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THE REPUBLIC OF UGANDA

Ministry of Finance, Planning &
Economic Development
Plot 2-12, Apollo Kaggwa Road
P.O. Box 8147
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Uganda

29th June 2016

All Accounting Officers

All Chief Executive Officers of State Corporations and Enterprises

BUDGET EXECUTION CIRCULAR FOR FINANCIAL YEAR 2016/17

A. INTRODUCTION

1. In accordance with Article 156 of the Constitution and Section 14 of the Public Finance Management (PFM) Act 2015, Parliament approved the budget for FY 2016/17 on 3rd May 2016. Electronic copies of the Approved Estimates volume 1 (Central Government), volume 2 (Local Government) and volume 3 (State Corporations and Enterprises) for FY 2016/17 can be accessed on the budget information website: www.budget.go.ug
2. The budget for the FY 2016/17 will be implemented under the theme “**Enhanced Productivity for Job Creation**”. Therefore, the budget will be focused on the following priority areas:
 - i). Maintaining and sustaining National Security and Defense;
 - ii). Promotion of Production, Productivity, Investments and Export of Goods and Services;
 - iii). Enhancing Human Capital Development;
 - iv). Enhancing Domestic Revenue Mobilisation; and
 - v). Strengthening the quality of service delivery to facilitate private sector investments.
3. The purpose of this circular is therefore to:
 - i) *Communicate the Annual Cash Plan of Government for the FY 2016/17 by quarter, in line with section 15(1) of the PFM Act 2015. This is attached as **Annex 1**;*
 - ii) *Provide Policy and Administrative Guidelines for implementation of the budget for FY 2016/17; and*
 - iii) *Request you to embark on implementation of Government programmes and projects for the budget for FY 2016/17 in line with the budget strategy and priorities, approved work plans, procurement plans and recruitment plans, and budget implementation guidelines contained in this Circular*

B. WORKPLANS, PROCUREMENT PLANS, RECRUITMENT PLANS AND RELEASE OF FUNDS FOR THE FY 2016/17

Implementation of the Budget for FY 2016/17

4. Consistent with Section 13 (15) of the PFM Act 2015, Parliament approved the Work, Procurement and Recruitment Plans for the FY 2016/17. These Workplans formed the basis for preparation of the Performance Contract and the Annual Cash Plan of Government for FY 2016/17. Therefore, implementation of the budget for the FY 2016/17 should strictly follow the Workplans, Procurement Plans and Recruitment Plans approved by Parliament.

Quarterly Release Timelines

5. The timely release and disbursement of funds has remained a challenge due to failure by some Accounting Officers to adhere to the agreed implementation guidelines, among other reasons. These challenges include delays in submission of Accounting Warrants and the practice by some Accounting Officers submitting the Accounting Warrants on a piecemeal basis leading to numerous release requests and delayed release of funds. To facilitate timely implementation of the FY 2016/17 budget, the release cycle will be based on following timelines which are detailed in *Annex 2* attached. In particular, Accounting Officers must observe the following:

- i) This Ministry will issue quarterly expenditure limits by the **10th of the first month of the quarter, and these will be linked to the absorption levels of each institution at the close of the previous quarter;**
- ii) Accounting Officers are required to submit requests for Accounting Warrants for wage, pension/gratuity, other non-wage and development budget by **15th of the first month of the quarter;**
- iii) Releases for local governments will be effected by **10th of the first month** of the quarter based on annual work plans, quarterly work plans and annual cash flow plan, instead of sector release advice to avoid unnecessary delays; and
- iv) Transfers to Education Institutions, Health units and all Lower Local Governments will be transferred directly to their Institutional Bank Accounts **BUT** you will remain directly accountable for resources disbursed within your vote.

Requests for Additional Expenditure Limits

6. During implementation of the budget for FY 2015/16, we have noted an increase on requests for additional expenditure limits mainly arising out of the poor quarterly projections, among others. As a measure to address the above challenges, the quarterly

expenditure limits and release of funds shall be based on the Annual Cash Plan as per approved budget estimates for FY 2016/17 taking into account the prevailing macroeconomic conditions. You are therefore requested to note the following;

- i) Accounting Officers are requested to highlight all the pending certificates/commitments and lists of beneficiaries of land compensation in case of Resettlement Action Plans (RAPs) at the end of each quarter and submit to this Ministry by the last working day of the quarter;
 - ii) Local government releases shall be based on annual and quarterly work plans which must be submitted by the sector line ministries by **5th July 2016**; and
 - iii) Sector line ministries should have submitted correct bank account details for all direct transfers to local governments by **1st July 2016**. These bank account details will be used throughout the FY 2016/17.
7. Given that the budget for FY 2016/17 was approved on 3rd May 2016, you should have therefore commenced the procurement process for the FY 2016/17 in accordance with the procurement plan, in order to ensure timely implementation of Government programmes and projects, increase absorption of resources and also minimise cost overruns, among others.

C. PUBLIC INVESTMENT MANAGEMENT

8. It has been noted that, there are a number of key issues that are hindering effective and timely implementation of projects as well as their quality. These issues include delayed completion of projects, duplication of interventions, cost overruns, incomplete projects and low absorption of resources.
9. There have also been cases of inadequate counterpart funding for projects, also leading to delays in project implementation. In that regard, settling of counterpart funding should have the first call on all MDA's resources for FY 2016/17.
10. In order to enhance Public Investment Management in line with the PFMA 2015, the following should be adhered to in FY 2016/17;
- i) Completion reports of exited projects from the Public Investment Plan (PIP) of the FY 2015/16 shall be submitted to the Secretariat of Development Committee by **29th July 2016**;
 - ii) Preparation of project review reports for FY 2015/16 should be carried out in **September 2016** to be used as a basis for project setting for FY 2017/18; and
 - iii) Preparation of new projects for FY 2017/18 shall adhere to all stages in the project development cycle irrespective of the source of the project idea as per attached PIMS framework (*Annex 3*). A four phased cycle in the new PIMS framework is to be

adhered to and decision gates have been established at identification phase (concept) pre-investment phase, investment phase and operation and ex-post evaluation phase;

Projects and Programs Implemented by Central Government MDAs in Local Governments:

11. During Budget Execution for FY 2015/16, it was noted that a number of MDAs implement projects in the Local Governments without notifying the Local Government leaders which affects prioritisation setting in local governments in a decentralized system. As a measure to address this issue, each central government agency is required to communicate all projects and programmes and the corresponding funding they have programmed to be implemented in the Local Governments during FY 2016/17, with a copy to this Ministry and Office of the Prime Minister, **by 5th July 2016**. This also applies to off budget projects implemented by Non- Governmental Organizations (NGOs) and Faith Based Organizations within a Local Government.

D. BUY UGANDA BUILD UGANDA (BUBU)

Bid Currency for Local Contracts

12. The practice of paying local contracts in foreign currency has significantly contributed to the increased pressure on the Uganda shilling resulting into its depreciation and budget shortfalls which culminate into supplementary expenditure and speculation in the foreign exchange markets leading to delayed implementation of projects and programmes. As communicated in my circular BPD 86/150/01 dated 21st March 2016 (***copy attached Annex 4***), all domestic contracts for works, goods and services **MUST BE** awarded in Uganda Shillings. This did not apply to the following category of projects as of **15th January 2016** as follows;;
 - i). Those concluded and signed;
 - ii). Those already submitted to Solicitor General for Clearance;
 - iii). Those approved by the Solicitor General but not yet signed by the parties;
 - iv). Those at a stage of displayed best evaluated bidder notices; and
 - v). Those at bid evaluation stages.

Promotion of Local Content

13. In order to create an enabling environment for the private sector to nurture, grow, make them more competitive and create employment opportunities for locals, all Accounting Officers are required to ensure that priority is given to procurement of locally produced goods provided they are certified by the Uganda National Bureau of Standards (UNBS) and in line with Section 59A of the PPDA Act on local content.

14. In line with Para 95 of the budget speech, all Government interventions and contracts should clearly focus on promotion of local content. In a bid to kick start the implementation of 'Buy Uganda Build Uganda' Policy, in FY 2016/17, you are required to ensure that at least 30% of your procurement should target locally produced goods.
15. In addition, H.E The President directed in a circular herewith attached as *Annex 5* that with effect from FY 2016/17, that in order to support the local textile industry, all Accounting Officers must start buying locally made uniforms (plain, camouflage, ceremonial) shoes, jackets, belts, socks and eventually tents.
16. It has been noted that payments to Private Companies for services offered to Government are often delayed. These delays often distress these Private Companies and affect their future ability to offer similar services to Government. Therefore, you should ensure that timely payments for goods and services are made within 14 days after receipt of an invoice.

E. CONSOLIDATION OF FUNDS FOR ICT SERVICES UNDER NITA-U

17. The National Backbone Transmission Infrastructure is the primary vehicle for all Government data, internet and voice services. NITA-U has to date connected 126 MDA sites to the NBI of which 76 are utilising internet bandwidth over the infrastructure while 36 are accessing and utilising IFMS services. In FY 2016/17, additional 203 MDA sites will be connected to the NBI and works have already commenced to connect the first batch of 110 MDA sites (*Annex 6*).
18. As communicated in my circular dated 7th March 2016 on the final MTEF for FY 2016/17, funds for ICT Services for some MDAs have been consolidated under NITA-U to enable implementation of the NBI/EGI initiative. The breakdown of the consolidated resource by vote is attached as *Annex 7*. For those consolidated, the following should be noted:
 - i). Each institution is expected to work within the provisions of the circular mentioned in para 18 above;
 - ii). All ICT services including internet bandwidth and licensing of applications, among others shall be sourced with approval of NITA-U. Bandwidth will be provided through the National Backbone Infrastructure (NBI);
 - iii). However, there are also some votes with funds under their budgets for ICT services. Similarly, all ICT services including internet band width and licensing of applications, among others, for such votes MUST BE sourced through NITA-U. Bandwidth will be provided through the National Backbone Infrastructure (NBI);
 - iv). To ensure smooth transitions to this reform, respective MDAs who are planning to source ICT services are required to prepare and share with NITA-U, with a copy to

this Ministry, a detailed work plan for FY 2016/17 by 5th July 2016. The Work plan should clearly demonstrate:

- a) The projected annual consumption (Mbps) and budget for each vote, for both connected and planned connection to the NBI; and
- b) The software licensing requirements for FY 2016/17;
- v). All procurements for IT systems and infrastructure shall require prior approval by NITA-U to avoid any further development of isolated IT systems in MDAs and LGs. This also includes all ICT procurements under donor funded projects and grants.
- vi). NITA-U is required to do the following:
 - a) Embark on integration of existing IT systems with a focus on improving service delivery
 - b) Rationalise and optimize all existing IT systems, applications and infrastructure in MDAs and LGs with a focus to reducing costs of maintenance and support for these IT systems
 - c) Starting FY 16/17 all providers for ICT products and services must be certified by NITA-U
- vii). NITA-U must provide quarterly progress reports on the implementation of the ICT Rationalisation Program in MDAs and LGs;

F. TRANSITIONAL ARRANGEMENTS FROM OUTPUT ORIENTED BUDGETING (OBB) TO PROGRAMME BASED BUDGETING (PBB)

- 19. In order to strengthen the link between Government strategic objectives, budget allocation, expenditure and service delivery, Government with effect from FY 2017/18 will embark on implementation of the Programme Based Budgeting (PBB). PBB has been introduced to strengthen the link between spending and 'programs' outcomes allowing for proper measurement of service delivery results.
- 20. Therefore, focus will be on outcomes rather than outputs. For instance, under the education sector, focus will be literacy rate rather than number of school blocks built, enrollment levels or scholastic materials procured. Likewise, under the health sector, focus will be on how effectively the sector achieves its goals and delivers value to citizens in measurable outcomes such as mortality rates.
- 21. This linkage will enable Government to evaluate whether funding is spent wisely on a 'program' that is meeting its goals or the resources should be better utilised on another 'program'. PBB will focus on the outcomes of programs – the things citizens want their Government to accomplish, such as safer neighborhoods, better road conditions, better health and effective schools – and will be informed by the National Standard Indicator (NSI) framework (**Annex 8**).

22. In FY 2015/16, this Ministry contracted a firm to develop a database system to facilitate the implementation of this reform and upgrade the Output Budgeting Tool (OBT) to an online Programme Based System (PBS) for the budget process of FY 2017/18. Consequently, the system has been developed and the critical budgeting modules have been finalised which will be disseminated effective August 2016 and the reporting module will be deployed online in October 2016 for use in FY 2016/17 quarterly budget performance reports and budget preparation for FY 2017/18. The system will also be able to work offline for MALGS without internet services.
23. In order to facilitate a smooth transition, two separate trainings have been organized for the selected staff from the Ministries, Departments and Agencies and another for Local Government Officers aimed at building a Resource Pool of trainers in helping this Ministry in the mass dissemination come August 2016. Effective August 2016, this ministry shall carry out hands-on exercise on the PBS within their different votes to understand how to prepare vote and sector BFPs within the PBB structure with emphasis on the results flow (from NDP II sector objectives to PBB programmes and their corresponding outcomes and public services and indicators). You should therefore be cognizant of the reform in executing the budget for FY 2016/17 and budget preparation for FY 2017/18.

G. ROLL-OUT OF IFMS AND TREASURY SINGLE ACCOUNT (TSA)

IFMS Rollout

24. The IFMS will be rolled out to all the newly created Central Government votes. The Accounting officers of the new votes should liaise with Accountant General's Office to ensure that all the necessary master data is setup on the IFMS and that all staff in accounts, planning and procurement are enrolled on IFMS functional training by **5th July 2016**. In addition, Sub-Treasury Single Accounts will be created for these new votes under the Central Government TSA in BoU. Accounting officers are expected to submit specimen signature cards to BoU through Accountant Generals Office within the above stipulated deadline.
25. All Donor Financed Projects [DFPs] will be enrolled on the IFMS either on a real-time basis or on a hybrid mode. This rollout will be undertaken in-year and will be implemented on a vote by vote basis. All non-IFMS projects in a given vote will be put on the IFMS before another vote is selected. The Accounting Officers and Project Coordinators will be notified as and when their votes are due for rollout.
26. The rollout of IFMS to Local Governments shall continue to be undertaken until all Local Governments are put on the system. The rollout of IFMS Tier 2 systems is being reviewed in line with a proposal to integrate Government IT systems. When the final decision is made, communication will be made to all parties concerned.

Treasury Single Account

27. During FY 2015/16 Salary and pension payments for non-IFMS votes was made from salary accounts held by each vote. This will not be the case for FY 2016/17. Salary for entities that have been operating on a hybrid mode on IFMS Tier 1 shall now be moved to the Central Government Treasury Single Account. Each of the votes shall be notified of their Sub-TSA before **5th July 2016**.
28. TSA implementation will be rolled out to the Appropriations In Aid (AIA) for the Regional Referral Hospitals. All NTR collected by the hospitals should be transferred intact to The Uganda Consolidated Fund Account No.003300138000001 through standing orders or by way of manual EFT instructions on a regular basis [see further guidance under AIA].

Treasury Instructions

29. The PFM Regulations 2015 have been finalized and copies shall be dispatched by **1st July 2016**. Relatedly, the Treasury Accounting Instructions are being finalized; the copies shall be circulated by close of Quarter 1 of FY 2016/17.

H. IN-YEAR VIREMENTS AND REALLOCATIONS

Virements and Reallocations

30. Expenditure reports have revealed the continued practice of mischarge and spending of funds on activities outside the approved work plans by some Accounting Officers without seeking authority to reallocate. Any reallocations must be authorised by the Minister responsible for Finance. You are required to note that;
 - i) Where it is deemed necessary to reallocate funds from one item/activity to another, the reallocation shall not exceed 10 percent of the money allocated to an item/activity as required under section 22(2) of the PFM Act 2015;
 - ii) **Funds are spent against the items for which they are released and in line with the approved Workplans.**
 - iii) **No reallocation shall be allowed from statutory items - Wage, Pensions and Gratuity in particular - to non-statutory items/activities. Sanctions will be imposed against Accounting Officers who indulge in unauthorised reallocations.**
31. Reports have also continued to reveal cases of mismanagement of public funds which has greatly affected the quality of service delivery. As Accounting Officers, you should note that Section 45 of the Public Finance Act 2015 stipulates that “an Accounting Officer shall control the regularity and proper use of money appropriated to a Vote, be responsible for authorising any commitment made by a Vote and control the resources

received, held and disposed off by or on account of a Vote. In implementation of the budget for the FY 2016/17, you should strictly adhere to the requirements of the PFM Act 2015 well aware that you are personally and pecuniary liable for all financial transactions under your Vote.

I. PAYMENT FOR GOODS AND SERVICES THAT ATTRACT TAXES

32. Effective FY 2015/16, Government commenced implementation of Tax-Inclusive budgeting, where all taxes are consolidated and budgeted for under the relevant item. Accounting Officers should, therefore, ensure gross payment for Goods and Services.

J. PAYMENT OF DOMESTIC ARREARS

33. Over the years, some institutions have continued to accumulate arrears especially in the areas of rent, electricity, food and other goods and services. During The State of Nation Address, H.E. The President noted the negative effect of delayed payment of service providers in crowding out the Private Sector. As such, he directed that payment of arrears should take the first call on resources.
34. To implement this directive, payment of domestic arrears in FY 2016/17 will be as follows:
- i. All arrears that have been budgeted for in FY 2016/17 and verified by Internal Audits must be paid and details to beneficiaries (Service providers), and amounts submitted to this Ministry;
 - ii. Where no budget provision have been made, all outstanding arrears must be paid before new suppliers are paid against the relevant item within the budget provision for FY 2016/17;
 - iii. Monthly reports must be provided to this Ministry with a copy to Office of the Prime Minister, on status of clearing domestic arrears; and
 - iv. All allocations to domestic arrears in FY 2016/17 as per *annex 9* attached will be released in Q1.

K. BUDGET PERFORMANCE REPORTING

Performance Contracts

35. In order to overcome the challenges previously encountered in performance assessment, effective FY 2016/17 budget, the format of the performance contracts have been reviewed to clearly state the deliverable indicators emphasizing compliance to the revised PFMA 2015. The performance assessments will be carried out at both Half Year and Annual Basis and the evaluation will be based on the intermediary outcomes under

the Programme Based Budgeting (PBB) arrangement emphasizing reporting on results.

36. Your performance in the delivery of results in key priority projects and programmes, as described in performance contracts will also be assessed by the Budget Monitoring and Accountability Unit (BMAU) and other monitoring agencies. Also, an assessment of Local Governments' adherence to budget and accountability requirements was completed which formed the basis for appointment and signing of performance contracts with Accounting Officers.
37. **Accordingly, all Accounting Officers were required to sign individual Budget Performance Contracts by 24th June 2016.**

Quarterly Performance Reports

38. In order to facilitate proper monitoring of the budget and in fulfillment of Section 16 of the PFMA 2015, you are required to submit quarterly budget performance reports which should clearly indicate the actual performance against the planned outputs and performance for each quarter showing the quantity/quality and physical location of the reported outputs against expenditure.
39. We have also noted that the failure by some Accounting Officers including for missions abroad, to adhere to the reporting requirements and timelines. The reporting timelines for Central and Local government Votes are indicated in ***Annex 10*** attached. Failure to adhere to the reporting requirements will attract sanctions including non-appointment/immediate withdrawal of appointment as Accounting Officers and halting financial transactions of the non-compliant Votes as per Sections 15, 78, 79 and 80 of the PFM Act 2015.

Monitoring of Budget Performance

40. It has been noted that there are still gaps in enforcement and coordination of monitoring by both the Center and Local governments. Therefore, in FY 2016/17, all Ministries, Departments, Agencies and Local governments are required to submit:
- i) Annual programme for monitoring Government programmes and/or projects to Office of the Prime Minister by **20th August 2016** for harmonisation to ensure proper coordination and avoid duplication and fatigue;
 - ii) Quarterly monitoring reports to this ministry; and
 - iii) Quarterly progress report on the key Policy Pronouncements in the Budget Speech for the FY 2016/17 as summarised in ***Annex 11*** attached.
41. In order to further strengthen monitoring of government programmes and projects in local governments, all Chief Administrative Officers are requested to involve Parish Chiefs during the implementation of projects. The Community within which the project

will be implemented should be involved during the ground breaking ceremony and commissioning of the projects. Copies of the Bills of Quantities (BOQs) of all projects within the parish should be kept at the parish level. This will ensure community ownership as well as participation in the monitoring of implementation.

L. DEVELOPMENT PLANS

42. In order for better budget outcomes to be realized, all sectors and MDAs should develop Development Plans which should be aligned to the NDP II in terms of content and timeframe. All sector and MDA annual work plans and budgets shall therefore be informed by their respective Development Plans. It has been noted that a number of sectors and MDAs do not have Development/Investment Plans. All MDA's are reminded to finalise and submit their Development/Investment plans to this Ministry, with a copy to the National Planning Authority by **30th September 2016**. Failure of which, **no funds** will be released to these sectors and MDAs effective second quarter 2016/17 and the respective Accounting Officers will be sanctioned.

M. SALARY, PENSION AND GRATUITY MANAGEMENT

Recruitment of Staff in FY 2016/17

43. Well aware of the increased function of Human Resource Units under the decentralised payroll management, Government has provided a total of Ushs 17bn in the budget for FY 2016/17 for recruitment of Human Resource Officers and Internal Auditors for votes that are poorly staffed. In addition, funds amounting to **Ushs.50bn** have been provided, specifically for recruitment of PHC workers, Agriculture Extension Workers and Tertiary employees in local governments (*details attached as Annex 12*).
44. In view that the budget for FY 2016/17 was approved on 3rd May 2016, you should have therefore started the process of recruitment and Service Commissions fill the vacant posts in July 2016. I have also noted reluctance by some Accounting Officers to fill vacant posts even where funds were provided hence affecting service delivery. You are therefore required to:
- i) Follow the **approved recruitment plan and directive issued by H.E. The President hereto attached as Annex 13**;
 - ii) Ascertain adequacy of approved wage budget for staff in-post before you undertake any recruitment by **5th July 2016**;
 - iii) Note that approvals for recruitment are only valid within the Financial Year for which they have been granted, in this case FY 2016/17;
 - iv) Use the service of neighboring DSCs, in the case of local governments where there is no Commission in the district, to recruit as per Government policy; and

- v) Ensure that no newly appointed staff will access the payroll after **30th December 2016**

Implementation of new MDA Structures

45. Cabinet approved the restructuring of various MDA's and as a result, Ministry of Public Service has already communicated the structures to the respective MDA's. You are however reminded that the budget for FY 2016/17 has already been approved and no additional resources to fill the new structures have been provided. Accounting Officers are reminded to ensure that filling of the new structures must be undertaken in a phased manner within the resources provided in the FY 2016/17 and in the medium term;

Decentralised Payroll Management

46. Government decentralised salary and pension payroll management to the respective institutions so that Accounting Officers are accountable for any changes on the payroll and payments to public officers and pensioners. This policy has enabled timely payment of employees and verified pensioners. However, a number of operational issues hindering the achievement of the full benefits of the decentralised system were identified and these include;
- i) Under and over payment of salaries;
 - ii) Irregular issuance of deduction codes and approval of deductions in excess of the 50% threshold, leading to deletion of staff from the payroll; and
 - iii) Delays in processing of pension files and accessing retirees on the pension payroll both by the votes and Ministry of Public Service.
47. In addition, during the month of April and May 2016, Government undertook a joint monitoring exercise on wages and pension management. A summary of all the issues and recommendations arising out of the decentralised payroll monitoring for FY 2015/16 has been circulated in a separate circular.
48. Specifically on loan deductions, Ministry of Public Service should from now onwards provide a list of all deduction codes to Accounting Officers who will then administer additions and removal of deductions from the payroll in line with the decentralization policy. Secondly, all payments of salaries must be made on a gross basis at the same time. Through this circular, I am directing the Accountant General to automatically reject on the system, salary payments which do not include payroll deductions.
49. All Accounting Officers must submit all Salary and Pension payment reports by the **10th of every month** to facilitate reconciliation and programming for the subsequent Salary and Payment requirements.

Staff on Secondment and Leave Without Pay

50. It has been noted that in many instances, staff on leave without pay take long to be removed from the payroll hence leading to wage bill overruns. In addition, it is usually difficult to programme pension and gratuity for this category of staff because there is no inventory. All Accounting Officers are therefore requested to provide update on all Public Officers on leave without pay and the respective leave periods to the Ministry of Public Service by **31st August 2016**.
51. Similarly, most Accounting Officers do not capture details of staff on secondment in the staff list and this equally distorts budget implementation. You are therefore requested to provide details of all staff on secondment to other Government and Non-Governmental institutions in your quarterly performance reports. Officers on secondment to NGOs should not appear on the Government payroll.

Linking the Government Payroll to the National Identification (ID) System

52. In order to eliminate “ghosts” from the Government payroll, the payroll system will be linked to the National Identification (ID) System. Therefore, effective July 2016, the Ministry of Public Service and Accounting Officers **MUST** ensure that all staff on the Government payroll have the National ID Number. Any payroll record without the ID number should be deleted from the Government payroll

Printing of Pay Slips and Display of the Payroll

53. It has been noted that many of the Accounting Officers are not adhering to the Government policy of printing and displaying of the payroll on public notice boards as well and distribution of pay slips. Therefore, effective July 2016, this Ministry will post the detailed monthly payrolls for both salaries and pensions on the budget information website www.budget.go.ug for public information and scrutiny.
54. In addition, all Accounting Officers are required to ensure the following:
- i) Print and display the salary and pension payroll on the Public Notice Boards on a monthly basis for a period of not less than 30 days;
 - ii) Print and distribute pay slips for both salaries and pension on a monthly basis; and
 - iii) Staff and Pensioners sign on the pay slips as acknowledgement of receipt of salary/pension. The signed copies should be filed on the individual personal files for records and accountability.

Verification of Pension Records and Access of Retirees on the Payroll

55. One of the factors that affected smooth transition to the decentralised pension payments in FY 2015/16 was delays in verification of pensioners' records and timely access of

new retirees on the pension payroll. Also arising from the decentralised payroll monitoring, a number of votes indicated continued re-emergence of unknown records on their payrolls and incomplete transfer of pensioners' records. Therefore, the following must be done;

- i) All Accounting Officers should finalise the pensioners' verification exercise by **30th June 2016**;
- ii) All Accounting Officers are required to delete all unknown pensioners and pensioners with incomplete records from their respective payrolls;
- iii) Ministry of Public Service should send PDF files to Accounting Officers as a matter of urgency;
- iv) To avoid continued nonpayment to pensioners, Ministry of Public Service should ensure complete migration of all pension records by 30th June 2016; and
- v) Submissions by Accounting Officers on issues regarding pension/gratuity must be made officially to the Ministry of Public Service, with copies to this Ministry. The two Ministries shall provide timely feedback.

Payments of Verified Pension and Gratuity Arrears

56. In line with Government commitment to settle, in a phased manner, all pension and gratuity arrears accrued before pension payroll decentralisation, a total of Ushs 50bn has been provided in the budget for FY 2016/17 to settle these arrears. In addition, I authorised all Accounting Officers with excess funds for pension/gratuity in the budget for FY 2015/16 to settle pension and gratuity arrears for FY 2014/15.
57. The funds for pension and gratuity arrears in the budget for FY 2016/17 will be released to the votes that have submitted the verified arrears (see ***Annex 13*** attached) in accordance with the format prescribed. Accounting Officers are required to ensure timely payment of verified records and provide monthly returns on the status of payment.

N. TIME MANAGEMENT AND SUPERVISION OF STAFF

58. Various budget monitoring reports indicate that many Government officials especially in local governments report late for work while others work from Tuesday up to Thursday in a week, which affects service delivery. In addition, it has been noted that there is a high rate of staff absenteeism especially for teachers and health workers. This is majorly attributed to lack of monitoring, inspection and supervision at all levels of Government.

In implementing the budget for FY 2016/17, you are therefore urged to enhance monitoring, inspection and supervision aspects in your institutions. Government is going to take a keen interest on all those who are irregular at work stations and sanctions will be imposed on those found culpable including submission to the respective Service

Commission/Appointment Authorities for reprimand. This will also be a criterion for appointment of Accounting Officers.

O. PAYMENT OF FACILITATION ALLOWANCE

58. It has been observed that a number of Government officials get facilitation both from their mother institutions and the institutions coordinating joint sector programmes/initiatives leading to double payments. Similarly, there are cases where Government officials lobby for treatment abroad yet they are paid medical allowances.
59. In order to streamline payment of allowances across MALGs, all Accounting Officers are required to ensure that:
- i) With effect from 1st July 2016, all facilitation to participants undertaking joint multi sector activities must be funded from within the official vote budget provision rather than the institution coordinating the activity;
 - ii) Invitations for meetings and workshops should clearly indicate who should pay for facilitation and the source of funding; and
 - iii) Exception will be made where funds have been approved in the budget for FY 2016/17 for a multi sectoral activity by Parliament and incorporated in the quarterly and annual work plan.

P. SUPPLEMENTARY REQUESTS IN FY 2016/17

60. In FY 2015/16, this ministry received overwhelming requests for supplementary budget especially under wage, pension and gratuity as well as other areas as a result of poor budgeting and unclear cash flow projections.
61. In order to ensure budget credibility, all supplementary requests, where necessary, **MUST** strictly be made on items where there are no funds or where the maximum of reallocation of 10% within a vote has been entirely exhausted.

Q. MANAGEMENT OF GOVERNMENT ASSETS

62. There have been no comprehensive records of Government Assets. In addition, various budget monitoring reports have indicated continued failure by votes to effectively operate and maintain public assets. Accounting Officers must therefore ensure that they maintain records of all Government assets, including land titles. This is in preparation of implementing accrual accounting, with the fixed asset module of IFMS roll out in all votes and DFPs on IFMS. All MDAs are therefore, required to develop, update and submit, to this Ministry, an asset management register in accordance with section 34 of the PFMA by 30th July 2016.
63. A number of local governments have raised complaints over delays in getting clearance

from relevant offices in regards to disposal of used assets. However, it has also been observed that many of these cases are submitted late or in bulk hence making it difficult for Ministries of Works and Lands in particular, to schedule inspections to assess and value the assets. Please note that all Accounting Officers were requested to submit asset disposal plan together with the procurement plan to the Ministries of Works and Lands with copies to this Ministry.

R. MANAGEMENT OF BANK ACCOUNTS

64. It has been noted that some Accounting Officers especially for local governments have the tendency to open new bank accounts at the beginning of the financial year. This practice is discouraged. Should there be a real need to open a new General Fund bank account; this should strictly be done with the approval of the Accountant General as provided for in Section 33 of The PFMA 2015. The new Bank Account details can be forwarded to The Accountant General for setup on the IFMS **by 30th June 2016.**

S. UNSPENT BALANCES AT THE END OF FY 2016/17

65. In line with Section 17 of the PFMA 2015, every appropriation by Parliament shall expire and cease to have any effect at the close of the financial year for which it is made and a Vote that does not spend the money that was appropriated to the Vote for the financial year shall at the close of the financial year, pay the money to the Consolidated Fund.
66. It has been noted that some votes have been using letters of credit in order to avoid return of unspent funds at the end of the financial year. Where the letters of credit already issued cannot be utilized by close of financial year, details must be submitted which will then provide information to Cabinet and Parliament in light of the new section in the law on unspent balances. **This practice of issuing letters of credit across financial years contravenes the Section 17 of the law on un-spent balances and must stop.**

T. FINANCE COMMITTEE MEETINGS

67. In line with Government commitment control policy, all Ministries, Agencies and Local Governments are required to have Finance Committees' meetings on budget implementation every quarter and submit reports to my office as part of the quarterly performance reporting.

U. NON TAX REVENUE (NTR)

68. A number of Accounting Officers including for Missions abroad have continued to retain NTR during the FY without approval, thus causing over expenditures. You are reminded to remit NTR to the Consolidated Fund in line with Section 29 of the PFM Act 2015.

69. AIA Expenditure limits will continue to be issued on a quarterly basis. However, entities must not spend beyond collections remitted to Uganda Consolidated Fund (UCF). Any expenditure over and above actual collections shall attract sanctions. Votes should ensure that IFMS receipts are generated on a real-time basis and remittances made to UCF regularly.

V. DISPLAY OF INFORMATION ON PUBLIC NOTICE BOARDS AND RESPONSIVENESS TO FEEDBACK

70. In the course of budget execution, all Accounting Officers should ensure that information is publicly available as a deliberate effort to improve communication, transparency and accountability. In this regard the following information should be displayed on the notice boards in the major public places both at the Higher and Lower Local Government:

- i) A summary of physical investments and their budget allocations programmed in FY 2016/17 and the results achieved;
- ii) A summary of budget allocations and transfers to lower local governments, health facilities, and educational institutions;
- iii) Budget and releases from Central Government and Donor funding as well as local revenue received by your institution; and
- iv) A summary of pupils/students enrollment in Primary, Post-primary schools and Tertiary institutions in your Local Government.

71. As stipulated in your letter of appointment as Accounting officer, you are reminded to provide up to date information such as Staff Lists, Local Pension Schedules and quarterly monitoring reports on the budget website; and procurement and disposal plans and provide up to date information of all tenders for your local governments among others, on the Government procurement portal.

72. In addition, you are requested to respond to feedback and take appropriate follow up actions on queries raised on the Budget Website and from the Budget Hotline within two weeks of receiving that feedback.

W. LOCAL GOVERNMENT PROCUREMENT GUIDELINES

73. Government has finalized development of the local government procurement guidelines and these will be communicated in a separate circular.

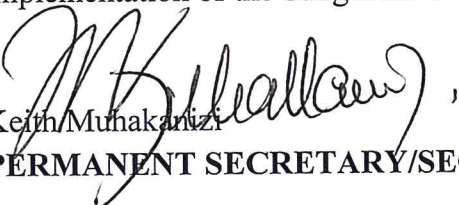
X. CONCLUSION

74. You are required to observe the guidelines stipulated in this Circular and strictly adhere to legal and regulatory framework for Public Expenditure Management as stipulated in

the various Laws and the Regulations. Most importantly, you should desist from mischarge, misappropriation of funds and strictly adhere to the reporting requirements and timelines stipulated in the PFM Act 2015.

75. You are required to sign your individual performance contracts by **30th June 2016**. Performance Contracts shall be vigorously enforced and strong sanctions administered to non-compliant Accounting Officers. As already stated, performance assessments will be carried out at both Half Year and Annual Basis. Renewal of appointment for all Accounting Officers will take into account a proven track record of sound implementation of Government programmes/projects and after a stringent vetting process.
76. The approved detailed budget estimates and Annual Cash Plan can be accessed on the budget website: www.budget.go.ug.

I thank you for your continued efforts towards service delivery and wish you success in implementation of the budget for FY 2016/17.


Keith Muhakanizi

PERMANENT SECRETARY/SECRETARY TO THE TREASURY

Copy to: Hon. Speaker of Parliament
Hon. Deputy Speaker of Parliament
The Rt. Hon. Prime Minister
The Rt. Hon. 1st Deputy Prime Minister and Minister of Public Service
The Rt. Hon. 2nd Deputy Prime Minister & Deputy Leader of Government Business
Hon. Minister of Finance, Planning and Economic Development
All Hon. Ministers and Ministers of State
Auditor General, Office of the Auditor General
The Chairperson/Parliamentary Budget Committee
The Chairperson, National Planning Authority
The Head of Public Service and Secretary to Cabinet
The Permanent Secretary/Office of the Prime Minister
The Ag. Permanent Secretary/Ministry of Public Service
The Ag. Permanent Secretary/Ministry of Local Government
Auditor General/Auditor General's Office
The Director/Parliamentary Budget Office
Heads of Uganda's Missions Abroad
All Resident District Commissioners
All Chairpersons LCV and Mayors of Municipalities
All Chairpersons of Service Commissions