TODAY'S Accountant

The Magazine for Institute of Certified Public Accountants of Uganda (ICPAU)

www.icpau.co.ug

January-March 2012

REVENUE ASSURANCE BEYOND THE TELECOM

AN INSIGHT INTO TAXATION OF INDIVIDUAL RENTAL PROPERTY

THE IMPORTANCE OF INTEGRITY

FAIR VALUE MEASUREMENT

SHOULD UGANDANS BE CONCERNED ABOUT THE EUROPEAN DEBT CRISIS?

MOVING UGANDA FORWARD

TOUGHER ECONOMIC TIMES AHEAD

CPA UGANDA MARKS INAUGURAL FINANCIAL REPORTING AWARDS

CPA Uganda


Financial
FiRe
CPA Uganda
Reporting
Awards – Uganda

Centenary Bank

What is Platinum Banking?

Platinum Banking is a special banking offer which is tailored to bring exclusivity to our high net worth and corporate business customers. It is designed to give you first class service while transacting within our lavish and spacious banking halls.

This banking experience is currently offered at the corporate branches at Amber House and the newly opened Forest Mall Branch.
A highly dedicated relationship manager will be at your disposal to ensure that we serve you beyond expectations as a highly valued customer. Come experience real banking.

What is unique about this offer?

Platinum banking has various appealing features that will cater for all executive financial needs. They include the following:

- Fast over-the-counter banking
- Extended banking hours (Monday – Friday, up to 7pm and Saturday up to 4pm)
- ATM cash withdrawal above the normal limit
- Free wireless internet access
- Free 24-hour PC banking Services
- Free Corporate Card that guarantees access to Platinum banking tills across our branch network
- SMS alerts on all transactions in your accounts

Look out for a similar platinum banking experience at our state-of-the-art building, Mapeera House.

In addition to star treatment, Centenary Bank clients can also enjoy the following products and services.

- Micro Business Loan
- Home Improvement Loan
- Salary Loan
- Agriculture Loan
- SME/Commercial/Corporate Loans
- Veterinary Loan
- Animal Traction Loan
- CenteEducation Loan
- CenteLease
- Bank Overdraft
- Letters of Credit
- DANIDA Investment Loan
- Land Loan

Account options you can choose from:

Savings Accounts
(Personal, Co-operative Union and Society Accounts, Fixed Deposit Account)

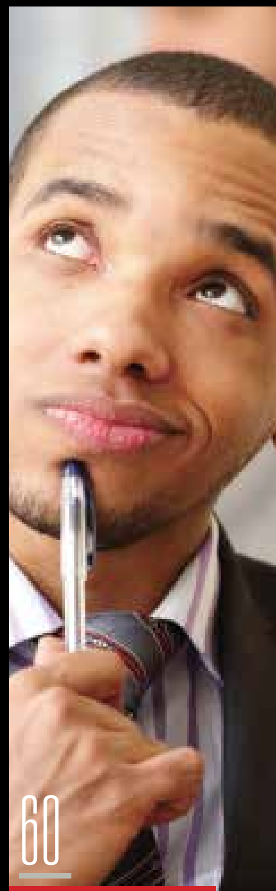
Current Account (Personal, Company, Fixed Deposit Account, Co-operative Union and Society Accounts Can be operated in UGX, USD, GBP, KES and EUROS.

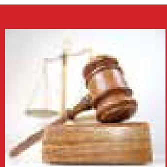
Centenary Bank is Uganda's leading microfinance bank serving customers with 50 branches and 100 ATMs across the country. We are trusted by over 1 million customers, a third of the total banking population in Uganda.

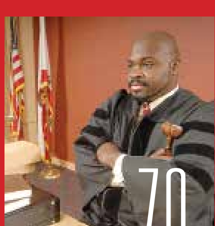
Our mission is to provide appropriate financial services especially Micro finance to all people in Uganda in a sustainable manner and in accordance with the law.

CONTENTS

Today's Accountant Magazine is published by Golf100 Magazines on behalf of The Institute of Certified Public Accountants of Uganda (ICPAU)







HOW TO REACH US

CPA Uganda

INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS OF UGANDA (ICPAU)

Plot 42 Bukoto Street -Kololo
P.O Box 12464, Kampala Uganda
E-mail: icpau@icpau.co.ug ,
members@icpau.co.ug ,
students@icpau.co.ug ,
technical@icpau.co.ug
Tel: +256-41-4540125,
+256 031-2262333/2265590
Fax: +256-41-4540389

President
Naru Thakkar
Email: president@icpau.co.ug

Vice President
Patrick B Kagoro
Email: vp@icpau.co.ug

CEO/Secretary
Derick Nkajja
Email: dnkajja@icpau.co.ug

CONSULTING PUBLISHERS

Golf100 Magazine

GOLF*100* MAGAZINE LTD
Address: Plot 4 Pilkington Road, 1st Floor, Suite 31, Fami House
P.O.Box 70204, Kampala - Uganda
Tel: +256 31 2 114 828

ADVERTISING
Lynn Eiyo
Mobile: +256 782 609 602
Email: lynn.eiyo@golf100.co.ug

CONSULTING DIRECTOR
John Mwalimu
Mobile: +256 754 445567
Email: jmwalimu@golf100.co.ug

DESIGN & GRAPHICS
Stephen Segawa
Mobile: +256 772 589 190
Email: stephensegawa@golf100.co.ug

CONTRIBUTER'S PROFILE

Hon. Justice Prof. George W. Kanyeihamba

Prof. George Kanyeihamba was appointed a member of the Supreme Court of Uganda until November 2009. He holds a Ph.D. in law from the University of Warwick. He has been a Chancellor of both Kampala International University and Kabale University. Prof. Kanyeihamba has spoken at various seminars organised by ICPAU.

Jimmy Muyanja

Mr. Jimmy Muyanja is a Partner at Muyanja & Associates. He is also the Executive Director of the Centre for Arbitration and Dispute Resolution (CADER). He holds a Masters of Commercial Laws from the National University of Ireland, Dublin, Ireland. Mr. Muyanja designed and implemented the Commercial Court connected mediation program. He has been published in various international journals, including the International Bar Association Magazine and Journal of International Arbitration.

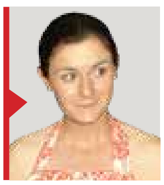
Cuthbert A. Kagabo CPA(U)

Mr. Cuthbert Kagabo is the Chief Executive Officer of AH Consulting. He has over 8 years multi-sectoral experience in Audit and Assurance work conducted in East and Southern Africa. Mr. Kagabo is a United States Department of Justice trained Procurement and Contract Fraud Examiner and has deep experience in procurement audit having been a key consultant to procurement authorities and international organizations in the region and an Engagement Leader on more than 50 procurement, contract and performance audits.

Obed Tindyebwa CPA(U)

Mr. Obed Tindyebwa is an accomplished Accountant and Consultant with more than 13 years experience. He is currently a Practitioner at Grand & Noble. He is also a member of the Daily Monitor, Panel of Experts (Taxation) and has contributed several technical articles on tax issues and policy.

Brid Clerkin



Ms. Brid Clerkin is a member of the Institute of Chartered Accountants of Ireland. She is currently a visiting senior lecturer at the School of Business and Management Studies, Mountains of the Moon University in Fort Portal, where she teaches and supervises undergraduate and postgraduate students. She is being sponsored by Voluntary Missionary Movement (VMM). She was previously a lecturer of accounting at the Dublin City University Business School and an examiner at the Institute of Chartered Accountants

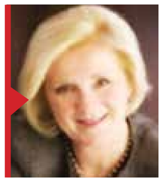
Prof. Charles Kwesiga

Dr. Charles Kwesiga is a trained Industrial Engineer. He has had significant experience as a Corporate Manager, management consultant, educator, and entrepreneur. Dr. Kwesiga is the Executive Director of the Uganda Institute of Industrial Research. The Institute is involved in technology transfer, technology diffusion, process and product development, business incubation, applied research & development, etc. In recognition of his valuable professional expertise and experience, Dr. Kwesiga was appointed as Honorary Professor of Makerere University, in December 2006, attached to the Faculty of Technology.

Eric Ssetuba CPA(U)

Mr. Eric Ssetuba is a partner at Edes & Associates. He was previously a Director (Finance and Administration) at Axios International. Mr. Ssetuba has over 13 years' experience in financial management consultancy. At Edes & Associates, Mr. Ssetuba specialises in the delivery of professional audit and management support services to governments, ministries, parastatals, Non-Governmental Organisations (NGOs), aid donor agencies and private sector businesses.

Sylvie Voghel



Ms. Sylvie Voghel became Chair of the IFAC Small and Medium Practices Committee in January 2006. She was nominated by the Certified General Accountants Association of Canada (CGA-Canada). Ms. Voghel served as a member of the IFAC Board from 2003 to 2008 and was a technical advisor to the Board from 2000 to 2003. In addition, she was a member of the IFAC Governance Task Force in 2002 and chaired the IFAC SMP/SME and Developing Nations Consultative Conference in Prague in 2005.

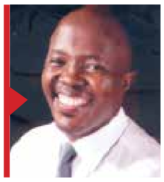
Ms. Voghel is the co-owner of a privately held corporation in Québec, Canada. Previously, she was a member of the senior management team of Hydro-Québec, one of Canada's largest energy enterprises. Ms. Voghel is a former chair of CGA-Canada and CGA-Québec. She is involved in academic, professional and other volunteer board and committees.

Ronald Mutumba CPA(U)

Mr. Ronald is a Revenue Assurance Manager at Smile Communications Uganda Ltd

He previously worked at Warid Telecom and MTN Uganda. He started his career in telecoms in 2001 and has held positions in Call Centres, Business Support, Accounting, Roaming and Interconnect, Carrier Relations, Revenue Recognition and Reporting, and Revenue assurance. He is a Certified Global Revenue Assurance Professional (GRAPA).

Frederick Kibbedi CPA(U)



Mr. Frederick Kibbedi works with Uganda Export Promotion Board as the Director for Trade Finance and Administration. He is a member of the Technical Committee of ICPAU. He is also an Accounting Lecturer for MBA Course at the Edinburgh Business School (Herriot Watt University, Scotland).

Diana Nambi Naisuna

Ms. Diana Naisuna works as the Public Relations Officer of ICPAU. She is currently pursuing a Masters Degree in Corporate Communications and Public Relations at the University of Leeds, United Kingdom.

Rebecca Warsop

Ms. Rebecca Warsop is a PR and Marketing Communications Specialist. She founded Warstreet in 1994 as an integrated communications agency and specialises on the strategic and PR side of the business. She is passionate about building the value of a brand through effective, smart PR. She has previously worked with 3M, Hewlett-Packard and HiPerformance Systems.

Solomon George Zori

Mr. Solomon Zori is a Doctoral Fellow at the International Max Planck Institute for the Study of Societies, at the University of Cologne, Germany. He is a Researcher whose area of research interest focuses on accounting standard setting particularly IFRSs.

Norah Njuba Bwaya

Ms. Norah Bwaya is the Executive Director of Coach Africa Limited. She is a Certified Professional Coach and an Associate Coach with CCL – Centre for Creative Leadership. She has had a wide working experience in 8 countries and in different industries and sectors. Ms. Bwaya is a Director at Lion Assurance Company. She is a Rotarian, a Multiple Paul Harris Fellow and a committed Christian.

Naru Thakkar
ICPAU President

As we begin the New Year, let us take some time to reflect on the year just ended. 2011 was a very exciting year for the ICPAU.

ICPAU held its first Financial Reporting (FiRe) Awards on 25 November 2011. The event was very successful, 37 organisations participated in the Awards. This years' FiRe Awards is scheduled to take place in November 2012, we encourage all organisations to participate in the Awards.

The ICPAU CPD programme registered very good participation in 2011. The Institute held 14 CPD seminars in 2011. In 2012, ICPAU will roll out a total of 19 CPD seminars including 3 regional CPD seminars, the 1st Accountants Conference and the 17th Annual Seminar. We encourage all accountants to participate and keep themselves up-to-date by attending these seminars.

On 14 September 2011, the East African Community Institutes of Accountants signed a mutual recognition agreement (MRA). Members of ICPAU can become members in EAC countries and now work in any of the East African Community Countries, without having to sit for any other examinations.

The Council of ICPAU modified the ICPAU membership criteria. From 1 January 2012, holders of Foreign Accountancy Qualifications are now required to sit some papers of the CPA syllabus, before they can become full members of ICPAU. The emphasis is now on qualification and not membership of a foreign accountancy organisation.

ICPAU held a successful 3rd graduation ceremony on 7 October 2011. There were over 300 CPA and ATC graduates at the ceremony. The CPA and ATC studentship has continued to grow. In order to serve these growing numbers, the Institute will open up regional examination centres in 2012. An examination centre will be opened in Gulu Town starting with the June 2012 examinations diet and another in Mbale Town starting with the November 2012 examinations diet.

ICPAU membership has continued to grow. We now have over 1,500 members. As the numbers grow, the Institute will continue to serve its membership by supporting their professional growth, playing a strong advocacy role and ensuring a high standard of professionalism.
During the annual seminar, the Institute donated mattresses to Entebbe Grade B Hospital. This was on top of the ongoing Corporate Social Responsibility project earlier started at Katalemwa Cheshire Home. The fund-raising for the Katalemwa project is still going on and with God's grace, we shall soon have it completed. We call upon the ICPAU fraternity to respond positively towards this noble cause.

As we look into the future and lay our plans for 2012, let us not rest on our laurels. Let us strive for even more achievements, for ourselves, for our Institute and for accountancy profession at large and above all other mother land Uganda.

Naru Thakkar
ICPAU President

Derick Nkajja
Secretary/ CEO, ICPAU

Every New Year, we are tempted to draw out a long list of expectations or plans or budgets. But have you ever stopped and thought that if you draw out the main theme then the environment can give you the milestones along your main theme?!!

I hear boos and shut-ups from the readers. How can a CEO of the national accountancy body say that? Does it mean that under his watch the Institute does not make plans? Far from what you are thinking, we have so many times been sucked into the routine and bandwagons thus failing to see the bigger picture.

For instance, the framers of our Accountants Act set out only two functions for the Institute and when you look closely all other activities / functions turn out to fulfil those two functions. Year in, Year Out, those are the only functions we strive to do. In short, do you know why you are an accountant and thus "what your call as an accountant must be"? If you are able to answer that question in affirmative then the rest of the year will be lived far well off, with a better approach to life and you will surely serve your clients and the nation at large far better than in the years you have set out plans, budgets and targets when you did not know your major purpose of being an accountant.

As we start 2012, my prayer is that you will be able to focus on the major things of accountancy and live a fulfilling life. I therefore wish you a happy, fulfilling and blessed 2012. I also encourage all CPAs to get involved with the Institute's affairs. The Secretariat is a steward of the profession and we will function better when we get feedback from you members as well as our students. Let's stand up against all the wrong monetary transactions, which I think you are in position to see as they get through, that go by in the country. As an accountant, you have the means you only need to apply your willingness to achieve so. Together, we will build our motherland Uganda into an economically vibrant nation.

I encourage all of you to plan out your continuing professional development (CPD), send us your filled-in CPD returns and update your contacts with us.

Lastly, the oil & gas sector is soon booming within the EAC, please get to learn the accounting issues surrounding that industry so that we can make our contribution as the economic watch dogs.

Once again, I wish a blessed 2012

Derick Nkajja
Secretary/ CEO, ICPAU

Reducing **Tax Evasion**

By Susannie Teega CPA(U)

There is an acute tax evasion problem in Uganda which reduces effectiveness of the government's operations. Ugandan taxpayers possess a generally negative view of their government. Taxpayers cannot point to any concrete improvements in their standards of living and thus see no reason to finance government activities.

Tax evasion is defined as the willful attempt to defeat or circumvent the tax law in order to illegally reduce one's tax liability.

While the tax evasion problem is most visible in the formal economy, it is certainly far from negligible in the informal economy.

Favors and cronyism pervades the current Ugandan tax system, leaving citizens with little motivation to voluntarily comply with such a system. Well-connected businesses and individuals escape with non-payment of tax.

Solutions for Reducing Tax Evasion

The problem of income tax evasion has become the subject of parliamentary debates and newspaper articles. This article suggests several methods to reduce the problem of tax evasion. These methods involve both legal and non-legal techniques.

New Tax System

The Ugandan Government should put into place a new tax system. Among the new tax system's features are broad tax base and lower rates which could create a more stable economic environment. The law should impose a universal bookkeeping requirement instead of mandating account books in certain professions only such as traders. Other steps that could prove effective in preventing tax evasion include comprehensive withholding requirements for property and business income. The payment of tax owed on this type of income will not be the responsibility of individual taxpayers. Rather, the amount of tax due will be calculated by the enterprise in which the taxpayer worked and that amount will be withheld from the taxpayer's wages.

Civil and Criminal Penalties

One method of tackling tax evasion is through penalties. The Tax Law does not provide sufficient deterrence for evasion. Judges tend to adopt a passive approach toward tax evaders by imposing light sentences. Rarely do they impose jail sentences. Now, judges should be more willing to impose jail sentences on tax evaders. Civil and criminal penalties should be increased and tax evasion should be upgraded from a misdemeanor to a felony. However, adoption of stringent penalties may have adverse effects by increasing tax non-compliance. Therefore, the government should strike the right balance regarding the correct type and size of remedies.

Tax Compliance Culture

The government should create tax compliance culture through education by creating for example pamphlets to familiarize school students with the notion of taxation and instill compliance. Moreover, the government can use newspapers, TV advertisements, and public meetings with taxpayers. The purpose of these activities is to develop among the general public a better understanding of the role of the income tax system and of the relationship between proper taxpaying and good citizenship.

Reforming the Tax Administration

The e-Tax system plays an important role in the effort to improve service. Computers have replaced the previous filing cabinets in the Tax offices. Specific attention has also been paid to redesigning the tax offices. Tax offices have been redesigned whereby there is a front desk near the entrance, seats are provided for waiting taxpayers, and signs are available. However, reforming the tax administration goes beyond new lighting, decoration, and furniture. There must continuous training for tax officers on how to provide rapid and courteous service.

Tax Data Collection and Selectivity

The Tax audit Department should adopt scientific procedures in collecting data and selecting taxpayers for further audit. For example, tax assessors should audit prominent high-profile taxpayers than relatively small taxpayers who are not providing much revenue. This type of auditing could create positive impact on the compliance attitudes and practices of taxpayers' in general. The Revenue Authority could set up a fraud hotline to report people who seemed to evade their tax obligations. Additionally, tax assessors should communicate more with taxpayers through letters or phones. This type of communication could help minimize the habit of Ugandan taxpayers who just drop in the tax offices without appointment.

Public Opinion of Government

The negative perception of the government among Ugandans is not a phenomenon that can be easily changed. However, provisions against favoritism, improving enforcement, and further public participation in the tax assessment process would help restore taxpayers' faith in their government.

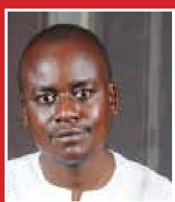
The Revenue Authority, with the assistance of the Uganda Bureau of Statistics, could conduct public opinion surveys to measure taxpayers' attitudes. Public opinion of government could change as a result of future rise in the real income per person.

Procedures to Amend the Income Tax Law

The Ugandan Government should adopt stricter procedures for the amendment of Income Tax Law. Presumably, these procedures will prevent the frequent changes which have needlessly complicated the current income tax regime.

Ms. Susannie Teega is a Technical Officer at the Institute of Certified Public Accountants of Uganda. She has several years of experience as a tax collector and an auditor. She previously worked with the Uganda Revenue Authority and PKF Uganda.

Revenue Assurance:
Beyond the Telecom Industry



By Ronald Mutumba CPA(U)

Mr. Ronald is a Revenue Assurance Manager at Smile Communications Uganda Ltd . He previously worked at Warid Telecom and MTN Uganda. He started his career in telecoms in 2001 and has held positions in Call Centres, Business Support, Accounting, Roaming and Interconnect, Carrier Relations, Revenue Recognition and Reporting, and Revenue assurance. He is a Certified Global Revenue Assurance Professional (GRAPA).

Most of us, if not all, have come across the maxim **The Primary Objective of a Firm is to maximize Share Holder Value.** Accountants are trained to appreciate that this is maximized by ensuring optimal application of the Shareholder's Funds which inevitably necessitates Exposure to various forms of Risk.

This Exposure has traditionally been managed by the Control environment, Internal Audit function, Security and other Risk management policies and procedures. These however do not usually focus on a key driver of Shareholder value: Revenue Generation.

In today's fast paced business environment, where Technology drives Business processes, Where Innovation is a critical success factor and new products are rolled out by the business almost every other planning cycle, Loss of Revenues from Leakages, Fraud, sub optimal processes, business excitement and even plain laxity in the control environment, It's become critical to Assure your Shareholder that you are not losing any of the Revenues you are capable of generating or are generating. Therein lies the Reality that has come to be Known as Revenue Assurance.

What is Revenue Assurance?

The definition of Revenue Assurance keeps emerging over time no wonder there exist lots of Misconceptions even in the Telco Industry regarding what Revenue assurance is all about. We can best appreciate Revenue Assurance by individually looking at the two terms that make up the concept.

Revenue

Revenue is globally used to refer to a company's Sales, Turnover Income or other forms of money coming in, depending on who is describing the concept. In substance however, it refers to the Inflow of Financial resources resulting from the organisations activities.

Assurance

Assurance on the other hand is a child of corporate governance. **It is the collection and reporting of information that is accurate and current in order to help management understand how efficiently the business is running, and how effectively it is being managed.** No wonder assurance sounds like the process of Nagging Functional Managers for confirmation that they did it right and that there is evidence that it was actually done right.

Revenue Assurance

Revenue Assurance can thus be referred to as that business function charged with the responsibility to confirm that business processes and controls ensure the accurate, timely and efficient capture and processing of revenue information in a way that makes this information accessible, meaningful and useful to top management. ■

Scope of Revenue Assurance: The Telecom Experience

According to a KPMG survey of the revenue assurance functions of telecoms operators released in 2010, revenue leakage is costing the industry an estimated US$40 billion each year.

In most telecoms, the revenue assurance functions cover various business activities, Including but not limited to the following

- Leakage containment
- Fraud management
- Revenue accounting management
- Billing systems assurance
- Provisioning
- Credit Management
- Sales Channel Protection
- Supply chain integrity
- Margin Assurance
- Market Assurance

"Why should we choose to use revenue assurance at all?"

- For Telecom, the justification has always been because the telecom industry is unique. While other industries like banking, manufacturing and retail naturally seem to integrate the integrity of revenue streams into their operational models telecoms seem to need to make a specialized function out of it.
- The telecommunications industry has also for the past decade been undergoing enviable but challenging amounts of technological and inevitably operational changes. The very nature of strategy in telecoms is undergoing a fundamental shift. The strategic planning window that used to be based upon years must now be executed in weeks.
- New technologies, erratic markets, cut throat competition and hyper-sensitive investors are causing telecoms to find that increasingly, they need a special breed of "revenue champion" on their team to keep up with the incredible rate of change.
- Managers are finding that the methods used in the past, in order to establish control over the accounting, sales, marketing and operational environments simply cannot keep up with today's breakneck pace. The old controls are simply failing.
- What successful telecom managers are doing is developing an entirely new generation of operational controls to manage their businesses; control methods that, like their business are sophisticated, highly flexible and far more focused on the real problems that need to be addressed.

Various bodies have evolved in the Telecoms Industry that specialise in Revenue Assurance. Key amongst these is the Global Revenue Assurance Professionals Association. (GRAPA) GRAPA has worked to help standardize, professionalize and promote the practice of revenue assurance in telecoms and other communications companies around the world.

Executing the Revenue Assurance Role

According to the GRAPA standards, revenue assurance is the systematic, independent application of a set of standard methodologies employed to identify, quantify, report, remedy and contain risks to telecom revenues in its many forms.

The execution of the Revenue Assurance Role, from a GRAPA perspective is to undertake the following activities

1. Forensics
2. Corrections
3. Compliance

What do these functions entail in Detail

Forensics

The term forensics in this case, refers to the process of investigation and analysis. Forensics investigators handle a large number of cases (or actual or suspected revenue loss). In investigating these cases they determine exactly why the problem occurred, and most critically, they figure out how big the risk is (and report it in financial impact terms), as well as recommended ways to remedy it. Forensics has been reported to be the biggest part of most revenue assurance department activities.

Corrections

Corrections, is the process of eliminating or containing risks to revenue through the implementation of controls. A control is a change to a policy, system or operation, or the creation of reports or specialized systems which monitor the risk of revenue loss and make it easy for operational managers to know when a risk has grown, and to eliminate the risk quickly.

A correction could be a minor (adjustment) to a billing system (take an example of fastening the weighing scale in the olden days), or it could be the implementation of a major re-engineering project, or anything in between.

Corrections and the need for Controls

The corrections job is almost completely about building controls, but the revenue assurance professional is hardly ever the person who actually implements the controls. The corrections job must assigned to the most appropriate party, whether that be I/T, the operational manager or a business process re-engineering team.

The job of the Revenue Assurance person is to:

1. Identify the need for the control
2. Help design a cost effective control
3. Build a consensus between all parties involved for how best to implement the control
4. Make sure that the correction occurs (on time and on budget)

Compliance

A control that isn't regularly monitored and reported is a worthless control. The revenue assurance compliance function is the process of ensuring that the controls that people are supposed to be implementing are, in fact, being checked. There are many ways that revenue assurance professionals provide management with the assurance that controls are actually being run, from a simple 'random audit" of controls, to the more comprehensive execution of "coverage contracts" where operational managers explicitly commit to a set schedule of controls monitoring.

While it is common, and established via the GRAPA standards that operational controls are to be run by operational teams, it is not uncommon for revenue assurance teams to "temporarily" run a new set of controls until it can be turned over to the true "owner" of the revenue stream.

Quantifying Revenue Leakage

It is difficult to know exactly the amount of revenue that is leaking but we can estimate the potential leakages in a company by monitoring the following criteria

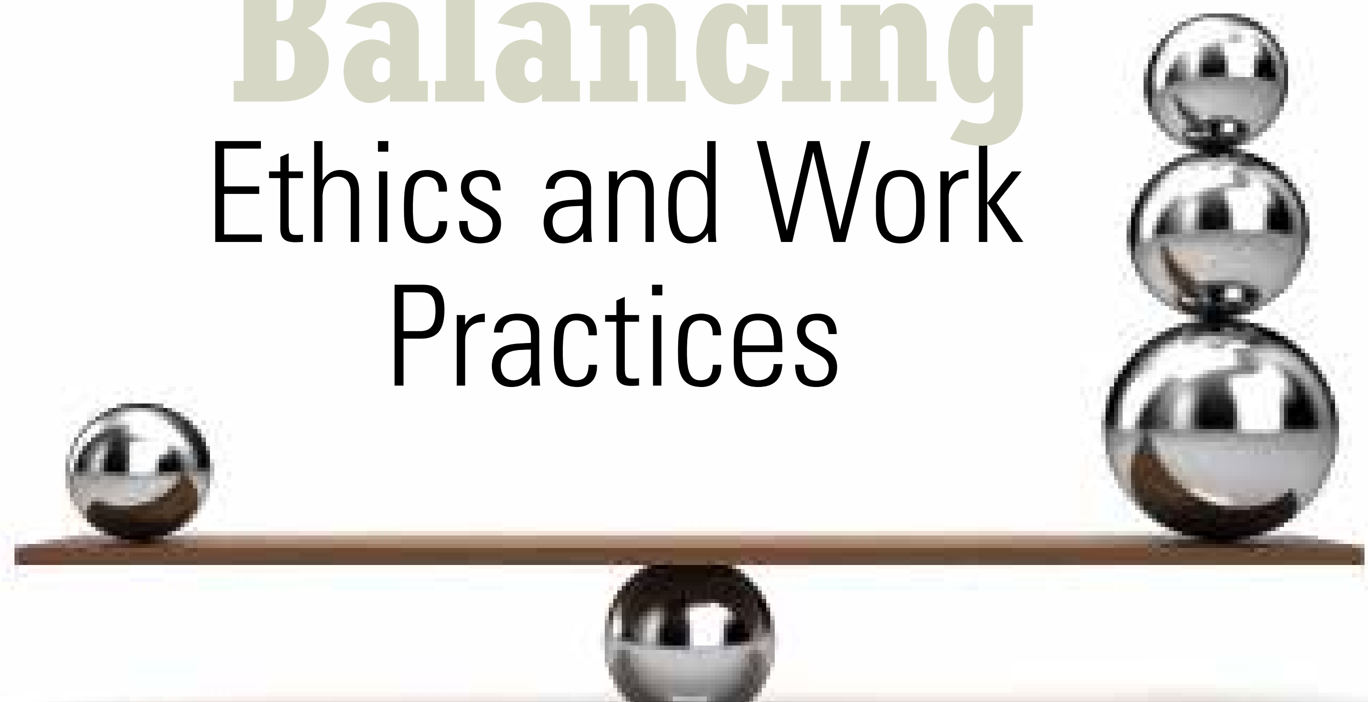
- Sales: The higher the volume of Sales the higher the potential of leaks. Revenue Leakages are usually proportional to the amount of the product / service sales.
- Growth speed: the faster the speed at which an activity is being executed, the higher is the risk of leakage.
- Age of the product / service: the risk is higher with recent products / services than with old ones because the Information System and the procedures take a lot of time to adapt to the new revenue stream.
- The level of maturity of the processes: number and quality of the controls put all along the different processes crossed by the revenue chain.
- The degree of automation of the controls:

So, in summary, revenue assurance, and the revenue assurance discipline is made up of people that do three jobs:

1. Forensics – the well trained "revenue detectives"
2. Corrections – the practical and hands on – "revenue corrections team"
3. Compliance – the "revenue police" — making sure that all controls are run as they are supposed to be.

The rapid growth of the Revenue Assurance discipline and the critical role that it plays in the modern telecoms led to the creation of GRAPA– The Global Revenue Assurance Professionals Association.■

Balancing Ethics and Work Practices



By Hon. Justice Prof. Dr. G.W. Kanyeihamba

Prof. George Kanyeihamba was appointed a member of the Supreme Court of Uganda until November 2009. He holds a Ph.D. in law from the University of Warwick. He has been a Chancellor of both Kampala International University and Kabale University. Prof. Kanyeihamba has spoken at various seminars organised by ICPAU.

> I will begin this discussion by defining four key terms of reference, Ethos, Ethics, Integrity and work.

Ethos means the collection of ideas, principles and attitudes that are identifiable with a particular group or society. Ethics means the moral principles that control or influence a person's behaviour. Integrity has been described as the quality of being honest and having strong moral principles. Work means physical or mental effort to achieve a given result.

In the majority of important cases that call for advice resolution and adjudication, people or parties hire the services of members of a given profession and instruct them to work for them and produce defined results. The functions and services to be rendered by members of the profession are deemed so important that laws are made from time to time to regulate the conduct and behaviour of members of professions to ensure that they charge reasonable fees and that those of them who break the law or rules of professional etiquette are disciplined and if need be, barred from practicing again.

Let me take the legal profession as an example. The legal profession is often called the honourable profession and its members are subjected to a strict code of conduct and etiquette, even though as we shall see, not all of them adhere to it.

Ideally, professional standards must be kept by all professions in society, but in my view, nowhere else are these standards of more paramount importance than in the six professions which intimately affect the human being in its warfare, living and health, namely politics, public service, the medical profession, the legal profession, accountancy and religion. The first and second affect one's existence and human rights, the third controls one's health and the fourth and fifth controls one's living and property while the fifth affects and controls one's will and spiritual wellbeing.

In relation to certain professions, there have been complaints against their members who charge excessive fees, embezzle clients' money, advise clients to comply with situations where the facts stated do not actually disclose causes of action or defences in their favour. Some professionals or their agents, to the knowledge of their principals, have been caught or reported touting for clients which is prohibited by rules of those professions. There have been also allegations of incompetence, misconduct and dishonesty reported against many members of professions. Reported also are incidents where corrupt professionals secretly agree with clients to share the booty of their work which, in turn encourages those professionals to resort to illegal traits in order to "win" arguments and cases that are expected to yield rewards in which they will partake their share. Nonetheless, the professionals are taught to seek the truth and seek it in a proper manner. There is also the principle of confidentiality between a professional and his or her client. The professional who accepts a brief from a client is bound by professional ethics to treat what passes between them with the strictest of confidences unless to do so would constitute a crime or unless a client agrees to the disclosure of the information especially if such disclosure of information is in his or her interest. Any breaches of these rules constitute professional misconduct.

One of the commonest reported malpractices of corruption in the profession is overcharging fees and expenses. Several practitioners have been reported as charging excessive fees or basing their reason on the lie that they need more money to pay a bribe to the presiding arbitrator who will rule in their favour. Other have colluded with counsel representing the successful party in a litigation so that they will not oppose the excessive fees claimed by the latter under a secret pact that when those fees are paid, the other professional will receive a certain percentage of whatever has been paid. In cases where clients are knowledgeable and feel that they have been overcharged by the professional expert, they have opportunities to challenge those cheats and have the costs reviewed by a registrar of the profession with a right to resort to a Court of Law.

However, it is also suspected that some registrars do collude with corrupt professions to keep the costs high so that they too share in the costs. Further, there are other reports that professionals and some ministers of government participate in conspiracies to cheat the state and the people. In exchange for the "services rendered", the same corrupt professionals or/and ministers become beneficiaries of those ill-gotten gains. In all cases, there are rights to appeal to courts of law which rights are rarely exercised.

Considering that all the above descriptions encompass the whole fabric of society and that presently corruption and abuse of office are rampant, it would be something short of a miracle if the same phenomena were not to be found in all the other sectors of society. Precedents, press reports and reports of public commissions of enquiry set up by government and other bodies to investigate and report on these wrongs indicate quite convincingly that what occurs in the professions is also evident in other bodies and institutions. Doctors compromising their professional ethics for favours and payments, engineers designing defective bridges and structures some of which have collapsed and cause fatal accidents, are often best investigated and reported on by members of respective professions and disciplines.

A surveyor who is engaged by a seller of land may not bring out the same measurements if the area of the land to be sold as that reported by a surveyor who is acting for the buyer. On the face of it, this appears to be impossible, but in actual fact it has happened.

Estate valuers bring out different prices of property and houses, depending on whether they are acting for the buyers or sellers. In one such case, one well-known property magnate in Uganda recently remarked that a Ugandan valuer's pricing of any property whether urban or rural, is not worth the paper it is written on. Accounts and auditors often come up with conflicting reports depending on which party they are representing in the investigations and what their respective clients wish.

Nevertheless, every member of any profession is supposed to be qualified and skilled in his/her profession. Professionals hold themselves up as experts in their chosen subject. They assume a moral obligation to act and perform honestly, to the best of their ability, and to the standards demanded by their profession. Professionals present themselves as adhering to the high standards, ethics and integrity of the profession. In this regard, they are expected to perform the functions and duties of their particular calling correctly and diligently.
Common to all professions is the importance of using up-to-date information and technology. Information is knowledge and a necessary tool of understanding, revision, analysis, plan and action.

Equally important to all professions is the ability and power of the community to constantly monitor their performance and to weed out those who abuse the name or ignore the techniques of the profession and who bring its name into disrepute. Such persons must be suspended, severely disciplined or removed in order to save the name and integrity of the true and honest professionals.
Lastly, it is worth recalling what I said seven years ago: An accountant is one skilled in accounting. An accountant holds himself or herself

In exchange for the "services rendered", the same corrupt professionals or/ and ministers become beneficiaries of those ill-gotten gains. In all cases, there are rights to appeal to courts of law which rights are rarely exercised.

out to the public as an expert. The moral obligation assumed by a public accountant as a member of the profession is one of the highest importance. As already noted, The accountants' character honesty, integrity, functions and duties are all rigidly ethical and any wilful neglect or violation of then may result not merely in moral blame worthiness but in legal liabilities.

I am currently chairing a commission of Inquiry into the mismanagement and disappearance of millions of US Dollars and billions of shillings into the Uganda Wildlife Authority/PAMSU Project. The Commissioners have had to interview accountants who were employed and practised as both internal and external auditors of the Authority and Project. One of the internal auditors said that he did not know much about what was going on in the Project but he appended his signature all the same onto the final report of the internal audit. The external auditors of the same Project testified before the Commission and confessed that they had not been enabled to visit the constructions and developments that had been agreed in the Project. They relied on the report and remarks of the internal auditors.

When the Commission asked the external auditors whether they were not unhappy that their report would be limited in scope since it rested entirely on second hand information supplied by the internal auditors who had not themselves visited and inspected the sites and areas of the Project, they said that they believed that their colleagues in the internal audit were very honest people and had properly assessed the information they received from third parties. The Commission then revealed that a lot of money had been stolen, planned works had not been completed and those which were shoddily done. The Commission opined that since the kind of Uganda we live in to-day is life with corruption and abuse of office, should they not have been suspicious and insisted on carrying out through investigations. One of them shot back at the Commissioners and said, "In the accountants' profession it is unethical and unprofessional to be suspicious of anyone."

We were absolutely flabbergasted, but then as far as the Accountants' profession is concerned, all the Commissioners are laypersons. It is for you to judge whether it was the professional accountant or the lay members of the Commission who expressed the correct view. □

The Importance of Integrity

By Prof. Peter Kasenene

Prof. Peter Kasenene is currently the Director of Thomas-Moore Leadership Institute, in Bugolobi, Kampala. He is a former Minister of Sate for Finance (Privatisation), retired professor of religious studies and theology in various Universities, including Makerere University and Kyambogo University, an author of many books and a tree plantation developer as a hobby.

The following is an extract of a paper presented at the 3rd Graduation Ceremony of Institute of Certified Public Accountants of Uganda.

Allow me to begin by asserting that in your private and professional life:

- It is in your interest to be ethical.
- It is for your good to be professional.
- It is for your happy future to be principled.
- In the long run it is for your benefit to do good.

In the short run it may seem to be beneficial to be unprofessional and unethical but in the long run it works against you.

Let me explain

Humanity is governed by laws some of which we know and others we all do not know them. Yet you must obey them. When you violate any of them, whether intentionally or not, whether knowingly or in ignorance, you get punished. When you obey these laws you are rewarded and live a happy and prosperous life.

Most of the people you see who are living miserable lives are being punished for violating these laws.

Unfortunately may people suffer, not because they violated these laws themselves, but because their parents or grandparents violated them. Nations, too, whose leaders violate these laws are punished and many countries suffer because of bad leaders who violated these laws.

There are also people who are enjoying abundant lives because either they or their parents obeyed the laws. Communities and nations which obey these laws prosper. Singapore is such an example. It is, therefore, important for you to obey them, or at least not to violate them.

There are different categories of the laws I am talking about. I will broadly put them into two categories namely the universal laws and the man–made laws. Universal Laws may further be broadly grouped into physical and metaphysical laws such as the boomerang law which the focus of this paper.

The universal laws apply to everyone equally irrespective of race, tribe, religion, sex or any other consideration.

Man-Made laws include **civil laws made by various groups** such as clubs, professions, and institutions. Civil laws are the laws set by civil authority to order society and group laws regulate activity and relationships in those groups. All these laws work together to create order in society. When a person disobeys any of these laws he/she is punished.

Unlike universal laws, man-made laws are relative and vary from group to group or from country to country. For example you must drive on the left hand side of the road in Uganda whereas you must drive on the right hand in Rwanda. If you drive on the right hand side in Uganda, for example, you will be penalized either by the police or by causing an accident while this may happen to you if you drive on the left hand side in Rwanda. Another example of human laws is rules of a game. While playing volley ball, for example, a player uses hands, if he/she uses them in soccer he /she is penalized. One must play a game using its laws. These are also professional rules or laws. Each profession has its laws which a member or that profession must adhere to. People who violate laws of their profession are penalized.

Those are just a few examples of man-made laws, but as you know, they are many. As professionals you are, advised to obey these as well.

One may ask how one is punished

Punishment for man-made laws is obvious. You may be sent to prison, fined or be punished physically. Punishment for violating universal laws is not always obvious. We get punished for violating these laws either directly or indirectly and punishment takes different forms. It could be through sickness such as ulcers, mental illness, skin diseases or any other disease. It could be poverty, loneliness, etc. Communities are punished by under-development, conflicts and sometimes wars. Many forms of deprivation or suffering may be a result of violating these laws.

Remember that this punishment may be experienced by your children, grandchildren or great grandchildren. The Bible says, "No offence shall go unpunished …… I punish the fathers' fault in the sons, the grandsons and the great grandsons…But I show kindness to thousands, to those who love me and keep my commandments." (Deut. 5:8). On which side do you want to be?

Are People punished only when they are caught?

There is a myth that a person is punished only when he/she is caught. We need to note at this moment that where as one can violate a man-made law and go unpunished, if he/she is not found out, it is not so with universal laws. When you violate a universal law such as the law of the Boomerang, no matter who you are, whether you know it or not, or whether you are caught or not, you are punished and every time you live according to it you are rewarded. There is no choice, exception or option. When, for example, a person violates the physical law of gravity, whether he/she knows this law or not, he/she is penalized if, for example person violates it by trying to jump from one tree to another, he/she will fall and break his/her bones, if nothing worse happens to him/her. One does not need to know this law to be punished for violating it. If you drink poison, not knowing that it is poison, it will harm you or even kill you. Won't it? So does the Boomerang law.

The other question may be, 'does this apply to what one does in his/her official capacity?

Yes it does. This applies to whatever we do both in our private capacity but also in the public sphere. We always reap what we sow. It does not matter whether you have been told or even ordered by someone else. It is not him/her that is affected. It is you.
Whatever good or bad you do under any circumstances gets back to you. Let me repeat, it does not matter whether you did it consciously or unconsciously, voluntarily or under orders, alone or as a group, whatever you do you are always rewarded or punished.

This applies to what you do as leader. Ugandan history has plenty of cases and examples to illustrate this.

Think of the leaders we have had; Kabaka Mutesa and Obote, Obote and Amin, and others. These were public figures and their actions affected them and the whole nation. We are enjoying rewards for the good things our leaders did, but we are also suffering for what wrongs they and leaders who came after them did.

The Boomerang Law

Let us now focus on the Boomerang law, the focus of my paper, which we often violate and when we do so we are punished, and when we obey it we are rewarded. This happens whether we violate it individually or as community or when we do so knowingly or not. Let me repeat, we are punished even when we act under orders.

Allow me to quote the Bible, "Do not be deceived: God cannot be mocked. A man reaps what he sows" Galatians 6:7.

So what exactly is the Boomerang law?

The Boomerang law is a universal law which is also sometimes expressed as a social law or spiritual one. It is perhaps the most important of all laws that govern humanity. All religious founders teach it, philosophers discuss it, and our ancestors have expressed it in proverbs and other forms.

Simply expressed, the Boomerang law states that whatever you send out; do or say, comes back to you, either directly or disguised as something else.

According to this law, when you do good things, good things come to you and when you do evil things, evil things get to you. Every person has the freedom to choose between good and evil, right and wrong, godly or ungodly and between beneficent or maleficent actions. According to this law you may do whatever you want but whatever you do or say gets back to you.

Is the Boomerang law the same as, 'You reap what you sow'?

So what you sow today, you will surely reap and if you do not, your children or grandchildren will reap it. You always get back what you sow. If you sow millet, you do not harvest sorghum, but you harvest millet. If you sow peas you harvest peas, not beans. When you sow weeds you cannot harvest grain. You reap the same kind of what you sow. socially, too, if you sow unfairness, you harvest injustice; if you sow dishonesty you harvest corruption, and if you sow hatred, you harvest conflict. On the other hand when you sow tolerance, you harvest tolerance.

Another question may be "Do people harvest exactly what why sow"?

Yes, but may be what is should add is that whatever you sow, you harvest it multiplied many times. Whatever you sow comes back in greater measure than you sowed. When you tell a lie, it comes back multiplied, when a person is violent it comes back multiplied.

When a politician harasses opponents, it comes back as greater violence. There is no wonder that most of the vices such as corruption are on the increase in many countries. Year after year corruption increases both vertically and horizontally; it takes more complex dimensions and more and more people become corrupt. So whatever you say, or do, you or society will harvest more of it than you sowed. When you light one small fire you harvest flames.

Is the Boomerang law new?

The Boomerang law is universal and has always been in existence. In addition it has been articulated by different religious leaders and philosophers in different communities and countries, but it is often expressed in different ways and words. For example, Jesus emphasized it many times. That is the central teaching of Jesus Christ, "In everything, do to others as you would have them do to you; for this is the law and the prophets." (Mat. 7:12) As an accountant it is neither right nor wise to do to others what you would not want them to do to you because it will get back to you.

It will boomerang on you. Perhaps the other teaching of Jesus which brings out the Boomerang law is clearly is his Teaching that, "Those who live by the sword will die of the sword" (Mat. 26:52) Remember the sword takes different forms and shapes. Without being judgmental, the Libyan experience proves this.

Confucius's, teaching was, "Do not do to others what you do not want done to yourself" (Analects 15:23) Confucius warns his followers to avoid doing to others what they do not like because it will get back to themselves eventually.

Baha'u'llah, the founder of the Baha'i faith also warns his followers, lay not on any soul a load that you would not wish to be laid upon you, and desire not for anyone the things you would not desire yourself. (Gleanings, LXVI p. 128).

You have seen people, especially politicians, who harass or do other undesirable things to their opponents what they would not desire for themselves. In most cases it catches up with them, and this happened often in Uganda in the 60s, but at times it is the descendants or the nation who harvest the sour fruits of their actions. Take for instance when you are in power, watch the way you handle your political opponents or the rules you enact against them for one day you or your descendants may be their victims.

I believe that you have heard about Buddhism. Buddha, taught, "Treat not others in ways that you yourself would find hurtful" (Udana-Varga 5:1, 18). Similarly, in Hinduism the teaching is "This is the sum of duty: do not do to others what would cause pain if done to you." (Mahabharata 5:1517). I am sure you see what I am leading to when I talk to you about the boomerang law in your professional life. In Jainism the teaching is that one should treat all creatures in the world as one would like to be treated. (Mahavira, Sutrakritanga 1.11.33) in Zoroastrianism in teaching is, "Do not do unto others whatever is injurious to yourself. (Shayast –na-Shayast, 13.29)

Prophet Muhammad, the founder of Islam is quoted to have taught, "Not one of you truly believes until you wish for others what you wish for yourself" (Hadith…..) The Message is the same in Judaism, "What is hateful to you, do not do to your neighbour. This is the whole Torah; all the rest is commentary. Go and learn". (Talmud, Shabbath 31a). Friends, go and learn. That is the basis of ethics.

So the Boomerang law is not new.

It has always been taught but not by this name which I use today. Unfortunately may people ignore it and they suffer for that and some leaders disobey it and the communities or nations they lead suffer. ■

The Challenge

So what is the challenge that is being put to you as you graduate?

The Challenge that is being put to you to maintain your integrity, and live ethically, that way you will be safe with the Boomerang law. As of now some people in Uganda do not seem to care about what they do when performing their tasks. Accepting to perform a certain task means that one should wholeheartedly commit oneself to it and do it honestly.
The opposite is the failure or the refusal to do what one is supposed to do, usually for selfish reasons. Perhaps the most common and most serious manifestation of irresponsible living, in the public sphere, is corruption.

There is a misconception that corruption is caused by poverty. This is not true.
Corruption is rooted in the mind, not in the pocket. A person with a corrupt mindset will become corrupt in his/her actions even when he/she has no money in his/her actions even when he/she is a billionaire. On the other hand, a person of integrity will reject corruption, even when he/she has no money in his/her pocket. My appeal to you is that for your own good and for the good of society, you should nurture an honest mindset. Do not forget the Boomerang.

Some of you may be saying, "But what differences can I make alone?"

Do not despair. Be responsible and do what is right or what is expected of you. You are not alone. There are some people in this country who are upright, though they may be few. As the saying goes, one by one makes a bundle. If you stand for what is right and another individual does the same, more individuals will join you and you will eventually form a formidable social force to change the course of events. Eliminate the negative mindset of apathy or helplessness, thinking that you can never change things. Friends you can.

The Difference between Achievement and Success.

You are all looking forward to a fulfilling successful life. We should be quick to note that whatever a person sets to do should bring him/her happiness and bring happiness to others. Happiness is the most important part of life. What is the use of having millions of money or being a minister in government, or a well known accountant if that will make others suffer?

Some people want to achieve their goals, whether to be wealthy or attain high position in society, but do not care how they achieve them. To them the end justifies the means. First of all, you may never achieve your goal when you have used a wrong route. Secondly, if you get what you aim at, that is achievement, but not success, because your achievement should bring happiness and joy to you and crooked means to attain your goals will never give you happiness and peace of mind. Only achievement with integrity will bring you happiness. Do you think a person who cheated in exams to pass will be proud of his/her papers?

My definition of Success = **Achieve with happiness**.
That happens when you achieve with integrity.

Integrity checklist.

In your actions and drive to attain your professional and personal goals ask yourself: Is this action;

1. Legal? If it is illegal then do not do it because it may lead you into trouble.
2. Moral? Immoral actions may eventually be discovered and they ruin the person doing them.
3. Something that will make me proud of myself? If you are not proud of something you are doing, then it is not the right thing to do.
4. Something that I would be happy for my family or my colleagues to know? Anything that would embarrass members of your family or your colleagues will embarrass you when your inside-self faces you.
5. Against my principles? If it is, do not do it. Do not compromise yourself because you are going to live with yourself.
6. Something I would not want someone to do to me? Never say or do anything you would not want anyone to do to you. The boomerang law is waiting
7. Against my conscience? Something against your conscience will make you feel guilty and will create conflict within you. The inside you and the outside you will be at war. You will be miserable, tormented, and may end in Butabika, or Luzira, or may commit suicide.

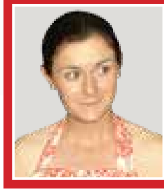
CONCLUSION:
Let us conclude by reminding ourselves that:

1. You will reap what you sow or your descendants will – That is the Boomerang law.
2. Success is nothing but achievement with integrity.
3. It is difficult to live with someone you do not respect especially of that person is yourself"
4. Be principled. Clarify your professional and personal values and stand and live by them.

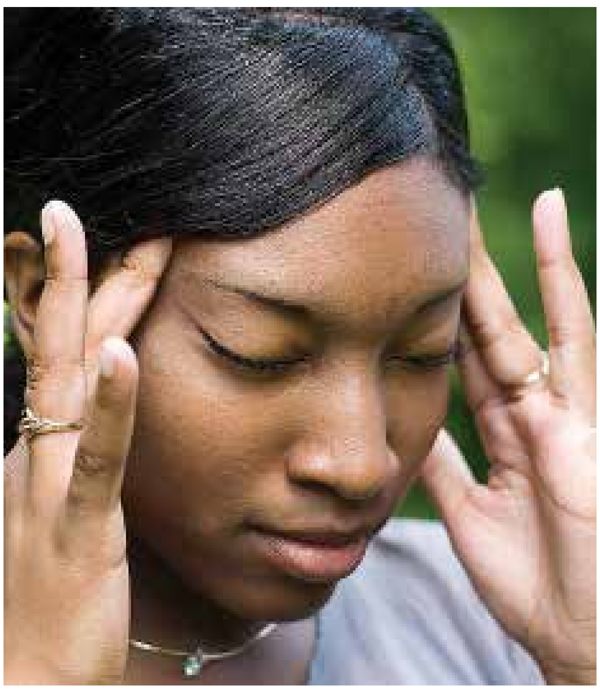
It is said that a **person without something to stand for falls for anything.** If you do not live by your principles you will fall for anything whether it is a big job, money, sex, promotion: anything, **YOU CERTAINLY WILL FALL.**
However, if you clarify and stand for your principles you will remain standing throughout your professional and personal life. **You will always stand with your head high up.** Thank you. □

Should Ugandans be Concerned About the European Debt Crisis?

By Brid Clerkin



Ms. Brid Clerkin is a member of the Institute of Chartered Accountants of Ireland. She is currently a visiting senior lecturer at the School of Business and Management Studies, Mountains of the Moon University in Fort Portal, where she teaches and supervises undergraduate and postgraduate students. She is being sponsored by Voluntary Missionary Movement (VMM). She was previously a lecturer of accounting at the Dublin City University Business School and an examiner at the Institute of Chartered Accountants of Ireland.



Experts working to secure an agreement on an East African monetary union by the end of 2012 will be keenly observing how the European debt crisis unfolds in the coming months, especially given the similarity between the proposed East African monetary union and the current European model. The arguments in favour of a common currency in East Africa are almost identical to those considered by Europe in the 1990's.

The attractions of a common currency include the proposed development of an internationally recognised trading hub, easier fund transfer across borders by banks and investors, the enhanced mobility of goods, services, and labour, and ultimately the development of a stable currency that is less prone to inflation, speculation, and foreign exchange movements.

The development of the East African monetary union will require the establishment of a number of legal institutions which will rely on strong national fiscal discipline, as monetary policy will be formulated on the basis of accounts submitted by national organisations such as the Central Bank of Uganda. The success of such a union will depend on the convergence of economic cycles between the nations of East Africa, the competence of the East African Authority to govern the entire region, and the level of commitment that nations demonstrate to the East African Community beyond national interest.

Background to the European Union and European Single Currency

The European Union was founded in the aftermath of World War II to promote stability and economic growth. Analysts are now asking whether the most ambitious project emerging from European cooperation, the European monetary union, is proving counterproductive to stability and economic growth as the Eurozone tethers on the brink of a double-dip recession. Some commentators have argued that the Eurozone has already saved smaller nations such as Ireland, Portugal, and Greece from economic doom. However, others advocate that the Eurozone contributed to the depth of the crisis within these countries.

Historically worldwide, all great empires collapsed as the empire became too large. The question arises whether the collapse of the Eurozone project is imminent because it has become too unwieldy to manage? This should also be a significant issue in the planning of the East African monetary union, and indeed for those proposing an African monetary union for the entire continent by 2021. The Eurozone consists of 17 diverse countries which have a common monetary policy, set by the European Central Bank (ECB). For many reasons, monetary integration has moved at a faster pace than the political integration of Europe. Attempts to forge a common federal government in Europe have moved slowly, with several countries rejecting the establishment of a European Constitution.

The European Union, out of which the Eurozone project grew, can only act within the scope granted to it through treaties which require ratification of every single member country. Given the difficulty surrounding the ratification of the last treaty, it appears European citizens are reticent to identify themselves as European rather than asserting their national identities.

It also appears that national governments have been more willing than their citizens to advance the idea of European integration. For example, voters in my home country of Ireland twice rejected European treaties in recent years because, among other reasons, they were anxious that small countries would be marginalised as local power and national sovereignty would move to a centralised and unaccountable bureaucracy. Was this an early indicator of peoples' distrust in the European Union and Eurozone project? This is relevant because confidence and credibility are the crucial factors from which this debt crisis hangs.

Causes

In the early stages of the European Union, closer co-operation of countries at different stages of economic development worked well. Larger, more developed, nations such as Germany, France, and Luxembourg supported substantial development of public infrastructure in less-developed countries such as Ireland, Greece, Spain, and Portugal with the intention of promoting and developing internal markets and economic output. However, over the last ten years the European Central Bank has assumed that that by addressing the average market condition in the Eurozone, that there can be a policy that will suit all countries and local markets. This approach has failed to lead to a convergence of economic cycles among Eurozone countries.

During the years 2001-2007, economic growth was sluggish in the centre of Europe, including the main economies of France and Germany. Due to the comparative size of these populations and markets, the conditions in this part of Europe heavily affected the overall European economic averages and on the basis of these averages the European Central Bank kept interest rates low to boost economic activity. Development in countries around the periphery of Europe was historically slower. While large economies such as France and Germany were beginning to slow down, economies on the periphery were beginning to expand.

This was in no small part due to the earlier large capital investment facilitated by the European Union, as well as the low interest rates set by the European Central Bank which allowed cheap access to capital for investment. When it became apparent that markets in the periphery nations were overheating and were overburdened with debt, the European Central Bank warned these nations that they could not default on their debt as contagion was likely to affect the entire Eurozone. Over the last two years, the IMF, ECB, and the European Union issued bailout loans to Ireland, Greece, and Portugal to ensure their governments did not default on debt.

Crisis of Confidence

The crux of the debt crisis in Europe is the lack of confidence and credibility. As confidence crashes, the perceived risk that governments will default on their debt increases. This means that governments who must issue bonds to raise cash have to offer higher bond yields to compensate investors. This in turn increases the debt obligation for these governments which further increases the risk of default. Until confidence can be restored, the crisis will continue. Confidence is lacking in three key areas.

1. There is a lack of confidence in some national governments who are perceived to have endorsed significant levels of private debt in the first instance. National governments were happy to encourage economic booms in local markets, as it was erroneously seen as a sign of sustainable economic growth, which secured votes for incumbent governments. Additionally, there is now indisputable evidence of weak regulatory regimes in Ireland and Greece. In 2010, it emerged that Greece deliberately underreported the size of its national debt to the European Union. In 2008/2009 the weak regulatory regime in Ireland was exposed as the financial regulator and the Irish Central Bank were inappropriately regulating the development banks and this information was known to certain members of government. This has led to a reduction of national government autonomy as the IMF have imposed strict budgetary targets which must be met annually.

2. Confidence in the ability of the European Central Bank and governments of Europe to act coherently and decisively is low. Governments in countries who have maintained a high credit rating are anxious that if they continue to unconditionally support the national debt of the periphery countries, they are exposing themselves to an unmanageable degree of risk. Therefore, decision making in dealing with the crisis is slow. There is also further criticism of the ECB's handling of interest rates, and it is widely expected that interest rate rises which commenced in April 2011 will soon be reversed because rising interest rates are crippling peripheral countries.

3. Confidence in the levels of capitalisation of European banks is low. If any one European bank collapses, repercussions spread throughout Europe and all over the world due to the amount of interbank lending over the last ten years. The situation is further complicated by the lack of a gold standard supporting monetary systems throughout the world. To overcome the absence of the gold standard, governments in Europe have been trying to reassure investors and shareholders by guaranteeing the debts of banks. Unfortunately, the value of a government's guarantee is only as valuable as the government is credible. Many people were taught that government bonds in wealthy countries were considered the safest possible investment. That was until the prospect of governments defaulting threatened to become a reality, such as when the American government teetered on the brink of default as a result of political squabbling. This shook confidence around the world, especially in light of evidence that European governments and regulatory mechanisms were not 100% trustworthy (e.g. Greece) or competent (e.g. Ireland).

Current Events

Leaders within the Eurozone are struggling to restore confidence that European banks are adequately capitalised and that European governments will not default. It has recently been observed that where governments take serious action, some level of confidence can be restored. Problems were first identified in Ireland in 2008/2009, when the Irish government guaranteed at the taxpayer's expense all savings in national banks before they fully understood the depth of the black hole. The ruling government coalition collapsed, and the main party lost three-quarters of its seats in the subsequent election after holding continuously power since 1987 (apart from a two year period). Severe cuts to public spending have been made in the areas of health, education, social welfare, and infrastructural development. A further €4 billion will be cut from government spending in the forthcoming budget. At the time of writing, Irish bond yields have fallen from a record high in July 2011 of 14% to 7.7% because confidence is being restored by the new government elected this year.

Another opportunity being debated in Europe is the introduction of a Eurobond, where a Eurozone bond is issued instead of issuing more national bonds. This could potentially lower interest rates and lower the risk of default on loan repayments by individual countries, because the risk would be spread over all countries – that is, all countries in the Eurozone would become responsible if one country defaults. Ultimately, unless trust is restored in the institutions of the Eurozone, the Eurobond is unlikely to be successful in the long-run.

» Apocalypse?

There is an increasing possibility that the Eurozone may be irreparably damaged, and at best the Eurozone may continue but not in its current form. An independent Irish MP Shane Ross posed the question whether default is the end of the world? He cites the cases of Russia, Iceland, and Argentina. Russia defaulted in 1998 but investors returned 12 months after the crash and economic output has increased by tenfold. The Icelandic banks defaulted in 2008, however Iceland held a $1 billion bond auction in June 2011 which was oversubscribed, and the forecast is that the economy is to grow by over 2%. Finally, while Argentina has not returned to global markets, prosperity is returning. Notably, while default was not easy, it was not the end of the world for any country.

» Lessons

Experts and politicians drafting the East African monetary union should watch how the current crisis unfolds, and should seriously debate the design of a monetary union which could bring many advantages. However, they should also ensure that fiscal and monetary control is appropriately administered throughout the entire region. The depth and direction of the European crisis remains uncertain, but this would not have been acknowledged before the global economic crisis, as it appears governments, international regulators, accountants, and economists were ignorant to the turbulence and risk that was lurking. A herd mentality and the absence of independent critical thinking or courageous outspokenness by professionals has been cited as massive contributory factors in the period preceding the current crisis. This raises serious questions worldwide about the sort of training that professionals (such as accountants) receive from universities and institutions like the ICPAU. In this respect, it is important to stay abreast of discussions regarding what quality financial training entails, especially in a country were the pursuit of higher-level education is often espoused as the means to economic development. Imagine teaching our children that government bonds are the safest form of investment!

Brid Clerkin ACA, is a member of the Institute of Chartered Accountants of Ireland. She is currently a visiting senior lecturer in the School of Business and Management Studies and Mountains of the Moon University in Fort Portal, and is being sponsored by VMM.

Tougher Economic Times Ahead

By Obed Tindyebwa CPA(U)

Mr. Obed Tindyebwa is an accomplished Accountant and Consultant with more than 13 years experience. He is currently a Practitioner at Grand & Noble. He is also a member of the Daily Monitor, Panel of Experts (Taxation) and has contributed several technical articles on tax issues and policy.

On Wednesday, 2 November 2011, the Daily Monitor reported that 'Finance Minister Maria Kiwanuka yesterday opted for a direct and unveiled phrase as she delivered a statement on economic performance, saying "tougher times were still ahead". Uganda is presently faced with big economic challenges including; spiraling inflation, as shown by high commodity prices; high unemployment and a big trade deficit.

The economy has experienced high inflation reported at 29% as at end of November slightly down from 30.5% the previous month, and weakened Shilling against the international currencies with the Shilling at 2,570 per dollar as 30 November 2011. The above has caused a squeeze on the standards of living of the majority Ugandans with energy and commodity prices unaffordable due to the depreciating shilling and shortfalls in supply.

The economic conditions have partly led to numerous strikes and demonstrations across the country including the infamous 'work-to-work, demonstrations.

Inflation has so far defied Bank of Uganda (BOU) monetary policy measures aimed at taming it. BOU raised the Central Bank Rate (CBR) to 23 percent at the start of November 2011, in order to curb the growth in bank credit, encourage higher levels of saving and provide more support to the exchange rate. The situation, however, seems not to have improved greatly with inflation dropping by only 1.5% to 29%, indicating that the situation is still volatile.

One of the fundamental policy objectives of the NRM government was to control inflation as part of the broad macroeconomic management policies to foster a conductive economic environment for investment and economic growth. The government has over time set and most times achieved annual inflation targets of about 5% per annum. When the NRM government had come to power in 1986 and thereafter, it used to lambast the previous government for failing to tame inflation, notwithstanding the prevailing circumstances at that time like war. Inflation peaking at 30.5% is therefore unprecedented and it raises serious questions and concerns regarding the government's current macroeconomic management practices.

Economic theory indicates that inflation is caused by an imbalance between money supply and goods and services in an economy and/or when confidence in the currency is eroded. The most severe periods of hyperinflation in history occurred in Germany. Inflation peaked in 1923 when it became so severe that a wheelbarrow full of money would not buy a newspaper and at the worst point one trillion Marks were equivalent to one Dollar.

What is very clear is that inflation is not a natural phenomenon but rather man-made. It is strongly perceived that inflation is always caused by governments spending far beyond their ability to tax, coupled with loss of confidence in the currency. When there is an increase in the amount of money in the economy relative to the goods and services, it creates inflation. This is primarily caused by the printing of more money than what is needed to facilitate exchange within an economy leading to what is referred to as excess liquidity.

Inflation in Uganda is believed to have been partly due to excess liquidity due to the hundreds of billions of last year's supplementary government budgets. Moreover, the government spending has mainly been on goods and services that are not productive like expansion of the bureaucracy that significantly increases non-productive, administrative expenditure. In Uganda, after the costly elections, we have witnessed an expanded cabinet, Parliament, number of districts and other local government units, expenditure on fighter jets and the like.

The above has increased the number of people within the economy who are not adding to the production of wealth yet they are paid by drawing money out of the economy via taxation, which decreases production. We have seen expansion in terms of government expenditure in the area of politics and administration where returns are extremely high and less investment in productive sectors like agriculture and key infrastructure.

This is the most critical issue that mainly explains the high inflationary trends due to supply shortages despite government explanation that inflation is a result of global economic trends. Whereas the global economic crisis may have played a part, domestic conditions have played the major part. To illustrate the above, we need to look at inflation rates in Uganda as compared to other East African Community Countries that have almost similar economic conditions. What is notable is that Uganda is experiencing the highest inflation rate in the East African Community Countries as shown below (2011):

Country	**October**	**September**	**August**	**July**
Uganda	30.5	28.3	21.4	18.8
Kenya	18.91	17.32	16.67	15.53
Tanzania	17.9	16.8	13.0	10.90
Burundi	13.3	11.7	11.0	9.1
Rwanda	7.8	6.6	7.52	7.14

There is need for understanding why Uganda is performing worse than any other country whereas the reverse would have been expected. What is even disturbing is the current 10% difference between Kenya and Uganda which is a big margin by any standards. That is why as finance professionals we need to take a leading role in clearly understanding and explaining this situation as government's explanation seems to deviate from the expected and logical trend as the above figures portray.

The other causes of inflation have mainly been fewer goods and services due to supply-side factors. It has been widely reported that the main inflation driver in Uganda is food inflation. Food prices have continued to increase overtime, despite earlier government predictions that they will reduce after harvests. The increase of food prices is partly due to high fuel prices but low agricultural productivity is the main cause. Agricultural sector has been neglected for long and unless efforts are made to improve on agricultural productivity including, post-harvest handling and processing, food prices will forever remain high.

Also Uganda relies on imports of mainly capital goods and fuel products. The price of imported goods is high due to high world prices especially for fuel but also due the depreciating shilling. The depreciation of the shilling has been linked to low export earnings and other inflows, among other causes. High import prices have caused imported inflation.

The other interesting observation is that Uganda and Kenya that happen to be the most corrupt in East Africa according to Transparency International 2010 rankings also have the highest levels of inflation than Tanzanian and Rwanda that had better rankings. Whether the two are linked or not may need further investigation.

The current economic conditions in Uganda may be largely attributed to financial indiscipline and policy mismatch. The aspect of financial indiscipline and policy mismatch was brought to light in an article published by The London Evening Post, titled 'Museveni and Tumusiime-Mutebile Clash Over Erratic Policies', where it was reported that… Despite a rapid drop in the poverty rate – from 56 per cent in 1992 to 24.5 per cent today – there are more poor Ugandans now than when Mr. Museveni took power, because of policies aimed at increasing the labour force and market. "The extremely high population…growth is one of the major things I oppose him about," said Mr. Tumusiime-Mutebile, who was also dismayed by an unexplained collapse in fuel reserves and a lack of progress in modernizing agriculture. "Our output is heaven-made, but it should be man-made," he said.

Uganda is set to become a significant oil producer in the coming years but has fallen foul of its one-time champion, the International Monetary Fund. Mr. Tumusiime-Mutebile found it "very, very humiliating" that it failed an IMF programme review for the first time this year. They passed a supplementary budget which was not consistent with the programme that we had just agreed, right before the election," Thomas Richardson, IMF representative in Uganda, said of the last-minute $250m allotment, much of it for the Office of the Presidency….

That the person championing the macroeconomic policy management is at variance with the Executive, policy wise points to bigger economic challenges and what we are facing may have roots in the above policy mismatch and related consequences.

Effects of inflation

What ordinarily Ugandans need to know is that high inflation has significant negative effects. It lowers the value of the Shilling destroying confidence in the currency; it destroys the value of savings and erodes retirement's savings like NSSF, and can even cause civil unrest. As a result of increased CBR, banks have increased interest rates leading to high payments for loan holders. With increased prices, the standard of living reduces and fixed income earners like wage earners and pensioners are usually the hardest hit. Uncertainty over future inflation may discourage investment and it has been reported that Uganda has registered 31 per cent decrease in the number of local and foreign investors in the last three months and Ugandan Investment Authority (UIA) attributes the decline to the current global economic meltdown and high investment costs caused by high inflation levels.

Therefore whereas inflation may benefit a few individuals especially traders and speculators, and encourage investment in non-monetary capital projects, it has strong negative effects on the economy especially loss of confidence in the local currency, reduced investment due to uncertainty and the declining standard of living of the majority Ugandans. Government should therefore adopt appropriate measures to tackle inflation.

What Can Ugandans do to Cope?

Ordinary Ugandans need to know and try the following to cope with the current economic conditions; prioritizing expenditure such that one spends only on critical items – meaning that holidays; parties, luxury cars and the like should be minimized; avoiding contracting new debt or loans especially for non-productive purposes - people with loans already know how costly it is to service the loans; avoid holding a lot of cash or leaving a lot of money on low interest savings account as its value will be eroded; where possible diversify your asset portfolio investing in non-monetary items like property and also consider increasing sources of income to maintain the standard of living which means working harder.

What Measures Can Government Use to Tackle Inflation?

To arrest inflation, policy measures must address the above highlighted causes. It is conventional wisdom that to give the correct prescription to a patient, the doctor must ensure that correct diagnosis has been carried out. Government needs to exercise strict financial discipline, create confidence and transparency and de-politicize the discussions about the country's economic challenges.

BOU on its part is trying to control inflation by adopting a tight monetary policy. It has increase CBR to 23% which move has negative effects on businesses as the cost of borrowing is inevitably increased. Given the nature of Uganda's economic and financial structure, whereby a significant percentage of Ugandans are unbanked and financial deepening is still limited, the above policy measure may have limited success. Important also is the fact that although monetary policy can be an effective tool to combat inflation, it takes considerably longer for the measures to take effect than, for instance, fiscal policy.

The key to successful reduction of excess liquidity is to have mechanisms in place to encourage people, businesses and institutions to keep their money within the banking system rather than spending it. The paradox is that with the current interest rates on savings and bonds being significantly lower than the level of inflation, people will continue to spend their money as quickly as possible to prevent it loosing value.

Few Ugandans can afford to keep their money in a bank because most are poor and spend all their money simply to survive. Therefore BoU must come up with policies to encourage businesses and the well-to-do individuals to keep their money in the banking system in savings accounts and bonds than to continue spending the money on luxurious items like nice cars and other non-productive items.

Critically looking at the current economic situation in Uganda, it is correct that tougher times lie ahead though with proper decisions, things will normalize with time. Such a situation requires tough people and tough decisions. At a personal level, there is need for wise decisions such that one can benefit from this situation. At governmental level, there is need for financial discipline, increased confidence for higher investment and productivity and reduction on non-productive expenditure. Tight monetary policy alone cannot and will not tackle inflation and the current economic challenges, generally.

The Author is a Member Planning & Development Committee of ICPAU.

31%

Decrease in the number of local and foreign investors in the last three months and Ugandan Investment Authority (UIA) attributes the decline to the current global economic meltdown and high investment costs caused by high inflation levels.

23%

Increase CBR has negative effects on businesses as the cost of borrowing is inevitably increased.
BOU on its part is trying to control inflation by adopting a tight monetary policy.

IASB Issues Three New Standards

By Frederick Kibbedi CPA(U)

Introduction

The International Accounting Standards Board on 12 May 2011 issued three standards: IFRS 10, Consolidated Financial Statements, IFRS 11, Joint Arrangements and IFRS 12, Disclosure of Interests in Other Entities. The issuance of these standards completes IASB's improvements to the accounting requirements for off balance sheet activities and joint arrangements. The standards are an alignment of the broad accounting structures of FASB and IASB on path to Harmonization.

One would not forget the Global Financial Crisis that gripped the greater part of the world drawing world leaders into direct conflict with the world's most revered profession of all time [Accounting]. Some blamed the crisis on the way the accounting rules on Fair Value had been structured and others mentioned greed in the Housing Mortgage Market. The Securities Exchange Commission of the US took their brunt too as did the Financial Institutions. We should forget that Banks like Leman Brothers went under while AIG – the world's biggest Insurance company required Government interventions to prop them up. Hitherto economies like Greece are still in aftershocks of the crisis while Sub-Saharan economies suffered low volumes of exports to big markets like EU and US.

IFRS 10

The consolidation principles in IAS 27, Consolidated and Separate Financial Statements, and SIC 12, Consolidation – Special Purpose Entities, were extracted and revitalized to create IFRS10 leaving he old standard with only the components of the separate financial statements. A number of issues were revisited;

Control and power

IFRS 10 makes the concept of control the determining factor in whether an entity should be included within the consolidated financial statements of the parent company, thus building on existing principles. Guidance has been added to the standard to determine the nature of control in cases where assessment is difficult.

IFRS 10 introduces a single consolidation model for all entities based on control, irrespective of the nature of the investee. Control is based on whether an investor has power over the investee; exposure, or rights, to traceable benefits from its involvement with the investee; and the ability to use that power to affect the amount of the returns. Control now no longer depends the traditional more than 50% voting rights but focuses on the need to have both 'power' and 'variable returns' for control to be present.

Control is assessed on a continuous basis as facts and circumstances change. A change in market conditions brings about a reassessment of control only if it changes one of the elements of control.

Power is the current ability to direct the activities that significantly influence returns, which can be positive, negative or both. The determination of power is based on current facts and circumstances, is continuously assessed and is a two-step process.

First, the investor considers all the facts and circumstances of the case, including the size of its holding and the dispersion of holdings.

Second, the investor considers whether other shareholders are passive by nature and if the investee is controlled by rights other than voting power, which are the facts normally used to assess power.

If after step two there is no clear conclusion, then the investor does not control the entity. An investor with more than 50% of the voting rights would meet the power criteria if there were no restrictions, but even if it held less than the majority of the voting rights an investor could still have power in certain cases.

In the latter case, such things as agreements with other vote holders, other contractual agreements, potential voting rights and de facto power would have to be considered. IFRS 10 provides guidance on participating and protective rights, and brings the notion of de facto control firmly within the guidance.

To have control, an investor needs not only to rights but more so the ability to use its power to affect returns for the investor's benefit.

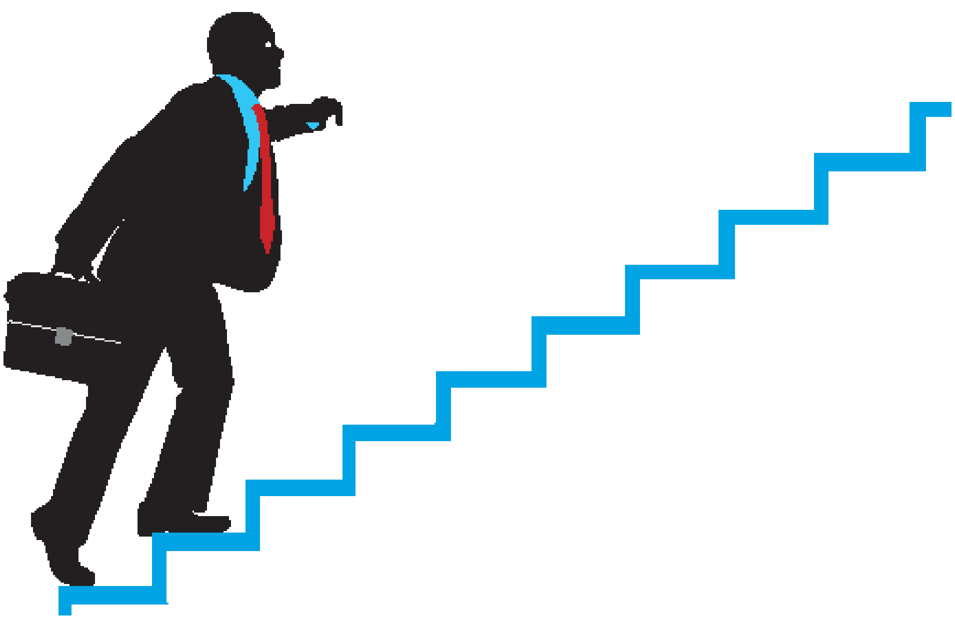
The standard also requires an investor with decision-making rights to determine if it is acting as a 'principal' or an 'agent'. Such factors as whether any remuneration is at arm's length have to be considered. If an investor acts as an agent, it would not have the requisite power, so the entity would not be consolidated. Because the new standards may change which entities are included in consolidated financial statements, deal structures may also change. Significant judgment may be required to determine whether another entity is controlled, and data may have to be gathered about other shareholders and past voting patterns. Private equity funds, asset managers and some insurance companies will have to assess whether they are principals or agents and therefore whether they have to consolidate their investments.

An entity holding options to acquire additional voting interests or which owns a minority of voting rights will also need to consider the new rules.

Two – IFRS 11

IFRS 11: Joint Arrangements – Replacement of IAS31 Jointly Controlled Entities

For quite some time, professionals had questioned whether the rationale of Joint Control really existed. It would mean that if an entity in this arrangement failed to decide on an issue, there would be no alternative but to split up the Assets and Liabilities [proportionately]. That very act would only mean that under IAS 31, not control existed.



IFRS 11, Joint Arrangements, provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. The standard addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interests in jointly controlled entities. A joint arrangement is one where two or more parties contractually agree to share control. Joint control exists only when the decisions about activities that significantly affect the returns of an arrangement require the unanimous consent of the parties sharing control.

All parties to a joint arrangement should recognise their rights and obligations arising from the arrangement. The structure and form of the arrangement is only one of the factors in assessing each party's rights and obligations; the terms and conditions agreed by the parties and other relevant facts and circumstances should also be considered.

Joint arrangements are either joint operations or joint ventures. A joint operation gives the parties direct rights to the assets and the liabilities of the arrangement; those parties are called joint operators. A joint operator will recognise its interest based on its direct rights and obligations rather than on its participation interest.

A joint operator needs to recognize:

- Its assets, including its share of any assets held jointly
- Its liabilities, including its share of any liabilities incurred jointly
- Its revenue from the sale of its share of the output of the joint operation
- Its share of the revenue from the sale of the output by the joint operation, and
- Its expenses, including its share of any expenses incurred jointly.

A Joint Venturer, on the other hand, recognizes its interest as an investment and accounts for that investment using the equity method in accordance with

IAS 28, Investments in Associates and Joint Ventures, unless it is exempt from applying the equity method.

A party that participates in, but does not have joint control of, a joint venture accounts for its interest in the arrangement in accordance with IFRS9. However, if it has significant influence over the joint venture, it must account for it in accordance with IAS 28.

Accordingly, a joint venture gives the parties rights to the net assets and profit or loss of the venture. A joint venturer does not have rights to individual assets or obligations for individual liabilities of the joint venture.

Entities can no longer account for an interest in a joint venture using the proportionate consolidation method but must use the equity method. Entities will need to assess their arrangements to determine whether they have invested in a joint operation or a joint venture on adoption of the new standard.

Also, some entities that previously equity-accounted their investments may need to account for their share of assets and liabilities now that there is less focus on the structure of the arrangement. The transition provisions of IFRS 11 require entities to apply the new rules at the start of the earliest period presented on adoption.

IFRS 12

IFRS 12 Disclosures of Interests in Other Entities

IFRS 12 sets out the required disclosures for entities reporting under the two new standards, IFRS 10 and IFRS 11. It replaces the disclosure requirements currently found in IAS 28. The new standard requires entities to disclose information that helps users evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. These include:

a) Significant judgments and assumptions used by the entity in determining that it controls another entity, has joint control of an arrangement or exerts significant influence over another entity, and the type of joint arrangement when the arrangement has been structured through a separate entity.

b) The entity's interests in subsidiaries, in order to allow users to understand, for example, the composition of the group or to evaluate the nature and extent of significant restrictions on its ability to access or use assets, and settle liabilities, of the group.

c) The entity's interests in joint arrangements and associates, so users can evaluate, for example, the nature, extent and financial effects of its interests in joint arrangements and associates, and the nature of, and changes in, risks associated with its interests in joint ventures and associates.

d) The entity's interests in unconsolidated structured entities.

The objective of IFRS 12 is for an entity to disclose information that helps users of its financial statements evaluate the nature of its involvement with other entities and the effects of that involvement on its financial position. IFRS 12 is likely to increase the amount of information in financial statements about an entity's relationships with the other parties.

The new standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted if the entire package of standards is adopted at the same time.

The writer can be reached on *kibbedi@gmail.com*.

An insight into taxation of individual rental property

By Robert Wamala Lumanyika
Public and Corporate Affairs Division, Uganda Revenue Authority

Mr. Robert Lumanyika is a Tax Education Officer attached to the Office of the Commissioner General of the Uganda Revenue Authority.

Taxation has always been perceived as a complex subject by many and when one mentions the word tax he/she may risk offensive statements - mainly from those who have complaints about the tax collecting body than when he/she mentions things like 'how to make quick profit'.

U.S. President James Madison once said, "The power of taxing people and their property is essential to the very existence of government."

Similarly his counterpart Fredrick the Great, Prussian king of the18th Century emphasized that, "No government can exist without taxation. This money must necessarily be levied on the people; and the grand art consists of levying so as not to oppress."

This basically implies that taxation though disliked is a 'necessary evil' inevitable for the functionality of the state. A tax is a non quid pro quo whose benefits may not necessarily equal to the amount of tax paid.

Whether in business or otherwise you ought to know that taxation is an influential factor on your income since it impacts on profits or disposable income.

Taxation of income is enshrined in the Income Tax Act where every one who earns income except that income exempted from taxation - official employment income of those employed in the armed forces, police and prisons, is supposed to pay tax on such income under rates prescribed in this law.

Income under this law is broadly grouped into three categories; employment income -earned by those in employment and often deducted in form of Pay As You Earn, business income – earned by those persons who have businesses and property income – earned by those with property.

I will in this edition attempt to elucidate on property income with special focus on individual rental income tax.

The Income Tax Law defines property income as; any dividends, interest, annuity, natural resource payments, rents, royalties and any other payment derived by a person from the provision, use or exploitation of property; the value of any gifts derived by a person in connection with the provision, use or exploitation of property.

It also includes the total amount of any contributions made to a resident retirement fund by a tax exempt employer during the year of income for example a listed institution such as African Development Bank which is by law exempted from income tax making contributions to the National Social Security Fund.

Property income further includes any other income derived by a person but does not include any amount which is business, employment or exempt income!

There are basically four types of property tax.

1 The first one relates to transfer of property or what is called stamp duty. If it is land for instance, before the transfer is made normally 1% of the value of that land is paid as stamp duty.

2 The second type of tax paid on property is Value Added Tax. This is payable on sale, rental or leasing of commercial property. The tax is supposed to be charged by landlords and is added to rent payable by the tenant. The tenant may however claim for a refund on this tax after submitting a monthly VAT return.

3 Capital gains tax is the third type of property tax and is payable on profits or capital gains made by a property owner or developer when they sell their property. A glaring example here is real property dealer selling a house.

Such a dealer is supposed to pay capital gains tax which is computed by deducting the cost the developer or owner incurred in developing, buying or constructing the property from the price he is actually selling the house. The profit (difference between the two) is taxed at 30%.

4 Lastly is Individual rental tax, which I will keenly look at since this is where most of the intended readers of this publication are striving to get or have got already.

Rental income is defined as income earned by a landlord/lady from letting out property on commercial terms. A landlord/lady is a person who lets out such property to another person (tenant) for a consideration/payment.

A landlord/lady may take form of an individual (Robert Wamala), a corporate body (Property U, Ltd), a Government (Wakiso District Administration) or an institution such as Ndejje University.

Taxation of individual rental income is separately provided for under the Income Tax Law. This is rent earned by individuals. The law provides that individual rental income is segregated and taxed separately as though it were the only source of income for the tax payer.

This basically implies that if a land lord also doubles as a teacher, he will pay PAYE on the official employment income of teaching but also pay individual rental income tax on the houses that such a person owns.

Please note that if rental income is earned by company, it will be added together to the other incomes that are made by such a company and after deducting expenses, the profits of that company will be taxed at a rate of 30% - what is what is referred to as Corporation Tax.

While computing Individual Rental Tax, there are four main features you have to look at; all rents earned during the year are added together, a flat percentage rate is granted annually as a deduction for assumed costs to arrive at net rents; a threshold (tax free allowance is then granted annually against the net rents to arrive at net chargeable rents; and a fixed rate is applied to the net chargeable rents to determine tax payable.

20%

Currently the deduction for assumed costs is 20%, the threshold is 1,560,000 shillings per annum and the fixed rate of tax is 20%.

Take an example that you have ten rental units each rented at 200,000 shillings monthly. This means that for every month you will be earning two million shillings and in a year you will earn 24 million shillings.

To arrive at the tax you have to pay, URA will allow you 20% of the 24 million as assumed costs you have incurred in repairing the house meaning that after deduction, you will remain with a balance of 19.2 m. Then subtract a threshold of 1.56 million to arrive at net chargeable rents of 17,640,000. This will now be taxed at 20% and the tax payable will therefore be 3,528,000 shillings for that year!

While paying the individual rental income tax, you as a land lord have an obligation to complete a return of rental income for that year of income with supporting agreements or rental receipts you have issued to tenants.

A tenant should ensure that the landlord gives him/her a receipt because he/she may be charged by the landlord who is not actually paying tax.

As a landlord, you should declare all sources of rental income in full for a given year of income which starts on 1st July and ends on 30th June of the following year. You should submit a return to URA within six months after the end of the year of income not be later than 31st December and pay the rental tax due.

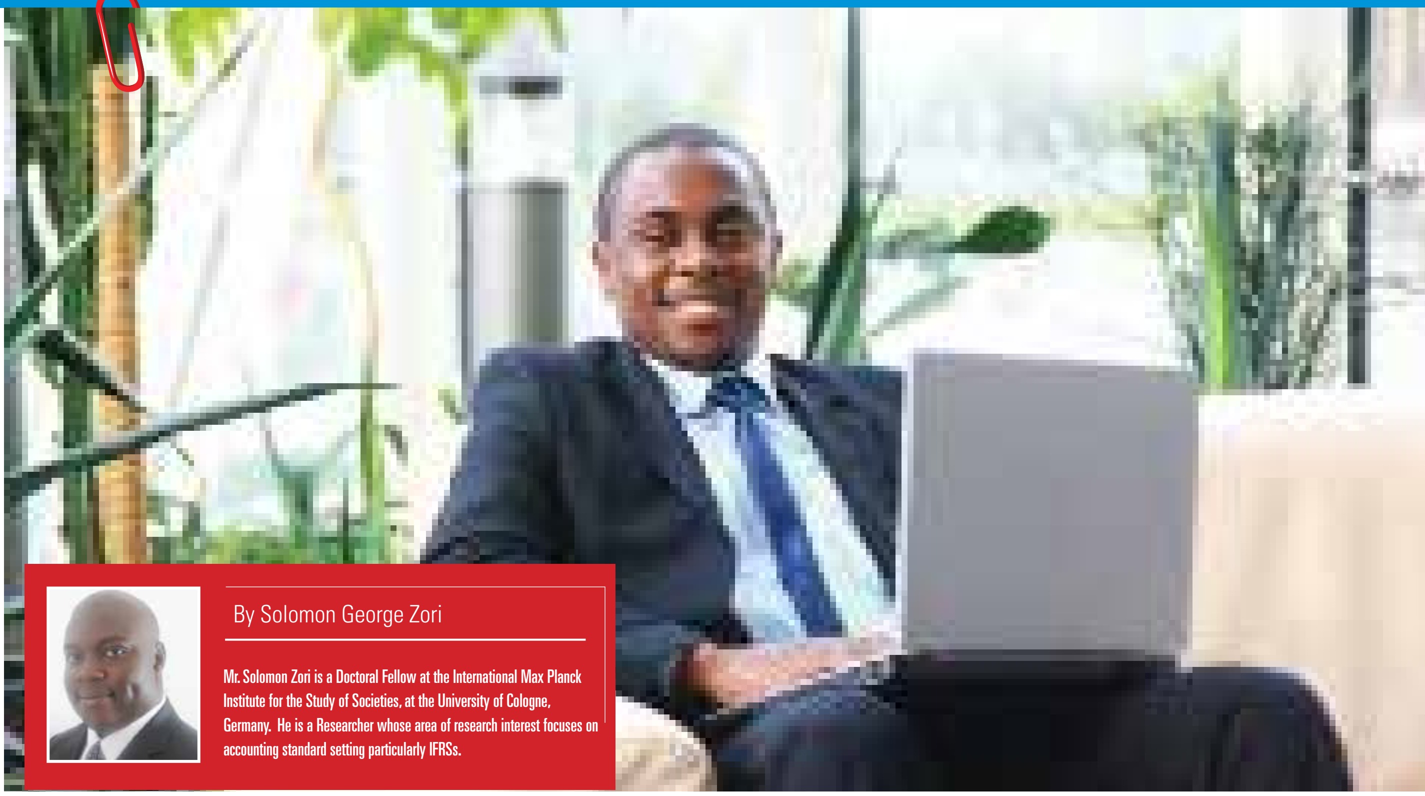
A return basically shows a summary of income earned from rent and the tax involved. You do not need to hire a tax consultant for this - with URA's electronic tax system everything can be done online and at convenience!

Remember you are entitled to a **tax credit** in respect of any rental tax paid in advance during the year of income that is to say; you can offset the rental tax paid in advance against the rental tax liability and pay the balance! This only applies to rental tax not any other tax paid in advance since individual rental tax is taxed separately.

You have an option to register these houses as a company and have their income added to the other business incomes. This means that after deducting all allowed expenses you will arrive at the profits, which will be taxed at 30% -this option may ultimately be cheaper than when your houses are taxed at individual level.

This is what is called tax avoidance and it is legal! ■

ON THE CONCEPTUAL FRAMEWORK OF ACCOUNTING



By Solomon George Zori

Mr. Solomon Zori is a Doctoral Fellow at the International Max Planck Institute for the Study of Societies, at the University of Cologne, Germany. He is a Researcher whose area of research interest focuses on accounting standard setting particularly IFRSs.

Understanding the Underlying Fundamentals of Accounting

One of the key areas of accounting and financial reporting that most accounting professionals take for granted is the conceptual framework of accounting. In fact it is the baseline of understanding accounting and applying accounting standards be they, rule-based as in US GAAP or principles based as in IFRS.

By now, you should already be aware of the Norwalk Agreement in 2002 in which the FASB and the IASB agreed to develop one set of high-quality accounting standards for global application. As at 2010, over one hundred and twenty countries are using IFRS with much mandatory application for all European companies. Unfortunately, this is not the focus of this article.

The IASB/FASB Framework for the preparation and presentation of financial statements sets forth the concepts that underlie the preparation and presentation of financial statements (i.e., the objectives, assumptions, characteristics, definitions, and criteria that govern financial reporting). Some academics may refer to it as a theory which underpins the preparation, presentation and application of financial statements. Note that the Framework in itself is not a standard. Rather, it is the basis upon which subsequent standards are developed. In the words of the IASB/FASB board, they define the conceptual framework as;

''A coherent system of interrelated objectives and fundamental concepts that prescribes the nature, function, and limits of financial accounting and reporting and that is expected to lead to consistent guidance. It is intended to serve the public interest by providing structure and direction to financial accounting and reporting to facilitate the provision of unbiased financial and related information. That information helps capital and other markets to function efficiently in allocating scarce resources in the economy and society"

Clearly, the purpose of a conceptual framework stands in the fact that it assists and guides the IASB and the FASB as it develops new or revised standards. It is a reference document for national standard setters in developing their national standards on a consistent basis with international principles and finally serves as guidance to preparers of financial statements in applying standards and in dealing with topics that are not directly addressed by a standard.

The framework has many requirements which must be fulfilled. These include;

(a) The Objective of financial statements: The objective or purpose of financial statements is to provide financial information about the reporting entity that is useful to existing and potential investors, lenders, and other creditors in making decisions about providing resources to the entity. Those decisions involve buying, selling, or holding equity and debt instruments and providing or settling loans and other forms of credit. Students should note that the needs of different user groups cannot be clearly specified by one conceptual framework. However, the objective of financial statement concept is not limited to equity market participants or capital providers. The application of the concept to non-profit making and public sector organizations is deemed necessary.

(b) The underlying assumptions: By now we should all be entirely familiar with the two basic assumptions in the preparation of financial statement (i.e. the accruals concept and the going concern concept). A repetition of these assumptions is relevant for the sake of clarity.

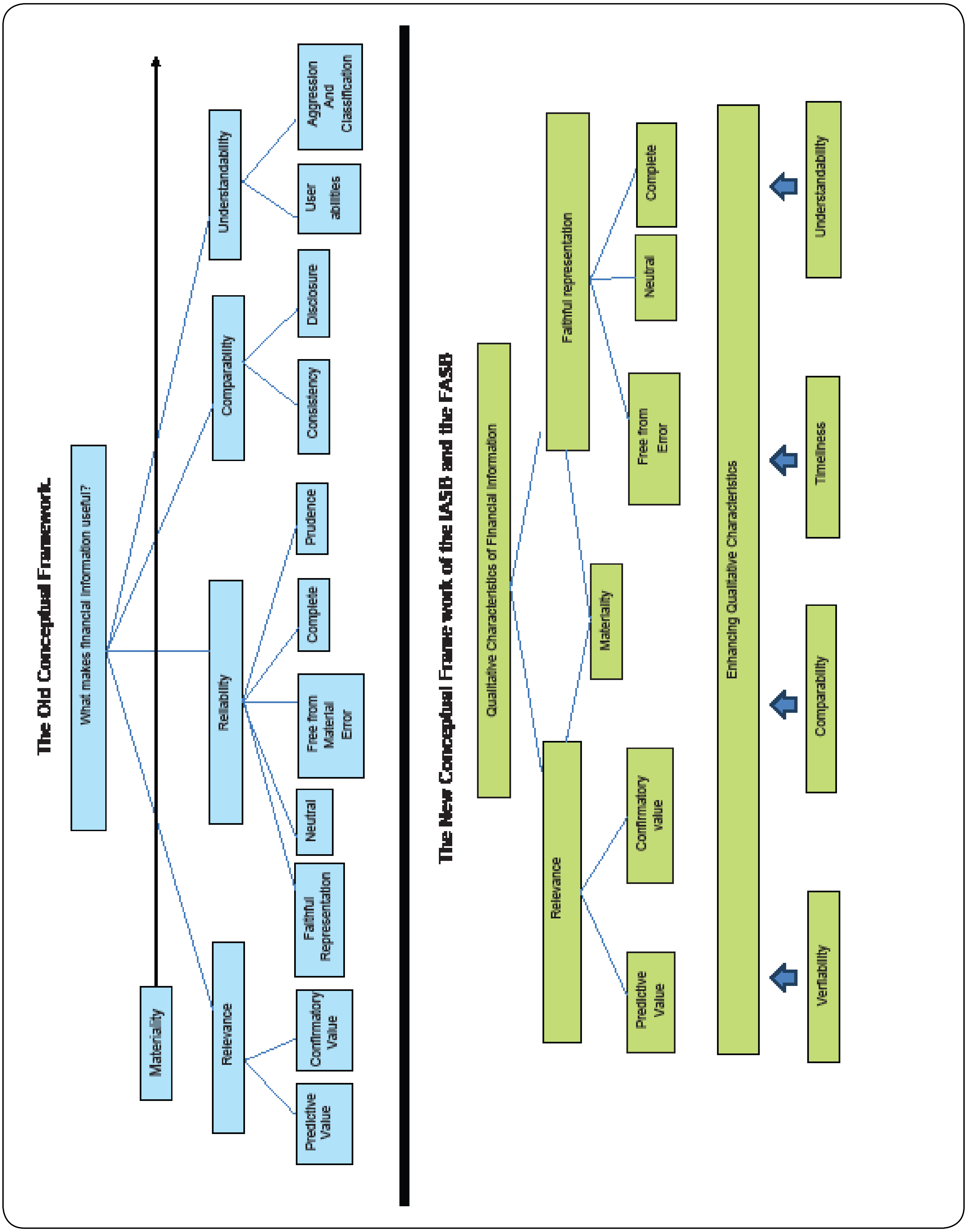
(i) Accruals Based accounting

When financial statements are prepared on the accrual basis of accounting, the effects of transactions and other events are recognized when they occur (as opposed to when cash or its equivalent is received or paid), and they are recorded in the accounting records and reported in the financial statements of the periods to which they relate. For example, the sale of goods on credit leads to the recognition of an asset in the form of receivables although the company will have to wait until the credit period expires before actual cash is received. In the same manner, when a firm makes a purchase on credit of which it expects to pay at the end of its credit period, a liability is recognized in the statement of financial position regardless of whether actual cash out flows has taken place. This example re-enforces the accruals based accounting concept.

(i) Going Concern

In preparing financial statements on a going concern basis, it is presumed that the entity will continue in operation for the foreseeable future. In other words, it is assumed that the entity has neither the intention nor the need to liquidate or curtail materially the scale of its operations, in the foreseeable future, which, according to IAS 1, is at least a period of twelve months from the end of the reporting period. However, when significant doubts are cast on the ability of the entity to continue as a going concern, and thus such an assumption is not appropriate, the financial statements may need to be prepared on a different basis and, if so, that basis used is required to be disclosed.

(c) The qualitative characteristics that determine the usefulness information in the financial statements: Central to the discussion of the conceptual framework is the qualitative characteristics of accounting information. The framework provides that, qualitative characteristics of useful financial information identify the types of information that are likely to be most useful to existing and potential investors, lenders, and other creditors for making decisions about the reporting entity on the basis of information in its financial statements. In their most recent discussions, the IASB and the FASB decided to amend this section of the framework by removing the concept of reliability in the old framework (see the diagram below) replacing it with faithful representation. They argue that reliability as a characteristic in its own right seems misleading and does not provide a clear distinction of what reliable information represents. To obtain a clear picture of how these qualitative characteristics fit in with each other, I provide a diagram to illustrate that;


The Old Conceptual Framework.
What makes financial information useful?
Materiality
Relevance
Reliability
Comparability
Understandability
Predictive Value
Confirmatory Value
Faithful Representation
Neutral
Free from Material Error
Complete
Prudence
Consistency
Disclosure
User abilities
Aggression And Classification
The New Conceptual Frame work of the IASB and the FASB
Qualitative Characteristics of Financial Information
Relevance
Materiality
Faithful representation
Predictive Value
Confirmatory value
Free from Error
Neutral
Complete
Enhancing Qualitative Characteristics
Verifiability
Comparability
Timeliness
Understandability

In the diagram above, note that each characteristic is as important as the other. In other words, striving to achieve relevance at the expense of faithful representation could occur in practice. However, as accountants our ability to understand this trade-offs and their effects provide a strong basis for decision making.

(i) Relevance:

By definition, the standard regards information to be relevant if it has the ability to affect the decisions of users. Financial information is capable of affecting the decisions of users if it has predictive value, confirmatory value, or both. Information has the quality of relevance when it influences the economic decisions of users by helping them evaluate past, present, or future events or confirming, or correcting, their past evaluations. In the context of business valuation, forecasting and or budgeting, financial statements should give investors guidance about future events. Conversely, the confirmatory value of financial information means that, past events which were forecast using financial information should tie in with actual results. Thus, confirmatory value provides feedback to previous predictive decisions made. One can argue that it is a way of benchmarking, actual results with forecasts and estimates. Note that while predictive value is an input into the decision making process, confirmatory value is the output of previous decisions. The concept of relevance is closely related to the concept of materiality. The Framework describes materiality as a threshold or cut-off point for information whose omission or misstatement could influence the economic decisions of users taken on the basis of the financial statements. Regarding materiality, information is material if omitting it or misstating it could influence decisions that users make on the basis of the financial information of a specific reporting entity. In other words, materiality is an entity-specific aspect of relevance based on the nature or magnitude or both of the items to which the information relates in the context of an individual entity's financial report.

(ii) Faithful representation:

Financial information should represent economic phenomena both in words and in numbers. It is therefore important that the numbers reflect the phenomena it purports to represent. It must not be intended to be deceptive or contain material errors. For information to faithfully represent any economic event, it must be complete, neutral and free from material errors. Note that faithful representation does not mean accurate information at all times. In fact achieving accuracy all the time is much more a faraway dream as it is near impossible to accurately provide such information. For example, an estimate of an unobservable prices or values cannot be determined to be accurate or inaccurate. However, a representation of that estimate can be faithful if the amount is described clearly and accurately as being an estimate, the nature and limitations of the estimating process explained, with no errors being made in selecting and applying an appropriate process for developing such estimate. As part of faithful representation, financial information needs to be complete. Completeness is defined as "the inclusion in reported information of everything material that is necessary for faithful representation of the relevant phenomena. Financial statements are incomplete, and therefore not representationally faithful, if, for example, an enterprise owns an office structure but reports no "building" or similar asset on its statement of financial information. Faithful representation also means that information needs to be neutral. Neutrality is present if information is without bias in the selection or presentation of financial information. A neutral depiction is not slanted, weighted, emphasized, deemphasized, or otherwise manipulated to increase the probability that financial information will be received favorably or unfavorably by users.

(iii) Enhancing the qualitative characteristics of financial information

Another area that needs some attention in this discussion is how these qualitative characteristics can be enhanced. It is worth mentioning that the trade-off between relevance and faithful representation is key and therefore, these enhancers, helps resolve any confusion regarding this. The new framework introduces these enhancers. In the old framework, these enhancers were somewhat qualitative characteristics themselves.

Comparability refers to the ability to identify similarities in—and differences between—two sets of economic phenomena. Consistency (the use of the same accounting policies and procedures within an entity from period to period, or in a single period across entities) aids comparability.

Verifiability means that different knowledgeable and independent observers could reach consensus, although not necessarily complete agreement, that a particular depiction is a faithful representation. It means the ability through consensus among measurers to ensure that information represents what it purports to represent or that the chosen method of measurement has been used without error or bias.

Timeliness means that information is provided when it is still highly useful for decision-making purposes. It means having information available to decision makers in time to be capable of influencing their decisions. Generally, the older the information is, the less useful it is. However, some information may continue to be timely long after the end of a reporting period For example, some users may need to identify and assess trends.

Understandability enables users who have a reasonable knowledge of business, economic, financial activities and financial reporting, and who apply reasonable diligence to comprehend the information, to gain insights into the reporting entity's financial position and results of operations, as intended. Understandability is enhanced when the information is classified, characterized and presented clearly and concisely. The framework asserts that relevant information should not be excluded solely because it may be too complex or difficult for some users to understand. By understandability the framework means that financial statement should not be too technical or complex for every level headed person to read and understand. It does however not mean that financial statements should lack the right jargons in business or be excluded for complexity. A balance between the two is desirable.

(a) Elements of financial statements

The framework details five main elements of financial statements namely, assets, liabilities, equity, income and expenses. Although these names may sound familiar, it is still one of the areas practitioners fumble with as knowing how to describe them with a handful of characteristics is not enough to recognize and measure them accurately. For this reason, a repetition of these basic definitions will refresh your terminology.

(i) Assets

An asset of an entity is a present economic resource to which the entity has a right or other access that others do not have as a result of past events and from which expected benefits are to flow to the entity. It can be tangible or intangible. Where tangible assets means; of physical presence eg. Property plant and equipment (and can be current or non-current) and intangible means; not physical characteristics eg. Goodwill and brands. You should be able to give examples of each type of assets. This article is not intended to go in-depth with the distinction of asset classes as this will be dealt with in subsequent articles in IAS 16 and IAS 38 respectively. One common mistake students make in the definition of an asset is that it is owned by the entity and purchased at a significant cost. Ownership is not a prerequisite for the recognition of an asset as can be seen in the case of IAS 17 lease accounting. Although most assets have a substantial purchase value, this does not matter in the definition of an asset.

(ii) Liability

A liability of an entity is a present economic obligation for which the entity is the obligor as a result of past events and from which an economic outflow is expected of the entity. Liabilities are also presented on the statement of financial position as being noncurrent or current. Examples of liabilities include trade payables, tax creditors and loans.

(iii) Equity

Equity is the residual interest in the assets of the entity after deducting all its liabilities. Equity includes the original capital introduced by the owners, ie share capital and share premium, the accumulated retained profits of the entity, ie retained earnings, unrealized asset gains in the form of revaluation reserves and, in group accounts, the equity interest in the subsidiaries not enjoyed by the parent company, ie the non-controlling interest (NCI)

(iv) Income.

Income is a change in value concept. It is the increase in economic benefits during the accounting period in the form of inflows or enhancements of assets or decreases of liabilities that result in increases in equity, other than those relating to contributions from equity participants. Income includes sales revenues, dividends, consultancy fees, commissions and other charges.

(v) Expenses.

Expenses are decreases in economic benefits during the accounting period in the form of outflows or depletions of assets or incurrences of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Examples include operating expense, administrative expenses, selling and distribution expenses.

The definition, recognition, and measurement of the elements from which financial statements are constructed

The recognition criteria for elements

The Framework lays out the formal recognition criteria that have to be met to enable elements to be recognized in the financial statements. The recognition criteria that has to be met are that

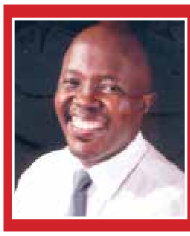
1. An item that meets the definition of an element and it is probable that any future economic benefit associated with the item will flow to or from the entity.
2. The item's cost or value can be measured with reliability.

Conclusion

I hope that this article provides a vivid explanation of the IABS conceptual framework and that going forward, readers will not only be able to understand the underlying principles in accounting, but be able to apply them in achieving their practical experience requirements and Continuing Professional Development requirements. I have intentionally left out the concept of measurement as I intend to cover it in future articles. Note that for the sake of space, it is not possible to cover every aspect of the framework in one article.

Solomon George Zori is Doctoral Fellow, International Max Planck Institute for the Study of Societies and the University of Cologne, Germany.

Fair Value **Measurement**



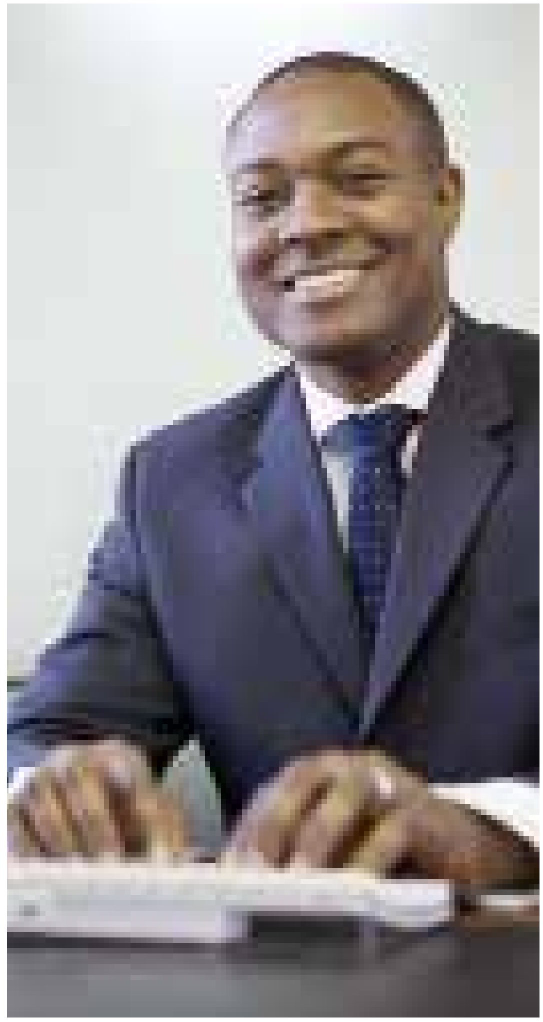
Frederick Kibbedi CPA(U)

Mr. Frederick Kibbedi works with Uganda Export Promotion Board as the Director for Trade Finance and Administration. He is a member of the Technical Committee of ICPAU. He is also an Accounting Lecturer for MBA Course at the Edinburgh Business School (Herriot Watt University, Scotland).

Introduction

This article examines IFRS 13 - Fair Value Measurement, perhaps the one single standard that touches all the other standards. This standard, redefines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements.

The topic of fair value has been at the centre of accountancy debate for a long time. I will perhaps not delve into why the traditional definition of air Value has been abandoned. The traditional definition, 'The price at which an asset could be exchanged or a liability settled between knowledgeable willing parties in an arm's length transaction at reporting date' will with effect from 1st January 2013 be no more.



Exceptions to the Standard

IFRS 13 applies when another IFRS requires or permits fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except for: [IFRS 13:5-7]

1. Share-based payment transactions within the scope of IFRS 2 - Share-based Payment.

2. Leasing transactions within the scope of IAS 17 - Leases

3. Measurements that have some similarities to fair value but that are not fair value, such as net realizable value in IAS 2 - Inventories or value-in-use in IAS 36 Impairment of Assets.

Key definitions

Fair value	**The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date**
Active market	A market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis
Exit price	The price that would be received to sell an asset or paid to transfer a liability
Highest and best use	The use of a non-financial asset by market participants that would maximise the value of the asset or the group of assets and liabilities (e.g. a business) within which the asset would be used
Most advantageous market	The market that maximizes the amount that would be received to sell the asset or minimizes the amount that would be paid to transfer the liability, after taking into account transaction costs and transport costs
Principal market	The market with the greatest volume and level of activity for the asset or liability

Fair Value Hierarchy

IFRS 13 seeks to increase consistency and comparability in fair value measurements and related disclosures through a 'fair value hierarchy'. The hierarchy categorizes the inputs used in valuation techniques into three levels. The hierarchy gives the highest priority to (unadjusted) quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

If the inputs used to measure fair value are categorised into different levels of the fair value hierarchy, the fair value measurement is categorised in its entirety in the level of the lowest level input that is significant to the entire measurement (based on the application of judgement).

Level 1 Inputs

Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

A quoted market price in an active market provides the most reliable evidence of fair value and is used without adjustment to measure fair value whenever available, with limited exceptions.

If an entity holds a position in a single asset or liability and the asset or liability is traded in an active market, the fair value of the asset or liability is measured within Level 1 as the product of the quoted price for the individual asset or liability and the quantity held by the entity, even if the market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

Level 2 Inputs

Level 2 inputs are inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 2 Inputs include:

a. Quoted prices for similar assets or liabilities in active markets

b. Quoted prices for identical or similar assets or liabilities in markets that are not active.

c. Inputs other than quoted prices that are observable for the asset or liability, for example

   i. Interest rates and yield curves observable at commonly quoted intervals

   ii. Implied volatilities

   iii. Credit spreads

d. Inputs that are derived principally from or corroborated by observable market data by correlation or other means ('market-corroborated inputs').

Level 3 Inputs

Level 3 inputs are unobservable inputs for the asset or liability. Unobservable inputs are used to measure fair value to the extent that relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. An entity develops unobservable inputs using the best information available in the circumstances, which might include the entity's own data, taking into account all information about market participant assumptions that is reasonably available.

Fair Value Measurement Approach

The objective of a fair value measurement is to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions. A fair value measurement requires an entity to determine all of the following:

i. The particular asset or liability that is the subject of the measurement (consistently with its unit of account)

ii. For a non-financial asset, the valuation premise that is appropriate for the measurement (consistently with its highest and best use)

iii. The principal (or most advantageous) market for the asset or liability

iv. The valuation technique(s) appropriate for the measurement, considering the availability of data with which to develop inputs that represent the assumptions that market participants would use when pricing the asset or liability and the level of the fair value hierarchy within which the inputs are categorised.

Guidance on Measurement

IFRS 13 provides the guidance on the measurement of fair value, including the following:

- An entity takes into account the characteristics of the asset or liability being measured that a market participant would take into account when pricing the asset or liability at measurement date (e.g. the condition and location of the asset and any restrictions on the sale and use of the asset)

- Fair value measurement assumes an orderly transaction between market participants at the measurement date under current market conditions

- Fair value measurement assumes a transaction taking place in the principal market for the asset or liability, or in the absence of a principal market, the most advantageous market for the asset or liability.

- A fair value measurement of a non-financial asset takes into account its highest and best use

- A fair value measurement of a financial or non-financial liability or an entity's own equity instruments assumes it is transferred to a market participant at the measurement date, without settlement, extinguishment, or cancellation at the measurement date

- The fair value of a liability reflects non-performance risk (the risk the entity will not fulfill an obligation), including an entity's own credit risk and assuming the same non-performance risk before and after the transfer of the liability

- An optional exception applies for certain financial assets and financial liabilities with offsetting positions in market risks or counterparty credit risk, provided conditions are met (additional disclosure is required).

Valuation techniques

An entity uses valuation techniques appropriate in

the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimising the use of unobservable inputs.

The objective of using a valuation technique is to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants and the measurement date under current market conditions. Three widely used valuation techniques are:

- **Market approach** – uses prices and other relevant information generated by market transactions involving identical or comparable (similar) assets, liabilities, or a group of assets and liabilities (e.g. a business)
- **Cost approach** – reflects the amount that would be required currently to replace the service capacity of an asset (current replacement cost)
- **Income approach** – converts future amounts (cash flows or income and expenses) to a single current (discounted) amount, reflecting current market expectations about those future amounts. In some cases, a single valuation technique will be appropriate, whereas in others multiple valuation techniques will be appropriate.

Disclosures

IFRS 13 requires an entity to disclose information that helps users of its financial statements assess both of the following:

- For assets and liabilities that are measured at fair value on a recurring or non-recurring basis in the statement of financial position after initial recognition, the valuation techniques and inputs used to develop those measurements
- For fair value measurements using significant unobservable inputs (Level 3), the effect of the measurements on profit or loss or other comprehensive income for the period.

Disclosure exemptions

The disclosure requirements are not required for:

a. Plan assets measured at fair value in accordance with IAS 19 Employee Benefits

b. Retirement benefit plan investments measured at fair value in accordance with IAS 26 Accounting and Reporting by Retirement Benefit Plans

c. Assets for which recoverable amount is fair value less costs of disposal in accordance with IAS *36 Impairment of Assets.*

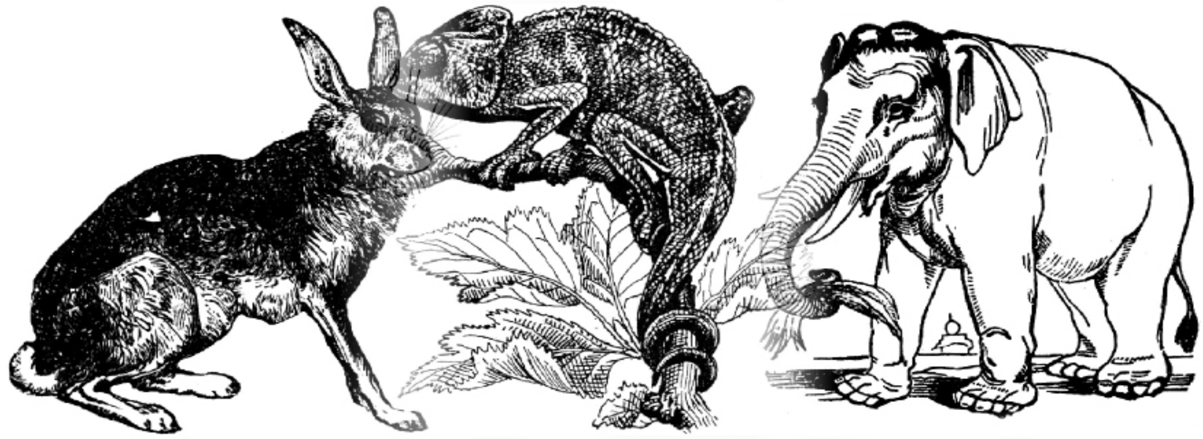
Identification of Classes

Where disclosures are required to be provided for each class of asset or liability, an entity determines appropriate classes on the basis of the nature, characteristics and risks of the asset or liability, and the level of the fair value hierarchy within which the fair value measurement is categorised.

Determining appropriate classes of assets and liabilities for which disclosures about fair value measurements should be provided requires judgement. A class of assets and liabilities will often require greater disaggregation than the line items presented in the statement of financial position. The number of classes may need to be greater for fair value measurements categorised within Level 3.

Some disclosures are differentiated on whether the measurements are:

- Recurring fair value measurements – fair value measurements required or permitted by other IFRSs to be recognised in the statement of financial position at the end of each reporting period
- Non-recurring fair value measurements are fair value measurements that are required or permitted by other IFRSs to be measured in the statement of financial position in particular circumstances. ■



EFFECTIVE COMMUNICATION

What Communication Animal Are You?

Think about this scenario for a second.
You have been asked to talk about the rising cost of food in Uganda with
a) Mulago Hospital nurses b) church parishioners in Nebbi district and c) economists at Ernst & Young.

By Norah Njuba Bwaya

What type of famous person would you choose to speak as? Mahatma Ghandi? Would you use the same speech for all three audiences? What about the style of delivery? Would you crack that joke about Bad Black and her wild spending ways in Nebbi? What about the one about the man who was asked by his friend on the phone after having a leg amputated whether the operation was successful?

Your answer to the above questions is the key to effective communication.

The first and most important key to effective communication is, drum roll please … YOU!

You must know what type of person you are and then make your delivery with as much of your personality as possible. If jokes don't come easily to you, don't spend hours and hours trying to become a comedian. But you can practice delivering an ice-breaking joke that doesn't take you out of your comfort zone.

The second key is to figure out your audience and then adjust your style of delivery to suit them. There is nothing as dreadful as speaking with teenagers in a whiny, nursery school type sing-song voice. "We are not babies!" they will rightly mutter under their breath. Yet that same audience will likely enjoy the joke about the teacher who tripped on a banana peel in the middle of assembly – even if you have made that joke up – because they would relate to it.

The best communicators are ones who figure out their audience and adjust what they have to say to a style that will suit them. In order to communicate effectively, you must always ask yourself this question. The least effective ones are like elephants – once they start moving in one direction, they find it difficult to change quickly or effectively. Yet the best communicators are the ones who can sense that the communication isn't working and, like hares, they look for a way to adjust quickly to a style that works with the audience.

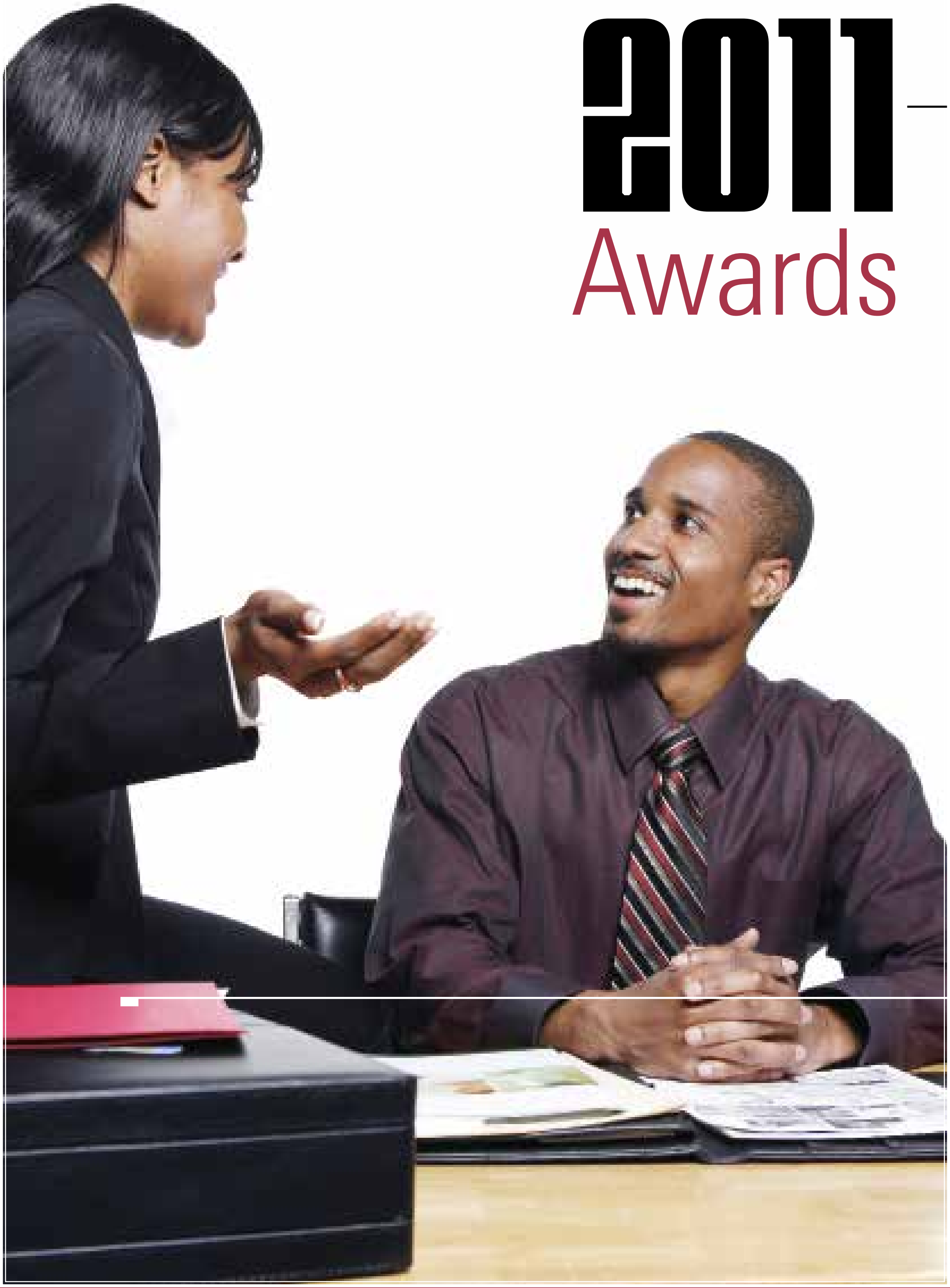
Finally, be careful not to behave like a chameleon which changes its color depending on its environment. That can appear to be fake and your audience will probably notice it. When we talk about being flexible, it is the style of delivery that you want to think about, not your personality. We are all different as human beings. Your audience will appreciate you better if you adjust your style of delivery without trying to be someone you are not.

Communication tips for Accountants:

1. Be yourself, one title goes … "You were born an original, don't die a copy" John Mason.
2. People are different and they receive messages differently, an effective communicator adjusts style to suit the audience.
3. Listen with every fiber in your body. The more important the message is, the more listening you need to do, the more homework you need to establish the interest of your audience. We have two ears and one mouth.
4. Feed off of your audience (whoever you are communicating to). Ask for clarification, check for understanding, read the body language.
5. Think; "what's in it for them / her / him?" Your messages must be tailored to the need of the message receiver.
6. Be non-judgmental. Negative vibes can be felt through the air, even air waves and they travel faster than sound.
7. "People will forget what you said, they will forget what you did, they will never forget how you made them feel" Maya Angelou.

Ms. Norah Bwaya is the Executive Director of Coach Africa Limited. She is a Certified Professional Coach and an Associate Coach with CCL – Centre for Creative Leadership. She has had a wide working experience in 8 countries and in different industries and sectors.

2011 Awards



CPA
Uganda

The Financial Reporting
Awards 2011

Financial Reporting FiRe Awards – Uganda

FiRe Awards Uganda Non Governmental Organisations Winner - BRAC

Report of the Year Awards

WHAT:
The Financial Reporting Awards

WHERE:
Imperial Royale Hotel.

SPONSORS:
Vision Group, East African Development Bank, The African Capacity Building Foundation and The National Planning Authority.

SUPPORTED BY:
The Capital Markets Authority and the Uganda Securities Exchange.

1. Mr. Kitamirike at the FiRe Awards

2. FiRe Awards Uganda Winner - Silver Award -National Water & Sewarage Corporation

3. Sustainability Awards

4. Minister of Finance Mrs. Maria Kiwanuka takes notes at the FiRe Awards.

5. A group photo of FiRe Awards Uganda Winner of Silver Award -National Water & Sewarage Corporation.

6. Centenary Rural Development Bank displays a FiRe Awards Uganda Winner - Gold Award.

7. Minister of Finance Mrs. Maria Kiwanuka hands over a Gold award to Centenary Rural Development Bank.

7. Derick Nkajja CEO - ICPAU giving a speech during the function

8. Gervas Ndyanabo of the New Vision Group speaks during the FiRe Awards Uganda Winner.

9. Mrs Keto Kayemba & Dr. Samuel Sejjaaka during the FiRe Awards Uganda 2011.

10. Mr. Katimbo Mugwanya, General Manger Finance Centenary Bank receiving an award from Frederick Kibbedi during the FiRe Awards Uganda 2011.

11. Agroup photo of FiRe Awards Uganda Winner - Gold Award to Centenary Rural Development Bank

12. Minister of Finance Mrs. Maria Kiwanuka hands over a FiRe Awards Uganda Public Sector Winner to National Water & Sewarage Corporation

13. Minister of Finance Mrs. Maria Kiwanuka poses with FiRe Awards Uganda Winner - Gold Award - Centenary Rural Development Bank.

CPA Uganda

The Financial Reporting Awards 2011

FiRe Financial Reporting Awards – Uganda

FiRe Awards Uganda - Insurance Services Winner 2nd Runner Up Jubilee Insurance Company Uganda

Insurance Services

14. FiRe Awards Uganda - Consumer & Industrial Products Winner BAT Uganda

15. FiRe Awards Uganda Sustainability Reporting - Winner - Lion Assurance.

16.&17. FiRe Awards Uganda Insurance Services Winner - Lion Assurance

18. A joyfull mood of FiRe Awards Uganda Sustainability Reporting - Winner - Lion Assurance

Consumer & Industrial Products

19. Stanbic Bank, Sam Mwogeza, Finance Manager Corporate and Investment banking receiving an award during the FiRe Awards 2011.

20. FiRe Awards Uganda - Consumer and Industrial Products Winner BAT Uganda

21. A group photo of FiRe Awards Uganda - Consumer and Industrial Products Winner BAT Uganda

One of Consumer and Industrial Products Winner BAT Uganda displays his FiRe Awards Uganda.

CPA Uganda

The Financial Reporting Awards 2011

Financial Reporting FiRe Awards – Uganda

FiRe Awards Uganda - Banking Services Winner CERUDEB
Japheth Kato, Chief Executive Officer, Uganda securities Exchange and Mr. Edward Katimbo Mugwanya, the General Manager Finance at Centenary Bank.

22

23

Banking Services

The Year Awards:

Gold Award — Centenary Rural Development Bank Limited

Silver Award — National Water & Sewerage Corporation

Bronze Award — BRAC Uganda

22. FiRe Awards Uganda - Banking Services Winner 1st Runner Up Stanbic Bank Uganda

23. Guests at FiRe Awards dinner

FiRe Awards Uganda - Corporate Governance Winner CERUDEB

CPA Uganda marks Inaugural Financial Reporting Awards

By Roger M Shillingi,

CEO and founder of BluePrint Publicists, a marketing and PR consultancy firm.

BluePrint caters for literary clients like magazines, authors, playwrights and memoirs in relation to writing, research undertaking, proof reading and data assessment.

Shillingi's experience stems from his journalistic days at the New Vision where he wrote a seasoned column and contributed features articles. Mr. Shillingi also helps clients raise awareness of products and services in relation to availing overall strategy, mass media roll out, outdoor signage, advertising, branding and crisis management.

At a time when the public is increasingly demanding for a greater accountability in all sectors of the economy; both public and private, the relevance for appropriate financial reporting has never been more apparent. It is on this standpoint that the Institute of Certified Public Accountants of Uganda (ICPAU) rolled out the inaugural Financial Reporting Awards on 25th November at the Imperial Royale Hotel, Kampala.

"The accountancy profession plays a very important role to the promoting and ensuring of greater transparency, accountability and prudent management of the resources placed under the watch of any organization, company or firm," explained Naru Thakkar, President of the ICPAU. He went on to say that the mere participation of the firms is an indicator of confidence in their financial records and adherence to standards.

Even more importantly, the gala night went on to express the significance of the financial reporting system; it is not only required of by the big multinationals and corporate entities; even simple kiosk owners and small scale business proprietors are affected. For as long as they make annual reviews, their findings need to be audited and hence a report deduced from them. The requirements for the awards were annual reports and audited financial reports of 2010.

Graced by none other than the Minister of Finance, Hon. Maria Kiwanuka, whose keenness for responsible financial reporting is being evidenced in the Ministry, acknowledged all the participants in the award ceremony as 'brave', 'just' and 'fair' with their business entities and re-affirmed accountants as the 'bedrock' of financial reporting.

"First off, financial reports are required by law from every entity that is incorporated or registered by the registry of companies on an annual basis. Secondly, for government, economic planning, economic performance and economic growth are evidenced through financial reporting," Hon. Kiwanuka remarked. "Furthermore, financial reports clearly show potential investors the proof of financial records, sheds transparency on the business entity and they also communicate volumes to stakeholders about how well or unwell the company is doing."

The categories at the Awards included the Insurance, Consumer and Industrial Products, Non Governmental Organisations, Public Sector, Banking Services, Corporate Governance and Sustainability Reporting and the overall Gold/Silver/Bronze Report of the Year Award. The winners of the night were; Centenary Rural Development Bank for Banking Services, Lion Assurance Ltd for Insurance, BAT Uganda Ltd for Consumer and Industrial Products, National Water and Sewerage Corporation (NWSC) for Public Sector and BRAC Uganda for the NGO category. Centenary Rural Development Bank took the Gold Report of the Year Award, NWSC took the Silver Award and BRAC Uganda settled for the Bronze Award.

The special awards for corporate governance and sustainability reporting were taken by BAT Uganda Ltd and Lion Assurance respectively. In attendance at the inaugural financial reporting night were Mr. Patrick Kagoro (Executive Director, Bank of Uganda who is also the Vice President of ICPAU), Joseph Kitamirike (USE), Japheth Kato (CMA), Mr. Ibrahim Kaddunabi Lubega (IRA), Mr. George Egaddu (Past President ICPAU), Prof Charles Kwesiga (Uganda Industrial Research Institute) with Qwela Band entertaining the guests. Sponsors of the night were the Vision Group, EADB, CMA, The African Capacity Building Foundation and the National Planning Authority.

The Hon Minister ended the night by echoing one Arthur Levitt, former chairperson of US Securities Exchange Commission who once put it - "If a country does not have a reputation for strong corporate governance practices, capital will flow elsewhere. If investors are not confident with the level of disclosure, capital will flow elsewhere. If a country opts for lax accounting and reporting standards, capital will flow elsewhere."

Moving Uganda Forward

By Prof. Charles Kwesiga,
Executive Director, Uganda Industrial Research Institute

Dr. Charles Kwesiga is a trained Industrial Engineer. He has had significant experience as a Corporate Manager, management consultant, educator, and entrepreneur. Dr. Kwesiga is the Executive Director of the Uganda Institute of Industrial Research. The Institute is involved in technology transfer, technology diffusion, process and product development, business incubation, applied research & development, etc. In recognition of his valuable professional expertise and experience, Dr. Kwesiga was appointed as Honorary Professor of Makerere University, in December 2006, attached to the Faculty of Technology.

As it turns out, the accountancy profession has been around for so long that it even predates the industrial revolution. Luca Pacioli, an Italian mathematician, Franciscan friar, collaborator with Leonardo da Vinci, is also regarded as the "Father of Accounting" because of his seminal contributions to the profession – and he lived from 1447 to 1517.

The accountancy profession's rich history is rooted in the realistic need for business owners and managers to understand how best to make their businesses as cost effectively as possible. This need is the cause and consequence of accounting's enduring legacy such that even the so called "Big Four" include accounting firms founded in the mid nineteenth century: William Deloitte opened his firm in 1845, and Samuel Price and Edwin Waterhouse opened a joint business in 1849.

In today's contemporary world all countries subscribe to the "Generally Accepted Accounting Principles"- GAAP which set forth the standards by which public accountants must do business. Even China has come on board.

Moving Forward We Must

We need to move towards meeting MDGs; we need to move out of the unsavory lists like LDCs; we need to move away from the practice of exporting raw materials; from accepting substandard products in our market; from corrupt practices and questionable work ethic; from the trappings of primitive lifestyles to those of modernity. Ugandans too deserve the modern comforts of life.

Moving Uganda forward requires a concerted effort that addresses the following:

- Increased use of technology
- Upgrading the skills base of the population
- Adopting best practices in our business affairs

The latter alludes to professionalism and operational efficiency while eschewing and condemning corruption, whatever one's calling or one's station in life.

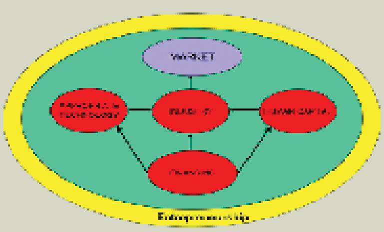
However we need to exercise caution so that we don't condemn corruption based on appearance of impropriety alone, or using the wrong criteria to pass judgment. Current acrimonious deliberations in our parliament are a case in point, whereby fundamentally important questions are drowning in political vendettas and specious debates. Aesop, in one of his fables, said, "Beware lest you lose the substance by grasping at the shadow."

Moving Uganda forward involves a lot of activities most of which we all talk about. Our national development plan and the plethora of policies, laws, and operating procedures are a true manifest that we know the problems and that we have the answers. Even our routine performance reports, with exception of a recent IGG report, are so positive in their outlook until we get global reports compiled by others. For example what our agencies say about our progress have no resemblance to what the World Bank says is our position on the Global Competitiveness Index. The latest report from the World Bank: within a period of 12 months, Uganda dropped from 108th to 118th on the Global Competitiveness Index 2010/11 (daily monitor of November 22nd, page 6). Such discrepancy is untenable and reminds one of an author who said, "The only thing worse than stagnation is a false sense of progress."

In a strange twist of fate, individual Ugandans are not only resourceful; they are also impressive in their individual professional disposition. Even in the Diaspora, Ugandans have made their mark. But when we try to work together, our collective efforts invariably lead to hapless enterprises. We seem to act according to Aristotle's adage that, "What is common to many is least taken care of, for all men have greater regard for what is their own than what they possess in common with others." To wit our civil service, our cooperatives, a scandalously high rate of corporate failures, and a motley crew of politicians.

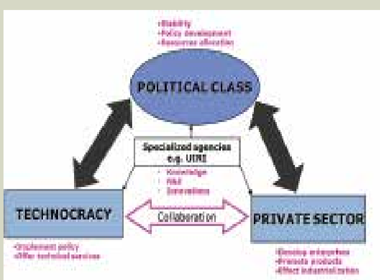
How Do We Then Move Uganda Forward?

The pronounced polices to guide Uganda's socio-economic transformation hinge on industrialization, while acknowledging that the logical starting point is value addition to our agrarian products and beneficiation of our minerals. Our national development plan is also cognizant of the fact that technology is a key driver of economic advancement and that it is the foundation upon which industrialization is built. Skills are the fuel that drives the technology. Investment is required for acquisition of technology and for dispensation of skills. However it takes an entrepreneurial mind to apply and use the technology in such a way that all the necessary elements and inputs are linked together to build verdant industrial capacity. The resulting symbiosis is depicted as follows:



Competent institutions are crucial for catalyzing the industrialization process. Therefore we must ensure that qualified people are running such institutions and that individual staff are also of the desired caliber of professionals. Collaboration between the relevant institutions must be enhanced.

Just as we expect much from institutions, the onus to move Uganda forward is on all its citizenry to play their part. The major roles for the various groups must be clearly delineated and understood. When we talk of Private & Public Partnerships (PPPs) we should be fully conversant with what such an arrangement is all about. Generally speaking there is a triangular connection between the political class, the technocracy, and the private sector. For us to move forward the three groups need to harmonize their mandates, and follow principled delivery on these mandates, and the interlink between them and the specialized institutions should be articulated.



Other aspects of the desired direction for the forward motion must include the following:

- Streamlined organizational structures and reporting relationships that will assure efficient delivery of services (e.g. UNCST should not be reporting to Ministry of Finance).
- Assignment of duties should take into consideration the competence of the individual or agency to whom the assignment is delegated.
- Plans, work programs, and projects must be monitored and evaluated and their continuation should be based on objective analysis of such a monitoring and evaluation system.
- Given the pernicious and pervasive nature of corruption, we need to tackle the scourge at its core by targeting those driven by greed and whose actions affect our development agenda more adversely. Someone who makes UGX 5bn, earmarked by government for a fruit juice factory, disappear is a notch higher in culpability than one who demands 10% commission. Defiling a child is exceptionally cruel in comparison to other sex crimes like bestiality or homosexual liaison between consenting adults.
- Voltaire once wrote that, "Those who can make you believe absurdities can make you commit atrocities." Our political discourse needs to reflect objective deliberation, our campaigns should show well thought out content, while our convictions are based on evidence, which will all lead to civilized dialogue.
- Our threshold for success must be raised to the requisite level because the successes of a critical mass of individuals and enterprises are what will spur our nation to move forward. Mediocrity or premature self-satisfaction will not deliver us to the desired destination.

Conclusion

Let us all, individually and collectively, make our contribution, guided by a sense of professionalism, in moving Uganda forward. ■

My Leeds Experience

By Diana Naisuna Nambi,
CCPR Student, University of Leeds

Ms. Diana Naisuna works as the Public Relations Officer of ICPAU. She is currently pursuing a Masters Degree in Corporate Communications and Public Relations at the University of Leeds, United Kingdom.

What is the use of videos? "To provide entertainment" is likely to be your answer, which is correct. But it is equally correct that videos are a teaching/learning tool. At the University of Leeds, a lecture or seminar hardly ends without students watching a video.
Mr. Tony Byng is a Senior Teaching Fellow and the Programme Director for Corporate Communications and Public Relations (CCPR) at the University of Leeds. He has been using videos as a teaching tool for nine years now. Tony says, "The videos bring research findings to life and allow students to contextualise the theory". "[It is] particularly useful if we can relate it to examples that are from their own environments," he adds.

Jamie Tomillo Soto-Jove, a CCPR student from Spain, considers the videos illustrative and relevant. A video on *The Green Factory: Ecover Washing Products* has inspired Yuling Lee, a CCPR student from Taiwan, "to take care of our planet". She is mobilizing her family and friends to adopt a green lifestyle. In my experience, videos confirm that the concepts that the lecturers talk about are real. The videos are also fun to watch, memorable and motivate me to attend lectures/seminars. This is not to suggest that I would be missing lessons if there were no videos shown.

Tony reveals that the videos can be sourced from YouTube and specialist websites. Arguably, one can find videos on varied subjects, including but not limited to the Toyota sticking pedal scandal; the 1995 Greenpeace vs. Shell battle over Brent Spar; change communication; and advertising of fast moving consumer goods.

Apart from showing videos from external sources, Tony records his own lectures, a practice he started three years ago, largely to ease the learning process for international students. According to Tony, students can review the lessons at their pace, to understand or be reminded of the finer points of a subject. Tony observes that, "the video recordings have been very popular with students from all countries, for reviewing and revising for examinations and preparation of assignments". This notwithstanding, Tony believes that, "the live class experience is the best teaching tool, but the videos are fabulous for reinforcing the lessons and enabling students to reflect on learning outcomes at a pace that suits them".
Another seemingly indispensable tool for delivering lectures at the University of Leeds is advanced power-point presentations. The presentations are advanced because the lecturers invest skills, time and creativity to come up with "lively" slides – plenty of pictures, models, video links and colours. This is totally different from the usual bullet-text slides. The branding of the slides makes me

File Photo | Leeds University

even prouder to be a Leeds University student. In addition to the lecturers' creativity, learning through power-point presentations and videos is powered by a steady internet connection and availability of electricity throughout the University.

The lecturers know too well that "work without play makes Jack a dull boy", therefore, all lectures are punctuated with 5-10 minutes breaks. During the breaks, some students run to the café to grab a coffee and/or sandwich. Others reach out for what they carried in their bags – chocolate, biscuits, jelly bears, bananas, potato crisps, a Coke, or juice. This list cannot be exhausted. A number of students turn to their neighbours to chat about the Marketing Research project, the trip to Manchester or the price discounts at Primark. After the break and throughout the lectures, some students will continue to drink water from their small flasks or water bottles.

As the CCPR Programme Director, Mr. Tony Byng keeps emphasizing, there are no stupid questions. A student is thus free to ask any question while the rest of the class has an opportunity to respectfully agree or disagree with their peers, moderated by the lecturer. Seminars particularly provide a good forum for debate, with students having several logical answers to a single question.

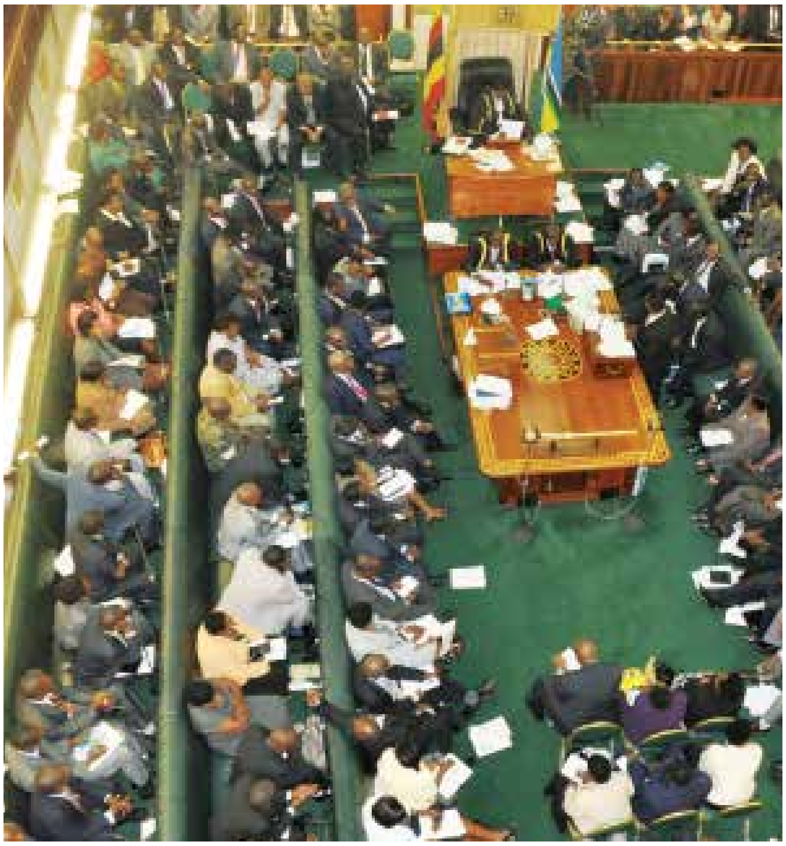
With the freedom to ask any kinds of questions comes the responsibility of doing assignments and examinations. These assessment modes demand extensive research and critical thinking, which can be challenging. However, guidance from the lecturers and rich learning resources at the students' disposal give a good starting point. The resources can conveniently be found in the Edward Boyle, Brotherton and Health Sciences libraries. For students who may prefer to read outside the libraries, some books, journals and useful reports can be accessed online, on and off campus.

Outside the lecture and seminar rooms, learning continues through the Virtual Learning Environment (VLE). The VLE is a place to find announcements, lecture notes, seminar readings, assignments and other module-related information. The VLE also has discussion boards for the different modules, to allow for sharing of ideas, asking questions or commenting on particular lecture or seminar topics. A tough stance on plagiarism differentiates the University of Leeds from a host of universities the world-over. Students are cautioned against plagiarism at various opportunities. The first caution is during the "good academic practice" session of induction, then subsequently, throughout the semester, especially at the issuance of assignments and when lecturers are reminding students of deadlines. But just to be sure that the students heeded the lecturers' advice, all assignments, reports, research proposals and dissertations are run through TURN-IT-IN, software that detects academic plagiarism.

Dr. Dayananda Palihawadana is a Senior Lecturer in Marketing and Director of Learning and Teaching for Marketing at Leeds. He reveals that the University has for long had a plagiarism policy. Initially, lecturers advised students to acknowledge other people's work when they used it. 5 years ago, the University began using the TURN-IT-IN software to detect plagiarism. Today, the strict plagiarism policy is applied throughout the University. As Dr. Palihawadana notes, however, examinations scripts are not run through TURN-IT-IN because "there is very little evidence of plagiarism in examinations." Needless to say, there are major penalties for plagiarism. Marjorie and Arnold Ziff, Maurice Keyworth, Charles Thackrah, Michael Sadler, E.C. Stoner, Roger Stevens and Parkinson are names of buildings at the University of Leeds. These buildings house lecture theatres, seminar rooms, offices, libraries, art galleries and other facilities. A curious mind will wonder why these buildings bear these specific names. My curiosity led me to discover that the names are of individuals who have immensely contributed to the development of the University, in varied ways. I will purposely select three of the buildings.

Marjorie and Arnold Ziff, as the records show, is named after a philanthropic couple whose family has supported the University throughout its 102 year history. The Parkinson building, as the records show, is named after Frank Parkinson (1887-1946), a British Electrical engineer who generously donated to the University. The building has a tower that can be seen from several locations across the City of Leeds. The tower forms part of the University logo. The records show that Michael Sadler building is named after Sir Michael Ernest Sadler (1861-1943), who was the Vice-Chancellor of the University, 1911-1923. For now, my story ends here. Be sure to read more in the next issue of *Today's Accountant.* ■

Accountancy has made me a more capable Member of Parliament



> I always admired people that worked in the bank from when I was much younger; they were deemed smarter, business oriented and were good with numbers.
>
> he fondly recalls and recounts.

For many, what they become in future is many times a clear contrary to what their childhood aspirations were, why, because life stirs one is several directions as they mature.

This was not the case for Henry Musasizi, MP Rubanda Country East who always admired bankers and being an accountant. If anything, he considers himself to still be achieving his dream, especially now that he is in parliament and representing an entire constituency.

"I always admired people that worked in the bank from when I was much younger; they were deemed smarter, business oriented and were good with numbers," he fondly recalls and recounts.

Between enjoying Principles of Accounting in O'Level from Kigezi College Butobere like a bee to a flower, Hon Musasizi surprisingly pursued HEG in A' Level but went on to do Bachelor of Commerce (B.Com) at Makerere University.

"One of the joys of doing B.Com is that you learn a couple of key sectors of business entities; administration, management, financing, accounting and mastering how they can all co-exist in a company or organization," he affirmed. By the time he graduated with an upper 2nd class with a 4.137 grade point, business accounting was his forte.

He goes on to say that theories from famous minds like McLelland and Maslow shaped his understanding of management and even politics because they spoke outlandishly about the need to work in a competitive environment and achieve accordingly plus a satisfied need never being enough incentive to keep working.

"And in politics, these theories of management and motivation became real life. Understanding how to deliver on what is expected of you in the manner that

is appropriate continuously is what serving a constituency is all about," he explained.
Even more surprisingly, after B Com, Musasizi didn't want to work in a bank anymore, because he realized that even people that did Development Studies and Human Resource could work in a bank, so he opted for a professional course in accounting. And in accounting, there were only two options- ACCA or CPA.
"By the time I enrolled to study in 2005, I already had a job in Kabale but there wasn't an ACCA centre to study from, but fortunately CPA had one at the Zenith Business School in Mbarara so I opted for CPA. When I was later relocated to northern Uganda, I used to come for weekend lectures at the MAT (Management and Accountancy Training College)."

Like any worthy professional course, CPA opened Hon Musasizi's eyes to both the practical and theoretical approaches to accounting and enabled him became confident about any setting- public or private.
"In fact, the planning and methodology used in political science can be linked to the accounting profession. As an accountant, one is able to look at an organization as a whole and plan for it strategically. Accountants don't only deal with numbers, they also look into other risky areas to give advice/opinions even when solicited for, like- aspects of production, quality control, human resource or corporate governance," Hon Musasizi clarified.

It comes as no surprise that now in parliament; Hon Musasizi is a member of the PAC (Public Accounts Committee) and the Finance, Planning and Economic Development committee amongst others. He stresses that it is his accounting knowledge that enhanced budget analysis and decision making.

"As parliament, our mandate is to allocate government resources so knowledge of budgeting is very critical. We look at policy statements and budgets from ministries; identify which ones to increase and decrease. For example, at PAC, we internalize audit reports produced by government amongst others". He urges that more accountants in parliament will give the house more scrutiny.

"As an accountant and politician, we put controls on functioning institutions of government like commissions, state agencies, the IGP and overlook how they spend. For example, any payment over 50m should be cleared by office of the attorney general".
When asked why there are fewer accountants, he identified 3 key issues; CPA is very hard, fees are high and to a lesser extent, not much awareness about the role of accountancy in economic development has been raised.

The Role of SMPs in Greening Small Business

By Sylvie Voghel
SMP Committee Chair and Paul Thompson, Deputy Director, SME and SMP Affairs, IFAC

Ms. Sylvie Voghel became Chair of the IFAC Small and Medium Practices Committee in January 2006. She was nominated by the Certified General Accountants Association of Canada (CGA-Canada). Ms. Voghel served as a member of the IFAC Board from 2003 to 2008 and was a technical advisor to the Board from 2000 to 2003. In addition, she was a member of the IFAC Governance Task Force in 2002 and chaired the IFAC SMP/SME and Developing Nations Consultative Conference in Prague in 2005.
Ms. Voghel is the co-owner of a privately held corporation in Québec, Canada. Previously, she was a member of the senior management team of Hydro-Québec, one of Canada's largest energy enterprises. Ms. Voghel is a former chair of CGA-Canada and CGA-Québec. She is involved in academic, professional and other volunteer board and committees.

Introduction

While the significant challenges posed by sustainable development and sustainability have been well recognized for some time, management of these challenges has yet to become a core competency of most organizations—big and small. Why? First, while awareness among business leaders is growing, many are not eco-literate. They do not recognize the environmental benefits of making environmentally sustainable business choices, including reducing their carbon footprint, and contributing to cleaner water and better air quality. Second, many business leaders do not believe that the environment is a legitimate business concern. Many do not realize that with minimal investment in more efficient technology and simple changes in human behavior, their organizations can reap significant cost savings.
Fortunately, there are signs that things are changing. According to a recent research study, conducted by the American Institute of Certified Public Accountants, the Chartered Institute of Management Accountants, and the Canadian Institute of Chartered Accountants, small- and medium-sized entities (SMEs) are placing greater emphasis on developing a sustainability strategy as it becomes increasingly linked to business performance.
However, most SMEs that are moving toward sustainability seem to be doing so in response to market pressures in the supply chain—large

corporate customers are imposing requirements on their SME suppliers as a condition of their purchase order to reduce their own carbon footprint and/or fulfill their environmental reporting obligations. But there are other reasons to embrace the green agenda.

↘ Why should SMEs embrace the green agenda?

There is mounting scientific evidence that business needs to embrace the green agenda by adopting more sustainable business practices, including the development and implementation of more eco-efficient products and services. And, small business should not be exempt.

Why? Small business is the cornerstone of most—if not all—national economies. According to data from the Organisation for Economic Cooperation and Development (OECD), the SME sector accounts for the majority share of private sector GDP, economic growth, and employment in OECD economies and beyond, and, consequently, have a carbon footprint comparable with that of the listed-company sector.

Some claim the SME sector is often ignored or given low priority when solutions or tools to address business issues are designed. It is argued that the tools makers and policy shapers are typically the large corporate players and governments, and "small" is not typically part of their repertoire. Yet, given their cumulative environmental impact, small businesses need to be a part of the solution. To do so, they may need the help of their most trusted business advisor, the professional accountant.

↘ How can professional accountants help SMEs green their businesses?

SMPs are well positioned to take advantage of SMEs' increasing demand for value-added business advisory services, including sustainable business advice. As small businesses themselves, SMPs understand and appreciate the needs of their SME clients, including the need for tools that are affordable and practical.

SMPs also appreciate the need for their small business clients to formalize their operations to instill better management control, which can help SMEs become more eco-efficient, do more with less and, hence, increase and green their bottom line. For example, accountants can advise on the benefits of reducing energy costs, from simple behavioral changes aimed at eliminating waste, to investment in new equipment and alternate sources of energy.

SMPs can also advise SMEs on developing an Environmental Management System (EMS), which enables an organization of any size or type to identify and control the environmental impact of its activities, products, or services; set and achieve environmental targets; and demonstrate that these targets have been achieved. Implementing an EMS should lead to cost savings and a reduction in the organization's carbon footprint. Business advisory in this area can include: 1) informing clients about the value of an EMS, and connecting them to tools to help them get started; and 2) helping them prepare, for example, an EnviroReady Report, to demonstrate the presence of a robust and credible EMS and help position them as good corporate citizens; and 3) help SMEs meet the reporting needs of their large, listed suppliers who often have to meet certain requirements, such as compliance with the International Organization for Standardization's ISO 14001 dealing with EMS.

In addition, in the next few years, increasing numbers of SME owner-managers will be retiring and seeking to sell their businesses. Buyers are likely becoming more discerning when it comes to the green credentials of potential purchase targets.

All this opens opportunities for SMPs to build on their existing relationships and offer sustainable business advice, helping clients to comply with sustainable reporting and any attendant assurance requirements, green their business, improve their bottom line, and attract new clients or buyers.

↘ What tools can SMPs use to help SMEs green their business?

IFAC's Sustainability Framework (Section 2.1) includes a number of relatively simple steps that SMEs can take to lower costs through minimizing waste. SMPs can help their SME clients implement these measures. For SMEs seeking to implement a business excellence framework, a universally applicable tool is the International Organization for Standardization's standard, ISO 14001 (see above).

SMPs interested in supporting SMEs on the path to sustainability should download the IFAC SMP Committee's free 'Guide to Practice Management for Use by Small- and Medium-Sized Practices', which offers guidance and tools spanning a range of topics.

↘ How can SMPs and SMEs influence policy makers?

The International Integrated Reporting Committee (IIRC) recently released its Discussion Paper, 'Towards Integrated Reporting - Communicating Value in the 21st Century'. The paper presents the rationale for integrated reporting, offers initial proposals for the development of an international integrated reporting framework, and outlines next steps toward its creation and adoption. Why should SMEs and SMPs respond to this paper? Integrated reporting will allow organizations to release more inclusive and useful reports on all aspects of performance, including environmental, social, and governance, as well as economic, in a concise and user friendly format. This information will allow organizations to provide an assessment of the long-term viability of an organization, as well as meet the needs of investors and other stakeholders.

Comments are encouraged from various stakeholders, including reporting organizations, investors, employees, and assurance providers. Of most relevance to SMEs and SMPs is question 4 on the applicability of integrated reporting (IR) to SMEs and the initial focus of integrated reporting on larger companies. Tell the SMP Committee what you think by responding to this question on its Discussion Board. ■

Building and Growing a Professional Firm

By Eric Ssetuba

Mr. Eric Ssetuba is a partner at Edes & Associates. He was previously a Director (Finance and Administration) at Axios International. Mr. Ssetuba has over 13 years' experience in financial management consultancy. At Edes & Associates, Mr. Ssetuba specialises in the delivery of professional audit and management support services to governments, ministries, parastatals, Non-Governmental Organisations (NGOs), aid donor agencies and private sector businesses.

Growth is critical for the survival of small and medium practices (SMPs). This is because growth comes with many benefits which include: increased capacity to take on bigger, complex and profitable opportunities; attraction and retaining of high performing staff; delivery of superior service and stronger capacity to compete.

Small and Medium Practices (SMPs) need to recognize and manage two aspects of professional services firms that create a special challenge to growth. Firstly, professional services involve a high degree of customisation in their work. Every assignment and client is unique, therefore, the approach of; 'standardisation and mass marketing' is inapplicable for services and can be dangerously wrong. Secondly, there is a strong component of face-to-face interaction with the client, therefore special skills are required of top performers to provide the quality of service that will deliver growth. Professional firms sell to their clients less of the services of the firm per se than the services of the specific individuals. The common business phrase 'our assets are our people' comes alive in a professional firm. This means that SMPs need to learn to compete in two markets; the 'output' market for their services and 'input' market for their people.

Source: Managing the Professional Service Firm

Planning the Firm

Every firm needs to develop a long term course and a set of actions that will make the firm's services more valuable to clients than the services of competing firms. There is not necessarily a single right or wrong direction for a firm. Successful firms can be highly specialized or general, focusing on transaction or compliance services or high-end advisory services. Also, successful firms can comprise a small or large number of employees and partners. What is critical is that the long term plan for the firm is documented and effectively implemented.

The firm's planning process should involve the professionals in the Firm (bottom-up) not necessarily the partners. The responsibility of the partners or senior management is to ensure that the strategy is done, 'rules of the game' defined and the plan is adequately funded. The planning document should be a living document that should be monitored and adjusted to respond to changes in the operating environment. In addition to the firm's plan, there is added value if the partners also develop personal strategic plans for their careers. The firm will progress faster if the partners are achieving their personal goals and visions of excellence.

Leverage

Successful leveraging of top professionals is at the heart of the success of a professional firm.

Leverage is achieved by employing a number of less experienced and lower paid staff for each more experienced and higher paid senior professional. The firm will generate a surplus by hiring staff at a given salary and hiring them out at multiples of that salary. In order to drive growth, SMPs should develop an appropriate leverage structure that balances; client needs and preferences, career opportunities for staff and rewards of partnership. The leverage structure needs to be monitored as the business and mix of projects evolves.

Source: Managing the Professional Service Firm

People Management

As already mentioned, the key 'assets' of a professional firm are its people. The degree to which the firm can provide good service and grow is determined by the calibre of the staff and its leadership. A firm therefore has no option but to institute the best practice in human resource management.

A less than fully motivated work force is a competitive disadvantage of the business. High motivation of staff leads to high productivity and quality, which leads to growth and market place success. The firm can strengthen people management by; recruiting highly motivated individuals, providing professional challenge and offering timely feedback. SMPs should also aim at rewarding performance quickly and discharging consistent non performers. Staff productivity (more fees per consultant) can also be increased by increasing staff utilisation and searching for more profitable opportunities which enable charging of higher rates per unit of time worked. However, firms should ensure that staff don't work unreasonably long working hours which may result in lower quality and falling efficiency.

Managers of professional Firms need to realise that people do not join professional firms for jobs but for careers. Staff in a professional firm have a strong expectation to progress through the firm at some pace agreed to either explicitly or implicitly. While professional knowledge can be easily shared, professional skills can only be developed through practice (apprenticeship). Due to the factors above, the Senior Partners have the responsibility to repay the hard work and assistance of the juniors by teaching them their skills and creating an enabling environment for a progressive career. Firms can adopt the 'apprenticeship approach' by; allocating work assignments strategically to build skills, institutionalising coaching (guided experience) to turn exposure into usable knowledge and skills, building and adding to the firm's skills and knowledge base and selecting projects that exploit existing skills and provide for further development. This will in turn benefit the firm through higher motivation and productivity.

Marketing the Firm and the Services

Firms must execute the full practice development package which includes: broadcasting, courting, super pleasing, nurturing and listening. Effective response comes when a number of strategies are used simultaneously. This harnesses the momentum of your marketing efforts, and is more likely to bring attention to your firm. Most businesses in the market already have an accountant. This means that in order to grow your firm, your firm will need to propose other value adding services and win clients away from other firms. And in order to do that, you must offer them a compelling reason to change.

A firm needs to evaluate staff practice's skills and capabilities and identify what sets them apart. This will enable them to provide more depth and added value to the selected niche. A firm also needs to diversify their service offering outside the traditional services of; auditing and assurance. Today, more organizations especially Small and Medium Enterprises (SMEs) are looking for more support in: strategic and business planning, governance, human resource management, staff training, risk management and other management challenges. These emerging needs present an opportunity to SMPs to diversify the service offering.

Professional firms should exploit the opportunity of marketing to existing clients because they represent the most probable and often the most profitable source of new business. There are two groups of existing clients; those for whom the firm is currently working and those for whom the firm has worked for in the past. In order to obtain repeat business, all firms should strive to retain their clients and sell further services to them. Marketing to existing clients starts during execution of an assignment and continues after the assignment is completed. The firm can exploit potential for additional business by; being alert to client complaints, keeping the client fully informed about the progress of the assignment, volunteering some time to address client issues ,keeping eyes open for further client needs and opportunities, increasing business contact, sending useful articles and demonstrating care for the client business.

Apart from marketing the Firm's services, there is need to promote the practice through: strengthening the brand, web presence, working the referrals, use of directories, business - like offices and facilities, effective public relations, networking and working with professional associations . You should show the clients that you; are well established, you use up to date but not flashy office facilities and have efficient office administration. ■

Government Business

SMPs have been frustrated in their effort to market their services to the Government due to; corruption, bureaucracy, delayed payments and weak contract management. However, in developing countries like Uganda, Government is normally the biggest spender, it is therefore critical that a firm secures part of the 'big cake'. Generally, Government departments prefer to work with SMPs.

The Public Sector shouldn't be seen as one big, single opportunity. Each procurement and disposal entity has its own culture and needs a unique approach. Like in the private sector, firms can achieve mileage by carving a niche for their services in the public sector. Also, experience has also shown that firms are much stronger approaching the Government as a consortium.

If you want to work with Government, you need to understand the Procurement Cycle and the roles and responsibilities of the key players on the demand side. In addition, you need to have a firm grasp of the tendering process (supply side). This includes; standard bidding documents for short listing or prequalification and request for proposals. This will enable you submit bids that are responsive. Firms should remain professional and avoid giving 'kick backs' and bribes to Government officials, as this may damage their reputation and jeopardise further business from this Sector.

Strengthen Profitability

A firm will only be sustainable if it is profitable. The ultimate measure of profitability is profit per partner which is driven by: margin, productivity and leverage. It is the nature of work brought in, not just volume, that contributes to profit health. Firms need to; specialise, innovate, brand and improve staff skills in order to attract high value assignments that command higher charge out rates.

In addition, firms should lower variable costs by; better planning of assignments, developing an appropriate leverage structure, working with associates and refining methodologies to achieve efficiency in assignment delivery. Also, profitability can be improved by fixing under performers which includes: dealing with underperforming staff and dropping unprofitable services and clients. The firm may also need to review overhead costs by; assessing efficiency of billing and collection. Firms should avoid holding redundant space, equipment and support staff as these can eat away the 'rewards of partnership'.

Improving Quality of Service

Quality, defined as 'meeting client needs' can significantly improve a firm's viability and performance. There is a distinction between technical quality (how good is the work?) and service quality (What kind of experience does the client have with the Firm?) Accordingly, quality work does not always mean high quality of service. A high quality of service leads to: repeat business, referrals and willingness to accept higher fees. To achieve high quality of service, the firm must design a quality system, an inescapable, mandatory route that ensures that the service delivered is consistently of high quality. The quality assurance programme should cover; assignment management, people management and quality program management.

Forge Alliances

A firm can strengthen its capacity and competitive advantage by working with associate consultants or twinning with bigger international practices. Practice managers need to appreciate that Groups don't cooperate but people do, therefore, all alliances should be built on solid relationships of the people involved. To forge health relationships; create as many opportunities for individuals to know each other and work together.

Firms should select associates strategically, cooperation is a two way street both parties should be helpful to each other. Ensure that all collaborations are clearly documented; the responsibilities and expectations of each party should be clear from inception. Firms should start small and go for early success; net-

works get built a link at a time.

Strengthen Leadership

The skills and behaviours of practice leaders are critical to the success of the firm. Practice leaders should be super coaches with ability to shape talented individuals into powerful teams. The Firm can never grow without adequate and continuous supply of leaders. If you lead leaders you will grow geometrically. The firm should invest in continuous development of the leadership team and implement a succession plan.

Practice Leaders should agree on an equitable mechanism of 'splitting the pie' that ensures that all efforts of the partners are properly rewarded.

Business Management

Firms are businesses that should be managed professionally. You should invest in strong financial and administration infrastructure that provides the required support to the professional team. Firms should ensure that their accounts are audited annually and that they have complied with all the statutory obligations including timely payment of taxes.

Every firm needs to pursue growth that adds value to the business. The focus must be on profitable growth, not just growth for growth's sake. The best way to grow effectively is to; plan your growth, identify your resource requirements and then put them in place to support your growth process. This approach reduces the risk of failure, and gives you the greatest opportunity for success. □

Conducting Procurement Audits

By Cuthbert A. Kagabo CPA(U)

Procurement, also called Purchasing is the complete process for the acquisition of goods and services through exchange of money or an equivalent. The typical process of procurement in organization involves the following steps: Procurement strategy and planning; Development of product specifications and request for procurement; Identification of potential vendors; Solicitation of offers; Technical and economic evaluation of offers; Selection of preferred vendor and award of contract; and Receipt and evaluation of goods and services

Importance of Procurement

The purchasing function acts as the primary agent for acquiring goods and services used in an organization. Some goods are for consumption by the organization while others are transformed, combined into other goods for the consumption of the public or another organization. Likewise services may be delivered for the benefit of purchasing organization or for the public. In most organizations, the purchasing or procurement function is responsible for more than 60% of the organization's annual expenditure. In manufacturing and construction firms, about 80% of their expenditure is the direct responsibility of the purchasing/ procurement department.

It is therefore obvious that roles played by a purchasing/ procurement department are very significant. Their roles include: Reducing purchase costs; managing supplier relationships; Selecting best value for money supplier; and Evaluating and tracking supplier capabilities

Procurement in Public Sector

Procurement in public sector is carried out in accordance with written procedures and policies. In Uganda, the PPDA Act 2003 guides public procurement. The Act also established an oversight body called Public Procurement and Disposals of Public Assets Authority of Uganda (PPDA) with the following objectives:

a) Ensure the application of fair, competitive, transparent, non-discriminatory and value for money procurement and disposal standards and practices;

b) Harmonize the procurement and disposal policies, systems and practices of the Central Government, Local Governments and statutory bodies;

c) Set standards for the public procurement and disposal systems in Uganda;

d) Monitor compliance of procuring and disposing entities; and

e) Build procurement and disposal capacity in Uganda.

In trying to achieve objective (b), PPDA has issued PPDA Regulations, 2003 and PPDA Local Government Regulations, 2008 which lay down public procurement procedures in Central government/ statutory bodies and Local Governments respectively.

Where funds used are donor provided, some public procurements (and disposals, which are also carried out under these Regulations) may be carried out in accordance with donor preferred procedures. Although, public procurement procedures are different, the principles remain the same: Competition, value for money, non discrimination, transparency and accountability.

Procurement in Private Sector

The procurement process in the private sector is fairly similar to that in the public domain. Most companies have procedures that must be followed. However, the main difference is flexibility. The other difference is accountability and transparency.

Despite the numerous rules in public sector that have to be followed, procurement professionals in the private sector do not have it easy though. Cost reduction targets set by top management is not uncommon.

Auditing the Procurement Function

In general terms, an audit refers to a careful evaluation or a person, process, function, organization. The reasons or objectives for an audit differentiate the kinds/types of audits.

A procurement audit is the independent review and examination of procurement/purchase processes, systems and activities of an organization or responsible part of an organization in order to test and verify their adequacy and effectiveness to ensure compliance with established procurement/purchase policies and procedures.

The scope of procurement audits varies among organizations especially in the private sector. In public sector, the scope of a procurement audit is rather standardized by the organizations that are mandated to carry out procurement audits.

Procurement Audits in Public Sector

Globally public procurement oversight bodies and national audit bodies have the mandate the carry out procurement audits in public institutions. In Uganda, Public Procurement and Disposals Authority (PPDA) has been mandated by the PPDA Act 2003, Section 7. The Office of the Auditor General is also mandated by the National Audit Act 2008 (NAA 2008) to carry out "special" audits and investigations whose breadth spreads over procurement and disposal activities.

In public sector, procurement audits cover all public organizations. NAA 2008 defines "public organisation" as any body corporate, whether established under the Companies Act or under any other enactment, in which the State owns the whole or part of the proprietary interest or which is otherwise controlled directly or indirectly by the State.

According to PPDA Act 2003, any body that receives and uses "public funds" to carry out its procurements can be audited. The Act defines "public funds" as monetary resources appropriated to procuring and disposing entities through budgetary processes, including the Consolidated Fund, grants and credits put at the disposal of the procuring and disposing entities by foreign donors; and revenues generated by the procuring and disposing entities.

The areas commonly audited include:

a) The procurement planning and budgeting process.
b) The process of requesting for a procurement and design of specifications.
c) Identification of bidders.
d) Solicitation of tenders.
e) Evaluation and award of contracts.
f) Contract management.

In addition, the procurement audit examines and assesses the attitude and roles played by Management of the entity, additional risk management policies in place and the roles played by contract/tender committees and the procurement departments towards achieving organization objectives.

NB: Public Institutions may also have an established internal audit department which might be directed by Management to carry out procurement audits.

Procurement Audits in Private Sector

In private sector, corporate governance codes charge the Management with the responsibility of establishing, implementing and monitoring the internal control and risk management system. Therefore Management establishes an Internal Audit Department or outsources audit services for this very reason.

In the private sector, this integrated approach is better preferred because it combines the assessment, study, and evaluation of the internal control structure (ICS) with the procurement audit. This integrated approach may be more effective in recent audits because of widely adopted COSO recommendations, issued in 1992, which standardize the definition of internal control, the objectives of internal control, and the five elements that comprise the ICS - control environment, risk assessment, control activities, information and communication, and monitoring. This enterprise-wide perspective of a firm's procurement activities is considered to be more conducive to audits.

In Uganda, the scope of most financial audits does not include most activities of the procurement department. Financial audits concentrate on controls at ordering, invoice registration and payment process. This means that auditing the purchasing function is entirely the work of the Internal Audit department. However, many organizations have a very small internal audit department or not at all.

Significance of Auditing the Procurement Function

As highlighted earlier, the procurement function is responsible in many organizations for more than 60% of the total annual expenditure of the organization. The purchasing function is the primary agent for acquiring goods and services used in an organization, and the price tag for inefficiencies and flawed processes can be steep. In fact, the procurement/purchasing department effectiveness and economy are critical, since there is a direct connection to the bottom line of any organization, representing over 60% of all expenditures. In addition, the purchasing function can be especially vulnerable to fraudulent transactions because it involves cash disbursement.

Audits of the purchasing function offer a number of value-adding opportunities. The opportunity checklist may include areas such as locating and eliminating waste and inefficiency; recommending improvements in policies and procedures; identifying criteria for measuring the achievement of purchasing management's goals and objectives; reviewing compliance with purchasing objectives, policies, and procedures; testing for existence of unauthorized, fraudulent, or otherwise irregular acts; identifying current and future trouble spots; and providing an independent, objective evaluation of the purchasing/ procurement operations.

Key procurement related concerns world over lately are on Value for Money whose key concepts are the three Es – Economy, Efficiency and Effectiveness.

Economy – Minimizing the cost of resources for an activity ('doing things at a low price')
The economy aspect includes an assessment of whether the procurement process was transparent and provided adequate competition to ensure cost effectiveness; an assessment of whether the attendant finance approval and payment related process were transparent and accountable and an assessment of cost issues such as the overall per capita cost for supplies, works and services obtained.

Efficiency – Performing tasks with reasonable effort ('doing things the right way')
The efficiency aspect seeks to link inputs to outputs and determine whether the inputs to produce the outputs are in the expected number and quality and whether they were provided in a cost effective manner and according to specifications.

Effectiveness – The extent to which objectives are met ('doing the right things') Performance biased procurement audits assess the outcomes and seek to confirm whether the outputs are contributing to the achievement of the objectives of related interventions e.g. whether the supplies, works and services are what the users desired and can afford, whether they resulted in real improvements in the related sectors, whether Operation and Maintenance aspects were covered in the design where applicable so that the systems continue to function and provide the desired outputs. Some elements may be subjective, difficult to quantify or intangible so judgment and common sense are often required when considering whether Value for Money was achieved or not.

Risk Areas

The procurement function has lots of risks. It is the duty of Management to identify, assess and manage these risks. A number of risks arise throughout the procurement process.

Key Controls in Procurement Process

Within the procurement process, there are a number of controls that are put in place to mitigate or eliminate the risks mentioned in the previous section.

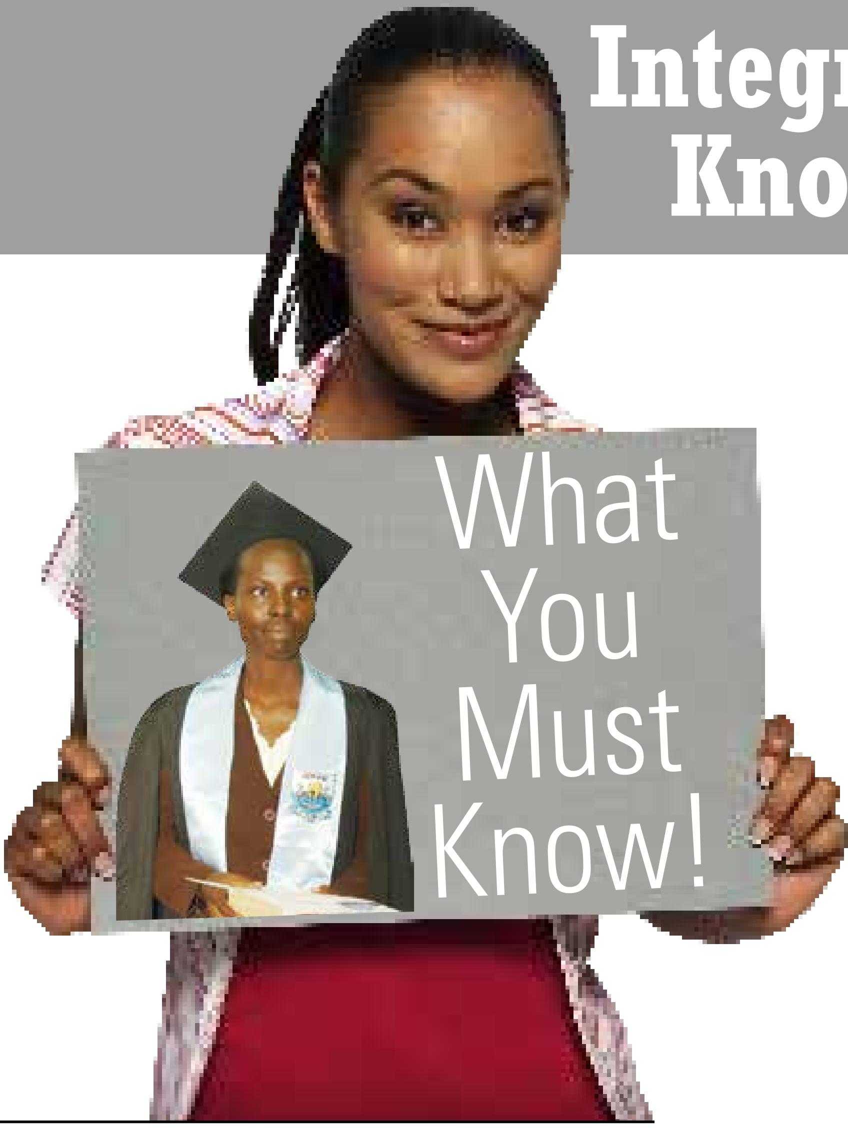
#	Steps	Key Controls
1.	Planning/ Identification of need	• Authorisation of the budget • Approval of need • Confirmation of funds
2.	Developing specifications	• Approval of specifications
3.	Selection of procurement method	• Standardisation • Approval of method
4.	Solicitation documents	• Standardisation of solicitation documents • Approval of solicitation documents
5.	Inviting, clarifying and closing bids	• Standardisation of procedures
6.	Evaluation of tenders	• Declaration of conflict of interest and confidentiality • Standardisation of criteria (objective evaluation)
7.	Selection of successful bidder	• Segregation of duties • Approval of evaluation process and recommendations
8.	Negotiations	• Standardisation
9.	Contract Management	• Physical inspection and certification
10.	Evaluating the process	• Reviews/ Audits

Conclusion

Given the risks that are likely to be inherent in any purchasing operation, internal auditors may want to give additional consideration to operational audits in this area. As indicated in the article, many internal auditors have begun to evaluate situations before a major problem develops, rather than waiting for trouble to present itself.
Internal auditors must continue to emphasize the importance of the purchasing operational audit to management and other key parties. An effective purchasing department will not only improve a company's efficiency but also its profit and net worth.

Mr. Cuthbert Kagabo is the Chief Executive Officer of AH Consulting. He has over 8 years multi-sectoral experience in Audit and Assurance work conducted in East and Southern Africa. Mr. Kagabo is a United States Department of Justice trained Procurement and Contract Fraud Examiner and has deep experience in procurement audit having been a key consultant to procurement authorities and international organizations in the region and an Engagement Leader on more than 50 procurement, contract and performance audits.

Integration of Knowledge



Integration of knowledge is the final paper in the ICPAU examination structure, and it is designed in such a way that it tries to approximate a real practical scenario. The paper is meant to test candidates' ability to deliver professional services! Indeed the six hours allocated including a break of one hour, as well as the reference materials allowed in the examination room reflect this fact.

According to the syllabus book, candidates are expected to be able to develop professional solutions to business problems involving skills in judgement, analysis , communication and presentation.

Being the near practical paper it is, a range of answers are normally allowable, just as the case is likely to be in real practice. If you gave the same facts to several professionals in practice, you can not get exactly the same answers since different assumptions will be made, and subjective information will be analysed differently.

The above said however, some answers may out of the acceptable range.! Ofcourse we are cognizant of the fact that it is an examination environment, but that said, there are some answers that are definitely unacceptable for a candidate at this level……..… Going into practice!

Here below I highlight some of the key issues about the paper, which have often claimed student casualties at the final hurdle.

Nature of the report

Almost all the time, the examiner will require a formal report from the candidates. Therefore, a formal report as opposed to a memo or any other form of informal communication will get you more marks. Communication skills usually take up to 40 marks, and this includes;

- the report format and lay out.

A good report should have a brief introduction/ background, contents, the body , conclusions and recommendations. A cover letter to the report also enhances its quality.

The use of appendices is good, but appendices are only relevant if referred to in the main report. Often times students generate very good planning work such as ratio analysis, but then completely fail to use the results in the report, despite the existence of room for their discussion. An appendix should be used to highlight detailed information that should ordinarily be left out of the main report. Examples of information that should be in appendices include ratio computations, financial statements, project appraisal workings, Organisation structures etc.

- Other tenets of a good report include ;

↘ Should avoid jargon/slang. For example use of words like "ring fencing", "build castles in the air" does not reflect professionalism.

↘ Technical terms should be defined. Consider a candidate writing a report to the Board of Directors, and concluding that…. " the project should be accepted because it has an IRR higher than the Cost of Capital"

In the above scenario, one would expect the candidate to define the concept of IRR, probably under the definition of terms, otherwise marks on professional presentation are lost. In addition a good candidate would probably say" the project should be accepted because its returns are higher that the cost of capital, meaning that the project adds to the value of the firm. This is exhibited by an IRR of……."

The above two answers are both correct, but can not get you the same marks if both were writing to the Board.

- One of the most commonly ignored things is the handwriting. Definitely this is part of communication skills.
- Grammar. Students should also be mindful of their grammar and vocabulary.
- Judgement: This has to do with ability to grasp key points and giving weight to arguments. Often students fail to evaluate facts appropriately, yet the cases normally highlight several facts scattered allover the case. Candidates should be able to exhibit professional judgement by appropriately evaluating the information and drawing correct conclusions. Often candidates fall into the trap of reproducing the facts of the case study instead of evaluating them.
- Analytical skills: This is mainly reflected in the ability to analyse the financial information in the case study and appropriately blend it with the relevant qualitative information. A good candidate will for example exhibit good analytical skills by evaluating an investment proposal (may be using even more than one method) and advising on any relevant qualitative aspects that may effect the project's implementation. Where financial statements are given, one should atleast do some ratio analysis. But this is only relevant if the results are used/ discussed in the main report. Ratios can be very useful in justifying arguments and this will earn you marks.

The technical Aspects

The ICPAU syllabus assumes that at this level, candidates are technically competent. A lower weight is therefore attached to the technical aspects in the exam. In a project appraisal for example, very little in marks will be awarded to the computed NPV/IRR. Instead, marks will be awarded for the candidate's ability to highlight assumptions /the need for assumptions, ability to identify the relevant cashflows and interpretation of any computed result.

The above said however, it is still hugely embarrassing for some candidates to simply outline issues at this level. Unless the examiner specifically asks you to outline, please ensure that you discuss your issues, of course mindful about the target audience as well.

The other problem for candidates is being generic. The paper approximates a practical scenario where one is developing real professional solutions. It is therefore imperative that candidates specifically discuss the facts highlighted in the case and recommend solutions tailored to suit the scenario. There is a tendency for candidates to make general comments that may be appropriate in business policy & strategy, but not Integration of Knowledge.

If the case for example has highlighted that there are two financing options being considered by management (see June 2011 exam), then any recommendations on financing should at the very least begin with an evaluation of the options on the table.

Related to the above is the lack of innovation regarding assumptions. In the June 2011 exam, candidates were presented with a project to appraise but no cost of capital was given, even though the cost of borrowing was given. I addition, some of the cashflows were denominated in USD yet the company's reporting currency was the UGX. Surprisingly, some students could not make the relevant assumptions on the cost of capital, and instead reported to management that they are unable to appraise the project because no exchange rate and cost of capital were given. This is not expected at this level !. On the exchange rate for example, current affairs at the time clearly indicated that the Uganda shilling and all east African currencies in general were depreciating against the USD. Any assumption on the exchange rate would have been awarded.

Even in practice, quite often you find yourself working with insufficient information, and therefore in need of making certain assumptions.

Recommendations

Most candidates make recommendations at the end of their reports. However, most often the recommendations being made by the candidates are not related to the facts they discussed in the main report. It is important that the recommendations flow from the discussion made in the main report. For example a candidate could recommend that a project be taken up because it adds value, but without any formal appraisal done to determine if indeed it adds any value. There should be a relationship between the recommendations made and the facts discussed.

Conclusion

As noted above Integration of knowledge is a paper that tries to approximate a real practical scenario where candidates are expected to develop professional solutions.

Candidates are expected to make professional judgement, analyse facts, make logical arguments and develop recommendations. As the case is in practice, assumptions will most often be required, and consequently a broad range of answers will be acceptable.

A key test in the evaluation is…….. " Would I pay for this report ? " If the answer is

- Absolutely, the score is likely to be 80+
- I would pay, the score is likely to be 60 – 70
- I think so, the score is likely to be 50 - 60
- May be, the score is likely to be 45 – 50
- Not really, the score is likely to be less than 45

Institute of Certified Public Accountants of Uganda

Technical Committee

2011 Financial Reporting Awards Report

Introduction

The Financial Reporting (FiRe) Awards was a concept introduced by the Technical Committee of ICPAU.

The FiRe Awards were introduced as a way of improving the quality of financial and business reporting in Uganda.

The FiRe Awards were to provide an opportunity for organisations to benchmark their reports against the Institute's criteria of good financial reports.

Objectives of the ICPAU FiRe Awards

- To promote excellence in reporting through the publication of informative and factual reports.
- To encourage effective communication of financial and business information.
- To create public awareness of valid and objective measures of performance and promote a better understanding of the results achieved.
- To create public awareness of the purposes of organisations, how they function, and their achievements.
- To showcase best practices in financial reporting.

Evaluators

The evaluators were comprised of accounting and communications specialists concerned with the quality of reporting.

The Awards Committee

The Technical Committee formed a working grouped named the FiRe Awards Committee to spearhead and supervise the implementation of the FiRe Awards concept

The Committee was comprised of the following:

	Mr. Frederick Kibbedi (Chair Person)	ICPAU Technical Committee
	Mrs. Keto N. Kayemba	ICPAU Technical Committee
	Mr. Derick Nkajja	ICPAU Secretariat
	Mr. Kenneth Senyondwa	Uganda Securities Exchange
	Mrs. Florence Nviri	Capital Markets Authority
	Mr. Moses M. Kajubi	Uganda Revenue Authority
	Mr. Paul Busharizi	The Vision Group

The Committee was also charged with the final review and selection of winners of Financial Reporting Awards, Special Awards and the Report of the Year Awards.

ICPAU FiRe Awards Criteria

ICPAU FiRe Awards Committee developed the FiRe Awards review criteria. The criteria were used in identifying areas of information that is important to readers.

Financial Reporting Awards Criteria

Reports were required to be clear and concise, with material in a logical order. Graphs, tables and photographs were to be used to enhance key messages. The ICPAU FiRe Awards looked for six main components:

1. Forward looking information; giving information in relation to the strategic thinking of the organisation.
2. Performance Reporting; giving a review of the entity's operations or activities with a focus on progress in achieving objectives. Performance reporting was required to both financial and non-financial and compared to objectives for the reporting period.
3. Financial Statements; a review of the full formal financial statements that comply with legislative requirements, applicable financial reporting framework.
4. Statistical Summaries; giving information relevant for shareholders and other users of financial statements.
5. Quality of report presentation.
6. Governance and sustainability reporting

Entries for the FiRe Awards

Entries for the Awards were invited starting 15 June 2011. The deadline for submission of entries was 30 September 2011. A total of 37 entries were received.

Evaluation Exercise

The evaluation exercise took place from 26 to 27 October 2011. The evaluations were conducted by 17 evaluators comprised of auditors, accountants, academicians and communication specialists.

FiRe Awards Ceremony and Dinner

- The Awards dinner was held on Friday, 25 November at Imperial Royale Hotel.
- The dinner was attended by 196 invited guests.
- It was graced by the Minister of Finance, Planning and Economic Development, Hon. Maria Kiwanuka.
- Dr. Charles Kwesiga, Executive Director, Uganda Industrial Research Institute gave a keynote address.
- The theme for this year's FiRe Awards was "Moving Uganda Forward"
- A total of 16 Awards were presented to the FiRe Awards winners. See Appendix I for a list of the winners.

Sponsorship

The Awards were sponsored by Vision Group, East African Development Bank, The African Capacity Building Foundation and The National Planning Authority.

The Awards were also supported by the Capital Markets Authority and the Uganda Securities Exchange.

Awards

1. Report of the Year Award

a) Gold Award - Centenary Rural Development Bank Limited.
b) Silver Award - National Water & Sewerage Corporation.
c) Bronze Award - Brac Uganda.

2. Special Awards:

Corporate Governance Award - British American Tobacco (Uganda) Limited.

The following organisations were also recognised for good corporate governance reporting:

- **1st Runner Up** - Centenary Rural Development Bank Limited.
- **2nd Runner Up** - Stanbic Bank (Uganda) Limited.

Sustainability Reporting Award - Lion Assurance (Uganda) Limited.
The following organisations were recognised for good sustainability reporting:

- **1st Runner Up -** UAP Insurance Uganda Limited.
- **2nd Runner Up** – Centenary Rural Development Bank Limited.

3. Financial Reporting Awards:

a) Banking Services.

- **Winner** - Centenary Rural Development Bank Limited.
- **1st Runner–Up** - Stanbic Bank (Uganda) Limited.
- **2nd Runner–Up** – Uganda Development Bank Limited.

b) Insurance Services.

- **Winner** - Lion Assurance Company Limited.
- **1st Runner–Up** – UAP Insurance Uganda Limited.
- **2nd Runner–Up** – Jubilee Insurance Company of Uganda.

c) Consumer and Industrial Products.

- **Winner** - British American Tobacco (Uganda) Limited.
- **Runner–Up** – Uganda Baati Limited.

d) Non-Governmental Organisations.

- **Winner** - Brac Uganda.
- **1st Runner-Up** – The National Forum of PLHA in Uganda.

e) Public Sector.

Winner – National Water & Sewerage Corporation

Humour and style dictate at the Inaugural Financial reporting Awards

By Roger M Shillingi

The mannerisms of most professions have always dictated over what people make of them; for example, lawyers are known to wear suits and to be sharp dressers, doctors rather secluded, musicians quite outspoken and marketers completely chatty. One however doesn't quite know what to expect from certified accountants at an inaugural Financial Reporting (FiRe) Awards Night.

Fortunately, the setting of the Awards night at Imperial Royale had the accountants converge at a welcome table for a mini tete-a-tete as they enjoyed a welcome drink with their respective colleagues and admirers in the profession before they were led to their table number by an usher. It was here, that you begin to notice how cordial, unrealistically jolly and precise accountants are as they unwind at an aura of no books of Accounts to balance.

Frederick Kibbedi, the chairman of FiRe Awards Committee seemed to mingle with the most ease amongst other accountants; maybe because his reputation in these circles is undisputed or rather that he knows them almost too well. Notably so, most accountants, at least 7 out of 10, prefer beer to gin or whisky; even when it was only 7pm with an awards night ahead of them. Did I mention that they were respectful of the invitation time on the card!

More interesting, was observing corporate and NGO clients chit-chat with their accountants, this time without worrying over balanced or unbalanced sheets and requiring financial planning perspectives. It was entirely about cracking jokes, making new friends and having a good time being entertained by Qwela Band and receiving awards of recognition.

The MC for the night- Dr Samuel Sejjaaka was if not, the most humorous man of the night, he knew a thing or two about every other accountant present in the hall. He charismatically introduced past presidents of CPA Uganda like Fuligence Mungereza, Joseph Balidawa and George Egadu by equating them to the "un-soft class monitors" of all certified accountants and he dictated all night, that speeches mustn't exceed 5mins.

While introducing the sponsors of the night comprising of the Vision Group, EADB, African Capacity Building Foundation, National Planning Authority and supported by CMA, USE, Dr Sejjaaka referred to them as the people "enabling us to eat and drink tonight, so let's try and laugh at all their jokes while on stage".

Also in attendance and with equal zeal was CMA's Japheth Kato who refuted claims of being called chief, because he only had one wife. By the time the guest of honour, finance minister Maria Kiwanuka led them to dinner, the hall was rife with excitement and soft tunes from the band sashayed in the air. None the less the scrumptious dinner went down well in applause to the hard work's achievement of the accountants and their guests.

After dinner, was the actual awards giving ceremony, punctuated with bouts of humour from the MC and guests like Joseph Kitamirike who said the" 5minute time per speech was more than enough to deliver good news to a client but not anywhere close when bad news must be said". It was however, Prof Charles Kwesiga who wrapped up the night with a quote- "What is worse than stagnation at the work place, is a false sense of progress. So financial reporting helps us plan our growth more carefully". The Fire Awards is the first of its kind in Uganda

The winners of the night were; Centenary Rural Development Bank for Banking Services, Lion Assurance Ltd for Insurance, BAT Uganda Ltd for Consumer and Industrial Products, NWSC for Public Sector and BRAC for NGO award and Centenary Rural Development Bank for Gold report of the year, NWSC took the Silver Award and BRAC settled for the Bronze award. The special awards for corporate governance and sustainability Reporting were BAT and Lion Assurance respectively.

Impact of ICPAU Financial Reporting Awards

Sam Ntulume
Financial Controller,
Stanbic Bank Uganda

The ICPAU Financial Reporting Awards aim at improving the quality of financial and business reporting in Uganda. The Awards which drew 37 participants were open to all organizations which produce annual reports in the country and were meant to provide an opportunity to the participating organizations to benchmark their reports against the ICPAU's criteria of good financial reports.

Stanbic Bank Uganda Won an award at the inaugural ICPAU awards in 2011. Today's Accountant Magazine had a Q&A interview with Mr. Sam Ntulume, Financial Controller of Stanbic Bank Uganda to give further details on the awards and its implication on its stakeholders as shown below;

Q: In which Category of Reporting Awards did Stanbic Bank Uganda Win?

A: Stanbic Bank Uganda emerged the 1st runner up in the banking services category of the ICPAU Financial Reporting Awards. Stanbic Bank was also recognized for outstanding achievement in corporate governance reporting.

Q: Which reports were submitted?

A: We were requested to submit our annual report and financial statements for the year ended 31st December 2010.

Q: When is the Bank's Comprehensive Annual Financial Report available each year?

A: We avail our annual reports during the 2nd quarter of each calendar year.

Q: How do these awards benefit your Bank?

A: The awards highlight our resolve to transform lives for a better Uganda by:

- Continuously improving our annual report and financial statements by subjecting our reports to professional reviews and benchmarking against best practice. This enables us to provide qualitative and informative financial and non financial information to our stakeholders i.e. shareholders, customers, Bank of Uganda, Uganda Securities Exchange and Uganda Revenue Authority among others.
- Recognition means we are doing something well and this motivates us to further pursue our resolve to 'Transform lives for a better Uganda'.
- Recognition of excellence further reenergizes our resolve to deliver even better to all our stakeholders
- These awards also broaden our ability to attract and retain a quality talent pool to serve the market. This is so because we aspire to rise to the highest business performing standards internationally; the cornerstone of the ICPAU awards, and in the process constantly improving the quality of our staff.

Q: Does winning these awards imply or impact anything on your customers?

A: Yes we believe it does. As a Bank, winning this kind of accolade reaffirms our confidence and goodwill to excel in serving our customers.

Q: How long has Stanbic Bank participated in these awards and what impact has participation had on you over time?

A: These were the inaugural ICPAU awards in Uganda and so like the other entrants, we were participating for the first time.

However, we have twice participated in the Institute of Certified Public Accountants of Kenya Financial Reporting awards in Kenya and on both occasions, Stanbic Bank Uganda emerged as the best in the Uganda category award.

FiRe awards do further help improve the standard of financial reporting nationally, regionally and internationally. They are thus one of the ways of entrenching and developing the accountancy profession in Uganda and the East African region as a whole.

Q: Given the current national economic situation, what does Stanbic Bank have in stock for the market?

A: First and foremost, we intend to continue participating in forums that help promote financial literacy, which is extremely relevant in the current economic environment. Secondly we have launched two new customer facing campaigns; ***Karibu Salary Account*** and ***Super Save*** to increase convenience in banking, while enabling growth of our customers' saving culture. These campaigns are rewarding our customers with some of the best interest rates on the market that also contribute to our customers earnings. This will ultimately enable our stakeholders sail through hard economic times.

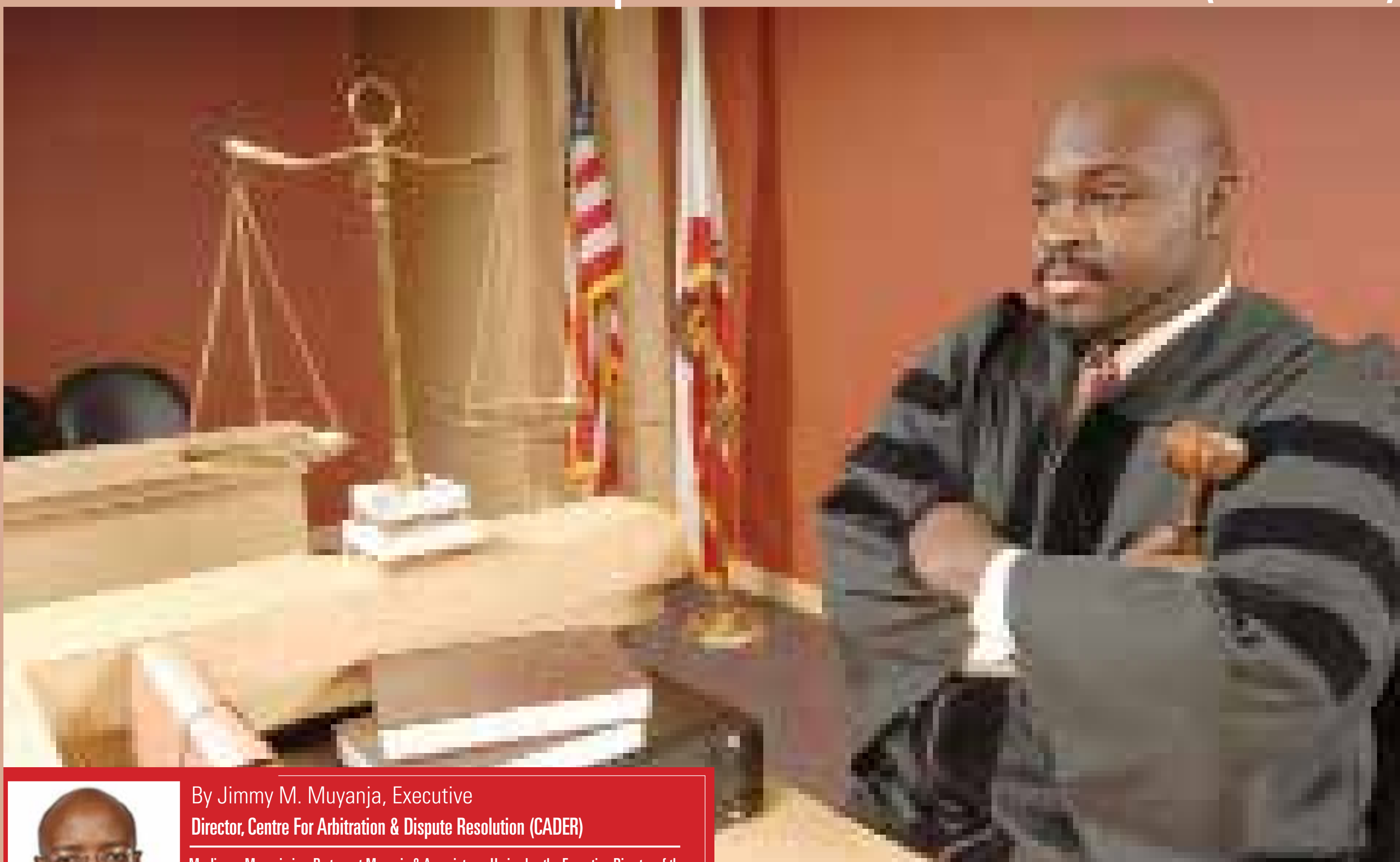
Furthermore, we are continuing with our community based projects aimed at transforming lives in the communities in which we operate.

Q: Having managed to win awards as mentioned above, what advice do you have for other institutions in this market?

A: We encourage other institutions to embrace and participate in these awards. These awards will help the institute in its mandate to develop the accountancy profession in Uganda. Embracing the awards will ultimately also improve the financial reporting skills of the staff in all sectors of the economy.

For more information about Stanbic Bank, please call 0312-224600, email:ugandainfo@stanbic.com, website: www.stanbicbank.co.ug

A Contrast between Courts and Alternative Dispute Resolution (ADR)



By Jimmy M. Muyanja, Executive Director, Centre For Arbitration & Dispute Resolution (CADER)

Mr. Jimmy Muyanja is a Partner at Muyanja & Associates. He is also the Executive Director of the Centre for Arbitration and Dispute Resolution (CADER). He holds a Masters of Commercial Laws from the National University of Ireland, Dublin, Ireland. Mr. Muyanja designed and implemented the Commercial Court connected mediation program. He has been published in various international journals, including the International Bar Association Magazine and Journal of International Arbitration.

This article examines the efficacy issues in determining whether to litigate cases either before the public court system or alternative dispute resolution (ADR).

The contrast will seek to provide a template enabling affected parties to make informed decisions when determining whether disputes should be filed before the courts or ADR fora.

Why Do Disputes Arise?

We begin with a simple premise that any interaction with mankind will lead to conflict. Interaction between persons dictates differentiated input (whether they are agreed or not agreed on the output).

Conflict can have both positive and negative outcomes. Conflict is also a constituent part of human life. Conflict cannot be wished away.

Why Do Legal Systems Exist?

All civilized environments predict conflict. Risk management systems are set up to deal with predictable outcomes or conflict.

In the absence of any deviant behaviour, the law is nothing but a wonderful superstructure to marvel at. Take the example of property. The constitution on the one hand guarantees the right to own property. The Penal Code on the other hand predicts the deviant behaviour of thieves who will deprive you of your mobile phone. The state anticipates breakdown of a blissful marital relationship and thereby enacts divorce legislation.

Against this background, the legal system is a risk management system set up to deal with predictable disputes.

Therefore risk management is the only rationale explanation for existence of a legal system.

1 Foundation for Courts and ADR.

Given that conflict is inevitable, the state must of necessity establish a common denominator forum where all disputes will be resolved.

The judicial system is the default forum. Any branch, such as the tax tribunal, land tribunal, military tribunal or commercial court division is just an epitomization of the judicial system. The judicial system is ultimately unified into one core called the court.

In a nutshell the court is default forum where disputes must be determined.

It is a default forum where civilized persons must resolve their disputes, when they cannot agree on how to go about the problem.

For example, the collision between two cars can be resolved on the roadside. If not then the police, insurance and court system kicks into place.

Any agreement on how to resolve the problem dissolves the imposition of the court system. This agreed arrangement is broadly known as Arbitration and Dispute Resolution (ADR).

Let us define ADR in passing. This a self reliance scheme where all the parties invest their mental and financial effort in formulating the tribunal.

ADR options range from negotiation, mediation, expert determination and arbitration.

<table>
<tr><th>Type of ADR</th><th>Method</th><th>Output</th><th>Enforceability in Court</th><th>Scope of Challenge in courts</th></tr>
<tr><td>Negotiation</td><td>Self-help process where parties on their own initiative, discuss and explore possibilities for resolution of the problem.</td><td>Agreement negotiated between the parties and endorsed by the parties.</td><td rowspan="4">Recognized and enforceable.</td><td rowspan="2">Nil or

Minimal scope for challenge, challenge afforded only where process of natural justice and public policy has been violated.</td></tr>
<tr><td>Mediation</td><td>Self-help process where parties seek a neutral third party to help them discuss and explore possibilities for resolution of the problem.</td><td>Agreement endorsed by both the parties and third party - mediator.</td></tr>
<tr><td>Expert determination</td><td>Self-help process where parties seek the binding determination of the third party.</td><td>Decision signed by the third party - expert determiner.</td><td rowspan="2">Challengeable test is only to ensure natural justice process was afforded to the parties.</td></tr>
<tr><td>Arbitration</td><td>Self-help process where the parties seek the binding determination of the third party.</td><td>Award signed by the third party - Arbitrator.</td></tr>
</table>

We are able to decipher from this table that all outputs from ADR, are accommodated and integrated into the court system.

ADR Misconceptions

This illustration above should dispel of two common misconceptions surrounding ADR in the minds of laypersons.

First, that ADR is debased on any legal character. ADR is not a forum for wishing away legal rights and obligations.

Secondly, that ADR is so debased that it only prevails in pre-state societies. Our current definition of the state is the Republic of Uganda - which was a colonial creation. This colonial creation was a forced amalgamation of various ethnic communities existing within modern day Uganda. The ethnic state system was forcefully collapsed to give way to the overarching republican framework we currently live in. It is instructive to note that the colonialists were wary of their misadventures, that they created room for recognition of the ethnic state legal systems, as a source of law, within the republican framework. The intelligentsia in Ghana have built upon this scheme and codified their customary law. Customary law was therefore state law before colonization. Customary law is still part of the fabric of our state law under the Republican arrangement we live in. Therefore we should not be under any illusions that customary law is ADR.

In conclusion, we have seen that the courts are a public forum whereas alternative dispute resolution is a private forum. Both, in any event, are part and parcel of the legal system. The ADR tribunal can seat in any convenient forum e.g. a room hired from the Chamber of Commerce or a hotel.

2 Infrastructure

The courts are established by the state. The number of courts is a function of the national budget. The prediction model cannot with accuracy predict the number of disputes, which will arise.

Therefore courts must be in place first as a matter of fact. Reforms can be made within the system to deal with the shift in conflict patterns. For example, the land tribunals were formulated when it was perceived that land disputes had grown at an exponential rate. You will recall the closure of one land brokerage firm led to the filing of about 120 cases between the Land tribunals, Magistrates Court and the High Court. Similarly, the increased rise of commercial disputes led to establishment of the Commercial Court Division.

Secondly, courts are distributed on a geographical basis. You will find a court established if you travel to any part of Uganda. The geographical establishment of courts is predetermined by the population and the tranquillity prevailing in the area. There no courts operating when northern Uganda was afflicted by war. However the recently found peace and tranquillity, has seen major investment by the state in revamping the presence of the judiciary in northern Uganda. Here, we are looking at the court rooms and allocation of staff within the judiciary to work within north Uganda. The Kampala High Court at Constitutional Square has lost some court rooms because these have been converted into administrative space.

The only investment made by the state to enable ADR is a one off investment in legislation. Unlike courts, ADR tribunals only exist, when formed by the parties. The tribunals are only formed when the need arises. They can pop up at any time and in any location in Uganda.

3 Manpower

The judge is the focal point of the court system. The existence of a judge is virtual – at all times there must be a judge. The judge is ready for any eventuality – murder, elections disputes, walk-to-work cases, etc. The judge can deal with all eventualities thanks to a huge secretariat. This secretariat is composed roughly of the human resource, estate and asset management, finance and administration departments. Be that as it may, judges in any country are never enough. Take the example of the custom designed Commercial Court Building; it is manned by four judges, whereas it was built for six judges.

The neutral (mediator, expert determiner or arbitrator) is the focal point of ADR. The neutral's office is ad hoc. It is only set up when the need arises. The neutral's secretariat is determined by the sophistication of the dispute and budget set up by the parties.

4 Skill Set Requirements

The skill set of a judge at the outset is the professional training. In Uganda, the foundation training required of a judge is a law degree.

The appointment process is driven by divergent needs. The immediate need in courts is to fill up judicial seats, so as to have the court system ready to deal with an unknown number of emerging eventualities. The secondary needs are at the discretion of the appointing authority and are therefore difficult to define.

The skill set of a neutral in ADR is determined by the content of the dispute. This is because the tribunal is constituted to deal with a specific problem. The skill set is definite because the choice resides in the parties. This is why the choice process of neutrals by informed parties leads to an inquiry into their professional experience. For example a dispute on the valuation of shares in a company, would at best require an accounting or financial background.

Accountant can obtain registration with the Centre for Arbitration & Dispute Resolution (CADER) as mediator, expert determiner or arbitrator.

5 Costs

Given that it is impossible to predict when conflict will come to an end, the financing of courts is an indeterminate factor. The existence of courts must be financed from one financial year to another, just like any public good.

To begin with, courts are financed by every taxpayer. It matters not, whether or not the taxpayer will in their lifetime utilize the court facility!

The overhead cost in court funding caters for the remuneration of the judiciary staff, acquisition of assets, employee enhancement such as training, consumables and finally staff pension.

The state's overhead in ADR is the cost of enacting the pertinent legislation. This is therefore a one-off cost.

Filing Fees

Filing fees in court are not unit costs, they are entry costs. That is, the cost paid for the matter to be handled by the system.

Filing fees are insignificant in courts. This is because, as I have already mentioned above, the institutional costs have been catered for by taxpayers.

Let's remind ourselves that courts are set up to deal with any eventuality. For this reason it is impossible to come up with the unit cost of a determining a case. Take the example of a murder trial. In the last century many people were convicted on very telling evidence of blood on their hands. With development of forensic science technology many convicts have now been released when it shown that the blood on their hands was not that of the victim. The same goes for a civil case, when for example it is said that there are new facts within the same case, which need to be determined. So a case can be revisited in the court system at any one time.

In ADR the cost is definite because the process is limited to the actual case. The filing fee for ADR service provider institutions (ADRSPI) is significantly above that of courts. The filing fee is a definite cost of entry into any ADRSPI system.

The costs paid by the parties cover the entry fee into the ADRSPI, the neutral's skill remuneration, venue costs, secretariat staff and consumables. The difference with costs in ADR is that parties can associate the cost to the process.

6 Working Environment

There exists a myriad of rules within the courts. The rules in economic terms are a processing tool for disputes. The rules determine the time line within which disputes shall be resolved within the court system. If not then there would be a long queue of people jostling for the attention of a judge and cases would be heard on a first-in first-out basis. Secondly the rules avail time to the judge to safeguard the integrity of the legal process, internalize the crux of the dispute before he can apply his cranial knowledge to process or rather resolve the dispute.

The myriad of rules vanish into a trickle within ADR. This is because of the assumption that the neutral has the requisite skill set. Secondly, the rules are thin because the parties are provided with the opportunity to set up customized rules, which suit their case. In contrast the court rules are set up generically to deal with any eventuality arising in court.

For this reason, the lawyer technical battles on the title and colour of the pleadings lodged are numerous in court and non-existent in ADR.

7 Qualitative Performance

This is not an issue within the court system. First, because cases are not determined on a first-in first-out basis. Only the best prepared cases are handled by the judiciary. Secondly the judiciary has no capacity to stem in the flow of cases. It is simply impossible to predict how much work will come in, close the doors and allocate cases to be worked upon within the year. The third reason is the significant manpower deficit plaguing the courts. Therefore any achievement by the judges in expeditious resolution is immediately dissolved by the pending backlog of cases.

In ADR, the neutral is a subject matter skilled contracted adjudicator. The neutral has more time than a judge to concentrate and perform the task at hand. This is why statistically there are very few successful appeals arising out of ADR within the court system.

Time

The time spent in court cannot be projected. Court rules guarantee parties the right to determine any issue arising. This guarantee is an inbuilt hazard, aimed at satisfying the complaint. The only fall back is that the complainant will be condemned to compensate the opposite party with costs for having derailed expeditious trial.

The policy on judges' time is subject to public policy (e.g. habeas corpus) and demands of the day. When you go to court, you might be informed that your case cannot be heard because the judge is on a criminal session or handling election petitions.

The time spent in ADR can be projected by the parties. Best of all the time can also be guaranteed. In this sense the neutral has committed actual time to the parties. This commitment is on the one file. Most significantly the parties have the autonomy to drop the neutral for lack of expedition. This can be done by mutual consent or through a challenge mechanism.

Conclusion

We have seen that ADR is an integral system of our justice and court system.

I have endeavoured to show the advantages in ADR, which outweigh litigation before the court system. In doing so, I have not castigated the court system as a failing system. Any shortfall within the court system has to be understood within the context of resource constrains and inbuilt inefficiencies, which cannot be wished away.

You may ask yourself why then are cases not referred to ADR. The answer lies in the time spent between lawyers and their clients weighing the options available. Often time the matter at hand between the client and advocate is in the heat of the moment. Therefore the opportunity to weigh options litigation strategy options never arises.

This explains why in the recent past, the courts at the beginning of the case subject the parties to an excruciating examination to determine what efforts have been made to utilize ADR.

Email: jimmy@trueafrican.com

ICPAU Disciplinary & Ethics Committee: Summary of Decisions

The ICPAU Disciplinary Committee was established under Section 26 of the Accountants Act. The Committee consists of five ICPAU members. The Chairperson of the Committee is a member of the Council of ICPAU.

The Committee meets regularly to discuss complaints made against members of ICPAU. During the year 2011, the Committee heard a number of cases. Below is a summary of decisions on some of the cases that have been disposed off by the Committee:

1) Allegations against a Practitioner
The Council of the Institute received a complaint against a practitioner from another practitioner with whom they had been in partnership. The complainant alleged that the practitioner: had borrowed money from his clients, and failed to pay it back; he had acted in a dishonest way when he received money that was due to the complainant and never passed it on; and the practitioner harassed his clients and charged them for work not done.

The Disciplinary Committee observed that the practitioner was already a customer of the client, before the client joined the list of the firm's clients. The Committee also established that the loan received was at arm's length and therefore the practitioner had no case to answer. The Committee rested the burden of proof on the complainant.

On matter of dishonesty regarding monies received and not passed on to the practitioner, the Committee agreed that the details of the facts could be resolved or confirmed by arbitration for the dissolution of their partnership.

On the matter of harassment of clients, no third party written evidence was provided by the complainant to adduce the alleged harassment. The Committee agreed to look into the matter further if any of the firm's clients raised a complaint with the Institute.

In conclusion, the Committee issued different fines to each of the partners and recommended for alternative dispute resolution [arbitration] for them to amicably dissolve their partnership.

2) Case Involving Practice of Accountancy with a Non-Member
On 15 June 2011, the Disciplinary Committee held a meeting to hear a case of one practitioner, on charges of practicing accountancy in Uganda with a person who was not a Certified Public Accountant and inappropriately describing his firm as "Certified Public Accountants", yet he was a sole practitioner. The practitioner had practised with the non-member for a period of 6 years.

The Committee fined the practitioner for practicing with a non-accountant and admonished the practitioner for incorrectly describing his firm as "Certified Public Accountants" rather than as a "Certified Public Accountant".

3) Practicing Without a Practicing Certificate
An accountant had been practicing accountancy, for almost one year, without a valid practicing certificate since his admission into the partnership of a registered audit firm. The Disciplinary Committee fined the accountant for practicing without a valid practicing certificate. The Committee also fined the other partners at the firm for allowing the accountant practice at their firm without a practicing certificate

4) Case of Professional Misconduct
On 16 February 2011, the Disciplinary Committee discussed a case involving a practitioner. A complaint was filed against a practitioner by a former employee of the practitioner's client.

The complainant alleged that the practitioner, a partner in a registered audit firm and a director at a consulting firm, had conducted a forensic audit and produced a false and malicious report wrongly implicating the complainant and hence leading to loss of his employment. The complainant also claimed that he had not been allowed to defend himself. He further alleged that the practitioner had not complied with International Standards on Auditing, International Financial Reporting Standards and the laws regulating accountants in conducting the forensic audit.

The Committee ruled that the complainant had been summarily dismissed for: gross insubordination and inappropriate conduct; fraudulently renewing his contract of employment; failure to cooperate with external auditors; and some unbearable issues arising from the forensic audit. The Committee also noted that the complainant had been requested to comment on the forensic audit report findings, but declined to do so. The Committee concluded that the forensic audit report reflected professionally executed work.

The Committee noted that the forensic audit had been executed by the consulting firm, rather than the practitioner as an individual.

Nevertheless, the Committee ruled that practitioner had no case to answer because the work had been properly executed and that the complainant had lost his job not because of the forensic report, on one part, but because of other issues of his conduct and relation to his employers.

5) Mr. David Chandi Jamwa
In March 2011, the High Court of Uganda (Anti-Corruption Court) found Mr. David Jamwa guilty of abuse of office and causing financial loss to the National Social Security Fund. In accordance with Section 7 (c) of the Accountants Act, the Disciplinary Committee ruled that Mr. Jamwa's name be struck off the roll of accountants. The Committee also cancelled his Certificate of Practice.

By Order of Council

SECRETARY
Institute of Certified Public Accountants of Uganda
Plot 42 Bukoto Street, Kololo,
P. O. Box 12464, Kampala.

Institute of Certified Public Accountants of Uganda
List of New members admitted in Oct 2011

Sr. No	Name	Membership No
1	Asiat Nanyanzi	FM1375
2	Florence Baleke Businge	FM1376
3	Richard Patrick Aturai	FM1377
4	Ketty Olive Lubandi	FM1378
5	Florence Bako	FM1379
6	Derek Kiberu	FM1380
7	William Kisule	FM1381
8	Samuel Walusansa	FM1382
9	William Walugembe	FM1383
10	Helen Awidi	FM1384
11	Wakulira Rachel Nambassa	FM1385
12	Samson Tumwesigire	FM1386
13	Ruth Ddundu	FM1387
14	Grace Asiimwe Mwogeza	FM1388
15	Moses Kamuhangire	FM1389
16	Joseph Mutasaaga	FM1390
17	Mercy Nagaddya	FM1391
18	David Odee	FM1392
19	Jackline Nyakato	FM1393
20	Caroline Violet Achan	FM1394
21	Elizabeth Wanyama	FM1395
22	Susan Atuhura	FM1396
23	Stella Kaboggoza Nabbumba	FM1397
24	Michael Mayanja Lugemwa	FM1398
25	Abudu Nasser Ntege	FM1399
26	Nuluat Nsamba	FM1400
27	Sarah Nalwoga	FM1401
28	Peter Ajuna	FM1402
29	Moses Mubiru	FM1403
30	Henry Wagabaza	FM1404
31	James Masawi	FM1405
32	Santos Narayan Gumte	FM1406
33	Yusuf Mukiibi	FM1407
34	Reuben Tumbwene	FM1408
35	Asikanesi Nyabonyo	FM1409
36	James Sebi Nsabimana	FM1410
37	Tusiime Bonus Kazooba	FM1411
38	Tarun Khanna	FM1412
39	Samuel Masiga Mayoga	FM1413
40	Bernard Ronald Baingana	FM1414
41	Patrick Kafudde Kasedde	FM1415
42	Isabellah Ekudde	FM1416
43	Charles Christopher Ogena	FM1417
44	Vincent Musinguzi	FM1418
45	Shaban Galabuzi Mugenyi	FM1419
46	Moses Mitielo Khisa	FM1420
47	Peter De Karl Lominit	FM1421
48	Moses Aman	FM1422
49	Joseph Ochwo	FM1423
50	Kunal Popat Bharadva	FM1424
51	Charles Birungi	FM1425
52	Patrick Baguma	FM1426
53	Adolf Musoke Kawooya	FM1427
54	Rebecca Ssemugabi Nankya	FM1428
55	Josephat Ochieng	FM1429
56	David Kityo	FM1430
57	Michael Mutie Kimoni	FM1431
58	Farouk Kitumba	FM1432
59	Darshah Prabhulal Shah	FM1433
60	Fatuma Sentongo Nagawa	FM1434
61	Brendah Julliet Walyema	FM1435
62	Elsi Kizito Kisobooza	FM1436
63	Peter Ssebugwawo	FM1437
64	David Opio	FM1438
65	Nathan Tibalwa	FM1439
66	Mary Theresa Nannyonga Kiggundu	FM1440
67	Peter Ndawula	FM1441
68	Monica Ngabonzira Nakityo	FM1442
69	Pamela Natamba	FM1443
70	Joselyn Nabaasa	FM1444
71	Nicholas Garyahandere Mbaga	FM1445
72	Nasuna Kayondo Hanifa	FM1446
73	Margaret Nalwoga	FM1447
74	Emmanuel Pattson Ocama	FM1448
75	Hurst Hamuchenje	FM1449
76	Daniel Christopher Kawesa	FM1450
77	James Oriekot	FM1451
78	Harriet Banalya Namuddu	FM1452
79	Susan Asio	FM1453
80	Dennis Muramuzi	FM1454
81	Sarah Joy Ndegemu	FM1455
82	Barbara Nkajja Nakasolya	FM1456
83	Faith Achadu	FM1457
84	Caroline Nsangi	FM1458
85	Peter Kajura Byenkya	FM1459
86	David Livingstone Matovu	FM1460
87	Telesi Rwemigabo	FM1461
88	Vinod Kumar Gagrani	FM1462
89	Paul Sserwadda	FM1463