6th March, 2015.

BE IT ENACTED by Parliament as follows:

#### PART I—PRELIMINARY

### **1. Commencement.**

This Act shall come into force upon assent by the President and publication in the gazette.

### **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 a sound fiscal policy and macroeconomic management;
- (b) the processes for the preparation, approval and management of a transparent, credible and predictable annual budget;
- (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 controls; and

- (f) the legal and regulatory framework for the collection, allocation and management of petroleum revenue.

**3. Interpretation.**

In this Act unless the context otherwise requires—

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

“Accounting Officer” means a person who is—

- (a) designated or appointed in writing, as Accounting Officer, by the Secretary to the Treasury, to be responsible for a vote; or
- (b) appointed as Accounting Officer under an Act of Parliament or under an instrument of appointment made under an Act of Parliament, to be responsible for a vote;

“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 the Consolidated Fund or the Petroleum Fund under specified conditions or for a specified purpose;

“Appropriation Act” means the Act passed in accordance with Article 156 of the Constitution, which authorises expenditure of public money for a financial year;

“budget” means the Government plan of revenue and expenditure for a financial year;

“budgeting” 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 or other valuable physical stock;

“classified expenditure” means the expenses and commitments incurred by an authorized agency for the collection and dissemination of information related to national security interests and includes the cost of procurement and maintenance of the related assets;

“commitment” 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 Consolidated Fund established under Article 153 of the Constitution;

“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 the financial information of a vote;



“Government” means the central Government;

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

“Investment Advisory Committee” means the committee established under section 66;

“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 the case;

“medium-term” means a period of three to five years;

“Minister” means the Minister responsible for finance;

“Ministry” means the Ministry responsible for finance;

“National Oil Company” means the company established under the Petroleum (Exploration, Development and Production) Act, 2013;

“non-oil revenue” means revenue derived from a source other than petroleum;

“petroleum revenue” means tax paid under the Income Tax Act on income derived from petroleum operations, Government share of production, signature bonus, surface rentals, royalties, proceeds from the sale of Government share of production, any dividends due to Government, proceeds from the sale of Government’s commercial interests and any other duties or fees payable to the Government from contract revenues under a petroleum agreement;

“Petroleum Fund” means the fund established under section 56;

“Petroleum Revenue Investment Reserve” means the investment reserve referred to in section 62;

“public corporation” means—

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

“public debt” includes the interest on that debt, sinking fund payments in respect of that debt and the costs, charges and expenses incidental to the management of that debt;

“public money” means money received by a vote or collected for a purpose of Government 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 the purposes of Government and any other money that the Minister or the Secretary to the Treasury may direct to be paid into a public or official bank account;

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

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

“sector” means a group of institutions or votes that have common functions, objectives and mandates;

“Secretary to the Treasury” means a person appointed as such under section 11;

“state enterprise” means—

- (a) a body corporate established under any Act other than the Companies Act or a local government council; and
- (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; or
  - (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 money appropriated or granted by an Appropriation Act or a Supplementary Appropriation Act;

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

“Supplementary Appropriation Act” means an Act passed in accordance with Article 154 (3) of the Constitution, the purpose of which is to supplement an appropriation granted by an Appropriation Act;

“Treasury memorandum” means an action report by the Minister detailing the actions taken on the recommendations of Parliament arising out of the report of the Auditor-General;

“virement” means the reallocation of funds within the budget of a vote, from a budget line to another budget line;

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

## PART II—MACROECONOMIC AND FISCAL POLICIES

### **4. Development of fiscal policy.**

(1) The objective of the Government, when setting fiscal objectives within the macroeconomic framework, shall be to ensure macroeconomic stability and economic growth having regard to the National Development Plan.

(2) The fiscal objectives shall be based on the following principles—

- (a) sufficiency in revenue mobilisation to finance Government programmes;
- (b) maintenance of prudent and sustainable levels of public debt;
- (c) ensuring that the fiscal balance, when calculated without petroleum revenues, is maintained at a sustainable level over the medium term;
- (d) management of revenues from petroleum resources and other finite natural resources for the benefit of current and future generations;
- (e) management of fiscal risks in a prudent manner;
- (f) consistency of the Medium Term Expenditure Framework to the National Development Plan; and
- (g) efficiency, effectiveness and value for money in expenditure.

(3) For the purposes of this section, the Minister shall set measurable fiscal objectives for the fiscal principles in subsection (2) (a) to (e) in the Charter for Fiscal Responsibility and the annual Budget Framework Paper.

## **5. Charter for Fiscal Responsibility.**

(1) The Minister shall, not later than three months after the first sitting of Parliament after a general election, submit to Parliament for approval—

- (a) a Charter for Fiscal Responsibility which shall provide—
  - (i) a statement indicating the measurable objectives for the fiscal policy for a period of not less than the next three financial years, which are consistent with the principles set out in section 4;

- (ii) an explanation of the methodology to be used to measure the performance of Government against the fiscal policy objectives required in subsection (1)(a)(i);
- (iii) a list of the sources of data to be used to report developments against the fiscal objectives required in subsection (1)(a)(i); and
- (iv) a demonstration of how the fiscal objectives set out under subsection (1)(a)(i) are consistent with principles set out in section 4 using the macroeconomic and fiscal data, assumptions, and projections provided in the economic and fiscal update referred to in subsection (1)(b); and

(b) an economic and fiscal update which shall be in accordance with the requirements of this section.

(2) The Minister shall publish the Charter for Fiscal Responsibility and the economic and fiscal update not later than one month after approval by Parliament or such a time as may be determined by Parliament.

(3) The Minister may, using the principles of Fiscal Responsibility, update the Charter for Fiscal Responsibility.

(4) The Minister shall present to Parliament the updated Charter for Fiscal Responsibility.

(5) Parliament shall examine, and may approve, the Charter for Fiscal Responsibility.

(6) The Minister shall, within one week after approval by Parliament, publish the updated Charter for Fiscal Responsibility.

(7) The Charter for Fiscal Responsibility shall be in the format provided in Schedule 2.

**6. Cabinet to adhere to the principles of fiscal policy.**

Cabinet shall, in making decisions with implications on public finances, or in determining, formulating and implementing Government policies as well as in performing any other functions conferred on it by this or any other Act, adhere to the Charter for Fiscal Responsibility and other requirements of this Act.

**7. Deviations from objectives of the Charter for Fiscal Responsibility.**

(1) The Minister may, with the approval of Parliament, deviate from the objectives in the Charter for 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 Contingency Fund or other funding mechanism provided in this Act or using prudent fiscal policy adjustments.

(2) The Minister shall within thirty days after deviation, publish a report in the gazette and on the website of the Ministry.

**8. Tax and revenue bills.**

The Minister shall, as part of achieving the objectives of the Charter for Fiscal Responsibility, present to Parliament tax and revenue bills which give the Government power to obtain money from taxes, fees, charges and other impositions to be proposed in the annual budget.

**9. Budget Framework Paper.**

(1) Each Accounting Officer shall, in consultation with the relevant stakeholders, prepare a Budget Framework Paper for the vote, taking into consideration balanced development, gender and equity responsiveness and shall submit the Budget Framework Paper to the Minister.

(2) For the purposes of subsection (1), each Accounting Officer shall prepare and submit a Budget Framework Paper by 15th November of the financial year preceding the financial year to which the Budget Framework Paper relates.

(3) The Minister shall for each financial year, prepare a Budget Framework Paper which shall be consistent with the National Development Plan and with the Charter for Fiscal Responsibility.

(4) The Budget Framework Paper shall be in the format prescribed in Schedule 3.

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

(6) The Minister shall, in consultation with the Equal Opportunities Commission, issue a certificate—

- (a) certifying that the budget framework paper is gender and equity responsive; and
- (b) specifying measures taken to equalize opportunities for women, men, persons with disabilities and other marginalized groups.

(7) The Speaker shall refer the budget framework paper to the relevant committee for consideration.

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

### **10. Establishment of Treasury.**

(1) There is established the Treasury consisting of—

- (a) the Minister,
- (b) the Secretary to the Treasury,



- (c) the Accountant–General, and
- (d) the other directorates responsible for economic and finance matters in the Ministry.

(2) For avoidance of doubt, the Minister shall be the head of the Treasury.

**11. Appointment and functions of the Secretary to the Treasury.**

(1) There is a Secretary to the Treasury appointed by the President on the recommendation of the Public Service Commission.

(2) The Secretary to the Treasury shall—

- (a) advise the Minister on economic, budgetary, and financial matters;
- (b) coordinate the preparation of the Charter for Fiscal Responsibility, 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 and expenditure and the assets and liabilities of votes;
- (d) set standards for the financial management systems and monitor the performance of those systems;
- (e) ensure that the internal audit function of each vote and public corporation is appropriate to the needs of the vote or public corporation concerned and conforms to internationally recognized standards, in respect of its status and procedures;
- (f) manage the Consolidated Fund and any other fund as may be assigned by the Minister;

- (g) appoint or designate accounting officers in accordance with this Act, except that the Secretary to the Treasury shall not appoint or designate a person an accounting officer where, according to the report of an Internal Auditor General or the Auditor-General, that person has not accounted for the public resources or assets of the vote for a financial year;
- (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) where necessary, create a vote;
- (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) every three months, prepare for the Minister, a report on the execution of the annual budget by the Government.

(3) In the discharge of the functions in subsection (2), the Secretary to the Treasury may—

- (a) issue directives and instructions to Accounting Officers;
- (b) in writing, require an Accounting Officer or an Accounting Officer of a local government to supply any information that the Secretary to the Treasury considers necessary for the purposes of this Act; and
- (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 money and records regulated by this Act.

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

## **12. Parliament to analyse policy issues.**

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

(2) 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 for Fiscal Responsibility and the Budget Framework Paper.

### PART III—BUDGET PREPARATION, APPROVAL AND MANAGEMENT

## **13. Annual budget.**

(1) The President shall cause to be prepared and laid before Parliament the proposed annual budget of Government for a financial year.

(2) The proposed annual budget shall be prepared in consultation with the relevant stakeholders.

(3) The Minister shall, on behalf of the President, present the proposed annual budget of a financial year to Parliament, by the 1st of April of the preceding financial year.

(4) The Speaker shall commit the proposed annual budget to the Budget Committee of Parliament and to each sectoral committee of Parliament the part of the annual budget that falls within the jurisdiction of that sectoral committee.

(5) The annual budget shall be effective on the 1st day of July of each year.

(6) The annual budget shall be consistent with the National Development Plan, the Charter for Fiscal Responsibility and the Budget Framework Paper.

(7) The annual budget shall be accompanied by a certificate of compliance of the annual budget of the previous financial year issued by the National Planning Authority.

(8) The annual budget shall be based on sound analysis and forecasts of macroeconomic developments and fiscal prospects.

(9) The annual budget shall—

- (a) set out the recent trends and developments on the indicators of the economy and provide forecasts of the indicators, for a period of five years;
- (b) specify the period considered by the Minister to be appropriate for the planning of the fiscal policy of the Government;
- (c) 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.

(10) The annual budget shall indicate—

- (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 domestic financing of the annual budget including borrowings by Government and the drawing down of Government deposits;

- (iii) the plans for external financing of the budget in the form of borrowing and grants;
  - (iv) a plan for the government debt and any other financial liabilities for the financial year to which the annual budget relates;
  - (v) the plan for the guarantees to be issued in the financial year;
  - (vi) money recovered as a result of the recommendation of the report of the Auditor General; and
  - (vii) 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 to be made by Government in the financial year;
  - (d) a statement of the tax expenditures of Government;
  - (e) the budgets of self accounting departments, commissions and organisations set up under the Constitution and the opinion of the Government on these budgets; and
  - (f) the grants to the local governments and any subventions for the financial year.
- (11) The Minister shall present with the annual budget—
- (a) the Appropriation Bill and any other Bills that are necessary to implement the annual budget;
  - (b) a Treasury memorandum specifying the measures taken by the Ministry to implement the recommendations of Parliament in respect to the report of the Auditor General of the preceding financial year, on the management of the Treasury;

- (c) a statement of budget 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 for Fiscal Responsibility;
- (d) a list of Accounting Officers appointed or designated under section 11 (2) (g);
- (e) a certificate issued by the Minister responsible for Finance in consultation with the Equal Opportunities Commission—
  - (i) certifying that the budget is gender and equity responsive; and
  - (ii) specifying the measures taken to equalise opportunities for men, women, persons with disabilities and other marginalised groups; and
- (f) the budgets of the public corporations and state enterprises.

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

(13) The Minister responsible for a vote, ministry or the head responsible for a vote, shall by the 15th of March submit to Parliament, the policy statements for the proceeding financial year, for the Ministries or the other votes, as the case may be.

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

(15) A policy statement shall contain—

- (a) the achievements of the vote for the previous financial year;

- (b) the annual and three months work plans and outcome, the objectives, outputs, targets and performance indicators of the work plans and outcomes;
- (c) the annual procurement plan of the vote;
- (d) the annual recruitment plan of the vote;
- (e) a statement of the actions taken by the vote to implement the recommendations of Parliament in respect to the report of the Auditor General of the preceding financial year;
- (f) the cash flow projections of the vote;
- (g) a certificate issued by the Minister responsible for Finance in consultation with the Equal Opportunities Commission;
  - (i) certifying that the policy statement is gender and equity responsive; and
  - (ii) specifying measures taken to equalise opportunities for men, women, persons with disabilities and other marginalised groups;
- (h) vehicle utilization report; and
- (i) the asset register of the votes in the format issued by the Accountant-General.

**14. Approval of annual budget by Parliament.**

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

(2) The Speaker may extend any period for consideration and approval of the annual budget by Parliament for a reasonable period.

(3) 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 money from the Consolidated Fund for purposes of meeting the 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.

### **15. 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 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 the Accounting Officers.

(3) An Accounting Officer shall commit the budget of a vote, based on the annual cashflow plan issued under this section.

### **16. Report on expenditure commitments.**

(1) An Accounting Officer shall, every three months prepare and submit to the Secretary to the Treasury, an 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 expenditure commitment report of all the votes, to the Minister, within thirty days after the end of the three months.

### **17. 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) A vote that does not expend money that was appropriated to the vote for the financial year shall at the close of the financial year, repay the money to the Consolidated Fund.

(3) A vote that repays money under subsection (2) shall revise its annual workplan, procurement plan and recruitment plan to take into account the unexpended money and the Minister responsible for the vote shall submit, as part of the budget for the preceding year, the revised workplan, procurement plan and recruitment plan to the Minister.

(4) Where a local government does not utilise at least 60 per cent of the unconditional or equalisation grant within a financial year, the local government shall by the 31st of July of the following financial year, explain in writing to the Minister, the reasons for its failure to utilise the grant.

(5) The Minister shall make a report to Parliament explaining the reasons for the non-utilization of the grant.

### **18. Reporting on fiscal performance.**

(1) The Minister shall, by the end of February and October of each financial year, make a report to Parliament on—

- (a) the current and projected state of the economy;
- (b) the performance of Government against the objectives of the Charter for Fiscal Responsibility;
- (c) the financial and non-financial performance of the annual budget;
- (d) the Contingencies Fund; and
- (e) the virements made under section 22, if any;
- (f) the performance of the Petroleum Fund; and
- (g) donations made to a vote, if any.

(2) The report made under subsection (1), shall indicate—

- (a) the macroeconomic and fiscal forecasts in the annual budget and the changes, if any, to these forecasts;
- (b) the execution of the annual budget compared to the appropriations approved by Parliament;
- (c) how the changes in the forecasts in paragraph (a), if any, and how the actual fiscal performance may affect compliance with the objectives in the Charter for Fiscal Responsibility and the targets set in the Budget Framework Paper; and
- (d) how the changes, if any, in the fiscal deficit are to be financed.

(3) The Minister shall at least twice in a financial year, in consultation with all votes, review the fiscal progress towards achieving the annual goals and the expected outputs defined in the annual budget.

(4) The consultation required in subsection (3) shall identify the corrective measures, including the adjustments to the medium-term expenditure frameworks as well as the requirement for any supplementary budgets or any reallocations to be undertaken.

### **19. Publication of Pre and Post-Election Economic and Fiscal Reports by the Minister.**

(1) The Minister shall publish—

- (a) a pre-election economic and fiscal update not earlier than four months before the polling day for a general election; and
- (b) a post-election economic and fiscal update not later than four months after the polling day of a general election.

(2) The economic and fiscal update shall—

- (a) detail all the election related spending including the expenses of the Electoral Commission for the cost of the general election and any other expenses of a vote related to the election;
- (b) be accompanied by a statement signed by the Secretary to the Treasury stating that the economic and fiscal update includes–
  - (i) all the policy decisions with economic and fiscal implications that the Government made before the day on which the contents of the economic and fiscal updates were finalised; and
  - (ii) all the other circumstances with economic and fiscal implications which the Ministry was aware of on the day on which the contents of the economic and fiscal updates were finalised.

**20. Reallocation of funds from a vote .**

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

**21. Budget execution by Accounting Officers.**

(1) An Accounting Officer shall, based on the annual cashflow plan issued by the Secretary to the Treasury under section 15, plan and manage the activities as indicated in the policy statement of the vote.

(2) 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.

(3) 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.

**22. Virements.**

(1) The Minister may, upon request by an Accounting Officer, vary within a vote, the amount of the money allocated to the vote.

(2) A virement made under subsection (1) shall not—

- (a) be more than ten percent of the money allocated for an item or an activity of a vote where the virement is from one item or activity to another;
- (b) be contentious; or
- (c) result into a future liability for the vote or the Government.

**23. 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 or contingent liability is authorised by Parliament.

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

(3) For avoidance of doubt, subsection (2) shall only apply where the multiyear commitment is consistent with the objectives of the Charter for Fiscal Responsibility and the Budget Framework Paper.

(4) The Minister shall for every financial year submit to Parliament a report on the performance of the multiyear commitments made.

**24. Classified Expenditure.**

(1) The money appropriated for classified expenditure shall only be used for defence and national security purposes.

(2) A committee of Parliament comprising the chairperson of the Committee responsible for budget, the chairperson of the Committee responsible for defence and internal affairs, and another member appointed by the Speaker shall scrutinise the classified expenditure budget in a closed session.

(3) To ensure the confidentiality of defence and national security matters, a budget for classified expenditure shall be presented as a single line item.

(4) An Accounting Officer of a vote to which subsection (3) applies shall, in accordance with standards and guidelines issued by the Accountant General, establish appropriate systems of internal control in respect of the transactions and resources of the vote.

(5) Where money appropriated by Parliament for classified purposes is not sufficient, the supplementary funding shall be in accordance with the requirements of section 25.

**25. 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 the Appropriation Act, a supplementary estimate, showing the amount required, shall be laid before Parliament, by the Minister through a Supplementary Appropriation Bill.

(2) For the purposes of Article 156 (2) (b) of the Constitution, the total sum of money that may be expended by Government for any purpose, in excess of the amount appropriated for a purpose for which no money was appropriated by the Appropriation Act, shall not exceed the total of the money appropriated to the Contingencies Fund.

(3) The Minister may, upon request by an Accounting Officer, approve a supplementary budget of up to 10 per cent of the Contingencies Fund.

(4) The supplementary budget under subsection (3) shall be financed from the Contingencies Fund in accordance with section 26 (8).

(5) The appropriated budget of a vote under subsection (3) shall not include any supplementary budget of the vote.

(6) Parliament may approve a supplementary appropriation or the Minister may approve a supplementary budget, as the case may be, where the supplementary expenditure is unabsorbable, unavoidable and unforeseeable.

(7) For the purposes of this section—

- (a) “unabsorbable” means an expenditure that cannot be funded through virement;
- (b) “unavoidable” means an expenditure that cannot be postponed to the next financial year; and
- (c) “unforeseeable” does not include an expenditure that was foreseeable by the vote at the time of preparation of the budget of the vote or an expenditure that should have been included in the budget of the vote.

(8) Where the Minister considers that the supplementary expenditure sought under a Supplementary Appropriation Bill is likely to breach the principles in section 4 or the objectives of the Charter for Fiscal Responsibility, the Minister shall apply section 7.

(9) Any expenditure which is in excess of the appropriated budget of a vote and which is not in accordance with this section shall be treated as loss of public funds as provided for under section 80 (1).

## PART IV—CONTINGENCIES FUND

**26. The Contingencies Fund.**

(1) There is established a Contingencies Fund which shall, every financial year, be replenished with an amount equivalent to three and a half percent of the appropriated annual budget of Government of the previous financial year.

(2) For avoidance of doubt, the appropriated annual budget of Government under subsection (1) shall not include any supplementary budget.

(3) The Contingencies Fund shall form part of the annual budget and Parliament may, in addition to the amount under subsection (1), appropriate such other money as it may deem necessary.

(4) The Contingencies Fund shall be used to provide funding for supplementary expenditure under section 25 and to respond to natural disaster, as specified in this Part.

(5) Eighty five percent of the money of the Contingencies Fund shall be used to finance supplementary expenditure and fifteen percent shall be allocated to finance responses to natural disasters.

(6) Where required, more than fifteen percent of the money may be used to finance 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 (4).

(10) An appropriation to the Contingencies Fund shall expire and cease to have any effect at the close of the financial year for which it is made.

(11) Any balance of any money that is withdrawn from the Contingencies Fund that is not committed by the close of a financial year, shall be repaid into the Contingencies Fund by 31st of July.

(12) A report made under section 18 (1) (d) shall indicate—

- (a) the date of withdrawal of money from the Contingencies Fund;
- (b) the amount withdrawn;
- (c) the vote that received the funds;
- (d) the purpose of the expenditure; and
- (e) an explanation confirming that the withdrawal complies with the requirements of this Part.

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

(14) A withdrawal that is invalidated by Parliament under subsection (13) shall be treated as a loss of public funds as provided for under section 80 (1).

(15) The Accountant General shall, for every financial year, prepare and submit to the Auditor-General, the accounts of the Contingencies Fund.

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



**27. Responses to natural disasters to be funded from the Contingencies Fund.**

(1) The money in the Contingencies Fund which is reserved for financing responses to 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 (3) are met.

(2) A financial donation or a donation in kind, made to a vote towards responding to a disaster, shall be declared by the Minister within 30 days of receipt and the financial donation or the donation in kind shall form part of the report made under section 18 (1).

(3) 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.

**28. Supplementary expenditure financed from the Contingencies Fund.**

(1) The Minister shall authorise withdrawals from the Contingencies Fund for supplementary expenditure which is authorized under section 25 (3).

(2) The Minister responsible for a vote or the head responsible for a vote, that requires financing from the Contingencies Fund, shall make a request, in writing, to the Minister requesting for the financing.

(3) A request under subsection (2) shall indicate—

- (a) the recipient of the funding, the amount required and the purpose for which the funding is required; and
- (b) justification of why the funding cannot be delayed to another financial year.

(4) 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 AND ASSET.

**29. Collection and deposit of revenue and retention of revenue.**

(1) Revenue shall not be collected or received by a vote, state enterprise or public corporation, except where the vote, state enterprise or public corporation is authorised by an Act of Parliament to collect or receive revenue.

(2) The revenue collected or received by a vote, state enterprise or public corporation under subsection (1) shall be—

- (a) paid into and shall form part of the Consolidated Fund; or
- (b) receivable into a public fund established for a specific purpose where this is authorised by an Act of Parliament.

(3) A vote, state enterprise or public corporation shall retain revenue collected or received, where the revenue—

- (a) is in the form of levies, licences, fees or fines and the vote, state enterprise or public corporation is authorised through appropriation by Parliament to retain the revenue;
- (b) is a monetary grant exempted by the Minister under section 44.

(4) Notwithstanding subsection (3), any revenue received by a vote, state enterprise or public corporation in the form of fines or fees, which is refundable at a future date on fulfillment of specified conditions, shall not form part of the Consolidated Fund and shall be held in trust by the Government, in the Bank of Uganda.

**30. The Consolidated Fund.**

(1) All revenues or other money 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 29 (2) (b) and (3).

(2) Dividends due to Government shall be paid into the Consolidated Fund without any deductions.

(3) For the avoidance of doubt, revenue raised or received for the purpose of the Government, does not include money received on deposit or money 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.

**31. 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 for the funds that are payable for—

(a) statutory expenditure, during a financial year; and

(b) 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.

**32. Withdrawals from the Consolidated Fund.**

(1) Money contained in the Consolidated Fund shall not be withdrawn except upon the authority of a warrant issued 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 31.

(3) The Minister shall issue a warrant for expenditure that is—

- (a) authorised for the financial year during which the withdrawal is to take place by an Appropriation Act or a Supplementary Appropriation Act;
- (b) a statutory expenditure;
- (c) for repaying money received in error by the Consolidated Fund; or
- (d) 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.

(4) 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.

**33. Bank account management.**

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

(2) A bank account shall not be opened to receive or spend public money without written authority of the Accountant General.

(3) A local government shall not open a bank account without the written authority of the Accountant General.

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

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

(6) For the avoidance of doubt, the Bank of Uganda shall be the depository of cash for the recurrent and development operations of the votes.

(7) The Accountant General may authorise a vote to open a bank account in a financial institution.

(8) The Accountant General shall regulate the operation of a bank account of a vote and may suspend or close a bank account if he or she deems it necessary in public interest.

(9) An Accounting Officer shall notify the Accountant General in writing of the closure of a bank account under his or her control, within thirty days of the closure.

(10) The Bank of Uganda or where applicable, a financial institution that holds a 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.

### **34. Asset management**

(1) An Accounting Officer shall be responsible for the management of the assets and the inventories of the vote.

(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 cause 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 on the first day of a financial year, appoint a Board of Surveys for each vote, to survey the assets of the vote, for 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 land or any other asset of a Vote without the permission of Parliament.

(7) Where a vote requires to acquire an asset by lease or hire purchase or to acquire a used asset, the Accounting Officer shall, prior to acquiring the asset by lease or hire purchase or acquiring a used asset, obtain the authorization of the Secretary to the Treasury.

(8) The Accountant General shall issue guidelines for accounting for Government assets and for recording and reporting Government assets.

(9) In this section—

(a) “assets”, mean physical assets and financial assets.

(b) “financial assets”, include deposits, cheques, loans, accounts receivable and marketable securities including bonds, notes and shares.

**35. Abandonment of claims and write off of public money and stores.**

(1) Where the Minister seeks to abandon or remit any claim by or on behalf of the Government, or any service to the Government or to write off a loss of, or a deficiency in public money or public resources, the Minister shall seek the approval of Parliament.

(2) The approval referred to under subsection (1) shall be by a resolution of Parliament, which shall specify the amount authorised for each abandonment or write off and the total sum authorised to be written off or abandoned.

(3) Notwithstanding subsection (1), the Minister may, without the approval of Parliament, abandon and remit any claims by or on behalf of the Government, or any service to the Government and write off a loss of, or a deficiency in public money or public resources, where the amount of the loss or deficiency does not exceed ten million shillings.

(4) The Minister may surcharge a public officer for a loss of, or a deficiency in public money or public resources, not exceeding ten million shillings.

(5) The Minister shall, within three months after the end of a financial year table before Parliament a report detailing—

- (a) the measures aimed at controlling the regularity and proper use of the money appropriated to a vote;
- (b) the authorizations of commitments for a vote;
- (c) the public officers surcharged for loss of, or a deficiency in public money or public resources.

(6) The sums written off or abandoned by the Minister under this section, shall be included in a Supplementary Appropriation Bill.

(7) Where a loss or an abandonment of a loss or a remittance of the total loss which is abandoned or remitted exceeds the amount authorised by Parliament, the amount in excess shall be treated as loss of public funds, as provided for under section 80 (1).

## PART VI—PUBLIC DEBT, GRANTS AND GUARANTEES.

**36. Authority to raise loans.**

(1) Subject to the Constitution, the authority to raise money by loan and to issue guarantees for and on behalf of the Government shall vest solely in the Minister and no other person, public corporation, state enterprise or local government council shall, without the prior approval of the Minister, raise any loan, 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 may raise a loan—

- (a) to finance a budget deficit;
- (b) for the management of a 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) The value of Government bills, bonds or stocks issued in a financial year to raise a loan in subsection (2), except a loan specified in sub-section (2)(b) or a loan raised through the issuance of securities shall not exceed the value indicated in respect of that loan in the annual budget for that financial year.

(5) With the exception of a loan raised for the purpose of subsection (2) (b) or a loan raised through issuance of securities, 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 Parliament, by a resolution.



(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 the money of the Consolidated Fund is available, except for a loan raised for the purpose of sub-section (2)(b), which shall be held in a special fund.

### **37. Repayment, conversion and consolidation of loans.**

(1) The Minister may—

- (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.

(2) For the purposes of subsection (1), the Minister shall where necessary, seek the approval of the lender and Parliament.

### **38. Expenses of loans.**

The expenses of, and incidental to the raising of a loan and the issue or management of any money raised under section 36 shall be a charge on the Consolidated Fund, or if the Minister directs, shall be payable out of the principal money raised.

### **39. Authority to guarantee loans.**

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

- (a) a state enterprise;
- (b) a local government council;
- (c) any entity other than a local government council, which is required to be audited by the Auditor General under an Act of Parliament; or

(d) a private sector entity.

(2) The Minister shall, prior to guaranteeing a loan under subsection (1) determine that—

(a) the intended purpose of the loan is consistent with government policy and is in public interest; and

(b) the borrowing entity is capable of servicing the loan.

(3) A guarantee shall not exceed—

(a) the amount approved by Parliament in the Appropriation Act or Supplementary Appropriation Act of the financial year; or

(b) exceed the targets for guarantee specified in the Charter for Fiscal Responsibility.

(4) The Minister shall every financial year, table before Parliament, with the annual budget, a report of the existing guarantees which shall include an analysis of the risk associated with those guarantees.

#### **40. Reimbursement of costs of a guarantee.**

(1) Where the Minister guarantees a loan under section 39, the state enterprise, local government council, other entity other than a local government council, which is required to be audited by the Auditor General under an Act of Parliament, or a private sector entity, for whose benefit that guarantee is given, shall reimburse the Government in the manner the Minister may direct.

(2) A reimbursement under subsection (1) shall include—

(a) the money the Government paid to fulfill the guarantee;

(b) the expenses the Government incurred in relation to the guarantee;

(c) the interest or service charge in relation to that sum or money paid by the Government; and

- (d) any other expenses, incurred by Government, as the Minister may determine.

(3) The money received under this section shall be paid into the Consolidated Fund.

#### **41. Amounts due on loans or guarantees to be charged on Consolidated Fund.**

Any sum of money due from the Government, shall be charged on and paid out of the Consolidated Fund without further appropriation, where the money is for—

- (a) the repayment of a loan or payment of interest,
- (b) interest on or in respect of any bond or stock issued under section 36(3) and in accordance with Schedule 4 to this Act; or
- (c) a guarantee given under section 39.

#### **42. Management of public debt.**

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

(2) The Minister shall, by 1st April, prepare and submit to Parliament a detailed report of the preceding financial year, on the management of the public debt, guarantees and the other financial liabilities of Government.

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

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

**43. Management of projects funded by loans and grants.**

(1) All expenditure to be incurred by the Government on projects which are externally financed, in a financial year, shall be appropriated by Parliament.

(2) The Minister shall on the advice of the Accountant General, request the Auditor-General to issue a grant of credit in respect of loans and grants for services to be rendered during a financial year, where the funds are authorized by an Appropriation Act or a Supplementary Appropriation Act.

(3) Where a vote is to receive a loan or a grant for a proposed project, the Accounting Officer of the vote shall, in the budget of the vote, provide the costs and appraisal of the proposed project.

(4) A bank account of a project which is externally financed shall be managed in accordance with the terms and conditions as the Accountant-General may determine.

(5) The preparation and reporting of accounts of externally financed projects shall be in accordance with instructions issued by the Accountant General.

**44. Authority to receive grants.**

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

(2) A monetary grant received under subsection (1) shall be paid into the Consolidated Fund and once deposited, 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 subsections (1) and (2) 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 by Government or by a vote.

#### PART VII—ACCOUNTING AND AUDIT

### **45. Accounting Officers.**

(1) An Accounting Officer shall—

- (a) control the regularity and proper use of money appropriated to a vote;
- (b) be responsible for authorizing any commitment made by a vote; and
- (c) control the resources received, held or disposed of by or on account of a vote.

(2) In the exercise of the duties under this Act, an Accounting Officer shall, in respect of all resources and transactions of a vote, put in place effective systems of risk management, internal control and internal audit.

(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 13 (15).

(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 for 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 Accounting Officer.

(7) Where an Accounting Officer delegates a function or responsibility under subsection (6) 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.

#### **46. 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, to Accounting Officers, general instructions, guidelines and procedures, which are consistent with this Act and regulations made under this Act.

- (3) The Accountant General shall, for every vote—
- (a) specify the basis for the accounting to be adopted and the classification system to be used;
  - (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 that as far as is practicable, the system conforms to international standards;
  - (d) disallow payment of funds against a 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) in writing, report to the Secretary to the Treasury, 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 money, securities, valuable documents and information; and
  - (g) take precautions against fraud, embezzlement and mismanagement of public funds, by carrying out inspections of the votes.

(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 (4) 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) 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.

#### **47. The Internal Auditor General.**

(1) There is designated by the Public Service, an Internal Auditor General who shall be subject to the terms and conditions governing the Public Service.

(2) The Internal Auditor General shall—

- (a) develop the internal audit strategy and supervise its implementation;
- (b) develop internal audit policies, rules, standards, manuals, circulars and guidelines;
- (c) review and consolidate audit reports from the votes and externally financed projects;
- (d) liaise with the Auditor General, Accountant General, Accounting Officers and internal auditors on audit matters;
- (e) consolidate the reports of all the audit committees on the respective votes;
- (f) periodically evaluate the effectiveness of audit committees of the respective votes;



- (g) facilitate the development of the internal audit cadres; and
- (h) provide evidence to the relevant parliamentary oversight committees when requested to do so.

(3) The Internal Auditor General shall be responsible to the Secretary to the Treasury in the performance of his or her duties.

#### **48. 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 the effectiveness of the economy in the administration of the programmes and operations of a vote.

(3) In the performance of his or her duties, an internal auditor shall have unlimited access to information and property to be audited and shall be provided with all the required explanations.

(4) An internal auditor shall prepare an annual workplan 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 workplan to the Accounting Officer officer of the votes, the audit committee specified in section 49, and a copy of the workplan to the Internal Auditor General.

(6) The internal auditor shall for every three months, submit a report on the execution of the workplan to the Accounting Officer and the audit committee specified in section 49, and give a copy of the report to the Internal Auditor General.

(7) The report specified under subsection (6) shall assess the integrity of the internal controls and the 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.

#### **49. Audit Committees**

(1) The Minister shall establish an audit committee for each sector of Government and audit committees for a number of votes in local governments.

(2) An audit committee established under subsection (1) may serve more than one vote.

(3) A member of an audit committee shall not be a public officer.

(4) A member 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, 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 the disclosure in the financial statements is adequate and that fair representation is achieved;
- (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 risks; and
- (e) consider the reports submitted by the internal auditor to the accounting officer under section 48 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 of the audit committee.

**50. In-year financial reporting.**

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

(2) 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.

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

**51. 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 and give a copy of the summary statement to the Secretary to the Treasury.

(3) The accounts submitted under this section shall—

- (a) be prepared in accordance with generally accepted accounting practices and in accordance with instructions issued by the Accountant General;
- (b) identify any significant departures from generally accepted accounting practice and state the reasons for the 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 the action taken by the vote on the 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.

**52. 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 following consolidated accounts—

- (a) the consolidated annual accounts of Government which shall include the accounts in paragraph 1 of Schedule 5 to this Act.
- (b) the consolidated annual accounts of the local governments;
- (c) the consolidated summary statement of the financial performance of public corporations state enterprises and Companies where Government has a controlling interest;
- (d) the accounts of the Contingencies Fund; and
- (e) the accounts of the Petroleum Fund.

(2) The Accountant General shall, for the accounts submitted under this section identify any defect, shortcoming or other factor which in his or her opinion affects, materially, the responsibility of the Minister under this Act.

(3) The Accountant General may introduce changes to the accounting or classification system and where changes are introduced, the Accountant General shall in the accounts provide justification for change and how the accounting system ensures that the public funds are properly accounted for.

### **53. Submission of Treasury memorandum to Parliament.**

(1) The Minister shall submit a Treasury memorandum to Parliament within six months from the date of Parliament's consideration of the report of the Auditor General in accordance with Article 163(5) of the Constitution.

(2) The Treasury memoranda shall indicate measures taken by each vote to implement the recommendations of Parliament in respect to the report of the Auditor General of the preceding financial year on the vote.

**54. Accounting for classified expenditure.**

(1) The Accounting Officer of a vote to which section 24 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 24 applies, shall submit the financial statements required under section 51 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 VIII—PETROLEUM REVENUE MANAGEMENT

**55. Application of Part.**

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

**56. Establishment of the Petroleum Fund.**

(1) There is established a fund to be known as the Petroleum Fund.

(2) The petroleum revenues, which accrue to Government, shall be paid into the Petroleum Fund.

(3) 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.

*Petroleum Fund***57. Collection and deposit of petroleum revenues into the Petroleum Fund.**

(1) The petroleum revenue due to the Government shall be collected or received by the Uganda Revenue Authority.

(2) The petroleum revenue assessed as due each month, shall be paid by the seventh 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 seven 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, at the rate pertaining on the day the petroleum is to be received.

(5) The National Oil Company shall receive and record petroleum received as an asset of the Petroleum Fund, and shall submit a copy of the record to the Minister, Uganda Revenue Authority, the Secretary to the Treasury, the Accountant General and the Auditor General.

(6) Upon disposal of the petroleum received under subsection (4), the proceeds shall be collected by Uganda Revenue Authority and shall be remitted directly into the Petroleum Fund.

### **58. Withdrawals from the Petroleum Fund.**

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

- (a) to the Consolidated Fund, to support the annual budget; and
- (b) to the Petroleum Revenue Investment Reserve, for investments to be undertaken in accordance with section 63.

**59. Transfers to the Consolidated Fund.**

(1) The money 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 money 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) For avoidance of doubt, petroleum revenue shall be used for the financing of infrastructure and development projects of Government and not the recurrent expenditure of Government.

(4) Any money that is authorized by Parliament in the Appropriation Act, but which is not withdrawn from the Petroleum Fund by the end of a financial year shall be retained in the Petroleum Fund.

(5) Money appropriated to the Consolidated Fund from the Petroleum Fund shall be withdrawn quarterly in accordance with the annual cashflow plan of Government.

(6) The balance if any, after a withdrawal under subsection (5) may in accordance with the annual cashflow plan of Government be invested by Bank of Uganda and the revenues and benefits shall be available at call.

(7) The balances invested under subsection (6) and any return on the investments shall be paid into the Petroleum Fund.

**60. Reporting and accountability.**

The Accountant General shall—

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



- (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.

### **61. 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 and 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; and
- (b) for every financial year, table before Parliament, the semiannual and annual reports of the Petroleum Fund by 1<sup>st</sup> April and 31<sup>st</sup> December indicating—
  - (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) the volumes and values of the petroleum produced; and
  - (iv) the source of the petroleum revenue.

(2) The Minister shall cause to be published, the report specified in this section, in newspapers of wide circulation and make the report available on the website of the Ministry and that of related accounting office by 30th September.

**62. The Petroleum Revenue Investment Reserve.**

(1) Parliament shall for every financial year, appropriate money to be paid from the Petroleum Fund to the Petroleum Revenue Investment Reserve.

(2) The withdrawal of money from the Petroleum Fund to the Petroleum Revenue Investment Reserve, in a financial year, shall be by warrant of the Auditor General.

(3) The amount of money withdrawn from the Petroleum Fund to the Petroleum Revenue Investment Reserve, in a financial year shall not exceed the amount authorized by Parliament. except that any balance of money in the Petroleum Fund after appropriation to the Consolidated Fund shall be transferred to the Petroleum Revenue Investment Reserve.

**63. Investments under the Petroleum Revenue Investment Reserve.**

(1) The money of the Petroleum Revenue Investment Reserve shall be invested in accordance with the petroleum revenue investment policy issued by the Minister in consultation with the Secretary to the Treasury and on the advice of the Investment Advisory Committee.

(2) The investment policy shall include a requirement that investments under this section shall be undertaken in manner that does not jeopardise the macroeconomic stability of Uganda and that the money of the Petroleum Revenue Investment Reserve shall be invested in—

- (a) an internationally convertible currency deposit or a debt instrument denominated in an internationally convertible currency that bears interest or a debt instrument of a fixed amount equivalent to interest;

- (b) a debt instrument denominated in internationally convertible currency that bears interest or a debt instrument of a fixed amount equivalent to interest that is of an investment grade security; or
- (c) any other qualifying instrument prescribed by the Minister.

(3) The Minister shall upon issuing an instrument under this section lay the same before Parliament.

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

#### **64. Management of the Petroleum Revenue Investment Reserve.**

(1) The Bank of Uganda shall be responsible for the operational management of the Petroleum Revenue Investment Reserve.

(2) The operational management of the Petroleum Revenue Investment Reserve shall—

- (a) be in accordance with the petroleum investment policy specified in section 63;
- (b) be in accordance with the principles of portfolio management;
- (c) maximise return without causing undue risk to the Petroleum Revenue Investment Reserve; and
- (d) avoid prejudicing the reputation of Uganda as a responsible member of the world community.

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

(4) The written agreement between the Minister and the Governor of the Bank of Uganda shall be based on the principles of transparency, accountability, intergenerational fairness and equity and shall—

- (a) provide for 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 Petroleum Revenue 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.

(6) For the purposes of ensuring that there is no undue risk caused to the Petroleum Revenue 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 Revenue 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.

(7) The Bank of Uganda shall, in accordance with the Public Procurement and Disposal of Public Assets Act, 2003, appoint an external investment manager to manage the investment of the Petroleum Revenue Investment Reserve.

(8) An external investment manager appointed under subsection (7) shall adhere to the petroleum investment policy.

(9) An external investment manager appointed under subsection (7) 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.

### **65. Policy Guideline of the Minister.**

(1) The Minister may, in writing, issue policy guidelines to the Bank of Uganda regarding the expectations of the Government on the performance of the Petroleum Revenue Investment Reserve, including the expectations regarding risk and return.

(2) The Minister shall, within one month of issuing the policy guideline under subsection (1), table the policy guideline before Parliament.

(3) The Bank of Uganda shall notify the Minister on how the guideline is to be dealt with and shall in the annual report of the Bank of Uganda specified in section 72 indicate how the guideline was dealt with.

### **66. Investment Advisory Committee.**

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

### **67. Appointment and qualifications of members of Investment Advisory Committee.**

(1) The Investment Advisory Committee shall consist of the following seven members—

- (a) a representative of the Ministry responsible for finance;
- (b) a representative of the Ministry responsible for petroleum activities;
- (c) a representative of the National Planning Authority; and
- (d) four persons who shall not be public officers.

(2) The members of the Investment Advisory Committee shall be appointed by the minister who shall ensure that at least one half of the persons are of either gender.

(3) For avoidance of doubt, the chairperson of the committee shall not be a public officer.

(4) 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.

(5) 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.

(6) A member shall be appointed for a term of three years and may be reappointed for one further term.

(7) The terms of appointment of the members of the Investment Advisory Committee shall be determined by the Minister.

(8) On appointment, the Minister shall cause the names of members of the Investment Advisory Committee to be published in the Gazette, on the website of the Ministry and in any other media as the Minister may determine.

**68. Functions of Investment Advisory Committee.**

(1) The Investment Advisory Committee shall advise the Minister on—

- (a) the petroleum investment policy of the Petroleum Revenue Investment Reserve and any amendments to it that the Petroleum Fund is to adhere to;
- (b) comparable suitable benchmarks for the Petroleum Revenue Investment Reserve;
- (c) the performance of the Petroleum Revenue Investment Reserve;
- (d) the agreement with the Bank of Uganda for managing the Petroleum Revenue Investment Reserve; and
- (e) any other matter on which the Minister may direct.

(2) The advice on the petroleum investment policy shall be subject to section 63 and shall include—

- (a) the classes of investments in which the money of the Petroleum Revenue 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 Revenue 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 Revenue Investment Reserve;
- (d) the ethical investment, including policies, standards, and 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 Revenue 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 of section 63.

(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 within thirty working days after every three months, submit a report on the performance of the function of the Committee, to the Minister.

(5) In the exercise of its functions, the Investment Advisory Committee may co-opt persons who are highly specialised in any of the fields which are relevant to its mandate.

### **69. Accounts of the Petroleum Revenue Investment Reserve.**

(1) The Bank of Uganda shall, using internationally recognised accounting standards, maintain proper books of accounts and records for the Petroleum Revenue Investment Reserve.



(2) The Bank of Uganda shall prepare and submit semi-annual and annual financial statements of the Petroleum Revenue Investment Reserve to the Minister with a copy to the Auditor General, the Secretary to Treasury and the Accountant General by 15th February and 31st August, respectively.

(3) The financial statements in subsection (2) shall be prepared in accordance with generally accepted accounting practices and where there are any deviations from the generally accepted accounting practices, the Bank of Uganda shall in the financial statements explain the deviations.

#### **70. 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 the activities of the Petroleum Revenue 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 Revenue Investment Reserve and shall make the reports publicly available on its website within one week of publication.

#### **71. Annual plan for the Petroleum Revenue Investment Reserve.**

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

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

- (a) include a statement of the expectations of the Bank of Uganda on the performance of the Petroleum Revenue 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 Revenue 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 Revenue 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 Revenue Investment Reserve, covering not less than ten years and how the projection compares with the petroleum investment policy.

(3) The Minister shall submit to Parliament for approval the annual plan for the petroleum revenue investment reserve by 1st April before the beginning of the financial year to which it relates.

(4) The Bank of Uganda shall publish the annual plan of the Petroleum Revenue 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 Revenue Investment Reserve, as the Minister may require.

## **72. Annual report.**

(1) Bank of Uganda shall for each financial year, prepare the annual report of the Petroleum Revenue 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 Revenue Investment Reserve for the financial year;

- (b) a statement of responsibility for the financial statements of the Petroleum Revenue Investment Reserve signed by the Governor of Bank of Uganda;
- (c) the audit report on the financial statements;
- (d) an analysis and explanation of the performance of the Petroleum Revenue Investment Reserve over the financial year and in the medium term, including a comparison of the performance of the Petroleum Revenue 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 Bank of Uganda certifying whether or not the investment policies, standards, and procedures for the Petroleum Revenue Investment Reserve were complied with throughout the financial year;
- (f) a schedule of the investment managers used by 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 Revenue Investment Reserve in Parliament by 1st April of the following financial year.

### **73. Audit of Petroleum Fund and Petroleum Revenue Investment Reserve.**

(1) The Petroleum Fund and the Petroleum Revenue Investment Reserve shall be audited in accordance with the National Audit Act, 2008.

(2) The Auditor General shall examine and audit books of accounts and financial statements under sections 60 and 69 and submit a report to Parliament by 30th June and 31st December respectively.

#### **74. 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) In this section, “earmarked, pledged, committed, loaned out, or otherwise encumbered by any person or entity” means—

(a) using the financial assets of the Petroleum Fund—

(i) to provide credit to Government, or any other person or entity;

(ii) as collateral for debts, guarantees, commitments or other liabilities of any person or entity; or

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

(3) 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.

**75. Sharing of revenues from royalties.**

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

(2) The Minister responsible for petroleum shall publish the local governments eligible to receive royalties under subsection (1).

(3) Fifty per cent of the revenue from royalties due to the local governments shall be shared among the local governments involved in petroleum production based on the level of production of each local government or impact.

(4) The balance of 50 per cent of the revenue from royalties due to the local governments shall be shared among all the local governments based on population size, geographical area and terrain.

(5) For avoidance of doubt, a local government which is involved in petroleum production shall be entitled to revenue from royalties specified in subsections (3) and (4).

(6) The sharing of revenue from royalties under subsection (3) shall be in accordance with the formula prescribed in Part I of Schedule 6.

(7) The sharing of revenue from royalties under subsections (4) shall be in accordance with the formula prescribed in Part II of Schedule 6.

(8) The Government shall grant one percentage point of the royalty due to the Central Government to a gazetted cultural or traditional institution.

(9) The revenue from royalties shall be appropriated to a local government in the annual budget for development purposes.

(10) The revenue from royalties shall be considered as part of the revenue of the local government and shall be integrated in the budget of the district to be spent on priorities determined by the Local Government Council, taking into consideration national priority programme areas.

(11) In this section “production” means all activities relating to recovering petroleum from a reservoir and preparing it for evacuation from the field area.

PART IX—MISCELLANEOUS

**76. 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 the coming into effect of the Bill when passed.

(3) In addition to the requirements under subsection (2) the certificate of financial implications shall indicate the impact of the Bill on the economy.

(4) Notwithstanding sub sections (1), (2) and (3), a certificate of financial implication shall be deemed to have been issued after 60 days from the date of request for the certificate.

**77. 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 on the matter, to Parliament.

- (2) A report made under subsection (1) shall indicate—
- (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.

### **78. Liability on failure to meet requirements.**

(1) Where any institution or department of government which receives public money does not meet the requirements of this Act or contravenes this Act, Parliament may request the Minister responsible for the institution or department to make a report to Parliament with an explanation on the matter.

(2) Where it is established that the institution or department did not meet the requirements of this Act, or contravened the Act due to negligence or misconduct of a public officer of the institution or department, the public officer shall be held personally liable in accordance with section 79 or section 80 of this Act.

### **79. Offences.**

(1) A person commits an offence if that person, without lawful authority under this Act or any other Act—

- (a) without reasonable excuse, fails to provide by the due date, any information the Secretary to the Treasury may reasonably require under section 11(3) (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 33;
- (e) 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;
- (f) borrows money on behalf of the Government, or repays or converts an existing loan;
- (g) issues public securities, or varies their terms and conditions;
- (h) lends money or any asset of Government;
- (i) issues guarantees or indemnities on behalf of the Government;
- (j) issues securities for loans made to the Government;
- (k) disposes of, pledges, or encumbers Government property;
- (l) refuses or neglects to pay any public money into a public or official bank account as may be required;
- (m) incurs unauthorized expenditures or makes unauthorized commitments;
- (n) fails to keep proper records or conceals or wrongfully destroys information that is required to be recorded by this Act;
- (o) makes any statement or declaration, or gives any information or document, required under this Act, knowing it to be false or misleading;



- (p) divulges data in electronic or other form without authority;  
or
- (q) diverts Government funds to unauthorized activities.

(2) A person who commits an offence under this section shall on conviction be liable to a fine not exceeding five hundred currency points, or a term of imprisonment not exceeding four years, or both.

**80. Surcharge.**

(1) 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.

(2) 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 (1), 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 inquiry, to be just and equitable, having regard to the contribution made by the public officer to that loss, deficiency, damage or destruction.

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

**81. Regulations.**

(1) The Minister shall, 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) the management of Government assets;
- (d) the management of Government debt;
- (e) the performance of the audit committees; and
- (f) determining the abandonment of claims and write off of public money and stores;
- (g) accounting for classified expenditure;
- (h) virement; and
- (i) unexpended funds and multi-year expenditure commitments.

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

(4) A statutory instrument made under this Act shall be laid before Parliament as soon as possible after its publication in the gazette.

(5) Parliament may by resolution annul a statutory instrument laid before it by the Minister under subsection (4).

(6) The Minister may, with a resolution of Parliament, make a statutory instrument which has the effect of the instrument annulled under subsection (5).

**82. Amendment of the Bank of Uganda Act, Cap. 51, the Income Tax Act, Cap. 340, the Interpretation Act, Cap. 3 and the National Audit Act, 2008.**

(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) The Income Tax Act is amended—

(a) in section 89A by substituting for the definition of “petroleum revenue” the following—

“ “tax” means tax charged on income derived by a person from petroleum operations;” and

(b) by substituting the reference to “petroleum revenue”, with a reference to “tax”.

(3) The Interpretation Act is amended in section 7 by substituting for sub section (2), the following—

(2) A reference to the “treasury” shall be construed as a reference to the Ministry responsible for finance.

(4) Section 19 of the National Audit Act, 2008 is amended by substituting for “nine months” appearing in subsection (2) the words “six months”.

**83. Amendment of Schedules.**

(1) The Minister may, by statutory instrument, with the approval of Cabinet, amend Schedules 1 and 6 to this Act.

(2) The Minister may by statutory instrument amend Schedules 2, 3, 4 and 5 to this Act.

(3) A statutory instrument made under sub section (2) shall come into force after it is laid before Parliament.

**84. Repeal of Public Finance and Accountability Act, 2003.**

The Public Finance and Accountability Act, 2003 is repealed.

**85. Transitional provisions.**

(1) Any loan raised by the Government under the Public Finance and Accountability Act, 2003 and in respect of which any liability is subsisting 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 exceeds any limitation imposed by this Act.

(2) All bills, bonds and other securities issued under the Public Finance and Accountability Act, 2003 and subsisting immediately before the commencement of this Act, 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 the financial year with the financial year in this Act.

**Act 3**

*Public Finance Management Act*

**2015**

**SCHEDULES**

**SCHEDULE 1**

*Section 3*

**Currency point**

A currency point is equivalent to twenty thousand shillings.

**SCHEDULE 2***Section 5(7)***Format of Charter for Fiscal Responsibility****1. Statement of fiscal policy objectives**

The statement shall indicate the measureable objectives of Government for a fiscal policy in the medium term, which are consistent with the principles in section 5.

**2. Methodology for assessing fiscal performance**

This shall indicate 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 Revenue Holding Account and the Petroleum Revenue Investment Reserve.

**4. Consistency of Charter for Fiscal Responsibility with the principles in section 5**

This shall demonstrate how the fiscal objectives required under paragraph 1 of this Schedule are consistent with the principles in section 5 and the consistency shall be determined using the macroeconomic and fiscal data, assumptions, and projections of the economy and any financial updates.

## SCHEDULE 3

Section 9(4)

## Format for Budget Framework Paper

**1. Medium-Term Macroeconomic Forecast**

The medium term macroeconomic forecast shall indicate the actual, estimated, and projections 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 targets of Government 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.

#### **4. Compliance with the Charter for 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.

#### **5. Statement of the resource for the annual budget for the next financial year**

This is a statement of the resource to be approved by Parliament and used by the Ministry in the preparation of the budget for the next financial year, which shall indicate—

- (a) the ceiling of the expenditure of Government in the financial year;
- (b) the floor of the investments of Government in the financial year; and
- (c) the ceiling on total budget funding from the Petroleum Revenue Holding Account in the financial year.

#### **6. Statement of the policy measures**

This is a statement of the major expenditure and revenue policies the Government is to introduce in order to ensure that the targets in paragraph 2 and the limits in paragraph 4 of this Schedule are respected.

#### **7. Medium-Term Expenditure Framework**

These are the projections of Government expenditure in respect of each vote, for the financial year and the next financial year, split into current expenditure and investment expenditure.



**8. Fiscal Risks Statement**

This is a statement of the main sources of risk to the fiscal objectives of Government and a quantified estimation of the fiscal impact of these risks including—

- (a) alternate fiscal framework based on more realistic assumptions of the key macroeconomic variables; and
- (b) a statement of the individual sources of fiscal risks and an estimate of the likely fiscal impact of risks if they materialize.

## SCHEDULE 4

## Section 36

**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 36 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 money shall cease to accrue whether payment of the principal has been demanded or not; and
- (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 money;
- (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; and
- (i) any other conditions the Minister may deem expedient.

**3. Exemption from stamp duty.**

Stamp duty shall not 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 the Income Tax 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 51

**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 Consolidated Fund for the financial year;
- (e) a summary statement of revenue and expenditure, being a summary of all the statements signed by the Accounting Officers under paragraphs 2 (a) and (c) of this Schedule;
- (f) a statement of the amounts outstanding at the end of the financial year in respect of the Government debt;
- (g) a statement of the amounts guaranteed by the Government in 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 financial year in respect of loans issued by the Government;
- (i) a statement of investments held by the Government at the end of the financial year showing the original cost and current value;
- (j) a consolidated statement of financial performance of state enterprises as at the end of the financial year;

- (k) a statement of losses of public money 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 money and stores reported during the financial year whether written off or not;
- (m) a summary of the statements of arrears of revenue signed by Accounting Officers under paragraph 2 (d) of this Schedule;
- (n) a summary statement of the commitments which are outstanding for the supply of goods, works and services, for each vote, at the end of the financial year, being a summary of the amount included for the commitments in the statement signed by Accounting Officers under paragraph 2 (b) 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 paragraph 2 (e) of this Schedule; and
- (p) any other statement, in the form Parliament may require.

## **2. Accounts to be submitted by Accounting Officers.**

The following accounts shall be submitted to the Accountant General by an Accounting Officer—

- (a) an appropriation account, signed by the Accounting Officer, showing the services for which the money 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 of goods, works 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 and which shall be submitted as a nil return where appropriate;
- (e) a statement of assets, signed by the Accounting Officer, containing details and values of the unallocated stores under the control of the Accounting Officer 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 determine;
- (f) a statement of performance, signed by the Accounting Officer, indicating each class of outputs provided during the year, which shall—
  - (i) compare the performance with the forecast of the performance contained in the estimates laid before Parliament under section 13(15) (b); and
  - (ii) give the 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, in the form the Accountant-General may require.

## SCHEDULE 6

*Section 75(6) and (7)*

**FORMULA FOR SHARING REVENUE FROM ROYALTIES  
AMONG LOCAL GOVERNMENTS**

**PART I—Sharing of revenue among local governments involved in  
petroleum production**

1. The royalty share for a local government is the percentage proportion of the level of production of the local government divided by the total level of production of all the local governments involved in petroleum production as represented below:

$$\text{DRS} = (\text{DLP} / \text{TP}) \times 50\% \text{RSD}$$

Where:

DRS is the share of royalties due to a local government;

DLP is the level of production of a particular local government;

TP is the total petroleum produced by all the local governments involved in petroleum production in a financial year; and

RSD is the total revenue from royalties due to the local governments located within the petroleum exploration and production areas of Uganda.

**PART II—Sharing of revenue among local governments located  
within the petroleum exploration and production areas of Uganda.**

$$\text{DRS} = (\text{DP} / \text{TPPD}) \times 50\% \text{RSD}$$

Where;

DRS is the share of royalties due to a local government;

DP is the population of a local government located within the petroleum exploration and production areas of Uganda;

TPPD is the total population of all local governments located within the petroleum exploration and production areas of Uganda; and

RSD is the total revenue from royalties due to the local governments located within the petroleum exploration and production areas of Uganda.