PARLIAMENT OF THE REPUBLIC OF UGANDA

REPORT OF THE COMMITTEE ON PUBLIC ACCOUNTS (COMMISSIONS, STATUTORY AUTHORITIES & STATE ENTERPRISES) ON THE REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF UGANDA REVENUE AUTHORITY OF FOR FINANCIAL YEAR ENDED 30TH JUNE, 2022

Office of the Clerk to Parliament
Parliamentary Building, Kampala

October, 2023

1. INTRODUCTION

In accordance with Article 163(5) of the Constitution of the Republic of Uganda, 1995, Rule 181(2) of the Rules of Procedure of Parliament, this is the Report of the Committee on Public Accounts (Commissions, Statutory Authorities & State Enterprises) –PAC (COSASE) on the Report of Auditor General on the Financial Statements of Uganda Revenue Authority (URA) for Financial Year ended 30th June, 2022.

2. BACKGROUND

The Report of the Auditor General was laid before Parliament on 19th January, 2023, and referred to the Committee in accordance with Rule 181(4) & (5).

3. METHODOLOGY

In the consideration of the Report, the Committee:

a) Held meetings with:
   i. The management of URA

b) Reviewed various documents including:
   i. The Report of the Auditor General on the Financial Year ended 30th June, 2022;
   ii. Responses to the queries from the management of URA.

4. FINDINGS, OBSERVATIONS, AND RECOMMENDATIONS

CORPORATE SERVICES

1. Implementation of the Approved Budget

The entity had an approved budget of UGX.534.16Bn out of which UGX.568.871Bn was warranted.

1.1 Performance of GoU receipts

According to the approved budget, the entity was supposed to receive UGX.534.160 Bn, all of which was availed/warranted by the end of the year under review, representing a performance of 100%. It was further noted that a total of UGX.34.711 bn, that had remained unspent in the previous year was retained by the entity.

The Accounting Officer submitted that in the previous year, UGX 34.7bn was unabsorbed and a request was made to the Minister of Finance, Planning and

Economic Development to retain those funds. This permission was granted subject to approval by Parliament.

Observation

The Committee observes that the Minister contravened Section 79(1) (b) of the Public Finance Management Act, 2015 when he authorised expenditure without the approval of Parliament.

Recommendation

The Committee recommends that the appointing authority should sanction the Minister for violating Section 79(1) (b) of the Public Finance Management Act, 2015.

1.2 Absorption of funds

Out of the total available funds of **UGX.568.87 bn** received during the financial year, **UGX.443.79 bn** was spent by the entity resulting into an unspent balance of **UGX.125.08 bn** representing an absorption level of **78%.** The Auditor General observed that the unspent funds were not swept back to the consolidated fund as required by the PFMA.

The Accounting Officer explained that the unspent funds were meant for the recruitment of 700 staff but the process of recruitment could not be completed in time and as such the funds could not be utilised. He also explained that part of the funds were meant for the procurement of IT equipment. However, owing to the outbreak of Covid-19, there was a scarcity of microchips essential for the manufacture of various equipment. Moreover, the movement of good across the world was also affected. However, the recruitment and procurement were undertaken.

Observations

The Committee observes that:

i. URA's annual approved budget for the financial was UGX 534.16bn whereas the available amount for expenditure was UGX 568.87bn. The difference of UGX 34.711bn was the unspent balance of the previous financial year not remitted to the consolidated fund;

ii. the failure to return unutilised funds over the years is contrary to Section 17(2) of the Public Finance Management Act, 2015 and affects service delivery;

iii. out of the total available funds of UGX 568.87bn was spent, leaving an unspent balance of UGX 125.08bn which was not remitted to the consolidated fund as required by Section 17(2) opf the Public Finance Management Act, 2015;

iv. out of the unspent UGX 125.08bn, activities worth UGX 56.336bn could be established, leaving an unspent balance of UGX 68.75bn unexplained;

Recommendation
The Committee recommends that the Auditor General conducts a special audit into the unspent balance.

1.3 Implementation of outputs and activities
The Auditor General assessed the implementation of a sample of three (03) outputs that had been fully quantified with a total of **nineteen (19)** activities worth **UGX.253.77 Bn** and noted that:

- No output with all its activities was fully implemented. The entity did not implement fully all the activities within the output.
- Three **(3)** outputs with fifteen (15) activities worth **UGX.253.77 Bn** were partially implemented. Out of the fifteen (15) activities, the entity fully implemented five (5) activities; **Ten (10)** activities were partially implemented, while no activity remained unimplemented.

He further submitted that a number of outputs were not fully implemented due to the effects of Covid-19 which significantly reduced the volume of trade and, by implication, most of the outputs envisaged. Further, the reduction of staff in the department of compliance due to the effects of Covid-19 also affected the attainment of set targets.

Observation
The Committee observes that failure to implement planned activities led to low domestic tax collection, low filing ration of VAT and PAYE, low electronic cargo tracking, and increased clearing time for imports.

Recommendation
The Committee recommends that the Authority acquires a robust and self-sustaining cargo monitoring system that is able to track 100% of all cargo.

1.4 Off-budget Financing/Non-disclosure of the source of funding

Section 44 (1) of the PFMA 2015 requires the Minister of MoFPED to receive the monetary grants made to the Government or a Vote by a foreign government, international organization or any other person. In addition, Paragraph 24.6.2 of the Treasury Instructions 2017 requires an Accounting Officer to ensure that all planned development partner disbursements under his or her vote are included in the vote budget estimates that are appropriated by Parliament.

However, it was noted that the Authority received project funds to the tune of UGX.101.5m directly from United Nations Capital Development to undertake specific activities. In addition, a review of the bank statements also revealed that the entity received funds to the tune of USD.113,555 from the World Bank. The Auditor General was not provided with information that the above funds were budgeted and accordingly appropriated by Parliament.

The Accounting Officer explained that in 2020, the Government of Uganda, through the Ministry of Finance, signed an agreement with the World Bank for a project entitled: Enhanced Domestic Revenue Mobilisation for Improved Fiscal Outcomes. Project implementation commenced following the signing of the agreement. The agreement was submitted indicating that it was signed on 11th June, 2020 and was for USD 333,000 and that the agreement was shown to the Auditor General.

However, invoices for the project's components became due ahead of the receipt of funds from the World Bank and some of the invoices were paid off the operational funds as the entity was awaiting the funds from the World Bank. The equivalent value (USD 135,000) was later transferred from the World Bank Account in the central bank to the operational account as reimbursement.

He further submitted that URA entered into an agreement with a UN Capital Development Fund to provide assistance to the government for its development activities. URA received a grant funding of UGX 105,000,000 as part of the grant contribution to the government. The grant was to provide capital to URA to Support Training of Local Government and KCCA on the Tax Administration Diagnostic Assessment Tool. A copy of the agreement was submitted dated 07th December, 2021. The agreement indicates that one of the installments to URA was UGX 105.5.

Recommendation

The Committee recommends that the Accounting Officer should be cautioned for flouting the Treasury Instructions.

2. Management of IT Investments

For the current year 2021/2022, the entity budgeted for UGX.112.42Bn for the acquisition and implementation of IT systems and equipment and received UGX.112.42Bn. A review of ICT activities implemented revealed the following:

2.1 Procurement/Development and Use of Software/Licenses (IT Systems) and Equipment

The ICT Systems Development Lifecycle (SDLC) requires a systematic approach which includes; initiation, planning and execution. In addition, the Auditor General made an assessment based on PS/ST and NITA-U guidance on ICT developments which aim to promote rationalisation and avoid further development of isolated IT systems in MDAs and LGs. During the audit of URA, the Auditor General observed the following:

Eight (8) IT projects with a total cost of UGX.2.57Bn were not implemented within the required timelines as specified in the inception reports/contracts.

One (1) system (ERP) was procured by the entity when they were already existing similar systems within other government MDAs/LGs, indicating a possibility of duplication. The ERP duplicates the Government IFMS.

Non-implementation of IT Procurements

The Accounting Officer informed the Committee that the Covid Period meant that there was a scarcity of microchips globally which caused delays. There are also numerous procedures for procurement of IT equipment including traveling to see the equipment before it is supplied. The team could not travel due to restrictions and this caused delays. However, the equipment was subsequently procured.

Procurement of ERP

The Accounting Officer submitted that while the IFMIS provides services regarding payments, there are modules necessary for the functioning of the various systems of URA that it does not have, and yet these are essential. These include: human resource self-service, personal information, leave, performance management, recruitment, payroll and benefits, among others.

Observations

The Committee observes that:

i. there is absence of centralised ICT systems within government leading to duplication;

ii. the Integrated Finance Management System used by government does not have all modules necessary for all Ministries, Departments, and Agencies with the result that various entities have to procure tailor-made ICT systems for their operations.

Recommendation

The Committee recommends that the Ministry of Finance, Planning & Economic Development should procure a single system to support all functions for MDAs to avoid duplication and wastage of resources.

2.2 ICT Governance

ICT governance entails leadership, structures, and processes that enable an organization to make decisions to ensure that its IT sustains and extends its strategies and objectives.

However, a review of the ICT governance structure of the entity revealed that out of the total approved established positions in the structure for the ICT department of 202 staff, only 153 (76%) positions were filled.

The Accounting Officer explained that over 90% of the positions in the department had been filled, and the process was underway to fill the remaining vacant ones.

Observation

The Committee observes that the failure to have the positions filled impairs the functioning of the entity, given that much of its work is reliant on support from ICT.

Recommendation

The Committee recommends that the Accounting Officer should expedite the filling of all vacant positions in the department.

3. Land Management

3.2 Compliance of the Land Acquisition Processes with the relevant Laws

Irregular Procurement of Land

Instruction 8.10.3 of the Treasury Instruction, 2017 requires an Accounting Officer to ensure that the public procurement management process is in accordance with the PPDA Act.

A review of the procurement plan, reports, payment file and Land inventory revealed the following:

Using Direct Procurement to Procure Land

The entity acquired 1.563 hectares of Land at UGX.443.9Mn in the period under review (2018/19-2021/22) using direct procurement without the approval of the Contracts Committee contrary to Section 85 (2) of the PPDA Act, 2003.

The Accounting Officer submitted that direct procurement was employed because in several instances there were no alternatives given that much of the land acquired was at border locations where the land available was limited. In Bundibugyo, for example, the land in question was the only available piece of land and was adjacent to the already existing land owned by URA, which was small. The land was required for URA's strategic operations such as border control and expansion, especially the construction of the one-stop border posts. There was, therefore, no other appropriate method of procurement.

He clarified that even though direct procurement was employed, care was taken to ensure that government interests such as fair value and proper utilisation of land are taken into consideration.

Observation
The Committee observes that URA purchased land by direct procurement because it was the only piece of land available in the circumstances, and was needed for the construction of a one stop border post.

Absence of clearance from the Attorney General
One (1) piece of land measuring 0.716 hectares with a value above the UGX.200Mn threshold was acquired at a cost of UGX.265.96Mn without the Attorney General's clearance contrary to Article 119(5) of the Constitution of Uganda, 1995. This land is situated in Mulingitanwa II, Bundibugyo, Block 666, Plot 49.

The Accounting Officer explained that due to the need to facilitate trade, the Government of Uganda was setting up one stop border posts at various border posts which requires that several government agencies are located in one place to provide various services. Often time, one agency has land but it is insufficient for all MDAs, creating the need to acquire more space for parking, accommodation, offices, etc.

He explained that the land in Bundibugyo was located adjacent to URA offices and was being used as parking space by URA for over four years. URA needed the land for expansion and the proprietor was willing to sell. The Chief Government Valuer valued the land at UGX 350mn. However, URA top management sought to negotiate the price downwards and formed a negotiation committee which proposed that the price be reduced to UGX 250m which the proprietor did not agree to prompting him to institute a suit against URA vide *Misc. Cause No. 04 of 2000* seeking for vacant possession and damages for encroachment.

In court, a settlement was eventually arrived at and was executed, wherein URA paid a price of UGX 250m plus UGX 15,957,446.8 in withholding tax.

Observation

The Committee observes that the acquisition of this land without clearance from the Attorney General, contrary to the Constitutions (Exemption of Particular Contracts from Attorney General's Legal Advice) (Amendment) Instrument No. 97 of 2014, which requires that all agreements involving an amount of more than UGX 200m to be approved by the Attorney General.

Recommendation

The Committee recommends that the Accounting Officer should be cautioned for flouting the law.

4. Review of the TREP Programme

4.1 Taxpayer Registration and Expansion Program (TREP) Background

The Taxpayer Registration Expansion Program (TREP) framework, as a joint initiative, involves the Uganda Revenue Authority (URA), Uganda Registration Services Bureau (URSB), Kampala Capital City Authority (KCCA) and the Ministry of Local Governments. The goal of TREP is to have an improved environment for business formalization and growth. Specifically, TREP aims at reducing the time and cost of doing business, harmonizing revenue collection procedures among collaborating institutions, enhancing stakeholder awareness about the importance of business formalization and enhancing the capacity of staff of collaborating institutions to match the best practices in business formalization and ease of doing business.

Over the years the project has been funded with UGX.56.98Bn as shown in the table below:

Table 1: TREP Funding

Period	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22	Total
Expenditure (UGX Bn)	1.14	1.14	4.42	8.84	8.84	8.84	8.84	7.46	7.46	56.98

Review of the Programme performance during the year revealed the following:

4.2 Performance of Taxpayer Registration by Collaborating Partners

The TREP work plan for the year 2021/22 had set a total registration target of 553,926 taxpayers distributed across the various TREP partners. During the financial year 2021/22, the collaborating institutions countrywide registered

1,161,688 against a target of **553,926** taxpayers representing a **209.7%** registration success. However, in 2020/2021, the collaborating institutions countrywide registered only **167,211** taxpayers against a target of **436,869** taxpayers representing a **38.27%** registration success and a shortfall of **62%.**

Table 2: Performance of TREP over the years ('000)

Period	Performance	MoLG	KCCA	URSB	URA	Total
2018/19	Target	-	28,537	135,648	113,675	277,860
	Actual	97,079	28,425	44,679	86,815	256,998
	Performance	-	99.61%	32.94%	76.37%	92.49%
2019/20	Target	-	29,108	140,832	113,675	283,615
	Actual	28,143	18,870	24,963	71,571	143,547
	Performance	-	64.83%	17.73%	62.96%	50.61%
2020/21	Target	153,254	29,108	140,832	113,675	436,869
	Actual	30,750	20,403	24,524	91,534	167,211
	Performance	20.06%	70.09%	17.41%	80.52%	38.27%
2021/22	Target	241,934	29,108	30,000	252,884	553,926
	Actual	278,831	23,371	23,234	836,252	1,161,688
	Performance	115.3%	**80.3%**	**77.4%**	**330.7%**	**209.7%**

The Accounting Officer submitted that there was limited tax registration activity and limited mobility during the previous year due to the impact of Covid -19 on the economy. However, 3rd party data analysis was used to get the information on potential taxpayers and subsequently the target was raised to 1m taxpayers and was surpassed.

Recommendation

The Committee recommends that the Accounting Officer should review and set higher targets given that the project has the potential to perform much better.

4.3 TREP Revenue collection performance

The Auditor General noted that TREP had a revenue target of **UGX.127.77 Bn** in FY 2021/22 to be collected by the four collaborating agencies namely; URA, KCCA, URSB and Local Government Urban Municipal Councils. However, the Auditor noted that the program had only collected **UGX.92.88 Bn** by end of June 2022 representing a **72.7%** performance rate. The performance at end of June is summarized the table below:

Table 3: TREP revenue Collection from July to June (FY 2021/22 in Bn UGX)

Period	Performance	MoLG	KCCA	URA	URSB	Total
2018/19	Target	60.28	20.10	40.69	3.26	**124.24**
	Actual	18.32	14.97	42.83	1.39	**77.51**
	Performance	30.39%	74.81%	105.26%	42.67%	**62.39%**
2019/20	Target	60.49	20.08	40.69	3.32	**124.58**
	Actual	16.42	4.93	4.42	1.03	**26.80**
	% Performance	27.1%	24.6%	10.9%	31%	**21.5%**
2020/21	Target	60.49	20.08	40.69	3.32	**124.58**
	Actual	13.96	14.72	19.58	1.67	**49.93**
	% Performance	23.08%	73.31%	48.12%	50.30%	**40.08%**
2020/21	Target	61.69	20.48	42.33	3.27	**127.77**
	Actual	27.88	27.40	36.18	1.42	**92.88**
	% Performance	45.2%	133.8%	85.5%	43.4%	**72.7%**

The Accounting Officer submitted that for some of the businesses, the targets were not met due the impact of Covid-19. For others, there are processes such as appeals which meant that the taxes could not be collected in the period anticipated, necessitating the payment of those taxes in the subsequent financial year, while some of the businesses were not making profit and were therefore not eligible to pay taxes. He further submitted that the performance had increased over a three year period and was projected to increase given the numerous trainings for all the staff on the project and enhanced collaboration among the participating institutions.

Recommendation

The Committee recommends that the Accounting Officer should engage the relevant stakeholders to improve the project mobilization capacity and fast-track its implementation.

4.4 TREP Budget Absorption

From the review of the budget, the Auditor General noted that the programme was allocated a total of **UGX.7.45 Bn** for FY 2021/22, but only a total of **UGX.6.41Bn** was spent leading to a variance of **UGX.1.45 Bn** unspent representing **14%** of unutilized funds allocated for the financial year as seen in Table 11 below:

Table 4: Underperformance

Particulars	Amount in Billions – UGX

Funds Allocated to TREP as per the approved budget	7.45
Amount utilised in the year (67%)	4.96
Pending Commitments	1.45
Total Expenditure to date	6.41
Unspent Funds	1.04
%age of utilization	**86%**

The Accounting Officer submitted that the unspent funds were meant for the procurement of various ICT equipment including computers, laptops, projectors and field gadgets and the procurement processes were initiated in time. However, due to the outbreak of Covid-19 and the attendant lockdowns, many manufacturing plants were closed and yet the demand for the above items rose as people shifted to working from home/online. This caused procurement delays and thus affected the absorption of funds. The items were subsequently delivered towards the end of the subsequent financial year.

Observation
The Committee observes that the delay in the procurement of items significantly affected the progress of the project.

Recommendation
The Accounting Officer should ensure that all the planned activities are implemented on time to achieve the programme's intended objectives.

5. Review of Procurements

5.1 Unapproved Multi-Year Contract

PFMA 2015 Section 23(1) requires that 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 authorized by Parliament (2) Parliament may, in the annual budget, authorize 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.

The Auditor General observed that the Authority awarded multi-year contracts to the tune of UGX.27.4Bn without evidence of approval by Parliament. These contracts mainly comprised contracts signed for the support and maintenance of systems.

The Accounting Officer submitted that multi-year contracts are macro in nature and require open bidding which takes approximately 4 months and have a longer procurement cycle. Given that the services for which these contracts are required such as support and maintenance which aid revenue collection are needed throughout the year, it is prudent to enter into these as opposed to annual contracts to avoid a situation which interferes with the work of revenue collection where contracts expire before the renewal process. The contracts are for three years but payments are made in annual instalments based on the MTEF allocations.

He submitted a letter to the PSST dated 21st March, 2022 in which he submitted the multi-year contracts.

Observation
Failure to obtain Parliamentary approval for these multi-year commitments is irregular and could lead to commitment of government without the necessary funding.

Recommendation
The Committee recommends that the Accounting Officer should be cautioned for not adhering to the law.

5.2 Delayed Procurements - UGX.65Bn
Section 45 of the PFMA 2015, requires the Accounting Officer to control the regularity and proper use of the money appropriated for the vote. Accordingly, the Accounting Officer enters into an annual performance contract which binds him/her to deliver on the agreed-upon activities/outputs contained in the approved work plan for the financial year.

As reported in prior-year audit reports, URA is still experiencing challenges in implementing planned and budgeted outputs/activities, which affects service delivery. It was observed that planned procurements worth UGX.65Bn were not yet implemented by 30th June 2022.

The Accounting Officer submitted that there are procurements that crossed over to the next financial year before they were concluded or paid for. There were 56 of these accounting for 56bn by the time the audit was conducted. However, 41 of these accounting for UGX 9bn were concluded and paid for. Two of these amounting to UGX 262.4m were halted to revise the statement requirement, and 13 procurements accounting for UGX 57bn were still ongoing and majority of them were at implementation stage, and that going forward, procurements were being implemented early.

Recommendation
The Committee recommends that the Accounting Officer should be held liable for not adhering to the procurement plan.

REVENUE COLLECTION ACCOUNT

1. Revenue Performance

1.1 Underperformance in revenue collection

According to the URA's Statement of Comparison of Target and Actual Revenue collection by the Tax head, the Authority had a total revenue collection target of UGX.22,802.62Bn for the financial year 2021/22.

The Auditor General noted, however, that the Authority did not hit the target even though the entity received full funding for the allocated budget. The Authority's total gross revenue collection of UGX.22,098.06Bn represented 96.9% of the set target and a shortfall of UGX.704.55Bn (3.1%). Furthermore, while there was an improvement from last year when the target was missed by 11%, the performance was still far away from the desired 100%.

The Accounting Officer submitted that many businesses were suffering due to the after effects of Covid-19 and as such, less taxes were collected. He further explained that there was need to support businesses, many of which were struggling due to the effects of Covid-19, through permitting them to pay in instalments. This also had the effect of reducing the overall amount of taxes collected.

He informed the Committee that the URA had come up with various initiatives to improve efficiency in tax collection. These include the automation of business processes through the Electronic Fiscal Receipting & Invoicing Solution (EFRIS) Digital Tracking Solution (DTS), among others; the expansion of the tax register; expansion of stakeholder engagements and better management of court cases; alternative dispute resolution; and use of 3rd party data from MDAs by linking their previously untaxed customers to their transactions and thereby identifying tax evasion.

Observation

The Committee observes that under-collection of revenue affects the overall delivery of Public services by Government and leads to the escalation of public debt as borrowing increases to close budget funding gaps.

Recommendation

The Committee recommends that the Accounting Officer should intensify measures to attain set targets.

1.2. Performance of Compliance Improvement Plan for FY 2021/2022

Every financial year, the Risk Assessment Committee (RAC) of URA has the responsibility of preparing a Compliance Improvement Plan (CIP) and at the same time monitoring its performance. For the Financial year 2021/22, RAC prepared the CIP in two halves, that is; cases were sent to the stations in the first cycle covering a period of July-December 2022. At the beginning of the second cycle of the financial year, the second batch of the CIP cases was sent to the stations to be completed in the period Jan-June 2022. The cases were aligned with four different initiatives which included: Register Maintenance, Compliance Advisories, Issue Audits and Comprehensive Audits. For the Financial year 2021/22, a total of 45,273 compliance actions were identified and dispatched to the stations.

The Auditor reviewed the CIP performance report availed by Management and noted that out of a target of 45,273 cases, 42,656 (94%) cases were completed. However, whereas a substantial number of cases were completed, the revenue collections arising were below 50%. The tax assessed was UGX.616.22Bn, but collections were only UGX.162.10 Bn.

The Accounting Officer explained that CIP cases not completed in the previous year are brought forward and form part of the stock for the subsequent financial year. He explained that as at half year in 2022/23, the initiatives were performing at 72%.

He further explained that some initiatives were put in place to improve performance such as the training of new staff on compliance management, data analysis, and risk profiling; and the continuous taxpayer education campaign aimed at teaching taxpayers about their obligations and providing taxpayer information to support compliance regarding registration, filing & tax payment, among other measures.

Recommendation
The Committee recommends that the Accounting Officer should intensify the initiatives in place to improve the Compliance Improvement Plan.

1.3. Performance of Tax Compliance Audits

It was noted that during the financial year 2021/22, out of the planned 493 compliance audits, only 227 were carried out indicating a performance of 46%. From the completed cases, a total of UGX.104.33Bn was assessed, but only UGX.65.7Bn was collected.

The Accounting Officer explained that domestic taxes were through normal flow i.e current tax obligations, and other initiatives such as audits like the CIP. He further explained that the legal process of tax collection takes into consideration the interests of the taxpayers and provides for a period for review and appeal which is 45 days and 90 days respectively. While this process ensures fairness it also results in tax arrears because of the time involved. He also stated that this process and the disruptions caused by Covid-19 meant that not all the CIP collections were paid and that the payments were slow and over a longer period.

He explained that during that financial year, URA had the lowest manpower, but more staff had been recruited and were being trained, with the expectation that there will be improvements.

He explained that going forward, mechanisms to improve performance were put in place including assessing the required time, staff, and the optimum number of compliance audits that can be undertaken. Efforts were also being made to sensitise the taxpayers to ensure that they pay in time and avoid objections and tax appeals.

Recommendations
The Committee recommends that the Accounting Officer should:

i. ***engage the concerned stakeholders to secure additional resources to strengthen tax audits and enforcement;***

ii. ***improve tax education and dialogue with the tax community to ensure continued compliance;***

iii. ***strengthen the various digital platforms to disseminate information to the different stakeholders***

1.4. Un-budgeted for tax revenues collected - UGX.370.58Bn

Paragraph 4.19.3 of the Treasury Instructions, 2017 states that an Accounting Officer shall provide to the Secretary to the Treasury a forecast of the annual cash flow for all expenditure and revenue items included in their budget.

Section 45(3) of the Public Finance Management Act, 2015 also states that 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 the financial year submitted under section 13(15).

The Auditor General reviewed the statement of comparison of target and actual revenue collection by tax head and noted that several tax heads had 0 (zero) budgeted revenue, and yet significant collections were made in the past two years. Some of these tax heads did not have budget allocations despite registering growth in revenue collected. A total of UGX.370.58Bn was collected from unbudgeted tax heads. It was further noted that Gross Payments Account (GPA) deposits were included as revenue under tax heads despite being deposits by different taxpayers to ease the processing of their imports.

The Accounting Officer submitted that the chart of accounts captures major heads and did not indicate the various categories/heads of import revenue such as sundries and miscellaneous payments, alteration fees, certification fees, customs penalties, change of ownership, etc under import duty. He explained that a re-adjustment was made and these were now indicated under import duty, and NTR numbers relating to URA, which were being reported as independent tax heads, were also being reported under URA.

Observations

The Committee observes that:

i. the absence of targets makes it difficult to assess performance and aids misappropriation of funds;

ii. there is no code for Gross Payment Account (GPA) deposits which separates government revenue from the deposits received and yet all the money received is treated as revenue;

iii. the inclusion of GPA deposits in revenue overstates the actual revenue collection.

Recommendations

The Committee recommends that:

i. the Accounting Officer should carry out a deep analysis of the budget performance to make better projections of collectable revenue under the various tax heads before the budget approvals are made;

ii. the Accountant General should provide a separate code for the GPA deposits.

2. Unrealised Revenue in Defunct Banks Ugx.917.2m

It was noted that URA had balances in Uganda Commercial Banks that were closed to the tune of UGX.917.2m. It was further noted that there was no evidence of Management's effort to collect the revenue. Due to time-lapse, the funds may not be successfully collected. The initial explanation from Management indicated that they cannot collect the deposits and as such, they were planning to write them off and were to seek permission from MoFPED.

The Accounting Officer submitted that there were attempts by management to recover the money but they bore no fruits. He explained that the matter regarding Orient Bank and I&M relating to UGX 141.6m in un-receipted collections was taken to court in *I&M Bank (Uganda) Limited v URA Civil Suit No. 360 of 2019* which ruling was pending determination by the High Court.

The matter relating to Barclays Bank (currently ABSA) related to uncredited revenue due to forged receipts of imported vehicles in 2011. The vehicles were released from the customs car bonds without payment of due taxes and the matter was handled by the Department for Tax Investigations which had recovered some of the revenue.

The matter relating to the former Uganda Commercial Bank related to UGX 446.5m. However, when Stanbic Bank took over UCB a new core banking system was introduced which necessitated having only one collections account which could be credited from any district hence the closure of all URA branches.

The balances from 5 branch accounts remained pending in the books due to lack of necessary documentation from the bank regarding remittance of the balance to the consolidated fund. URA requested Stanbic to retrieve the information but was told that the passage of time meant the records were no longer available to the new system that had been installed. However, URA was still engaging Stanbic bank to provide the necessary documentary evidence relating to management of the balances at the time of accounts closure, to guide the next course of action.

Observation
The Committee observes that there was little effort from management to recover the outstanding amount from the banks.

Recommendation
The Committee recommends that the Accounting Officer should recover all the outstanding amount from the defunct banks.

3. Un-Receipted Collections - Ugx.182.96bn
The Auditor General reviewed that the extracts from the Electronic Hub (E-hub) reports and noted that a sum of UGX.182.96Bn was received by BoU from Government Ministries, Departments and Agencies and Local Governments on behalf of URA, as Taxes collected and banked. However, Uganda Revenue Authority did not reconcile and receipt the figures with those in their IT system because of either, lack of the necessary Tax Heads to enable accounting staff to charge the appropriate Tax revenue codes (UGX.2.29Bn), or mismatched IFMS details (UGX.180.67Bn), that lacked vital details, and tax invoices.

The Accounting Officer submitted that sometimes MDAs transfer monies to URA without indicating the particulars to which the transactions relate. URA remits the money to the consolidated fund but has to engage the MDAs to obtain the details and establish what items the monies relate to, which takes time. There were engagements with the relevant MDAs to address the matter.

He explained that URA had engagements with BoU over developing an interface to facilitate the correct recognition of taxes paid through the Integrated Financial Management Information System (IFMIS), integrate it with URA's system and requested for the cost implication of the same, but had received no feedback yet.

Observations
The Committee observes that the absence of real time automated exchange of data between URA, MoFPED and BoU has continued to hinder URA's ability to provide efficient services and effective compliance management and has resulted in a number of challenges including:

a) Manual reconciliation, and in some instances, lack of reconciliation, of tax payments through BoU leading to untimely revenue reporting and un-updated taxpayers' ledgers;

b) Unidentified taxpayers on BoU statements;

c) Unshared Oil & Gas Account Statement by BoU;

d) Limited visibility into government suppliers

All the above mean that any frauds and/or errors may not be easily detected.

Recommendations
The Committee recommends that:

i. ***the Minister of Finance should be held responsible for failing to ensure full automation of the system of revenue collection;***

ii. ***the inspectorate of government should investigate the matter and ascertain the amount of money lost.***

4. Management of Importation and Exportation of Precious Minerals

The Auditor General noted that Uganda Revenue Authority facilitates the process of importation and exportation of precious minerals such as Gold as part of its customs processes. The Auditor General was informed that the importers of precious minerals into the country are expected to hire the services of a licenced customs clearing agent who prepares the customs declaration in ASYCUDA. The importers are expected to have regulatory clearances from the Ministry of Energy and Mineral Development.

The URA customs officials are expected to verify the imports against the declaration made by the clearing agents before the minerals are taken to bonded warehouses where refining takes place. The Mining Amendment Act 2021, introduced an export levy of 5% of the value of a kilogram of gold. URA is expected to confirm the weights, testing and sealing of these precious minerals after refineries are performed. The minerals are thereafter delivered to the export terminal at Entebbe for joint screening and weighing by customs and mineral police, and aviation security before they are exported.

4.1 Lack of documented customs procedures for handling precious minerals
URA developed the Customs Business Process Compendium 3rd edition in 2020, which is a policy and process document of the Customs Department. The compendium details a set of related business activities that when performed together, represent the required chronological steps to achieve a business objective.

It was noted that URA did not have documented step-wise processes on how the importation and exportation of precious minerals should be handled by the customs officials. The processes are not embedded in the customs business compendium despite precious minerals being of high value. Under the circumstances, the Authority stands a risk of revenue loss arising from ad-hoc handling of customs processes in the clearance and processing of precious minerals.

The Accounting Officer explained that a process had been developed and was to be embedded in the 4th Edition of the Customs Business Process Compendium which was under compilation and would be published by the end of October, 2023.

Recommendation
The Accounting Officer should expedite the process of updating the Customs Business Compendium by including standard customs processes for handling precious minerals.

4.2 Failure to collect taxes on Gold exportation - UGX.340.56Bn
Section 180(1) of the Mining and Minerals Act, 2022 provides that all minerals obtained or mined in the course of prospecting, exploration or mining operations shall be subject to the payment of royalties on the gross value of the minerals produced based on the prevailing market price of the minerals at such rates as shall be prescribed by the Minister in collaboration with the Minister responsible for finance by statutory instrument.

For the period under review, the Auditor General was provided with a summary of all details relating to processed Gold exports against the outstanding levy on processed gold at the rate of 5% of the value of a kilogram. It was noted that a total of **UGX.340.56Bn** in taxes had not been collected from Gold exports for a value of **UGX.6,962.18Bn**. Failure by the Authority to collect the outstanding 5% levy on processed Gold exports from the concerned refineries deprives the citizenry of revenue that could be used to finance other Public projects.

The Accounting Officer submitted that Parliament passed the Mining (Amendment) Bill, 2021 with the levy of 5% of the value of a kilogramme of processed gold exported out of Uganda, and 10% of the value of unprocessed minerals exported. However, the private sector players raised concerns and the Minister of Finance wrote to URA on 11th August, 2021 advising that they temporarily enter into an agreement with gold exporters to export their gold without payment of the levy until the law was amended to have retrospective application.

Following the advice, an interim measure was instituted which allowed the provisional release of gold against a requirement to deposit post-dated cheques (computed at 5% of the value of the processed gold) pending further guidance from the Ministry of Finance. This interim measure was insufficient to guarantee the outstanding tax liabilities from accumulated gold exported up to 31st December, 2021 without paying the levy. URA introduced additional requirements for the gold exporters to execute indemnity/guarantee agreements as a condition for temporary relief from paying the 5% levy prior to export. The exporters were also required to renew the old securities in form of cheques issued to URA. These additional requirements took effect on 1st January, 2022.

Parliament later passed the Mining & Minerals Act, 2022 but Section 287(2)(s) thereof provides that levies payable for mineral exports shall be deemed to have come into force on 1st July, 2021. This was meant to enable the Government to introduce Regulations to collect the arrears from 1st July, 2021.

The Minister for Energy and Mineral Development issued the Mining & Minerals (Export Levy on Refined Gold) Regulations, 2023 SI No 22 2021. The Regulations, given retrospective effect to 1st July, 2021, impose an export levy on processed gold out of Uganda at a rate of 200 USD per kg.

The URA Customs System of Asycuda was subsequently reconfigured on Monday 7th March, 2023 to enable the capturing of the declarations. A total of 9 export entries for gold were declared through the system with total weight of 405kg and total taxes of UGX 296.979bn collected.

URA issued demand notices to seven companies that were exporting gold under the Indemnity Agreements on 06th March, 2023 pursuant to the Regulations, demanding accumulated levies for the period of 1st July, 2021 to 3rd March, 2023.

The Accounting Officer told the committee that on 07th March, 2023, URA received communication from the Minister for Energy and Mineral Development requesting URA to halt the implementation of the Regulations until further notice **(See Annex "A").** As a result, the tax arrears of UGX 43.2bn due from gold exporters have not been collected.

Observations

The committee observes that:

i. it was irregular for Minister of Energy and Mineral Development to interfere with the tax collection process;

ii. it was irregular for the accounting officer to act upon the letter of the Minister of Energy and Mineral Development;

iii. it was irresponsible for the Minister of Finance to write to the accounting officer giving him instructions in anticipation of the amendment of the law.

Recommendations

The Committee recommends that;

I. the Minister of Finance should cause the immediate collection of taxes due on gold in accordance with the law;

II. the minister of finance, minister of energy and the accounting officer should be held liable for non-collection of tax on gold export.

2. Review of Value Added Tax (VAT)

2.1 Adoption and usage by of EFRIS by VAT-registered suppliers

Section 73A of the Tax Procedures Code Act 2014 requires a person who conducts business and is Value Added Tax (VAT) registered to issue an e-invoice or e-receipt for any supply or sale, regardless of whether the supplies or sales are subject to VAT at a standard rate, zero rate or exempt.

The Auditor General reviewed the extent of the implementation of the VAT 2014 Procedures Act in relation to VAT-registered suppliers. The Auditor noted that out of a total of 31,311 taxpayers on the VAT register, 30,093 (96.1%) had been put on the EFRIS platform, and 1,218 taxpayers were not yet on the Electronic

Fiscal Receipting and Invoicing Solution (EFRIS). The performance, though commendable, still shows some groups of taxpayers that have not implemented EFRIS.

The Accounting Officer submitted that as at 31st January 2023, the total VAT register stood at 33,483 out of which 31,957 had been enrolled on EFRIS representing a performance of 95.44%. The 1,526 (4.6%) VAT taxpayers not registered on EFRIS were; diplomats, diplomatic missions and public international organizations that are not required to issue invoices.

He explained that URA was looking into making EFRIS a mobile application to cascade its use and ease tax collection after it was made possible to have the application on desktops. He further explained that there were other initiatives to encourage compliance including media campaigns and the recruitment of 5 software engineers to increase on the support of taxpayers using the system invoicing option and solving of taxpayers' queries in real time. Toll free numbers and WhatsApp numbers were also created to encourage engagement with taxpayers.

Recommendation
The Committee recommends that URA should strengthen support and create awareness in implementation and usage of EFRIS among the tax payers to improve VAT tax administration.

3. Customs Management

3.1 Assessed Customs Taxes Not Paid

The Auditor General analysed information on customs assessments extracted from the customs reports and noted that a total of 13,555 customs entry declarations with assessed taxes amounting to UGX.133.16Bn that had not been paid as of 30th June, 2022. The Auditor General further noted that some uncleared importers were Government entities including the Ministry of Finance, Planning and Economic Development.

The Accounting Officer explained that URA had issued demand notices to the various MDAs as a result of which some had paid the taxes as indicated below:

S/N	RESPONSIBLE ENTITY	AMMOUNT DUE	STATUS
1	Ministry of Finance	91,254,799,051	Not Paid

2	Ministry of Agriculture	471,615,014	Not Paid
3	Kampala City Authority	**129,222,308**	**Paid**
4	Ministry of Education	**80,646,921**	**Paid**
5	Ministry of Energy	1,021,994,922	Not Paid
6	Ministry Of Foreign Affairs	97,839,000	Not Paid
7	Ministry of Internal Affairs	165,996	Not Paid
8	Ministry Of Local Government	85,883,542	Not Paid
9	Ministry Of Water	157,479,280	Not Paid
10	Ministry of Agriculture	471,615,014	Paid
11	Kampala Capital City Authority	129,222,308	Paid
12	Ministry of Water	159,479,280	Paid
13	Emergency Life Support a/c Ministry of Health	112,704834	Paid

He also explained that government had paid UGX 167bn out of the UGX 170.39bn on behalf of companies operating in the various industrial parks and only UGX 3.38bn was outstanding.

Observation
The Committee observes that accumulation of tax arrears by Ministries, Departments and Agencies impedes efforts of URA to collect taxes which distorts national planning.

Recommendations
The Committee recommends that:

i. ***all Ministries, Departments and Agencies should pay all outstanding taxes due from them***

ii. ***the Accounting Officer should strengthen mechanisms to follow up, monitor, and collect taxes assessed.***

3.2 Revenue lost due to non-payment of VAT on rice from an EAC Partner state

Whereas the importation of rice grown in the East African Community (EAC) partner states attracts VAT, some companies are importing rice from a partner state free of VAT. Information obtained from ASYCUDA reveals that these companies are based on a 2016 Court Injunction where URA was temporarily stopped from the collection of VAT on rice imported from the partner state by some companies, while other importers were being charged VAT. The Auditor General observed that, during the financial year 2021/22, a total of 1,267 companies applied for the court injunction and avoided VAT of UGX.240.62Bn.

Whereas the temporary injunction was made in 2016, the Auditor noted that to date, there has been no ruling which has caused importers to utilise the injunction to avoid VAT leading to loss of revenue to Government of Uganda and unfair competition with the ones denied use of the exemption.

The Accounting Officer explained that the matter went to court and the Court of Appeal, on 16th September, 2022 agreed with URA and demand notices were promptly issued. However, an appeal was lodged (Civil Appeal No. 27 of 2022) and the importers obtained an interim injunction effective 14th November, 2022 which was still subsisting and URA could not levy taxes.

Observation
The Committee observes that URA cannot levy taxes on rice imports from the Partner State in question owing to an interim injunction which is still subsisting.

5. CONCLUSION

Rt. Hon. Speaker and members, I move that the House adopts this report.

I beg to move.

ANNEX 'A'

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EMAIL: memd@energy.go.ug
Website: www.energyandminerals.go.ug
IN ANY CORRESPONDENCE ON
THIS SUBJECT PLEASE QUOTE REF. NO.
GSM/190/324/01

OFFICE OF THE MINISTER
MINISTRY OF ENERGY AND
MINERAL DEVELOPMENT
PLOT 29/33 AMBER HOUSE
KAMPALA ROAD
P. O. BOX 7270,
KAMPALA - UGANDA

07th March 2023

UGANDA REVENUE AUTHORITY
MAIL REGISTRY
09 MAR 2023
RECEIVED

The Commissioner General
Uganda Revenue Authority
P.O. Box 7279
KAMPALA

EXPORT LEVY ON REFINED GOLD

Reference is made to the Mining and Minerals (Export Levy on Refined Gold) Regulations, 2023 whose purpose is to collect arrears of outstanding export levy on exported gold from FY 2021/2022 to 30th June 2023.

The purpose of this letter therefore, is to request that the Uganda Revenue Authority halts the implementation of the Statutory Instrument until further guidance is provided.

Hon. Dr. Ruth Nankabirwa Ssentamu
MINISTER OF ENERGY AND MINERAL DEVELOPMENT

Cc The Minister of Finance, Planning and Economic Development
The Attorney General, Ministry of Justice and Constitutional Affairs
The Minister of State for Mineral Development
The Minister of State for Energy
The Permanent Secretary/Secretary to the Treasury, Ministry of Finance, Planning and Economic Development.
The Permanent Secretary, Ministry of Energy and Mineral Development

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Uganda

THE REPUBLIC OF UGANDA

In any correspondence on this
Subject please quote No: TPD 223/269/01 Vol 15

UGANDA REVENUE AUTHORITY
MAIL REGISTRY
17 AUG 2021
RECEIVED

UGANDA REVENUE AUTHORITY
RECEIVED
19 AUG 2021
COMMISSIONER CUSTOMS DEPT

11th August 2021

The Commissioner General
Uganda Revenue Authority
KAMPALA

THE MINING (AMENDMENT) ACT, 2021

Reference is made to your letters Ref: URA/CUST/CCD/3/17 and Ref: URA/CG/10.0, dated 07th July 2021 and 13th July 2021 respectively, on the above subject.

We note your recommendation for a stay of application of the Mining (Amendment) Act, 2021, following the concerns raised by industry players about the imposition of an export levy of 5% per Kg of processed gold and 10% of the value of unprocessed minerals. We also note your assessment that points to the untenability of the foregoing tax regime, particularly given that it is not based on research and is a significant departure from the proposal of USD200 per kilogram for processed gold and 1% of the value for unprocessed minerals which we submitted to Parliament following a detailed analysis and a consensus with stakeholders.

We sought advice from the Ministry of Justice and Constitutional Affairs who advised that we cannot stay application of the law. The solution is to expeditiously amend it with 1st July 2021 as the commencement date.

In the meantime, you may enter into an arrangement with the exporters to export their gold without payment of the levy, until amendment of the law which is intended to have retrospective application. They will then pay as per the amended law, which should be consistent with the earlier agreed rates of USD200 per kilogram for processed gold and 1% of the value for unprocessed minerals.

Matia Kasaija (MP)
MINISTER OF FINANCE, PLANNING AND ECONOMIC DEVELOPMENT

c.c. Hon. Minister of Energy and Mineral Development
c.c. All Ministers of State for Finance, Planning and Economic Development
c.c. The Permanent Secretary, Ministry of Energy and Mineral Development
c.c. The Solicitor General, Ministry of Justice and Constitutional Affairs

REPORT OF THE COMMITTEE ON PUBLIC ACCOUNTS (COMMISSIONS, STATUTORY AUTHORITIES & STATE ENTERPRISES) ON THE REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF UGANDA REVENUE AUTHORITY FOR FINANCIAL YEAR ENDED 30TH JUNE, 2022 AND OTHER MATTERS

S/N	NAME	CONSTITUENCY	SIGNATURE
1	Hon. Ssenyonyi Joel – C/Person	Nakawa West	
2	Hon. Akello Lucy – D/CP	DWR Amuru	
3	Hon. Lagen David	Agago County	
4	Hon, Mbwatekamwa Gaffa	Igara West County	
5	Hon. Afoyochan Esther	DWR Zombo	
6	Hon. Anywar Ricky Richard	Agago West County	
7	Hon. Acan Joyce Okeny	PWD National	
8	Hon. Achan Judith Peace	DWR Nwoya	
9	Hon. Akampulira Prossy Mbabazi	DWR Rubanda	
10	Hon. Atwijukire Dan Kimosho	Kazoo County	
11	Hon. Bakkabulindi Charles	Workers Rep	
12	Hon. Gafabusa Richard Muhumuza	Bwamba County	
13	Hon. Mugabi Muzaale Martin	Buzaaya County	
14	Hon. Ssekikuubo Theodore	Lwemiyaga County	
15	Hon. Abigaba Cuthbert Mirembe	Kibale County	
16	Hon, Okumu Gabriel	Okoro County	

17	Hon. Kambale Ferigo (New)	Kasese Municipality	
18	Hon. Ruhunda Alex	Fort Portal Central	
19	Hon. Sekyanzi Benard Kirya	Budyebo County	
20	Hon. Wandwasi Robert	Bungokho South County	
21	Hon. Hashim Sulaiman	Neebi Municipality	
22	Hon. Maneno Zumura	DWR Obongi	
23	Hon. Nangoli Gerald	Elgon North County	
24	Hon. Ababiku Jessica	DWR Adjuman	
25	Hon. Wakabi Pius	Bugahya County	
26	Hon. Linda Irene	DWR Fort Portal	
27	Hon. Kamukama Davis	Bunyangabu County	
28	Hon. Twalla Fadil	Tingey County	
29	Hon. Nsibambi Yusuf	Mawokota South County	
30	Hon. Ekanya Geofrey	Tororo County	
31	Hon. Okot Santa	DWR Aruu North	
32	Hon. Auma Kenny	Kwania North	
33	Hon. Sebamala Richard	Bukoto Central	
34	Hon. Okupa Elijah	Kasilo County	
35	Hon. Mpindi Bumali	PwDs Rep	
36	Hon. Nsanja Patrick	Ntenjeru County South	
37	Hon. Acora Nancy	DWR Lamwo	
38	Hon. Mugema Peter	Iganga Municipality	

39	Hon. Roland Ndyomugyenyi	Rukiga County	
40	Hon. Nkunyingi Muwada	Kyadondo East	
41	Hon. Kazibwe Bashir Mbazira	Kawempe South	
42	Hon. Kiwanuka Abdallah	Mukono South	
43	Hon. Bagala Joyce Ntwatwa	Mityana District	
44.	Hon. Dr. Nekesa Victor	UPDF Rep.	
45.	Hon. Itungo Nathan	Kashari South	