She said since budgeting was programme-based, it would be better for donors to bias

conference, Kadaga met with American citizens of Ugandan descent, who she said should

environment so that they can carry out economic activities in both worlds," she said.

MPs query oil expenditure

By Henry Sekanjako

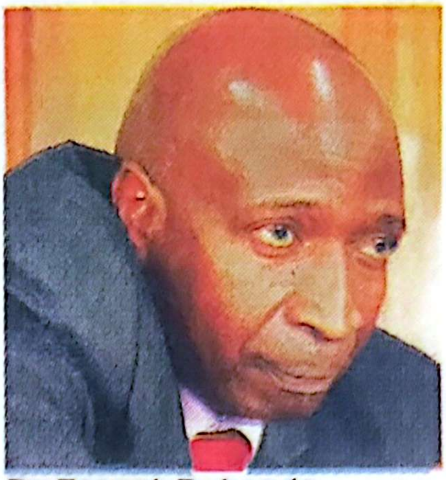
The public accounts committee has ordered the Petroleum Authority of Uganda (PAU) with explaining the utilisation of $1m (about sh3.6b) unapproved budget overruns by International Oil Companies (IOCs).

Scrutinising the value for money audit report on the management of petroleum data by the energy ministry, MPs expressed concern about the expenditure which, they said lacked prior approval.

"How did this over-expenditure of sh3.6b come about? We need to protect Ugandans from unwanted expenditure by the oil companies," Angellina Osegge, the committee chairperson, said.

According to the audit for the financial year 2014/2015, statements of recoverable expenditure for exploration Area-2, indicated unapproved budget overruns of sh3.6b arising from various activities related to data acquisition.

In his report, the Auditor General said: "Failure to manage costs and poor forecasting, results in probability of non-recoverability of costs by the IOCs, which may lead to arbitration costs."



Dr Ernest Rubondo

The Auditor General also warned that in case of recoverability, this would result in higher costs of data acquisition than was expected.

Productions Sharing Agreements (PSAs) require the companies to seek approved work programmes and their associated budgets prior to undertaking an activity, and also require that the expenditure be within the approved budget.

The PSAs also require that the companies get approval for any additional budget prior to incurring the additional costs.

Dr Ernest Rubondo, the executive director of the Petroleum Authority of Uganda (PAU), said the anomalies were an omission by the companies saying they were supposed to seek prior approval.

The MPs advised PAU to improve the monitoring of oil companies to avoid budget overruns.

The Auditor General also recommended that PAU develops a Chart of Account to enable the companies submit work programmes in a standard manner to aid categorisation of costs and thus facilitate monitoring and tracking of costs.

Data reports

The MPs questioned PAU over delayed submission of management of petroleum data reports.

The Petroleum Exploration, Development and Production Act 2013, requires IOCs to submit semi-annual reports indicating geological, geochemical and geophysical work carried out, including a summary of drilling activity, results obtained and annual reports indicating operations by the licensee in the year to which the licence relates.

However, according to the audit report, the IOCs were irregular in submitting reports over the years for EA1-A1.

Out of the required four geological and geophysical reports in 2013 none of the reports was submitted.

Dr Rubondo, however, said the reports had been submitted.