



# **INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS OF UGANDA**

## **SURVEY REPORT: PFM REFORMS**

### **Introduction**

ICPAU undertook a survey of its members to assess the validity of the improvements resulting from GoU PFM reforms and also establish IPSAS implementation challenges in Uganda.

Below is a report based on the survey highlighting the key findings:

### **PFM Reforms**

The survey responses revealed that the rollout and use of the Integrated Financial Management System (IFMS) (89%); Public procurement reform (80%); the Treasury Single Account (TSA) (about 79%); Introduction of Program-Based Budgeting (PBB) (78%); and Decentralization of payroll & pension management (about 77%) were the most common PFM programmes.

On a scale of 1 - 5, with 5 being the highest score, majority respondents rated the quality of the reforms introduced by government at 3.

The results indicated that the reforms have covered almost all of the Ministries, most of Government's departments & agencies as well as City Councils & Districts; BUT only some of the Councils and Municipalities.

To assess the validity of the improvements resulting from GoU PFM reforms, we sought out from the respondents the benefits of these reforms with regard to:

#### **a) Revenue Mobilization**

Respondents indicated improved tax compliance through increased efficiency in revenue administration (78%), and enhanced enabling environment for revenue mobilization (73%).

#### **b) Resource Allocation**

Respondents indicated that budgets are now more aligned to strategic plans (almost 88%); planning and budget responsiveness to gender and equity has been enhanced (75%); more effective planning and budgeting at local governments (71%); and that multi-year commitments are now being reflected in annual budgets (about 63%).

#### **c) Management and Reporting**

Respondents indicated improved comprehensiveness and quality of financial reporting (about 85%); enhanced accountability in resource utilization and results

for project delivery (about 81%); strengthened effectiveness of commitment controls and cash management (75%); and enhanced effectiveness and accuracy of public service payroll and pension management systems (about 75%).

Survey results generally indicated that many respondents (over 72%) believed that GoU PFM reform programmes have been successful in generating improvements in the key aspects of public finance management (i.e. resource mobilization, planning and investment management, and accountability for quality, effective and efficient service delivery).

The results showed that the binding external constraints on the delivery of PFM reform outputs were a combination of all three factors political, financing and policy factors. The lack of consistent political will to support the reforms as well as political interference with the implementation of the reforms; financial constraints such as some local gov'ts do not have for example equipment like computers; and inept and non-aligned policies were sighted. Others issues include;

- Capacity gaps
- Attitude and value system challenges
- Insufficient follow-up on recommendations of oversight institutions
- Weak performance monitoring and evaluation systems.

### **Status of Adoption of IPSAS in Uganda**

Only about 16% of the respondents were using full accrual/ IPSAS accounting for their financial reporting. Over 40% of the respondents were using modified accrual as a transition to accrual, about 36% were using the modified cash basis, and less than 10% of the respondents indicated that they utilized the cash basis of accounting.

Majority respondents (over 78%) published an annual report to their stakeholders.

Survey results indicated a lot of concerns about the adoption of full accrual IPSAS for government financial reporting in respect to the parameters below:

- a. Level of IPSAS disclosure requirements (89%)
- b. Changes in accounting policies and procedures (84%)
- c. Availability of IPSAS experts (77%)
- d. IPSAS Accounting measurement and Valuation (79%)
- e. Increase in cost of financial statement production (64%)
- f. High costs of training accounting personnel (73%)

Members recommended the following to improve the application of IPSAS for more transparency and accountability of public finance:

- There must be a deliberate effort to enhance the capacity of all Public Sector Accountants.
- Continuous upgrade/ re-designing of the IFMS to suit/ align with the IPSAS standards.

- Government should enact legislation to make application of IPSAS mandatory for all public entities. MoFPED should make it compulsory within the law for all public sector entities to adopt IPSAS. This will enable Government to easily monitor them for transparency and accountability of Public Finance.
- Develop simplified guidelines on application of IPSAS.
- Develop reporting templates and software that are in line with IPSAS.
- Implement the requirement for heads of finance and internal audit in all public institutions to be a fully qualified accountant as a starting point.
- Benchmark best practices across governments that have already implemented IPSAS to pick lessons learnt and avoid any known pitfalls/drawbacks.

Members recommended the following on the application of IPSAS across government: Members noted that the major challenge is valuation of assets and the transition from cash accounting to accrual. Members recommended the following:

- Sensitization and awareness for both political leaders and policy makers for enforcement and greater buy-in.
- The Accountant General should fast track the roadmap for implementation of IPSAS and plan for all the cost implications.
- Set deadlines for adoption and implementation of IPSAS across Government.
- A gradual and phased approach to IPSAS adoption and implementation was recommended, having put in place the appropriate infrastructure and manpower needs.
- In developing financial reporting guidelines, the Accountant general should directly adopt treatment of elements from the IPSAS.
- Building of adequate infrastructure and systems that support the IPSAS in preparation for its introduction.
- Avail funds for capacity enhancement of public sector accountants
- Results should be shared with the Accountant General to allow actual implementation within the guidance provided.

## **APPENDIX: SURVEY ON PFM REFORMS**

### **1.0 Introduction**

The open survey was administered electronically to members by email from 28 July 2021 - 13 September 2021. A total of 135 responses were analyzed.

### **2.0 Detailed Survey Responses**

Following are the detailed survey responses:

#### ***2.1 What PFM reform programmes are you aware of/ or have been implemented in your organization?***

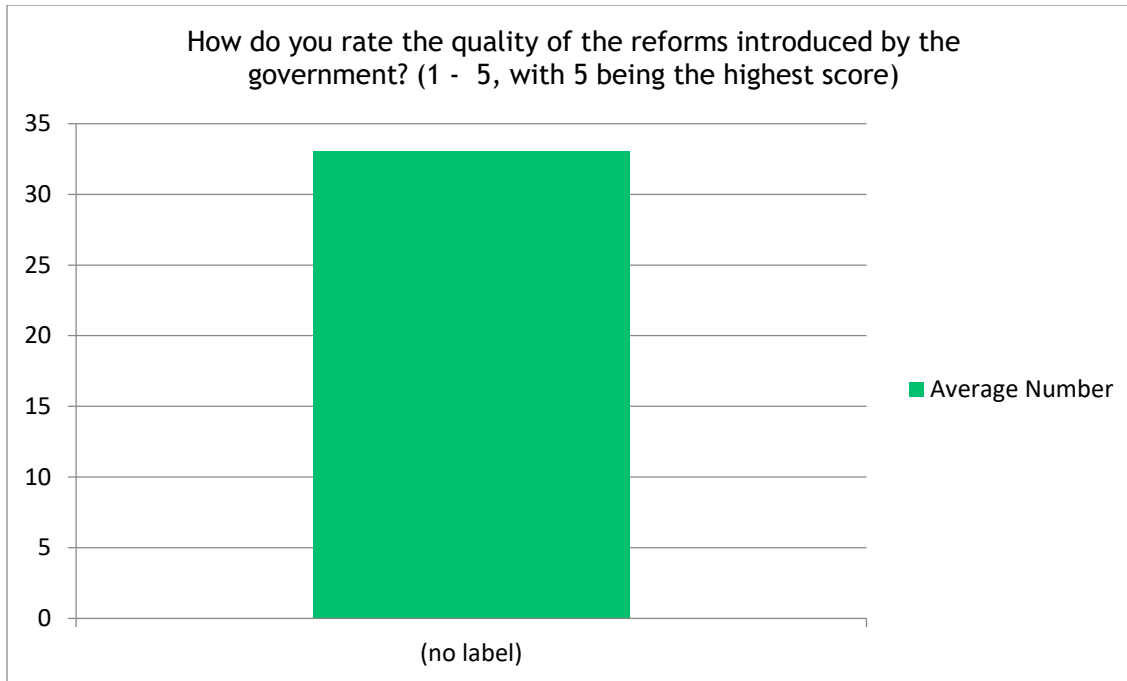
Rollout and use of the Integrated Financial Management System (IFMS) (89%), Public procurement reform (80%), the Treasury Single Account (TSA) (78%), Introduction of Program-Based Budgeting (PBB) (78%), and Decentralization of payroll & pension management (76%) were the most common PFM reform programmes that members were aware of.

<b>Answer Choices</b>	<b>Responses</b>	
Ratification of the new PFM Act (2015)	64.39%	85
the Treasury Single Account (TSA)	78.79%	104
Decentralization of payroll & pension management	76.52%	101
Introduction of Program-Based Budgeting (PBB)	78.03%	103
Rollout and use of the Integrated Financial Management System (IFMS)	89.39%	118
Professional scheme for accreditation of staff	40.15%	53
Aid and debt Management reforms (AMP)	23.48%	31
Public procurement reform	80.30%	106
Improving budget formulation, implementation, monitoring and reporting	71.97%	95
Strengthening budget transparency	68.94%	91
Any other (Please specify)		11
	<b>Answered</b>	<b>132</b>
	<b>Skipped</b>	<b>3</b>

Source: ICPAU Survey-PFM Reforms, 28 July-13 September 2021, Base: 135

#### ***2.2 How do you rate the quality of the reforms introduced by the government? (1 - 5, with 5 being the highest score)***

Majority of the respondents rated the quality of the reforms introduced by government at 3, on a scale of 1 - 5, with 5 being the highest score. See graph below for detailed presentation.



Source: ICPAU Survey-PFM Reforms, 28 July-13 September 2021, Base: 135

### 2.3 What is the coverage across government by the reforms - intended target reach?

	All		Most		Some		None		Total
Ministries	61.98%	75	33.06%	40	4.96%	6	0.00%	0	121
Departments & Agencies	30.40%	38	57.60%	72	12.00%	15	0.00%	0	125
City Councils and Districts	24.19%	30	47.58%	59	27.42%	34	0.81%	1	124
Councils & Municipalities	20.00%	24	37.50%	45	40.00%	48	2.50%	3	120
								Answered	132
								Skipped	3

Source: ICPAU Survey-PFM Reforms, 28 July-13 September 2021, Base: 135

The above table provides details on the coverage of the reforms across government. Government has not yet covered the intended target reach.

- Ministries - Almost all
- Departments & Agencies - Most
- City Councils and Districts - Most
- Councils & Municipalities - Some

### 2.4 What have been the benefits of the PFM reform in revenue mobilization? Tick all that apply

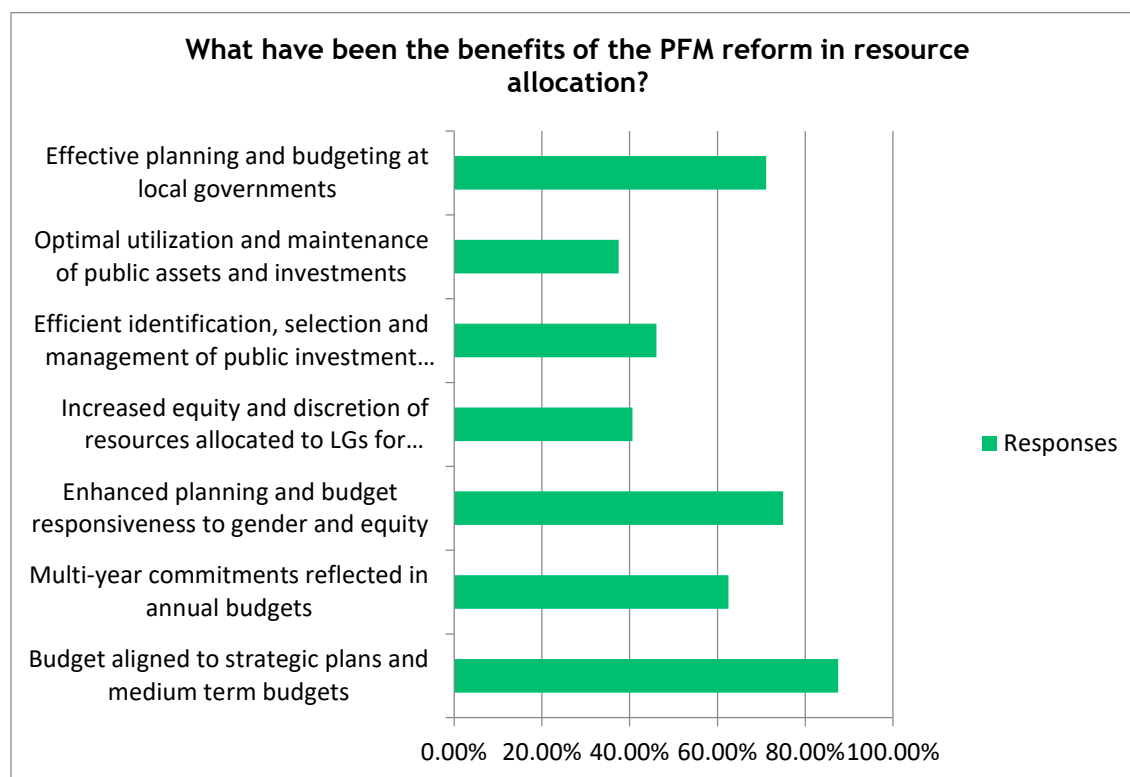
Majority respondents indicated enhanced enabling environment for revenue mobilization (73%) and improved tax compliance through increased efficiency in

revenue administration as the biggest benefits of the PFM reforms in revenue mobilization.

Answer Choices	Responses	
Enhanced enabling environment for revenue mobilization	73.44%	94
Tax compliance improved through increased efficiency in revenue administration	78.13%	100
Enhanced collections from new revenue opportunities including oil, gas and mineral sectors	48.44%	62
Sustainable debt and development financing	24.22%	31
Increased contribution of LG own-source revenue	47.66%	61
Other (please specify)		7
	<b>Answered</b>	<b>128</b>
	<b>Skipped</b>	<b>7</b>

Source: ICPAU Survey-PFM Reforms, 28 July-13 September 2021, Base: 135

**2.5 What have been the benefits of the PFM reform in resource allocation? Tick all that apply**

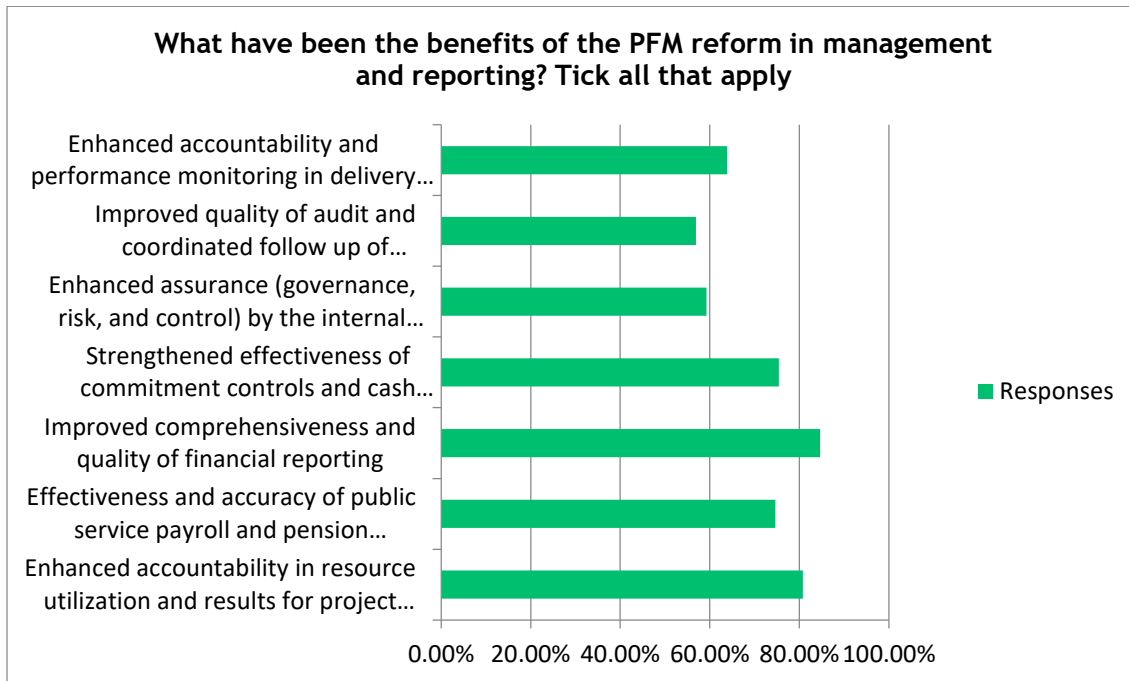


Source: ICPAU Survey-PFM Reforms, 28 July-13 September 2021, Base: 135

The graph above shows that the biggest benefits of the PFM reform in resource allocation were effective planning and budgeting at local governments, enhanced planning and budget responsiveness to gender and equity, and alignment of budget to strategic plans and medium term budgets.

**2.6 What have been the benefits of the PFM reform in management and reporting? Tick all that apply**

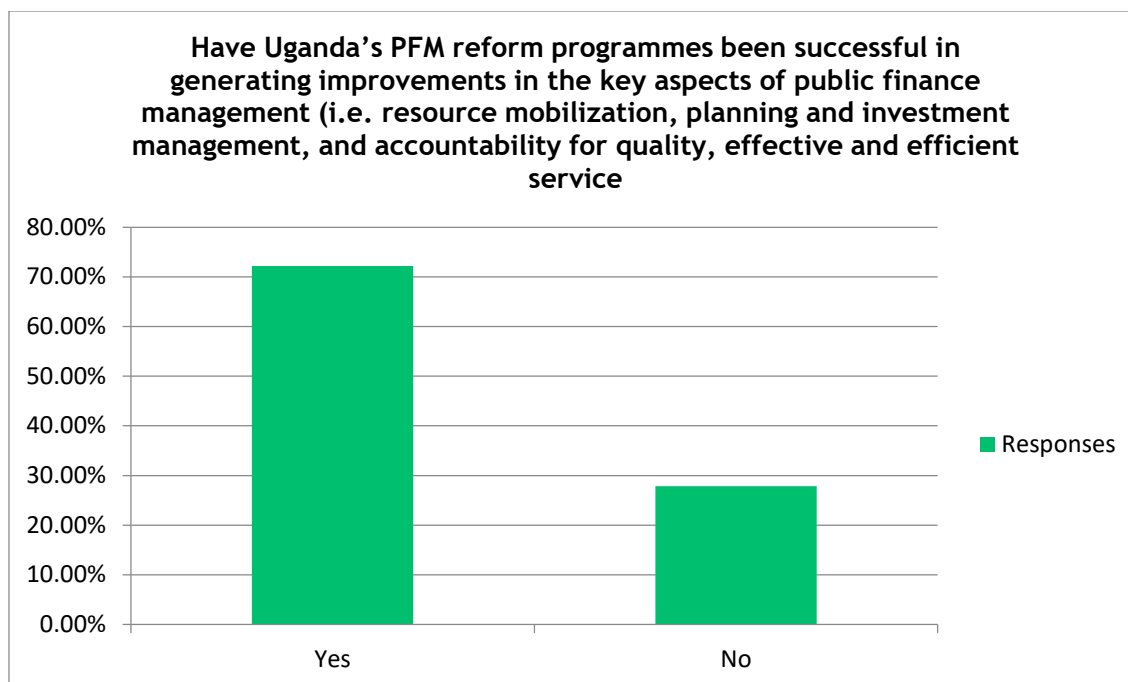
The graph below shows that the greatest benefits of the PFM reform with regard to management and reporting included: strengthened effectiveness of commitment controls and cash management, improved comprehensiveness and quality of financial reporting, effectiveness and accuracy of public service pay roll and pension system as well as enhances accountability in resource utilization and results for project delivery.



Source: ICPAU Survey-PFM Reforms, 28 July-13 September 2021, Base: 135

**2.7 Have Uganda’s PFM reform programmes been successful in generating improvements in the key aspects of public finance management (i.e. resource mobilization, planning and investment management, and accountability for quality, effective and efficient service delivery)?**

Majority of the respondents (over 70%) indicated that Uganda’s PFM reform programmes have been successful in generating improvements in the key aspects of public finance management (i.e. resource mobilization, planning and investment management, and accountability for quality, effective and efficient service delivery).



Source: ICPAU Survey-PFM Reforms, 28 July-13 September 2021, Base: 135

### **2.8 What have been the binding external constraints on the delivery of PFM reform outputs (political, financing, or policy factors)?**

The results showed that the binding external constraints on the delivery of PFM reform outputs were a combination of all three factors political, financing and policy factors. The lack of consistent political will to support the reforms as well as political interference with the implementation of the reforms; financial constraints such as some local gov'ts do not have for example equipment like computers; and inept and non-aligned policies were sighted.

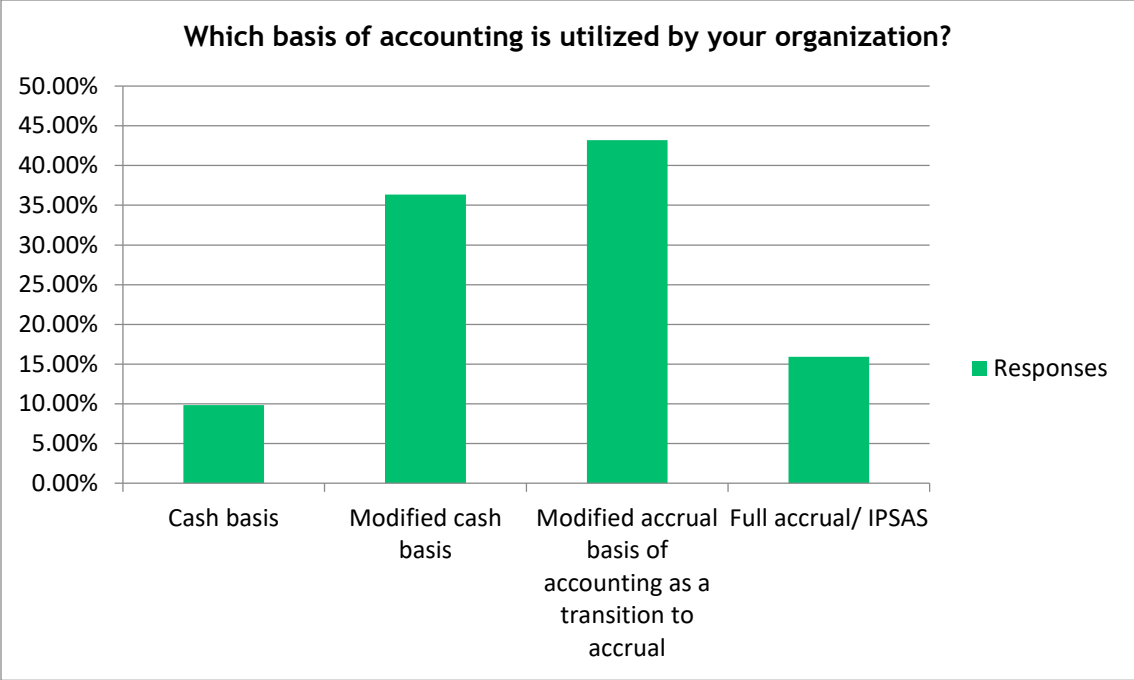
Others issues included;

- Capacity gaps
- Attitude and value system challenges
- Insufficient follow-up on recommendations of oversight institutions
- Weak performance monitoring and evaluation systems.

### **2.9 Which basis of accounting is utilized by your organization?**

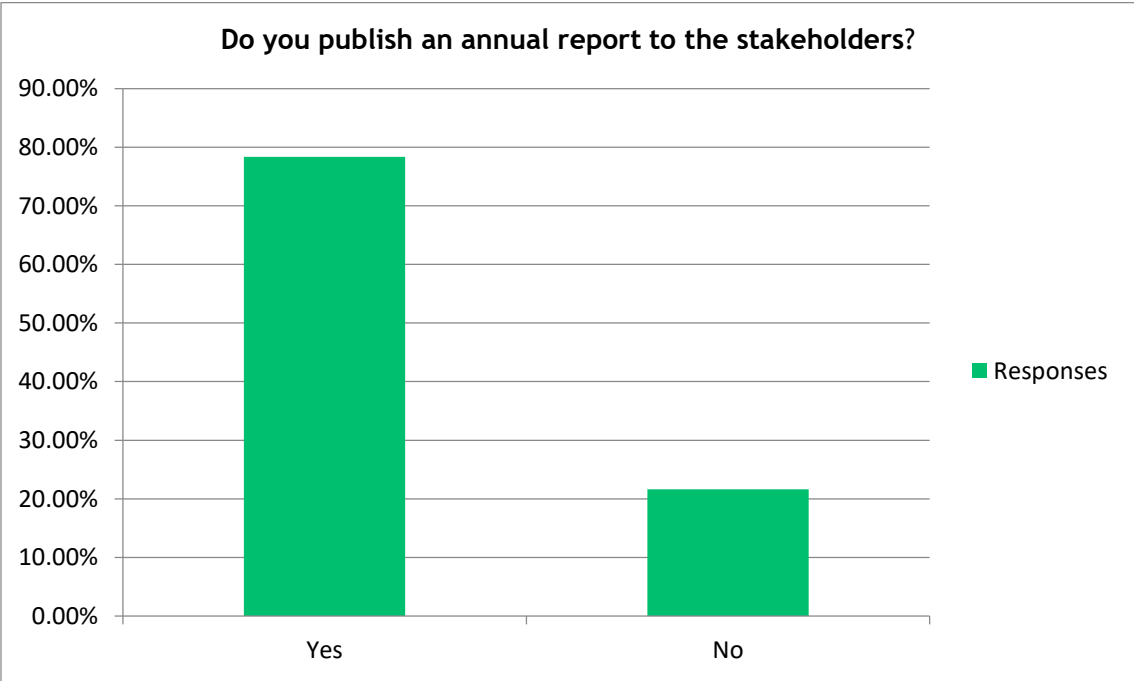
The graph below provides a detailed illustration of the basis of accounting utilized by members from the responding organizations. Less than 10% of the respondents indicated that they utilized the cash basis of accounting, about 36% utilized a modified cash basis of accounting, over 40% utilized a modified accrual basis of accounting and about 16% utilized full accrual/ IPSAS accounting.





Source: ICPAU Survey-PFM Reforms, 28 July-13 September 2021, Base: 135

**2.10 Do you publish an annual report to the stakeholders?**



Source: ICPAU Survey-PFM Reforms, 28 July-13 September 2021, Base: 135

As indicated in the graph above, majority respondents (over 78%) published an annual report to their stakeholders, and only about 22% did not.

**2.11 On a scale of 1 to 5, with 1 = very concerned and 5 = not concerned at all, please CIRCLE how concerned you are about the adoption of full accrual IPSAS for government financial reporting:**

Survey results indicated a lot of concerns about the adoption of full accrual IPSAS for government financial reporting in respect to the parameters below:

- a. Level of IPSAS disclosure requirements (89%)
- b. Changes in accounting policies and procedures (84%)
- c. Availability of IPSAS experts (77%)
- d. IPSAS Accounting measurement and Valuation (79%)
- e. Increase in cost of financial statement production (64%)
- f. High costs of training accounting personnel (73%)

Details are provided in the table below:

	Very concerned		Concerned		Not sure		Somewhat concerned		Not concerned at all		Total
Level of IPSAS disclosure requirements	43.28%	58	46.27%	62	5.22%	7	3.73%	5	1.49%	2	134
Changes in accounting policies and procedures	47.01%	63	38.81%	52	6.72%	9	2.99%	4	4.48%	6	134
Availability of IPSAS experts	42.54%	57	35.07%	47	11.19%	15	7.46%	10	3.73%	5	134
IPSAS Accounting measurement and Valuation	36.84%	49	43.61%	58	9.02%	12	8.27%	11	2.26%	3	133
Increase in cost of financial statement production	27.82%	37	37.59%	50	12.03%	16	8.27%	11	14.29%	19	133
IPSAS require high costs of training accounting personnel	35.07%	47	38.81%	52	10.45%	14	10.45%	14	5.22%	7	134
										Answered	<b>134</b>
										Skipped	<b>1</b>

Source: ICPAU Survey-PFM Reforms, 28 July-13 September 2021, Base: 135

**2.12 In your opinion what do you feel should be done to improve the application of international public sector accounting standards for more transparency and accountability of public finance?**

Members recommended the following to improve the application of international public sector accounting standards for more transparency and accountability of public finance:

- There must be deliberate effort put to train all Public Sector Accountants

- Continuous upgrade of IFMS and rollout across government.
- Legislation to make application of IPSAS mandatory - Enactment of legislation that requires all public entities to adopt IPSAS. Government should make it mandatory in its PFM reforms for all its entities to adopt and apply IPASs without giving excuses or making it optional for some of the MDAs - Government should make it a requirement for all public entities to fully adopt IPSAS such that they can be monitored easily for transparency and Accountability of Public Finance
- There is need for the Ministry of finance to support the MDAs which are trying to implement IPSAS through training staff, redesigning the IFMS to suit IPSAS standards, putting IPSAS at the forefront of government reporting, organizing CPDs for accountants of course in collaboration with ICPAU, put reward systems to MDAs reporting with IPSAS etc.
- Undertake a tailored training programme for preparers and develop simplified guidelines on application
- Implement the requirement of head of finance in all public institutions to be a fully qualified accountant as a starting point.
- Secondly increase on CPDs on preparations under IPSASs for all applicable entities
- The Accountant General should fast track the roadmap for implementation of IPSAS
- Benchmark best practices across governments that have already implemented IPSAS to pick lessons learnt and to avoid any known pitfalls/drawbacks.

***2.13 Do you have any other comments or recommendations on the application of international public sector accounting standards across government?***

Members recommended the following on the application of IPSAS across government: The major challenge is valuation of assets and the transition from cash accounting to accrual. Members recommended the following:

- A gradual and phased approach would be recommended
- Road map for implementation of IPSAS, cost implications be planned for.
- In developing financial reporting guidelines, the Accountant general should directly adopt treatment of element from the IPSAS.
- Application should be phased
- The chart of accounts should be upgraded
- This can be done through deliberate funding for implementation and salary enhancement of professionals as agents of implementation which acts as a motivation tool
- Building of adequate infrastructure in preparation for the introduction of the IPSAS.
- Start it in phases, i.e. piloting MDAs until full implementation with a timeframe
- Results should be shared with the Accountant General to allow actual implementation within the guidance provided.

- Systems that support the IPSAS. The accounting system of Government needs to be reformed and aligned to IPSAS. MoFPED should make it compulsory within the law for MDAs to adopt IPSAS.
- Application of IPSAS across Government should be a must for easy and standard monitoring and reporting.