

Report of the Presidential Tripartite Committee

Investigation of Allegations surrounding a Decision taken by
the Governor of Bank of Uganda on 7th February 2018

February 2019

CONFIDENTIAL

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REPORT OF THE PRESIDENTIAL TRIPARTITE COMMITTEE INVESTIGATING THE BANK OF UGANDA

1.0 BACKGROUND TO ESTABLISHMENT OF THE COMMITTEE

The Governor's Decision of 7th February 2018

- 1.1 On the 7th of February 2018, the Governor of the Bank of Uganda issued an internal memo via which he communicated a number of staff transfers and appointments. By way of the said memo he communicated a number of internal staff transfers as well as promotions. In the same memo, the Governor further communicated the appointment of five staff from outside the Bank to various positions in the Bank.
- 1.2 As a result of the Governor's communication complaints were made to the Inspectorate of Government and the Parliamentary Committee on Statutory Authorities and State Enterprises (COSASE). In the complaints it was alleged that the Governor acted in contravention of the laws and policies governing staff recruitment, promotions and transfers in the Bank.
- 1.3 It was specifically alleged that:
 - 1) Six new staff were appointed from outside the Bank without interviews.
 - 2) Newly appointed staff were granted permanent and pensionable terms contrary to probationary policy
 - 3) Two new externally recruited staff, namely, Dr. TwinemanziTumubweine and Ms. Kande Sabiiti lacked the minimum academic requirements for entering the bank

- 4) The Governor created five new positions that did not exist on approved structure of the Bank and that some appointees lacked job descriptions
- 5) The Governor promoted nine staff members to Assistant Director level without conducting interviews
- 6) Two new directors have been appointed to departments with substantive directors creating confusion as to what happens to existing directors
- 7) One deputy director was demoted to Assistant Director without justification, namely, Ms. Angela Kasirye
- 8) The appointment of Dr. Tumubweinee was premised on nepotism, influence peddling and conflict of interest

The Intervention of the Inspectorate of Government

- 1.4 As result of the complaints above, on the 23rd of February 2018, the Inspectorate of Government wrote to the Governor and requested that he responds to the allegations. On the 6th of March 2018, the Governor responded to the allegations and wrote to explain that the appointment of new staff from outside the bank was done in accordance with the Bank of Uganda Act and internal recruitment policies of the bank. He further explained that the staff in question were recruited through headhunting subject to the headhunting policy of the Bank as approved by the Human Resource and Remuneration Committee of the Board of Directors on 11th May 2016.
- 1.5 The Governor further explained that he had appointed new staff in accordance with Section 28(4) of the Bank of Uganda Act and also in line with authority granted to him by the Board of Directors on 30th May 2012. The Governor claimed that the authority granted by the Board permitted him to take decisions on behalf of the Board in the

absence of a fully constituted Board whose term had expired on the 12th of November 2017.

- 1.6 The Governor further defended the creation of new staff positions in the Bank of Uganda structure as being consistent with Section 4.2.2 of the Human Resource Policy of the Bank. He explained that he approved the creation of five new positions to improve efficiency and enhance internal controls in the Bank.
- 1.7 The Governor went on to defend the promotion of nine staff without subjecting them to interviews on the grounds that a previous promotions process had been faulted by internal audit. He explained that there was need for the positions to be filled as quickly as possible to allow bank operations to proceed efficiently.
- 1.8 The Governor then defended the appointments of Dr. Tumubweine and Ms. Sabiiti on the grounds that they possessed specialized skills which under exceptional circumstances can be approved by the Governor or the Board. He further defended their recruitment on the grounds that they had been brought on board from specialized institutions.
- 1.9 In light of the response of the Governor, the Inspectorate wrote back to the Governor on the 12th of March 2018 to request him to provide additional information to support his decision. Furthermore, the Inspector General of Government directed that the decision of the Governor taken on 7th February 2018 should not be ratified by the Board of Directors pending conclusion of investigations.
- 1.10 As a result of the above, the Governor wrote back to the Inspectorate asserting the independence of the Bank of Uganda to which the Inspector General of Government also asserted as not being applicable

to the situation in question. These circumstances resulted in the matter being widely reported by the press.

Intervention of His Excellency The President

1.11 Due to the increasing press coverage of the Bank of Uganda matter, His Excellency the President deemed it necessary to establish a tripartite committee that would bring together the Parliament of Uganda, the Inspectorate of Government and Bank of Uganda, to study the allegations and report back to him in the shortest time possible.

1.12 The Committee was subsequently established constituted of selected Members of Parliament and senior officials from the Inspectorate of Government and Bank of Uganda. The members of the Committee included the following persons:

- 1) Hon. Abdu Katuntu (MP) – Chairperson
- 2) Hon. Anita Among (MP) – Member
- 3) Hon. Michael Tusiime (MP) – Member
- 4) Hon. Elijah Okupa (MP) – Member
- 5) Lady Justice Irene Mulygonja Kakooza (IGG) – Member
- 6) David Makumbi (IG Staff) – Member
- 7) Justus Kareebi (IG Staff) – Member
- 8) Sarah Birungi (IG Staff) – Committee Secretary
- 9) Judy Obitre-Gama (BOU Board) – Member¹
- 10) Keith Muhakanizi (BOU Board) – Member²

¹ It was resolved during Committee deliberations held on ... that the involvement of BOU Board members on the committee be suspended because it was necessary for them to testify before the committee on issues pertinent to the decision of the Governor.

² Ibid

Committee Terms of Reference:

- 1) To generally consider all issues arising from complaints made to the Inspectorate of Government and Parliament.
- 2) To specifically determine the legality of actions of the Governor in light of the memo of 7th February 2018 as relate to recruitment, promotions and transfer.
- 3) To generally consider all matters incidental to the above especially as relate to law, policy and governance at the Bank and make appropriate recommendations to the appointing authority.

Issues Arising:

The Committee considered primarily the legality of the decision of the Governor taken on 7th February 2018 and also whether it was consistent with existing policies of the Bank.

2.0 COMMITTEE PROCEDURE/METHODOLOGY:

2.1 The Committee conducted interviews, document review and benchmarking to arrive at the findings and conclusions.

2.2 Various staff of Bank of Uganda as well as current and former Board Members interviewed are listed as follows:

2.2.1 Hon. Matia Kasaija, Minister of Finance, Planning and Economic Development

2.2.2 Former Board Members:

- 1) Mr. Leo Kibirango, Governor
- 2) Dr. Ezra Suruma, Deputy Governor
- 3) Mr. Perez Bukumunhe, Deputy Governor
- 4) Mr. Robert Elangot, Deputy Governor
- 5) Mr. OpioOkello, Acting Deputy Governor

2.2.3 The Board of Directors:

- 1) Prof. Emmanuel Mutebile, Governor/Chairperson
- 2) Dr. Louis Kasekende , Deputy Governor/Deputy Chairperson
- 3) Mr. Keith Muhakanizi, Member
- 4) Ms. Judy Obitre-Gama, Member
- 5) Dr. William Kalema, Member
- 6) Mr. James Kahooza, Member
- 7) Ms. Josephine Okwi Ossiya, Member
- 8) Mrs. Susan W. Kanyemibwa, Bank Secretary/Board Secretary.

2.2.4 Bank of Uganda Staff:

- 1) Solomon Oketcho Osewe, Executive Director Administration
- 2) Jan Tibamwenda, Director Human Resources
- 3) Margaret Kaggwa Kasule, Legal Counsel
- 4) Agnes Ibaarah, Deputy Director Human Resources
- 5) Elliot Mwebya, Executive Director IT
- 6) Zepheniah Mugisha, Director Internal Audit
- 7) Charles Malinga, Director Currency
- 8) Ralph Bakashabaruhanga, Director Pensions Administration
- 9) Charles Owiny-Okello, Director Non-Bank Financial Institutions
- 10) Charles Abuka, Director Statistics
- 11) John Chemonges, Director Risk and Compliance
- 12) Richard Byarugaba, Director Financial Markets
- 13) Olive Kamuli, Director Medical Administration
- 14) Mackay Aomu, Director National Payment Systems
- 15) Benedict Sekabira, Director Financial Markets Development Committee.
- 16) Lorna Nzaro, Director IT Business Automation
- 17) Milton Opio-Orech, Director Security
- 18) Steven Sendikadiwa, Advisor IT Business Automation
- 19) Stephen Semuga, Director Administrative Services
- 20) Joanita Babumba, Deputy Director Agricultural and other Credit Schemes
- 21) Hassan Nyangabyaki, Deputy Director Board Affairs
- 22) Balaam Sempala, Deputy Director Deposit Protection Fund
- 23) Isaac Seguya, Deputy Director Statistics
- 24) David Gulemye, Deputy Director Risk and Compliance
- 25) Solomon Kavuma, Deputy Director Financial Markets
- 26) Timothy Sekirayi, Deputy Director Banking
- 27) Julius Turyamwijuka, Deputy Director BoU Masaka Branch
- 28) Alex Owiny, Deputy Director BoU Gulu Branch

- 29) Angela Kasirye, Deputy Director Corporate Affairs, Communications
- 30) James M. Byamukama, Assistant Director IT Operations
- 31) Kaliisa Katongole, Assistant Director Operations, Accounts.
- 32) Michael Senkubuge, Deputy Director Systems, Audit
- 33) Allan Lwetabe, Assistant Director Financial Markets
- 34) Cynthia Nakayizza, Assistant Director Banking
- 35) Sophie Kironde Iwumbe, Assistant Director Commercial Banking
- 36) Oscar Edwin Kiiza, Assistant Director Pensions Administration
- 37) Bosco Bainemazima, Assistant Director Fort Portal Branch
- 38) Francis Kakeeto, Assistant Director Mbale Branch
- 39) Charles Mugisha, Chief Accountant
- 40) Yusuf Mukiibi, Assistant Director Accounts
- 41) Mary Katarikawe, Executive Director Operations
- 42) David Kalyango, Chief Internal Auditor
- 43) Deborah Kabahweza, Executive Director Finance (now retired)
- 44) Justine Bagyenda, Executive Director Supervision (now retired)
- 45) Pelly Rutamwebwa Mugasi, Director Procurement and Disposal
- 46) Charity Mugumya, Director Communications
- 47) Adam Mugume, Executive Director Research and Policy
- 48) Christine Alupo, Director Board Affairs
- 49) Vito Semakula, Assistant Director IT Operations
- 50) Kenneth Egesa, Director Financial Stability
- 51) Twinemanzi Tumubweinee, Executive Director Supervision
- 52) Natamba Bazinzi, Assistant Director Currency Administration
- 53) Valentine Ojangole, Director Banking
- 54) Edward Mugerwa, Director IT Operations
- 55) Ruth KandeSabiiti, Procurement Assurance Manager
- 56) Joyce Okello, Executive Director/Personal Assistant to Governor
- 57) Richard Mayebo, Executive Director Risk & Strategy Management
- 58) Hannington Wasswa, Director Commercial Banking
- 59) Phillip Wabulya, Executive Director Petroleum Investment Fund
- 60) Kezekia Kizito, Deputy Director Non-Bank Financial Institutions

3.0 SUMMARY OF EVIDENCE FROM INTERVIEWS

Staff Externally Recruited:

- 3.1 The Committee interviewed five persons who all confirmed that they had been externally recruited. The persons interviewed were the following:
- 1) Dr. Twinemanzi Tumubweinee, Executive Director Supervision
 - 2) Mr. Valentine Ojangole, Director Banking
 - 3) Mr Edward Mugerwa, Director IT Operations Department
 - 4) Ms. Kande Sabiiti, Procurement Assurance Manager (Director)
 - 5) Dr. Natamba Bazinzi, Assistant Director Currency Administration in Currency Department
- 3.2 On 31st May 2018 Dr. Tumubweinee informed the Committee that he had been ‘head-hunted’ and requested by the Governor to express interest in the job. He claimed that his interaction with the Governor started in 2017 during the activities of the Financial Markets Development Committee of the Bank of Uganda. He explained that he attended the said committee as a stakeholder representative for the Uganda Communications Commission where he was previously employed. He also stated that he had authored a PhD dissertation under the title “Interest Spread and Emergency Setting Behaviour of Commercial Banks: Evidence from Uganda” in 2008 and that the Governor had asked him about it. As a result Dr. Tumubweinee wrote to the Governor of Bank of Uganda on 2nd October 2017 and expressing specific interest in joining the Banking Supervision Directorate of the Bank of Uganda³.
- 3.3 The Governor subsequently wrote back to Dr. Tumubweinee on 9th February 2018 and offered him appointment as an Executive Director in charge of

Supervision⁴ which appointment Dr. Tumubweinee accepted on 14th February 2018⁵. Prior to this Dr. Tumubweinee had written another letter to the Governor on 12th February 2018⁶ and requested that his employment terms be changed to permanent and pensionable which request the Governor accepted on 22nd February 2018⁷. Dr. Tumubweinee claimed that he requested for permanent and pensionable terms based upon his right to negotiate his terms and alluded to having received legal guidance on the matter.

3.4 On 31st May 2018 Mr. Ojangole informed the Committee that he was previously a member of staff at the Bank of Uganda but had left in 2007 to join private sector banking. He claimed that he had been encouraged by former colleagues to apply to rejoin Bank of Uganda and that as a result he had submitted an unsolicited application to rejoin the Bank of Uganda.

3.5 According to records derived from Mr. Ojangole's personal file, he submitted an application⁸ for re-employment to the Governor dated 6th September 2017. This resulted in the Governor writing to offer an appointment on 9th February 2018⁹ which offer Mr. Ojangole accepted on the same day with a request to be appointed on permanent and pensionable terms as a former staff.¹⁰ On 22nd February 2018 the Governor wrote back to Mr. Ojangole and accepted his request for appointment on permanent and pensionable terms¹¹.

3.6 On 31st May 2018, Mr. Edward Mugerwa informed the Committee that he had submitted an unsolicited application for a position at Bank of Uganda in 2017 having previously worked extensively in the telecom industry in the

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private sector. He claimed that he had submitted a CV to Bank of Uganda over a year earlier. According to records on Mr. Mugerwa's personal file, he officially applied for a position at the Bank as Director IT Operations on 3rd February 2018¹².

- 3.7 In his statement to the committee Mr. Mugerwa claimed that the first time he had heard back from the bank in light of his application of 2017 was by way of a phone call on a Saturday around the '6th or 7th of February 2018'. He claimed that it was a lady who called him from the Human Resource Department but he could not recall her name. He further claimed that he was requested to submit another expression of interest because whereas his CV was still available the previous application he had submitted could not be traced.
- 3.8 The Governor subsequently wrote to Mr. Mugerwa on 9th February 2018 and offered him an appointment to the position for which he had applied¹³. Mr. Mugerwa accepted the offer on 12th February 2018¹⁴. However, he also requested to be appointed on permanent terms which request was approved by the Governor on 22nd February 2018¹⁵. Mr. Mugerwa informed the committee that his request for his terms to be varied was because he 'knew that the bank has other terms of employment, that was permanent and pensionable'.
- 3.9 On 31st May 2018, Ms. Kande Sabiiti informed the Committee that she had been taken on at Bank of Uganda as a Procurement Assurance Manager having previously served as the Public Procurements and Disposal of Public Assets Authority (PPDA). She explained that during the course of her duties at PPDA she had noted a number of issues related to the procurement and disposal function at the bank which prompted her to write to the bank to

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request for ‘an opportunity to serve’. She stated that her application had been submitted sometime in 2017.

- 3.10 According to records available on Ms. Sabiiti’s personal file, she wrote to the Governor on 31st August 2017 and applied for a procurement job opportunity at the Bank¹⁶. On 9th February 2018, the Governor wrote back to Ms. Sabiiti and offered her an appointment as Procurement Assurance Manager¹⁷ which appointment Ms. Sabiiti accepted on 12th February 2018 while also requesting for revision of her terms of employment from contract to permanent and pensionable¹⁸. The Governor subsequently accepted the request for review of the terms on 22nd February 2018¹⁹.
- 3.11 With regard to the request to shift to permanent and pensionable terms, Ms. Sabiiti claimed that she had accessed the Human Resource procedures from which she had noted that she qualified for permanent and pensionable terms. Hence her request for her terms to be changed. She could not readily recall when she had looked at the Human Resource procedures.
- 3.12 On 31st May 2018 the Committee met Dr. Natamba Bazinzi who had also been externally recruited by virtue of the Governor’s memo of 7th February 2018. When he was queried as to how he came to be appointed at the Bank, Dr. Bazinzi stated that around October 2017, he felt he needed to explore opportunities for growth in experience especially in the public sector and that as result he gave his CV to Bank of Uganda. He stated that at the time he gave in his CV he recalled that they gave out information related to financial inclusion. He then submitted his CV and expressed interest to provide ‘research knowledge consultancy’ related to financial inclusion.

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- 3.13 Dr. Bazinzi emphasized that he had submitted his CV without the benefit of inside information. According to information available on Dr. Bazinzi's personal file he wrote to the Governor on 18th October 2017²⁰ and applied for a position in the Currency Department at the bank. However, contrary to his statement to the committee there was no discernable expression of interest to provide consultancy services but rather a specific application for a position in a specific department of the bank.
- 3.14 When queried about why he was specifically interested in the Currency Department, Dr. Bazinzi claimed that he acquired a specific interest based on what he was reading in newspapers. He stated, *"When you read what is published in newspapers, sometimes it is up to you as a reader to draw your own conclusions. In my conclusion, therefore, I said since financial inclusion is related to issues of having people open accounts in banks, then possibly this can be an issue of the currency department."*
- 3.15 In all the cases for the externally recruited staff there was no indication of acknowledgment of receipt of any of their applications by the Bank. As such it was impossible to determine when and how exactly the applications were submitted to the Bank.

Staff Promoted within the Bank:

- 3.16 The Committee established through interviews with senior staff of the bank that on 7th February 2018, the Governor communicated²¹ the promotion of 12 staff at the bank. Out of the 12 staff promoted, 9 were elevated from the rank of Senior Principal Banking Officer to the rank of Assistant Director. 2 staff were elevated to the rank of Director and 1 staff was elevated to the position of Executive Director.
- 3.17 The staff who were promoted were as follows:

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- 1) Joyce Lanyero Okello, Executive Director/Personal Assistant to Governor.
- 2) Charity Balaba Mugumya, Director Communications Department.
- 3) Hannington Wasswa, Director Commercial Banking Department.
- 4) Vito Melvin Semakula, Assistant Director IT Security and Compliance.
- 5) James Mbanda Byamukama, Assistant Director IT Operations.
- 6) Gimei Katongole Kaliisa, Assistant Director Operations Accounts Department.
- 7) Alan Norman Lwetabe, Assistant Director Reserves and Investment, Financial Markets Department
- 8) Cynthia Nakayiza, Assistant Director Operations Banking Department
- 9) Sophia Kironde Iwumbe, Assistant Director On-site Inspection Commercial Banking Department
- 10) Oscar Kiiza, Assistant Director Pension Administration and Financial Reporting
- 11) Bosco Bainamazima, Assistant Director BoU Fort Portal Branch
- 12) Francis Kakeeto, Assistant Director BoU Mbale Branch

3.18 When the staff above were interviewed it was established that two staff had participated in a promotions exercise which had previously been cancelled²². However, subsequent to the cancellation of the last process they had not participated in any other process prior to elevation to the positions they currently held. It was also established that nine staff had been promoted from Senior Principal Banking Officer to Assistant Director without going through any form of interview.

3.19 Of the twelve staff listed above, one was promoted to Executive Director and another was promoted to full Director. It should be noted that in all the cases of promotion the Governor communicated the promotions in unequivocal terms to the concerned officers meaning that they took immediate effect without recourse to any further procedures.

Administration Directorate Senior Staff:

- 3.20 The Committee interviewed senior staff of the Administration Directorate and from the interview the typical recruitment cycle at Bank of Uganda was determined to be as follows:
- a) Head of Department notes vacancy/gap in an approved position or an impending retirement and presents formal request to the Director Human Resource (DHR).
 - b) The DHR confirms vacancy or impending retirement and notifies the Governor or Deputy Governor through the EDA of the need to recruit. In this notification the DHR guides on whether to conduct an internal or external recruitment in accordance with policy.
- 3.21 According to the organizational structure, the Administration Directorate reports to the Deputy Governor. It was also explained that part of the responsibilities of the Administration Department with regard to Human Resource is to review the structure of the Bank based upon the strategic plan, handle recruitment and talent management at the bank.
- 3.22 However, despite the above, all the senior managers in the Administration Directorate who were interviewed denied involvement in the preparation or awareness of the transfers, promotions and appointments made in the memo of 7th February 2018.
- 3.23 When the administration managers were queried as to why they did not appear to guide the Governor on obvious departures from Human Resource policy, the Committee learnt that the managers were at pains to advise the Governor as the memo he issued seemed final. It was implied that there were previous occasions where the Governor had made decisions which were felt not to be consistent with the law and internal policies but due to

the finality with which the decision was communicated the managers deemed it non-negotiable and simply implemented.

Board of Directors:

- 3.24 When the Committee interfaced with both current and former members of the Board of Directors and from the interactions the Committee noted a number of proposals and observations relevant to the situation prevailing at the Central Bank.
- 3.25 It was noted that none of the current board members were aware of the Governor's decision prior to the communication made on 7th February 2018.
- 3.26 In one Board member's opinion, the Governor had acted in violation of the Bank of Uganda Act when he acted unilaterally to recruit new members of staff. There was also concern that the Governor had irregularly transferred the Chief Internal Auditor which was a preserve of the Audit and Governance Committee of the Board.
- 3.27 Various staff members had been either been appointed or transferred to positions that did not officially exist in the structure. Additionally on staff matters, it was also apparent that the Human Resource and Remuneration Committee of the Board had no input at all in the staff changes both before and after the Governor's communication.
- 3.28 One Board member observed that the Governor had premised the changes communicated in his memo on the policy on staff rotation which was misleading. This was because the actual changes also involved recruitment.
- 3.29 Another Board member was of the view that there was a culture of not adhering to procedures at the Bank and that this had led to a loss of confidence of the staff in the senior leadership. In this same regard, staff was

observed as being distrustful of internal grievance mechanisms. It was further opined that the recruitments conducted by the Governor were in error, against policy and outside of the existing structure.

- 3.30 It was also opined that the requirement by the Governor that new appointees take over office immediately was uncalled for especially with regard to the position of the former Executive Director Supervision who was already due to retire.
- 3.31 It was observed that the Executive Director Administration had failed to provide professional guidance to the Governor in the wake of his memo of 7th February 2018.
- 3.32 Another Board member expressed the view that the Governor's reliance on a Board Resolution²³ made in 2012 with regard to delegation of the functions of the Board to the Governor was misguided. This was because the resolution in question was framed in the context of the expiry of a particular board's term and not in perpetuity.
- 3.33 It was opined that the role and powers of the Governor and Deputy Governor were not stated in the existing laws and that there was a need for an additional slot of Deputy Governor.
- 3.34 Another Board member defended the Succession Policy at the bank as relevant in as much as it served as a talent management pool and helped with the effective filling of gaps created upon retirement or other departure of staff.
- 3.35 The Committee also interviewed former Board members who expressed some views as follows:

²³ See Paragraph 4.2.13 of the Report.

- 1) The current legal regime whereby the Governor is also the Chairman of the Board of Directors is problematic as it raises conflict of interest issues.
- 2) There is need to create an extra position of Deputy Governor to allow for at least one Deputy to be exclusively tasked with operational matters in the Bank while the Governor and the other Deputy concentrate on monetary policy and other core functions²⁴.
- 3) The creation of an extra slot of Deputy Governor also ensures that there is no time where senior staff below the rank of Deputy Governor get involved in the duties of the Governor or the Deputies.
- 4) Bank supervision requires persons who are highly experienced preferably with experience in commercial banking.
- 5) There is need for a regular consultative forum where former Governors and Deputy Governors are able to meet with current office holders to discuss current affairs and to exchange ideas on how best to ensure optimal performance of the central bank.

Senior Staff not directly affected by 7th February memo:

- 3.36 The majority of the senior staff members interviewed tended to agree that there were factions or cliques in the Bank polarized around the positions of the Governor and the Deputy Governor.
- 3.37 As concerns the existence of cliques, one staff went further to characterize the cliques as potentially religious-based. In the words of the staff in question, *“There is a risk of divisions according to religion in that Bank. Catholics and Anglicans have their own groups. They have meetings and each has its own power.”*

- 3.38 All of the staff interviewed indicated that the changes made by the Governor were a complete surprise.
- 3.39 Staff indicated a loss of confidence on account of unclear implementation or disregard of human resource policies especially with regard to succession. It was felt that policy is applied selectively.

4.0 FINDINGS ON WHETHER THE DECISION OF THE GOVERNOR COMMUNICATED ON 7TH FEBRUARY 2018 WAS CONSISTENT WITH LAW AND POLICIES OF THE BANK

The Governor's Response to the Committee

- 4.1 The Committee met the Governor on 19th September 2018 and requested him to explain the basis for his decision as communicated in his memo to staff on 7th February 2018. He explained that his actions were founded on a reorganization process which started in July 2017 when he requested the Executive Director Administration for a staff transfer and rotation list. The Governor further pointed out that he had given a deadline of 4th August 2017 in the memo but received a response from the EDA on 6th September 2017. In that response he pointed out that the EDA had advised against transfer of Executive Directors to avoid misinterpretation on account of the issues related to eventual closure of Crane Bank.
- 4.2 The Governor explained that he had observed that the transfer schedule proposed by the EDA had left out a number of staff who met the criteria for transfer. The Governor further explained that during the same period the Bank was facing a number of challenges particularly in the supervision role. He highlighted the negative publicity in the media and on the internal side he specifically pointed out failure of relevant officers to conclude and account for resolution of failed banks, concealment of information from him and the Board, challenges especially on the Bank IT systems, finance, staff recruitment, operations, medical services as well as procurement as reflected in both internal and external audit reports and the COSASE oversight reviews.
- 4.3 The Governor also specifically defended his decision on the grounds that:
- a) Some staff were due to retire and therefore there was need for appointment of replacement staff to ensure continuity and

stability at the Bank. He highlighted examples of staff like Patrick Byabakama (formerly Chief Internal Auditor), Eliot Mwebya (formerly EDA) and Susan Kanyemibwa (Bank Secretary) who had all been appointed to positions in the bank over periods of three months, six months and one year respectively pending the retirement of their predecessors.

- b) The Bank needed to strengthen controls and improve operational efficiency. He gave the example of a need to have a procurement assurance functions to ensure compliance in the procurement process.
- c) There was a need to comply with bank policy on staff rotation to improve career resilience of Bank employees.

4.4 With regard to the legality of the decision the Governor placed reliance upon the Bank of Uganda Act and the By-laws created thereunder. He referred to Section 28(4) of the Bank of Uganda Act which provides that except as may otherwise be provided in the by-laws of the Bank, all appointments of employees shall be made by the Board. The Governor then went on to refer to Sections 8(2)(a) and 8(2)(e) of the Bye-laws of the Bank created in 1968 which he said entrusted the Governor with the responsibility of organization and management of the Bank as well as ensuring proper discharge of duties of the other officers and other employees of the Bank.

4.5 The Governor also justified his decision on the grounds that he was acting with the authority of the Board delegated to him as Chairperson of the Board by virtue of a resolution of the Board of Directors at its 311st Meeting held on 30th May 2012. The Governor explained that according to that resolution he had delegated authority in the absence of a fully constituted Board to approve all matters that required Board consideration and approval. The resolution in question states,

“The Board considered and authorized the Governor to consider and approve, subject to ratification by the Board, all matters and issues that would call for Board

consideration and approval. This would enable the Bank to continue operating well in the interim when a fully constituted Board would not be in place.”

- 4.6 The Governor’s reliance on the aforementioned resolution arose out of the fact that at the time of his decision of 7th February 2018, four of the members of the Board of Directors were yet to officially assume office.
- 4.7 From a procedural point of view, the Governor placed reliance on various provisions of the Bank of Uganda Administration Manual (October 2015) to justify the different aspects of his decision with regard to promotions, appointments, transfers and creation of new positions.

Staff Transfers

- 4.8 With regard to staff transfers, the Governor defended his decision as being consistent with Section 6.6.2 of the Administration Manual which provides as follows,

“All staff, including officers up to the rank Senior Principal Banking Officers (SPBO) are eligible for transfer across Departments after having served for at least five years, taking into consideration their academic and professional qualifications, career aspirations, training, experiences and technical competencies.”

- 4.9 The Governor also cited Section 6.6.8.5 of the Administration Manual (2005) as authority for staff transfers. The section provides:

“Transfers of Head of Directorates, Departments and Divisions shall be approved by the Governor”.

Creation of New Positions and Job Descriptions

- 4.10 The Governor defended his decision to create new positions and job descriptions on the grounds that Section 4.2.2 of the Administration Manual of the Bank provides for recruitment and right-sizing based on work-plans and actual or anticipated human resource gaps. He further placed reliance on the bye-laws as granting him the responsibility of organizing the bank (See Paragraph 4.1.4 above).

Promotion of Nine Staff to Assistant Director Level

- 4.11 The Governor explained that the policy and practice in the Bank on promotion of officers of different ranks has always been through interviews, appraisals or direct promotional appointment by the Governor. He further explained that he had halted an earlier promotional process for Assistant Directors due to complaints from staff. He also explained that his decision was also based on an internal audit review of the process that staff had complained about. He explained that the promotion of the nine affected staff was through direct appointment by the Governor since the previous process had been mishandled. He further pointed out that he used the Succession Management Plan as a basis for making the appointments which needed to be done as quickly as possible to allow Bank operations to continue smoothly.

Appointment of Externally Recruited Staff

- 4.12 The Governor defended his decision to recruit five new staff externally on the grounds that it was consistent with the head-hunting policy of the Bank as provided in the resolution of the Human Resource and Remuneration Committee of the Board (Meeting 135 of 11th May 2016) and Section 6.3.1 of the Administration Manual which provides that headhunting recruitment method shall be used for rare skills required for mission critical positions. He further referred to Section

6.3.3 of the Manual which provides that recruitment of staff by headhunting shall be carried out upon approval from the Governor/Deputy Governor and ratification of the Board. He then went on to point out that in the past, the Bank has recruited up to 200 officers and 445 support staff by way of the headhunting method. He explained that the persons recruited possessed specialized skills and competencies in Economics, Procurement, Banking, Information Technology and Finance.

- 4.13 With regard to allegations that some of the externally recruited staff were not qualified the Governor placed reliance on Section 6.2.8(iii) of the Administration Manual. He explained that according to that provision of the manual staff possessing specialized skills critical to the Bank but lack first class or upper second degrees may be recruited under exceptional circumstances after clearance of the Governor or the Board. He insisted that the staff in question (Dr. Twinemanzi Tumubweinee and Ruth Kande Sabiiti) were recruited on account of specialized skills they possess, which they acquired after completing their first degrees and that in addition they had been previously working in specialized regulatory institutions of Government being Uganda Communications Commission (UCC) and the Public Procurement and Disposal Authority (PPDA).
- 4.14 The Governor also pointed out to the Committee that none of the external recruitments involved conflict of interest, influence peddling or nepotism. He further pointed out that there was nothing in the law prohibiting children of former staff or former Board members from serving the Government of Uganda. He went on to state that his decision was in line with law and policies governing the Bank and that he had acted in good faith in the expectation that the Board of Directors would ratify the changes once it was fully constituted.

5.0 ANALYSIS AND FINDINGS RELATED TO THE GOVERNOR'S DECISION

5.1 The Committee's analysis and findings in relation to the Governor's decision are primarily based on how the authority of the Bank is established in the Constitution. Article 161(2) provides that,

"The authority of the Bank of Uganda shall vest in a board which shall consist of a governor, a deputy governor and not more than five other members".

Article 161(4) provides that,

"The office of governor and deputy governor shall each be a public office, and the governor and deputy governor shall respectively be chairperson and deputy chairperson of the Board."

5.2 The Board of Directors of the Bank of Uganda is therefore established as the apex of authority with regard to the Bank. The Constitution also places the two topmost executive officers of the Bank as the Chairperson and deputy Chairperson of the Board of Directors which differs from a good corporate governance point of view. This is because typically corporate governance best practice would require that chief executives do not also double as board chairpersons.

5.3 In explaining his decision the Governor placed reliance upon the Bank of Uganda Act and primarily Section 28(4) thereunder which vests authority for all appointments of employees in the Board of Directors except as may be otherwise provided in the by-laws of the Bank. Section 28(4) provides,

"Except as may otherwise be provided by the byelaws of the Bank, all appointments of employees shall be made by the Board."

- 5.4 The Governor couples the foregoing explanation with reliance upon ByeLaw 8(2)(a) and 8(2)(e) which vest responsibility for organization and management of the Bank and ensuring proper discharge of duties of officers and other employees in the Governor. The aforementioned byelaws as established in Statutory Instrument 57-1 provide that,
- “The Governor shall be especially responsible for the organization and management of the bank at its head office, branches and agencies; ... ensuring the proper discharge of the duties of the officers and other employees of the bank.”*
- 5.5 However, even more importantly as outlined in Paragraph 4.1.5 above, the Governor assumed a unique position whereby he exercised the authority, albeit delegated, of the Board of Directors of the Bank solely as Board Chairperson.
- 5.6 In light of the above, it is apparent that within the context of the multi-faceted decision of 7th February 2018, the Governor exercised authority of the Board alongside executive authority as Governor. This created a complicated situation from corporate governance point of view whereby the Governor made a decision as a Chief Executive and yet also assumed the role of the Board within the same decision. This is because there were aspects of the decision which were attributable to him as a Chief Executive while other aspects of the same decision were attributable to the Board.
- 5.7 In ordinary circumstances where a full Board has been put in place, there would be no basis upon which a Governor would purport to exercise authority of the Board alone. However, in this particular instance, the Governor explained that he exercised the authority of the Board in a delegated capacity. When the Committee examined the basis upon which the Governor based himself to assume delegated

authority, two concerns were immediately apparent. The first concern was with regard to the contextual application of the resolution of the Board of Directors relied upon by the Governor. The second concern was with regard to whether legally speaking there was any reason to assume that there was no Board of Directors in existence on 7th February 2018.

The Board Resolution of 2012

- 5.8 It is important to note that from a simple interpretation of the resolution as stated above in Paragraph 4.1.5, it would appear that the Governor acted in accordance with the resolution. However, a closer examination of the resolution from a contextual point of view portrays a different picture. The question of the contextual application of the Board Resolution arises from the wording of the Resolution itself. The Board Resolution as cited in Paragraph 4.1.5 above arose from Minute No. 3597, Paragraph 5 of the Minutes of the Board of Directors Meeting held on 30th May 2012. According to the resolution the Governor was authorized to consider and approve, subject to ratification of the Board, all matters and issues that would call for Board consideration and approval. The minute then specifically states the purpose of the resolution in the following terms, *“This should enable the Bank to continue operating well **in the interim where a fully constituted Board would not be in place.**”* – *Emphasis added.*
- 5.9 The context above makes singular reference to the interim. The interim is construed as being specific to the period during which the term of the Board responsible for Minute 3597 would have expired and a new Board is yet to come into place. To apply the Minute to all subsequent periods where other Boards’ terms expire pending commencement of a new term of a Board would be tantamount to amending the Board Manual (Charter) which coincidentally was also adopted at the same meeting No. 311 of 30th May 2012.

- 5.10 In the Introduction to the Bank of Uganda Board Charter and Code of Conduct, it is stated inter alia that, *“The Manual (Charter) contains sections that set out the terms of delegations, which have been made by the Board to the Governor, who is the Chief Executive Officer, ...”*
- 5.11 Going by the intention stated above, there is nothing in the Board Charter which stipulates that a Governor will always assume powers of the Board in the interim period when a Board’s term has expired and a new Board is yet to be constituted. If this was intended to be the case then the same Board would have adopted it as a standard practice in the Board Manual especially given that they approved the Board Charter on the same day that they granted the Governor the interim authority.
- 5.12 In addition to the above, there is also the fact that Article 161(2) of the Constitution only stipulates an upper limit to the number of Directors appointed in addition to the Governor and Deputy Governor and not a lower limit. This number is set at five. The fact that in addition to the Governor and Deputy Governor there was still another Board member available in the person of Mr. Keith Muhakanizi, brings into question whether legally speaking there was no Board. At the very least there were at least two Board members with whom the Governor could have consulted and discussed. Article 161(2) of the Constitution provides that,
- “The authority of the Bank of Uganda shall vest in a Board which shall consist of a Governor, a Deputy Governor and not more than five other members.”*

Conclusions:

- 5.13 It is the view of the Committee that the Governor mistakenly exercised delegated authority of the Board to take a very broad far-reaching decision concerning the Bank. In our view a contextual interpretation of the Board Resolution of 2012 upon which the Governor relied to exercise powers of the Board was limited in scope to the period immediately following the expiry of the term of the Board passing the Resolution and the commencement of a fresh term by the next successive Board. To read the resolution in any other context directly contradicts what is stated in the introductory remarks of the Bank of Uganda Board Charter and Code of Conduct which refers to provisions of the Charter setting out terms of delegations which have been made by the Board to the Governor who is Chief Executive Officer. If it had been intended for the delegation to be construed *ad infinitum*, then the Board of Directors would have included it in the routine terms of delegations specified in the Charter.
- 5.14 It is also the view of the Committee that contrary to the Governor's belief that the Board of Directors was not fully constituted so as to justify assumption of delegated responsibility, there was actually a Board of Directors in place. This is because Article 161(2) of the Constitution established the Board of Directors as consisting of the Governor and Deputy Governor as Chairperson and Deputy Chairperson respectively and not more than five other Directors. This essentially meant that at the time of the Governor's decision there was still a Board of Directors in existence going by the Constitution. This is because there was at least one Board member in the person of Mr. Keith Muhakanizi whose term was still running. The Constitution establishes no minimum number on the Directors not being Governor and Deputy Governor. The Governor was therefore wrong to assume the powers of the Board because there was still a Board in place by

constitutional standards. The Committee also noted that at the time of the decision of 7th February 2018, the rest of the Board Members had already been approved by Parliament and only awaited formal instruments of appointment from His Excellency the President. The Committee could not therefore understand what was so urgent about the decision that it could not await the full Board of Directors.

- 5.15 The Board Resolution upon which the Governor placed reliance to effect his decision needs to be revoked to avoid any possibility of future confusion beyond what has already taken place. The Resolution is a source of unnecessary confusion and could be exploited to usurp the authority of the full Board.

Staff Transfers

- 5.16 The Governor defended the transfers that he effected as consistent with authority granted to him as Governor in Section 6.6.2 and 6.6.8.5. However, it was noted that the said sections do not exist in the October 2015 manual which was in operation at the time of his decision. The operative provisions were laid out in Section 4.5.9 of the Administration manual of October 2015. Section 4.5.9.1 provides that employees may be subjected to transfers within and between Departments at the Bank's Headquarters, Regional Branches and/or Currency Centres, as may be determined by Management from time to time.
- 5.17 It was also noted that as much as the Governor placed reliance on Section 4.5.9.1 of the Manual as granting him authority to transfer staff, the term 'management' was not defined anywhere in the context of the Manual. This lack of specificity rendered the provision ambiguous and open to subjective interpretation as to who ultimately constitutes management for purposes of implementation of transfers.

5.18 In the view of the Committee as much as Section 4.5.9.1 was not specific with regard to who makes up management of the Bank, the provision did not bar the Governor as Chief Executive Officer from implementing transfers. However, in the case of the Chief Internal Auditor (CIA), there is a clear exception made to the general transfer policy. According to the Internal Audit Charter of the Bank of Uganda, it is only the Audit and Governance Committee of the Board of Directors which has the power to remove the Chief Internal Auditor²⁵. By the same token the Chief Internal Auditor is supervised by the same Audit and Governance Committee.

Conclusions

5.19 With the exception of the Chief Internal Auditor there is nothing in the Administration Manual that prohibits the Governor from taking decisions with regard to transfer of staff. In this regard therefore the Governor's decision to move staff around was not irregular. However, whereas it was not irregular it was unusual that the Governor opted not to involve any Bank staff like the Administration Directorate staff and possibly concerned heads of department when it came to transferring bank staff. This may have been within his prerogative as the Chief Executive Officer of the Bank but also unwise because conducting the transfers without adequate consultation with the relevant managers was queried by some of the staff who pointed out to the Committee that some staff members ended being transferred to departments which were inconsistent with their core skills. To that extent the example was given of one senior staff whose core experience and training lies in the IT field and yet they ended up being transferred to handle Corporate Affairs in the Bank.

5.20 The decision to transfer the Chief Internal Auditor Ms. Deborah Kabahweza was blatantly irregular and outside the powers of the Governor regardless of whether he was exercising the authority of the Board. Section 3.0(f) of the

²⁵ See Section 3.0 of the Bank of Uganda Internal Audit Charter

Internal Audit Charter of the Bank of Uganda specifically reserves the right to remove the Chief Internal Auditor for the Audit and Governance Committee of the Board and even then the removal can only be initiated on the grounds of incompetence, misbehavior or misconduct and inability to perform functions due to sickness of body or mind. The Governor could not therefore by any stretch of imagination undertake the transfer of a sitting Chief Internal Auditor even if he was exercising delegated authority of the Board which in the view of the Committee he was not.

- 5.21 It is also noteworthy that the choice of replacement of Ms. Kabahweza as Chief Internal Auditor with Mr. David Kalyango who was formerly Executive Director in charge of Finance also raised ethical concerns from an audit perspective. This was pointed out to the Committee by a Board Member, Ms. Josephine Okwi Ossiya who said that it went against best practice standards in the audit profession to have a person who has previously been subject to audit to immediately take over the portfolio of the auditor. It created a risk of the auditor now reviewing their own work and decisions previously handled in capacity of auditee. The Governor's choice of replacement of the Chief Internal Auditor was therefore not only irregular in implementation but also ill-advised in this regard.

Creation of New Positions and Job Descriptions

- 5.22 The Governor defended his decision to create new positions and job descriptions on the grounds that the Bye-Laws granted him authority to reorganize the Bank and that Section 4.2.2 of the Administration Manual allows for recruitment and right sizing based on work plans and actual or anticipated human resource gaps. This was also based on the Governor's perception of specific challenges in the Bank. At this juncture it should be noted that the Governor was citing a provision from the Manual of 2015.
- 5.23 With regard to the above, the Governor appeared to exercise powers of the Board when he altered the approved Macro-Structure of the Bank while also purporting to exercise executive authority to organize the bank outlined in

the Bank of Uganda By-Laws. As pointed out above in Paragraph 4.2.2 the Governor also based his decision in this regard on responsibilities attributed to the Governor under Byelaw 8(a)&(e).

- 5.24 As a result of the changes implemented by the Governor, there is currently a parallel structure in operation at the Bank of Uganda which has not yet been formally adopted by the Board of Directors.
- 5.25 It should also be noted that the responsibility for consideration of the structure of the Bank lies with the Human Resource and Remuneration Committee of the Board (HRRCB) as per Section 10.1.6(b) of the Board Manual (Charter) and Code of Conduct. The HRRCB considers the structure among other things and makes appropriate recommendations to the Board. The changing of the organization structure of the Bank cannot therefore be a one-man affair.
- 5.26 Section 4.2.2 of the Administration Manual specifically provides that,
“The Bank shall attract, motivate and retain the right people, with the right knowledge, skills, competencies, attitudes and behavioural characteristics that fit the culture of the Bank. The actual recruitment or rightsizing shall be dictated by the workplan and actual or anticipated human resources gaps.”
- 5.27 From the above, what is evident and consistent with testimony received from staff of the Administration Directorate is that anything to do with recruitment or adjustment of the Bank staff structure such as through rightsizing cannot be a spur of the moment decision. It must be preceded by a justification in the form of a workplan and presentation of actual or anticipated human resources gaps. The Governor did not make any mention of a formal workplan or report of human resource gaps at the Bank when he unilaterally effected changes on 7th February 2018. This made it impossible for the committee to determine the rationale of his decision with regard to creation of positions such as that of Procurement Assurance Manager.

5.28 It is also pertinent at this point to note that when the Committee compared the draft job description for Procurement Assurance Manager with that of Director in charge of Procurement and Disposal at the Bank, it was noted that most of what was described in the position was similar to the Procurement and Disposal function.. This raised the likelihood of duplication of roles and the possibility of conflict in the future.

Conclusions:

5.29 In defending the creation of new positions in the Bank such as that of Procurement Assurance Manager as assumed by Ms. Ruth Kande Sabiiti, the Governor explained that he derived authority from the Bank Bye-laws on the one hand and Section 4.2.2 of the Administration Manual on the other hand. In essence the Governor suggested that he had a responsibility under Section 8(2)(a) of the Bye-laws for organization and management of the Bank extending to the implementation of Section 4.2.2 of the Administration Manual which provides for recruitment and rightsizing in the Bank.

5.30 However, the responsibility of the Governor cited under Section 8(2)(a) concerning organization and management of the Bank has to be qualified in the context of Constitutional Mandate of the Board. Article 161(2) of the Constitution vests the authority of the Bank in the Board of Directors. By placing reliance on the Bye-laws to vest powers of organization and management of the Bank in himself as Governor, the Bye-law directly contradicts the constitutional authority of the Board. The Board's authority with regard to management of the Bank is provided for under Section 10 (a) of the Act and is reproduced in Section 5.2 of the Board Charter and Code of Conduct. The Bye-laws continue to remain in force in as much they have not been declared unconstitutional but they do create a conflicted legal regime at Bank of Uganda where responsibilities constitutionally attributable to the Board are also attributed to the Governor in the Bye-laws.

- 5.31 In light of the above, the Governor was mistaken to assume that he as Governor could unilaterally assume responsibility concerning creation of positions in the bank in the name of reorganization and management. The responsibility stipulated under Section 8(2)(a) of the Bye-laws contradicts the parent Act and the Constitution and cannot apply in that regard. Creation of new positions at the Bank is tantamount to changing the Bank Organizational Structure which is clearly a Board responsibility as explained below.
- 5.32 It is clear from Section 10.1.6(b) of the Board Charter and Code of Conduct that the responsibility for consideration of the structure rests with the Board through the Human Resource and Remuneration Committee. Reorganization of the Bank especially in light of introduction of new positions cannot therefore be a one-man affair. The creation of the new positions was complicated even further by the immediate filling of the same positions which rendered any future ratification of the same by the Board problematic.

Promotion of Nine Staff to Assistant Director

- 5.33 The Governor promoted nine staff to Assistant Director level on the grounds that the policy and practice of promotions at different ranks at the Bank has always been through interviews, appraisals or direct promotional appointment by the Governor. In this explanation the Governor suggested that beyond interviews and appraisals, he had the authority to directly promote staff. When the Committee examined Section 4.3 of the Administration Manual of October 2015 on Recruitment Procedure, there was no mention at all of how a bank staff could be directly promoted by the Governor without being subjected to interviews either by the Board or the HRRCB. Section 28(4) of the Bank of Uganda Act solely vests the authority to appoint employees of the Bank in the Board.
- 5.34 Promotion of staff at Bank of Uganda is deemed to be an internal form of recruitment and is therefore governed by Chapter 4 of the Administration Manual of 2015 concerning Terms and Conditions of Service of Bank

Employees. Section 4.3 of the Manual specifies three processes in terms of recruitment procedure namely, advertisement, selection process and shortlisting. There is no exception made to these processes. This therefore made the Governor's decision inconsistent with the policy regardless of whether or not he was exercising powers of the Board.

- 5.35 It should be noted that the Governor's decision to simply promote staff without due process was also inconsistent with the recommendation of Chief Internal Auditor's report. According to that report the CIA recommended that the interview results should be cancelled and the process repeated with clear guidelines that should be adhered to, so as to restore confidence in the recruitment process. There was no evidence to show that the Governor had respected the advice of the CIA on 7th February 2018.
- 5.36 According to the Chief Internal Auditor's report as communicated to the Governor on 7th February 2017, it was found that there were shortcomings in the recruitment process of Assistant Directors which commenced in June 2017. As a result the Chief Internal Auditor recommended that the interview results be cancelled and the process repeated with clear guidelines that should be adhered to, so as to restore confidence in the recruitment process.
- 5.37 The Chief Internal Auditor's investigation report was prepared in line with a resolution of the Board of Directors at its meeting No. 341(S) of 31st October 2017. The objectives of the investigation were to:
- a) Assess the recruitment process for Assistant Directors from announcement of vacancies up to completion of oral interviews.
 - b) Assess and ascertain compliance with Bank's policy and procedures on recruitment.
 - c) Make recommendations to Management arising from findings.
- 5.38 However, it was noted from the above that the investigation process undertaken by the Internal Audit department did not seem to fit the description of any of the audit processes specified under Section 4.0 of the

Bank of Uganda Internal Audit Manual. Furthermore Section 6.9.3 of the Internal Audit Manual requires that audit reports shall be addressed to the Governor and/or the manager requesting audit services and that the reports shall be copied to the Chairman, Audit Committee of the Board and/or other person determined by the Chief Internal Auditor. The report in question was only copied to the Deputy Governor.

Conclusions:

- 5.39 The Governor's explanation justifying the elevation/promotion of nine staff to Assistant Director level was found to be wanting because there is no place in the Administration Manual which creates a situation where a Bank staff can be promoted from Senior Principal Banking Officer to Assistant Director level without being subjected to interviews by the Board.
- 5.40 The Governor's explanation that his decision was premised upon the failure of a previous promotion exercise as detailed in a report of the Chief Internal Auditor was also wanting. The fact that the previous exercise had failed did not give the Governor leeway to disregard the Administration Manual. In actual fact his decision to act outside the provisions of the Administration Manual contradicted the recommendation of the Chief Internal Auditor with regard to the previous process as noted in Paragraph 4.2.8.4 above.

Appointment of Externally Recruited Staff

- 5.41 The Governor's decision to appoint five externally recruited staff raised questions on two levels. The first was with regard to procedure while the second was with regard to the determination of the qualifications of the persons in question.
- 5.42 With regard to procedure, the Governor associated his decision with the Headhunting Policy of the Bank as stipulated in the Administration Manual of April 2018. At this point it is important to note that the Manual the

Governor relied upon came into operation after his decision of 7th February 2018, the actual headhunting policy had previously been approved by the Human Resource and Remuneration Committee of the Board of Directors (HRRCB) during its meeting held on 5th May 2016. It is this policy that the Governor appeared to base himself to justify the external recruitment.

5.43 However, as much as the Governor stated that he had acted in accordance with the policy, when the Committee examined the policy as approved by the HRRCB, it was clear that what the Governor considered to be headhunting was actually a significant departure from the policy. The policy as approved by the HRRCB during the aforementioned meeting stipulates as follows:

- a) Headhunting for specialized mission critical skills would only be done after efforts to identify talent or skills from the ordinary internal and external recruitment process had been exhausted.
- b) Determination of the mission critical talent would be done by the respective Heads of Department.
- c) The Heads of Department would be required to provide justification for headhunting of the mission critical talent.
- d) Requests from Heads of Department would be forwarded to the Director Human Resource for analysis.
- e) If the analysis indicated a need for recruitment through headhunting, the case would be forwarded to the Executive Director Administration (EDA).
- f) If EDA was satisfied, he/she would send a request to the Governor or Deputy Governor for approval, subject to ratification by the Board.
- g) Upon approval to recruit the mission critical talent, proceedings would be undertaken by the Director Human Resources Department.

- h) The Director Human Resources would communicate with the talent identified. The communication should include salary and terms for recruitment into the Bank's services.
- i) Headhunting for support roles such as Office Attendants, Note Examiners, Drivers, Security Assistants, Stock Attendants etc would be cleared by the Governor or Deputy Governor.
- j) Unsolicited applications from the Human Resources database and interested candidates would be compiled.
- k) A shortlist of those that satisfied the person specification stated in the respective job descriptions would be made.
- l) The candidates would be interviewed by the Human Resource Management Committee to select the most suitable candidate(s) for the position(s).

5.44 When the Committee interviewed Mr. Solomon Oketcho, the Executive Director Administration, he denied any knowledge of the recruitments prior to the Governor's communication of 7th February 2018. Similarly Dr. Jan Tibamwenda, Director Human Resource and Agnes Ibaarah, Deputy Director Human Resources also denied knowledge about the external recruitment of staff prior to 7th February 2018. This situation therefore begged the question as to how the Governor could consider the recruitment as being in line with the Bank Headhunting policy when none of the senior staff of the Administration Directorate had participated in the recruitment process.

5.45 As concerns qualifications of the externally recruited staff, Section 4.3.4 of the Administration Manual of October 2015 applicable at the time of the Governor's decision establishes minimum qualifications for six separate cadres of Bank Staff, namely:

- 1) Banking Officers
- 2) Clerical Staff
- 3) Administrative Assistants
- 4) Data Entry Operators

- 5) Security Assistants
- 6) Stock Attendants
- 7) Note Examiners and other Support Staff

5.46 It was noted from interactions with Bank Staff that for each cadre of staff there are varying ranks of staff provided for. For example the Banking Officer Cadre has ranks covering Banking Officer I & II, Senior Banking Officer I & II, Principal Banking Officer, Senior Principal Banking Officer, Assistant Director through to Executive Director; while in the case of Clerical Staff, Administrative Assistants and all the others outlined above they are categorized into different ranks.

5.47 The context in which bank staff generally viewed Section 4.3.4 of the Administration Manual was also consistent with the Governor's defence of Dr. Twinemanzi Tumubweinee's and Ms. Ruth Kande Sabiiti's recruitment which he explained as having been conducted within the context of exceptional circumstances provided under Section 6.2.8.1(iii) of the Administration Manual of April 2018 (identical to Section 4.3.4.3 of the Administration Manual of 2015 which was applicable at the time). The Governor therefore by necessary implication admitted that both Dr. Tumubweinee and Ms. Sabiiti did not meet the minimum entry requirement. He clearly applied the exceptional circumstances provision of the manual because he understood that all entrants into the Bank are subject to entry requirements stipulated under Section 4.3.4 of the 2015 manual which is now Section 6.2.8 of the current Manual.

5.48 With regard to recruitment of the Banking Officer cadre, Section 4.3.4.2.1 of the Administration Manual provides that,

"The Bank shall maintain the minimum requirements for both internal and external recruitment into the Bank as First Class or Upper Second honours degree."

5.49 As concerns the specific staff who benefited from the external recruitment the Committee noted regarding their recruitment as follows:

Dr. Twinemanzi Tumubweinee, Executive Director Supervision

5.50 It was determined from Dr. Tumubweine's personal file that he holds the following academic qualifications:

- 1) PhD in Economics from the University of Texas in Dallas, United States of America (December 2009)
- 2) Master of Science degree in Economics from the University of Texas in Dallas, United States of America(December 2009)
- 3) Master of Science Degree in Management and Administrative Sciences from the University of Texas in Dallas, United States of America (May 2004)
- 4) Bachelor of Science Degree in Statistics and Applied Economics from Makerere University in Kampala, Uganda (January 1996)

5.51 When Dr. Tumubweine's academic qualifications were considered alongside the prescribed requirements stipulated by policy in the Administration Manual, it was found that his first degree was a pass degree. It therefore fell below the standard requirement of 1st Class and Upper Second Honours and also below the standard set for exceptional circumstances which is Lower Second Honours degree. It is also pertinent to note that Dr. Twinemanzi lacked experience in commercial banking as stipulated in the job description for Executive Director Supervision. There was no mention of any working experience relevant to commercial banking in his personal records at the Bank.

Mr. Valentine Ojangole, Director Banking

5.52 It was determined from Mr. Ojangole's personal records that his academic qualifications were as follows:

- 1) Master of Business Administration (MBA) from ESAMI – October 2009.
- 2) Bachelor of Commerce (BCom) Accounting from Makerere University in Kampala, Uganda – June 2000.

5.53 Mr. Ojangole's transcript for the Bachelor's degree revealed that he graduated with Upper Second Class Honours and therefore met the minimum requirement set in the Administration Manual for recruitment of Banking Officers.

Mr. Edward Mugerwa, Director IT Operations

5.54 According to Mr. Mugerwa's personal records he is a holder of one degree being a Bachelor of Science (Bsc) in Electrical Engineering obtained from Makerere University in Kampala, Uganda in 2000. He passed with Upper Second Class Honours and as such fell within the minimum requirements for entering the Bank of Uganda. However with regard to the official Bank job description that Mr. Mugerwa lacked the minimum requirement of a Masters degree in Computer Science/Engineering, Information Systems/Technology or closely related field. His personal records revealed that he only possessed a Bachelors degree.

Ms. Ruth Kande Sabiiti, Procurement Assurance Manager

5.55 When Ms. Sabiiti's personal records were examined she was found to be a holder of one degree being a Bachelor of Arts in Social Sciences (Economics and Political Science) obtained in 1996 from Makerere University in Kampala, Uganda in 1996. It was determined from her degree transcript that she held a basic pass degree with no honours. This was clearly outside the minimum requirement of Upper Second Honours for normal recruitment and that of Lower Second Honours for recruitment under exceptional circumstances.

Dr. Natamba Bazinzi, Assistant Director Currency Administration

5.56 When Dr. Bazinzi's personal records were examined he was found to hold the following academic qualifications:

- 1) Doctor of Philosophy (Business Management – Finance) obtained from Moi University in Kenya – 2016.
- 2) Master of Science (Msc) Accounting and Finance – Makerere University in Kampala, Uganda – 2010.
- 3) Bachelor of Business Administration – Makerere University Kampala – 2006

5.57 Dr. Bazinzi's academic transcript for his Bachelor's degree showed that he graduated with Upper Second Honours and therefore met the minimum recruitment requirement for Banking Officers. However, close analysis of his working experience and the official job description for an Assistant Director Currency revealed a variation. Whereas The job description called for at least 5 years working experience in a financial institution with at least 2 years in the management of currency operations or at least two years as Head of Section in Bank of Uganda his personal records revealed no relevant experience in light of the position he was offered.

5.58 The Governor specifically defended the recruitment of Dr. Twinemanzi Tumubweinee and Ms. Sabiiti above on the grounds that he had headhunted them under the exceptional circumstances provision of the Administration Manual. However, Section 4.3.4.3 of the Administration Manual provides for recruitment of Banking Officers under exceptional circumstances in these terms,

“Under very exceptional circumstances, persons possessing specialized skills, critical to the Bank, but lack 1st Class or Upper Second degrees might be recruited with Lower Second degrees after clearance by the Governors or the Board.”

- 5.59 When one examines both Sections 4.3.4.2.1 and 4.3.4.3 of the Administration Manual of 2015, it is apparent that both Dr. Twinemanzi Tumubweinee and Ms. Ruth Kande Sabiiti failed to meet the minimum academic requirement currently understood for entering the bank. Furthermore it was also clear that they did not meet the academic requirements necessary for consideration under exceptional circumstances.
- 5.60 It is also pertinent to note that in the cases of Mr. Edward Mugerwa and Dr. Natamba Bazinzi whereas they met the minimum academic entry requirements for the Bank, they lacked some basic requirements stipulated in the official job descriptions for the positions they took up.
- 5.61 In the case of Edward Mugerwa, under the Person Specifications for the job of Director IT Operations as specified in the Bank Job Reference ITO 1.1, the first primary qualification stipulated is a Masters Degree in Computer Science/Engineering, Information Systems/Technology or closely related field from a recognized university and a PhD in one of these fields is a definite advantage. However, according to Edward Mugerwa's personal file, he only holds a Bachelor of Science in Electrical Engineering as his primary academic qualification. It therefore begs the question as to how the Governor came to the conclusion that he was the best suited for the job.
- 5.62 With regard to Natamba Bazinzi, he lacked the working experience of at least five years in a financial institution with at least two years in management of currency operations or at least two years as Head of Section in Bank of Uganda as stipulated in the official Bank Job Reference CD2.01. According to his CV, Natamba Bazinzi's experience is largely as an academic and a consultant and he had never worked in a financial institution by the time he was recruited into the Bank. This therefore also begged the question as to what the Governor based himself upon to determine that Bazinzi merited recruitment through headhunting.

- 5.63 It is also noteworthy that as much as the Governor purportedly exercised delegated authority of the Board, the requirement for clearance by the Governors or the Board for recruitment under exceptional circumstances automatically placed the Governor in a position of conflict of interest. This is because it was clear that as Governor he was the initiator of the recruitment of the external staff and yet at the same time he purported to clear his own recruitment process by virtue of what he considered to be delegated authority of the Board of Directors.
- 5.64 It was also interesting to note that in all the cases of the externally recruited staff whereas all were deemed to have been headhunted, none had any clear evidence to prove that they had been formally approached by the Bank and invited to apply for positions.
- 5.65 Dr. Natamba Bazinzi's personal file showed that he tendered an application for a position in the currency department to the Governor on 18th October 2017. According to his testimony he solicited the job and not the other way round.
- 5.66 In the case of Mr. Edward Mugerwa he claimed to have been headhunted on account of a curriculum vitae he had submitted to the Human Resource Department of the Bank around April or May 2017. He claimed that he had been informed that his expression of interest for a job accompanying the curriculum vita had been misplaced and that he had been requested to submit another application. He stated to the Committee that he been informed about the loss of his application letter by Ms. Agnes Ibaarah around Saturday 6th or 7th February 2018. This statement is significant because it is in direct contradiction to Ms. Ibaarah's statement to the Committee that she only became aware of the Governor's decision on the 7th of February 2018.
- 5.67 As concerns Dr. Twinemanzi Tumubweinee, he informed the Committee that as part of the process via which he claimed he was headhunted he had been

instructed by the Governor to go and speak to certain people. When he was pressed to reveal the persons he spoke to, he steadfastly refused to disclose the identities of the said persons and referred the Committee back to the Governor. It was therefore interesting that whereas virtually the whole Bank appeared to be in the dark about the decision of the Governor prior to 7th February 2018, there seemed to be persons outside the Bank influencing the course of events if Dr. Tumubweine's statement is to be believed.

- 5.68 In Ms. Sabiiti's case, as much as the Governor claimed to have headhunted her, she stated to the Committee that she had previously submitted an application to the Bank in light of gaps she had identified in procurement and disposal. She then informed the Committee that she had been contacted by the Human Resource Department *after* the Governor had communicated her appointment on 7th February 2018.
- 5.69 It was also noteworthy that in all cases the Governor received and unilaterally approved requests from the externally recruited staff to be granted permanent and pensionable status. This was in spite of the fact that he claimed that his decision was subject to ratification of the Board of Directors. As much as he made reference to ratification the Board of Directors when appearing, no such reference was evident in the memo of 7th February 2018 and the appointment letters of all the externally recruited staff. In fact in the case of the externally recruited staff, they were immediately placed in the permanent and pensionable category despite the requirement under Section 4.5.7.1 of the Administration Manual which requires all employees to undergo a probationary period of six months with a possibility of further extension for another six months.

Conclusions:

- 5.70 Contrary to the explanation of the Governor, the procedure that he adopted in the recruitment of five staff from outside the Bank was completely inconsistent with the Bank policy on headhunting and bore no resemblance to any other recruitment process provided in the manual. All five staff

externally recruited by the Governor were therefore recruited outside of the known policies and procedures for recruitment at the Bank.

- 5.71 Within the context understood by Bank staff regarding entry requirements, at least two of the externally recruited staff, namely Dr. Twinemanzi Tumubweinee and Ms. Ruth Kande Sabiiti did not qualify for normal entry into the Bank for lack of the basic academic requirement of a First Class degree or an Upper Second Class degree contrary to Section 4.3.4.2.1. Likewise the same staff did not qualify either for recruitment under special circumstances for lack of Lower Second Class degrees contrary to Section 4.3.4.3 of the Administration Manual. The Committee did note though, that the manner in which entry requirements for the Bank are specified was open to possibility of challenge in terms of interpretation. The reference for example to entry requirements for a cadre of staff like Banking Officers without any corresponding definition of who shall constitute Banking Officers for purposes of that section, opens up the question as to whether entry requirements are specific to a rank being Banking Officer or a category of staff designated broadly as Banking officers. This needs to be clarified.
- 5.72 With regard to Mr. Edward Mugerwa and Dr. Natamba Bazinzi who were recruited as Director IT Operations and Assistant Director Currency Administration respectively, their recruitments were also found irregular beyond not only in procedure but also on account of the fact that in both cases they lacked fundamental basic requirements specified in the official job descriptions for their respective positions. Dr. Bazinzi lacked relevant work experience as was also the case for Dr. Twinemanzi Tumubweine for the position of Executive Director Supervision while Mr. Edward Mugerwa lacked the foundational Masters degree requirement associated with the position for which he was recruited. However, the Committee also noted that the official job descriptions provided by Bank of Uganda had no corresponding link to documents such as the Human Resource policy as enshrined in the Administration Manual. This tended to give the job

descriptions an element of informality as it was not clear against what background job descriptions at the Bank of Uganda are developed.

- 5.73 The appointment of all five externally recruited staff on permanent and pensionable terms violated the requirement for probation under Section 4.5.7.1 of the Administration Manual. An appointment on permanent and pensionable terms cannot exist alongside a probationary appointment as this would be in violation of Section 2 of the Employment Act of 2006 which defines a probationary contract as “one which is not more than six months duration, is in writing and expressly states that it is for a probationary period”. The appointment of all five externally recruited staff was therefore irregular and defective to the extent that it violated the Administration Manual of the Bank and by necessary implication Section 2 of the Employment Act.
- 5.74 Aside from the cases of the five staff recruited on 7th February 2018, the Committee noted there had been several prior cases where staff had been recruited into the bank without following stipulated procedures. According to records sampled by the Committee between 2016 and 2018, the following staff were recruited outside of the bank procedures at the corresponding entry ranks:
- 1) Arthur Butime, Banking Officer II
 - 2) Betty Kakyoo, Banking Officer II
 - 3) Maureen Kayesu, Banking Officer II
 - 4) Shirley Bananura, Banking Officer II
 - 5) Emmanuel Ssentongo, Banking Officer II
 - 6) Peace Karungi, Banking Officer II
 - 7) Sam Taremwa, Banking Officer II
 - 8) Tricia Nsiime, Banking Officer II
 - 9) Doreen Namara, Banking Officer II
 - 10) Jonathan Mwesigwa, Banking Officer II

Overall Conclusions concerning the Governor's Decision:

- 5.75 In summary the Governor's decision of 7th February 2018 as analyzed above went against the spirit of the Recruitment Policy of the Bank as provided under Section 4.2 of the Administration Manual and more specifically Sections 4.2.1, 4.2.2 and 4.2.3.
- 5.76 Section 4.2.1 provides that all employees of the Bank shall be engaged on such terms and conditions as shall be laid down by the Board. It further provides that the Bank shall recruit and select staff based on its Human Resource Planning, which emphasizes the Bank's strategic and operational requirements. As much as the Governor said that his decision was to address various challenges that he had identified as Chief Executive Officer, he did not mention how the aspect of recruitment in his decision was consistent with Human Resource Planning. It was hard to see how he respected the policy in that regard.
- 5.77 Section 4.2.2 of the Manual provides that inter alia that recruitment and rightsizing of staff in the bank shall be dictated by the work-plan or anticipated human resources gaps. The Governor did not tell the Committee how his decision was consistent with the work-plan or how he came to identify human resource gaps. What was instead evident was that he had substituted an earlier policy based process with a different process that was not consistent with existing policy and was also inconsistent with the recommendations made by the Chief Internal Auditor regarding how to correct the errors in the previous policy based process.
- 5.78 Section 4.2.3 of the Manual provides that approval of the Governor or Deputy Governor shall be sought before the actual recruitment process begins and that such a request would be accompanied by a clear job description. In the instant case the Governor commenced and approved his own process and in the case of at least one of the external recruits, Ms. Ruth

Kande Sabiiti there was no job description to speak of. A job description for Ms. Sabiiti's position only came up after she had been employed by the Bank.

- 5.79 The decision of the Governor of 7th February 2018 was inconsistent with the law and policies and more specifically the Human Resource Policy as enshrined in the Bank of Uganda Administration Manual of October 2015. He undertook changes at the Bank which changes ordinarily ought to have been subjected to various procedures in the name of due diligence and accountability. However, in all cases procedures were not followed. The Governor may indeed exercise authority as Chief Executive Officer and Chairperson of the Board at the Bank but this authority is not exercised in a vacuum. The authority must always be exercised within the parameters of the law and the policies governing Bank of Uganda. As much as the Governor's decision was intended to correct institutional problems as he stated to the Committee, it was also evident that the approach the Governor used to handle the problems only served to exacerbate the already prevalent issues at the Bank.
- 5.80 The risk behind disregarding procedures is that it introduces an element of uncertainty about staff about the relevance of processes and leads to suspicion about human resource related decisions being based on factors such as tribe or religion rather than merit.

6.0 ADDITIONAL OBSERVATIONS

Polarization of the Bank

- 6.1 The Governor's decision exposed to the Committee the extent to which there was polarization among staff based upon loyalties to either the Governor or the Deputy Governor and not necessarily to the institution's governing principles and policies.
- 6.2 During the interviews conducted by the Committee one of the evident concerns was about the existence of 'cliques' built around the persons of the Governor and Deputy Governor and while no evidence was found to suggest that the two principals at the Bank had any hand in the formation of the cliques, it was increasingly clear to the Committee that cliques do exist in the Bank and that to that extent the Bank was polarized. Almost all the staff interviewed alluded in one way or another to the existence of the cliques while at the same time denying being part of either clique. From the various interviews held with staff it was noted that there are camps at the Bank aligned to the Governor or Deputy Governor. As one staff member stated,

"Camps are there and have come out of mistrust between the principals thinking that one undermines the other".

- 6.3 While the current status quo has not done much to improve the situation, in the committee's analysis the question of cliques is deeper rooted and existed even before the Governor's decision of 7th February 2018. The Committee discovered that prior to the impugned recruitments executed by the Governor on 7th February 2018, there was evidence of recruitments commenced at the level of Governor issuing instructions for positions to be filled without expression of need from the user department, advertisements, interviews or any other procedure specified in the Administration Manual. The Committee received evidence of at least 74 staff either initiated or

approved by the Governor or Deputy Governor²⁶ from January 2010 to March 2018. However, the Governor specifically indicated that the Bank had *“in line with the above provisions of the policy,... headhunted 200 officers and 445 support staff.”*

- 6.4 As much as the Governor claimed that the recruitment was in line with policy, it was hard to understand what could justify headhunting over 600. Beyond the recruitment of staff, one of the current Board members, Ms. Obitre Gama made reference to how at some point the Board had conducted an audit of staff and found a significant number of staff on the payroll but without clear designations. She stated,

“If you look at the reports of the CIA (Chief Internal Auditor) on the Human Resource Audit, you will find that there was a problem with the numbers on the establishment and those of the staff on payroll. We found this when we joined the Bank in November 2012. We sought to correct it as the Human Resource Committee so that we do not have a situation where we have staff who are not on the establishment. When we asked how and why this arose, we were told that there were some staff that ended up in something that was generally called the pool. I think that there had been some sort of restructuring and these staff were restructured out but they did not leave. There were those that were staff of the Bank but you could not assign them to any particular position.”

- 6.5 The question of cliques in the Bank was aptly captured in the views of Ms. Josephine Okwi Ossiya, the newest Board member who observed as follows,

“Another thing I have picked from the Bank is that there seem to be camps where a group allies with the Deputy Governor and the other with the Governor. Whether there is a real conflict between the two – because you see them interact, it does not

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seem to be – or the staff have taken advantage of that to try and push their own agenda, I have not gone to that detail. However, there seems to be an apparent divide where there are those who rally – when they want this thing done they will go to the Governor and other groups to the Deputy Governor.”

Ms. Ossiya’s observation is significant because as the newest board member she is taken to have the freshest perspective of the clique problem at the Bank and is without the likely biases that may come up as a result of long service at the Bank.

- 6.6 The decision of the Governor taken on 7th February 2018 had the biggest impact in terms of undermining of an already compromised environment with regards to policy and procedures. The fact that the Governor opted without any specific reason to act without involving the Administration Directorate also tended to lend credence to the speculation about tension between the Governor and Deputy Governor. This is because according to the official Bank of Uganda Departmental Structure, the Administration Directorate’s reporting line is primarily to the office of the Deputy Governor. It is also significant that even after the Governor’s decision, the actual implementation of the decision still left out the office of the Deputy Governor.
- 6.7 The Deputy Governor, Dr. Louis Kasekende, confirmed to the Committee that the decision of the Governor was communicated while he was actually out of the country. This situation was rather unusual and tended to contradict both the Governor and Deputy Governor’s stated positions to the Committee that all was well between them. In fact when the Committee interfaced with Hon. MatiaKasaija, the Minister of Finance, Planning and Economic Development, he told the Committee that he had been informed that the Governor tended to act without proper consultation.
- 6.8 The absence of proper consultation is extremely evident in the decision of 7th February 2018 because there were a lot of violations of policy and in some

cases no recourse to policy at all. The deviations from policy coupled with the whole clique mentality meant that it could not be ruled out that both the Governor and Deputy Governor were vulnerable to influence from staff pursuing various private interests.

- 6.9 It is surprising that the Governor chose the particular line of action that he did which ended up further polarizing the Bank. This is because in September 2015 the Statistics Department of the Bank of Uganda undertook a Bank of Uganda Employee Satisfaction Survey for the Human Resource Department. One of the key findings of the survey highlighted in the executive summary was that work-related discrimination was the most common form of discrimination at the Bank followed by tribal/regional discrimination. Furthermore it was noted in Section 3.5.2 of the Report at Page 20 that with regard to the Bank's promotion policies, only one in ten respondents considered the promotions policies fair. Another key factor cited with regard to dissatisfaction with promotions policies was that there was a policy-practice mismatch meaning that what was being practiced was not consistent with the policy.
- 6.10 The findings in the aforementioned survey were consistent with the statements of some of the staff. The Deputy Governor himself confirmed to the committee that there was a breakdown of trust in the bank appraisal system and the grievance processes. He opined that staff did not trust the systems of the institution.
- 6.11 However, the most notable impact of the Governor's decision when it comes to polarization is the exposure of the rift at the top of the hierarchy. The fact that even the Deputy Governor was not made aware of the changes the Governor intended to make is very telling indeed in terms of the relationship between the two principals. The perception of polarization in that regard is very real indeed and has a direct bearing on the polarization of bank staff into cliques.

The Fusion of the Roles of Governor and Chairperson of the Board

- 6.12 Another way in which the decision of the Governor impacted the Bank as a whole was that it revealed how functionally speaking the position of Governor and Chairperson of the Board had become practically and functionally fused together.
- 6.13 Article 161(4) of the Constitution provides that the Governor and Deputy Governor of the Bank of Uganda shall also respectively hold the offices of Chairperson and Deputy Chairperson of the Board. This model while considered largely unusual from a traditional corporate governance point of view is a model that is widely held across the world among Central Banks. The rationale for this being the need for there to be smooth and seamless execution of monetary policy and financial sector oversight. The central argument for the fusion of these positions is that central banks perform unique roles in the economies of countries, and their autonomy and independence in decision making could be undermined by the existence of more than one power centre at the top.
- 6.14 However, from a corporate governance point of view there are concerns that the model inhibits effective performance of the oversight role of the Board of Directors. In an ideal corporate setting, it is envisaged that the Board monitors the performance of the corporate body through the supervision and oversight of the management team. It is in this regard that it is argued that a manager and in particular a Chief Executive Officer (CEO) cannot also double as the Chairperson of the Board as that would be tantamount to conflict of interest where the CEO sets their own targets and then goes ahead to oversee and evaluate the achievement of the same.
- 6.15 In the instant case the decision of the Governor taken on 7th February 2018 and duly analyzed above clearly depicts the dangers of having the function of CEO and Chairperson fused together. As has been established above, the

Governor executed functions of CEO and the Board concurrently and in so doing ended up undermining the traditional check and balance mechanism inherent in the relationship between a Board and a CEO. The Governor initiated recruitments, conducted interviews, made appointments and even varied employment terms without being mindful of the conflict of interest inherent in what he was doing. By executing both the functions of Governor (CEO) and the Board, he removed the possibility of his actions being evaluated and checked where the said actions were in violation of law and policy.

- 6.16 The resultant fusion of the two functions was not the intention of the framers of the Constitution. However, due to weaknesses that will be further highlighted in this report, the fusion became a detrimental reality so much that some of the Bank staff that the Committee interfaced with actually believed that the Governor's word was superior to law and policy governing the Bank. Ms. Josephine Okwi Ossiya, a current member of the Board Finance Committee observed that she had experienced instances where in terms of review of budget the Finance Committee would query overspending. In response to the query staff would respond, "The Governor approved."
- 6.17 The situation where Bank staff start to exploit the office of the Governor is exactly the reason why it is argued from a good corporate governance perspective that the CEO should not be the Chairperson of the Board as they will never be able effectively check their own actions.
- 6.18 The question of the rationale behind the Governor also being the Chairperson of the Board was put to former Governor, Mr. Leo Kibirango who explained that it was based on the fact that on a global level matters concerning central banks are very dynamic and it was necessary for the Governor to be in a position where he or she could act with finality and promptly to safeguard national interests. However, he qualified his remarks on the subject as follows.

“... the world is still very volatile and you need a Governor who will give a directive and it is carried out, especially in interest of monetary policy and reserve preservation. With other policies like general administrative policies, those can be separated but the Monetary Policy angle requires promptness, strength and finality as early as possible.”

6.19 From the above it is clear that Governor Kibirango was of the view that it was a possible from a corporate governance point of view to treat questions of general administration as separate. In other words the only fusion of roles for Governor and Board Chairperson would be on the level of conducting fiscal and monetary policy. This view was also shared by former Acting Deputy Governor Mr. Opio-Okello who stated,

“One one hand from a market or stability point of view, there seems to be a case that the Governor should probably continue to be Board Chairman. On the other hand, as I said depending on the personality, that can be abused if that continues ... I clearly agree with that (separation of roles) because it is like running a business, you have a chairman separate from the CEO. There are many things that happen in the Bank. We are talking about employment, recruitment, big projects taking place in the Bank, building currency centres. Those have nothing to with monetary policy.”

Like Mr. Kibirango, Mr. Opio-Okello maintained the need for the fusion of the two offices for the sake of market stability. However, he expressed fears of abuse especially given the diversity of activities unrelated to market stability that the Bank was involved in.

Absence of adequate Supervisory Mechanisms for positions of Governor and Deputy Governor

- 6.20 The decision of the Governor also exposed inadequacies in the ordinary checks and balances that would ensure that the management of the Bank and more especially the two top leaders were being held properly accountable.
- 6.21 Once it became apparent to the Committee that there were weaknesses in the manner in which the Governor was performing his duties vis a vis the decision of 7th February 2018, the Committee tried to establish what sort of supervisory mechanisms existed in terms of the Board monitoring the individual performance of both the Governor and Deputy Governor. Such mechanisms would typically involve appraisal reports and in the worst case scenario the applicable disciplinary processes.
- 6.22 The Committee considered that according to Article 161(3) of the Constitution, the Governor, Deputy Governor and all other members of the Board of Bank of Uganda are appointed by the President with approval of Parliament. Under Article 161(5) of the Constitution it is provided all of the same officers may only be removed from office by the President for mental or physical infirmity, misbehavior or misconduct or incompetence. The Committee subsequently noted that much as the Constitution spells out how appointment takes place and the grounds for removal from office, there was no actual procedure specified in terms of how to initiate and conduct the removal. This was found to be quite unusual because almost all other constitutionally established offices such as Judges, Inspector General of Government and Chairpersons of Commissions all tend to have a procedure spelt out to help guide the appointing authority to make a fair decision.
- 6.23 In terms of personal performance appraisal, it was evident from the interviews with the Board members and the Governor and Deputy Governor that the two offices are not subjected to personal performance appraisals. When the Board members were interviewed with regard to the process of contract renewal for the Governor and Deputy Governor it was also evident that the Board of the Bank had little to no input in guiding the appointing

authority. This effectively meant that the appointing authority had little to no opportunity to get an appreciation of any prevailing issues in the Central Bank especially as relates to the persons of Governor and Deputy Governor.

6.24 The weakness or lack of supervision of the Governor and Deputy Governor is all the more evident when one also considers the fact that neither the Governor nor the Deputy Governor have an official schedule of duties associated to their two offices. This means that even if the Board was ready and willing in terms of oversight and supervision of the two Chief Executives there would be nothing to guide the process in terms of expected deliverables from the two Chief Executives. The absence of the individual schedules of duties associated with the two offices also makes it hard to call either executive to order in case there is a straying into each other's schedule of duties. The lack of definitive schedules of duties tends to raise the likelihood of conflict.

6.25 The absence and need for distinctive schedules of duties was even more apparent from the comments of former Deputy Governors Elangot and Suruma. Governor Elangot stated,

“During my period at the bank and our interaction with IMF (International Monetary Fund) whenever they visited here on their routine checkup with member countries or whenever we went to Washington, it was found at the time I was in the Bank that maybe Bank of Uganda had grown to the extent where you needed to have more than one Deputy Governor ... It was found necessary because of the duty load and also if you had two deputies they could advise the Governor better and also avoid the tendency of having what you may call a conflict between the Governor and Deputy.”

6.26 Dr. Suruma also concurred with his colleague and noted that between Governor and Deputy Governor there were definitely challenges and pressures. He tended to agree that one way to resolve the possibility of

conflict is to have more than one Deputy Governor. However, this also tended to reflect the need for definitive schedules of duties given the reference to the high workload.

- 6.27 The situation concerning the appraisal and removal of the Governor and Deputy Governor also applies to Board members as well. From the interviews conducted it was also apparent there is no process in place via which individual Board members can be appraised. There was also no process in place regarding their removal from office should the need ever arise.
- 6.28 The mechanisms discussed above are what would typically form the tools for ensuring sufficient checks and balances in the exercise of authority by the Governor, Deputy Governor and the members of the Board. Without them the risk for abuse of authority remains high and inevitable.

Conclusions

- 6.27 With respect to the foregoing observations there is urgent need for the Bank to address the following issues:
- 1) The existence of cliques and the perception/reality of key policies of the Bank not being adhered to or respected by management.
 - 2) Non-involvement of key players in decision-making characterized by side-lining of key departments such as Human Resource when effecting changes. This ultimately erodes confidence in the Bank's established administrative and management structures.
 - 3) Lack of personal appraisal parameters for Board members of the Bank inclusive of the Governor and Deputy Governor.
 - 4) Lack of clear job descriptions delineating specific responsibilities of the Governor and Deputy Governor.

7.0 BENCHMARKING FINDINGS:

7.1 In light of the emergent issues evident to the committee as result of this process, it was deemed necessary to ascertain what level of best practice there was in other Central Banks in relation to the issues evident in Bank of Uganda. To that extent the Committee decided to conduct benchmarking visits to three central Banks namely:

- 1) The Central Bank of Kenya
- 2) The Bank of Indonesia
- 3) The South Africa Reserve Bank

In addition to the above, some background research was also done regarding the National Bank of Rwanda and the Bank of Tanzania.

7.2 The main objectives of the benchmarking were to determine best practice with regard to the following:

- 1) Policy or policies governing the interaction between the Governor/Deputy Governor offices and the Board of Directors and whether there exists any legal distinction of the function of Governor from that of Chairperson of the Board of Directors.
- 2) Appraisal parameters for the offices of Governor and Deputy Governor.
- 3) Human Resource Management policy and practice.
- 4) Internal Audit

7.3 The findings of the Committee from the respective benchmarking activities were as follows:

Central Bank of Kenya (CBK):

7.4 It was found that by law the positions of Governor and Board Chairperson are separate and distinct and held by different persons. In both cases along with that of the Deputy Governor are appointed by the President. However,

the procedure differs slightly in as much as candidates for the positions are identified by way of advertisement, application, shortlisting and interviews. The President is notified about the top candidates for each post and the President subsequently nominates one name for each position and sends it Parliament for vetting. Once vetting is completed the President goes ahead to appoint the successful candidates.

- 7.5 The rest of the Board members for the Central Bank are directly selected by the President and submitted to Parliament for vetting. Their appointment is deliberately staggered to allow continuity, institutional memory and other related advantages.
- 7.6 It was determined that the Board has a statutory mandate to appraise the Governor through annual performance appraisals ²⁷ . This appraisal is separate and distinct from the annual performance appraisal of the Bank.
- 7.7 The mandate of the CBK Board largely revolves around policy formulation, monitoring/evaluation, performance review, budget approval, oversight and providing strategic direction²⁸. However the Board does not get involved in Monetary Policy. This remains a preserve of the Monetary Policy Committee of CBK²⁹. The Board is statutorily mandated to ensure that Monetary Policy statement is issued at least once every two months.
- 7.8 It was observed that the CBK Board does not involve itself in administrative functions of the Bank and only restricts itself to oversight and support to management. With specific regard to recruitment, the recruitment function is a purely management function headed by the Governor. The rationale for this being that it was deemed that the Board might lack the capacity to effectively recruit technical staff. The Board is therefore restricted to putting in place policy to guide recruitment and the organizational structure. The

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Board will only receive reports concerning recruitments and scrutinize the same to determine compliance with law and policy.

- 7.9 The Board interfaces with management primarily through two committees, the Human Resource Committee and the Audit Committee.
- 7.10 The CBK Board Chairperson defended the separation of the roles of Governor and Board Chairperson on the grounds that it was an effective means of ensuring checks and balances and there is no risk of clash or overlap of duties.
- 7.11 The Board Chairperson was also very emphatic about the fact that the Board interacts with the Governor primarily and avoids interaction with subordinates to ensure that the Governor is not undermined.
- 7.12 When the Committee interfaced with the CBK Governor he gave some background to the current legal regime surrounding the CBK Governor office and the Board of Directors. He indicated that initially the structure was vague and without clear boundaries which resulted into the Board interfering in fundamental management issues such as procurements, recruitments and the discussion of management issues with Human Resource staff and other staff members. This resulted into an unhealthy rift between Management and the Board. This situation was alleviated with the enactment of the law establishing the Central Bank in 2015.
- 7.13 The CBK Governor emphasized that the separating of the two responsibilities (Governor and Chairperson) is essential but also dependent on getting well trained individuals with plenty of goodwill towards the institution. The Governor also emphasized that the separation of the two roles did not hamper the implementation of Monetary Policy at all as the technical persons on the Monetary Policy Committee (MPC) remained independent.

- 7.14 The MPC is established as a standalone Committee under the Central Bank Act of Kenya³⁰ with a major role of formulating policy and promoting stability in the economic sector as specified also in Article 231 of the Kenya Constitution. The MPC consists of 8 members recruited from both within and without the CBK. It consists of the Governor and Deputy Governor as Chairperson and Vice Chairperson respectively with two other CBK staff selected by the Governor as members with one member being responsible for Monetary Policy Analysis and the other for Monetary Policy Operations.
- 7.15 There are four other members of the MPC who are externally appointed by the Secretary for the National Treasury in consultation with the CBK. The tenure of members of the Committee is 3 years and subject to renewal only once.
- 7.16 The Presidential Committee was also given an overview of the Audit function at CBK which function closely mirrors that of the Audit department at the Bank of Uganda. The Audit team is functionally independent from the CBK management and reports to the Audit Committee of the Board.

Observations from CBK structure:

- 7.17 Separation of the roles of Governor and Chairperson ideally helps to prevent the risk of conflict of interest inherent in one person executing both roles. It is also touted as a model of good corporate governance.
- 7.18 In the case of Bank of Uganda it was apparent that the actions taken by the Governor on the 7th of February 2018 communicated a litany of conflict of interest scenarios characterized by the Governor simultaneously exercising both the powers of his office as Governor and the functions of the Board as he claimed were delegated to him by virtue of the 2012 Board Resolution³¹.

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However, as duly pointed out by the CBK Governor, even the separation model is dependent on the quality and caliber of individuals discharging the roles of Governor and Chairperson. It is also dependent on a robust legal framework that guards against Board interference in management matters.

- 7.19 It should be noted though that whereas presently there is only one Deputy Governor in the CBK, the law does provide for a second deputy who is yet to be identified and appointed.

The National Bank of Rwanda (NBR):

- 7.20 The National Bank of Rwanda is established by Constitution and Act of Parliament³². It is headed by a Governor who has one deputy by law. The Governor and Deputy Governor are Chairperson and Deputy Chairperson of the Board of Directors of the NBR.

- 7.21 The Board of Directors consists of 7 other non-executive members appointed by the President with 30% being female.

- 7.22 In contrast to Bank of Uganda the Board of Directors has the following specific functions³³ inter alia:

- 1) To take any decision pertaining to the supervision of financial institutions in accordance with the existing laws.
- 2) To specify the terms and conditions of service of the Governor and the Deputy Governor other than those provided under the NBR law.

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7.23 In addition the NBR law³⁴ specifically states circumstances under which the Board may delegate some of its powers to the Governor. To that extent the Board may particularly delegate the powers of issuing regulations and directives and making decisions as specifically mentioned in the NBR law³⁵. The decisions in question would relate to formulation of policies regarding execution of NBR functions and definition of the organizational chart; and, approval of any regulations and directives that NBR may issue under existing laws.

Observations from NBR Structure:

7.24 The NBR structure offers a unique perspective in the sense that the Board of Directors is bigger than the BOU Board by at least two members. They have seven non-executive Board members as opposed to five in BOU which gives a lot more weight to the Board in terms of checks and balances inherent in a bigger pool of non-executive members. The propensity or likelihood of the Governor to prevail over as many as seven non-executive Board members is less than when there are fewer non-executive Board members.

7.25 However, the most significant detail lies in the fact that the NBR law clearly specifies the circumstances under which the Board may delegate its authority to the Governor. This helps to define the context and scope or extent to which the Board can reasonably delegate its authority. In the case of Bank of Uganda the law is silent and the extent to which the Board may delegate authority to the Governor is best described as open-ended and open to risk of abuse.

The South Africa Reserve Bank (SARB):

7.26 SARB is established both under the Constitution of South Africa and by Act of Parliament. It is headed by a Governor who has three deputies. The

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Governor and Deputy Governors are all appointed by the President after consultation with the responsible Minister and the Board of Directors. The Governors serve for an initial term of five years and may subsequently be reappointed for additional terms of less than five years.

7.27 The SARB Board of Directors consists of 15 members of which the Governor of SARB is the Chairperson of the Board. The membership is as follows:

- 1) Governor (Chairperson)
- 2) 3 Deputy Governors (Members)
- 3) 4 other Directors appointed by the President for 3 year terms in consultation with the Minister
- 4) 7 other Directors elected by SARB shareholders of which there must be at least one member each with sector knowledge of agriculture, labour and mining respectively; and, two members knowledgeable in industrial matters and two others knowledgeable in finance matters. These directors hold office for only 3 years.

7.28 The SARB Board consists of six standing committee, namely,

- 1) Non-Executive Directors Committee
- 2) Audit Committee
- 3) Remuneration Committee
- 4) Retirement Fund Committee
- 5) Board Risk and Ethics Committee
- 6) Governor's Executive Committee

7.29 The Governor's Executive Committee (GEC) which consists primarily of the Governor and the Deputy Governors as voting members and 3 other staff members in ex officio capacity serves as the primary liaison committee between the Board and Management of the Bank. In that regard there are at least five internal bank committees reporting to the GEC. These are:

- 1) Reserves Management
- 2) Budget Committee

- 3) Risk Management
- 4) Management Committee
- 5) IT Steering Committee

7.30 One of the Standing Committees of the SARB Board of particular interest was the Board Risk and Ethics Committee. The primary stated purpose of this Committee is to assist the Board of the Bank and its subsidiaries to discharge its responsibilities with regard to risk management and good corporate citizenship in the SARB Group³⁶.

7.31 This Committee consists of the Governor as Chairperson, one or more Deputy Governors and at least 3 non-executive Board members of which one comes from the Audit Committee. The Risk and Ethics Committee also brings involves the following as non-voting members:

- 1) Chairperson of the Remuneration Committee for consideration of ethics matters
- 2) Head of the Bank Risk and Compliance department
- 3) Any member of the Board, executive management or officials of SARB subsidiaries may also attend on invitation
- 4) Risk Management Expert(s) on invitation of the Chairperson.

7.32 The Committee as highlighted above is functionally established to oversee and monitor all risk management matters and ethics and social responsibility functions and provide reports with recommendations where needed.

Observations from the SARB Structure:

7.33 The Board Charter is specific with regard to the responsibility of the Board to monitor and evaluate the performance of the Governor and also determine the remuneration of the Governors³⁷. This is distinct from the monitoring and evaluation of the performance of the Bank as an institution. Furthermore in

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this regard the Charter specifically provides for performance assessment of individual directors inclusive of Governor and Deputy Governors and the Board committees to be conducted on an annual basis³⁸. There is therefore consistent periodic appraisal of both the leaders of the Bank and the SARB Board.

- 7.34 The SARB structure maintains the Governor as Chairperson of the Board. However, in that regard there are multiple safeguards that are provided within the SARB structure both at Board and Management level to guard against the risks typically associated with the merging of the role of Chief Executive and Chairperson of the Board.
- 7.35 At the Board level, it is evident that aside from the Audit Committee there is a dedicated committee in the form of the Board Risks and Ethics Committee purely dedicated to protecting SARB from the sorts risks that were evident in the decision taken by the BOU Governor on 7th February 2018. This committee's mandate is to provide oversight in areas of risk management, ethics and corporate social responsibility. In other words such a committee would typically scrutinize the functioning of the Bank and isolate potential risks in areas such as conflict of interest. Such a committee lessens the likelihood of having a chief executive execute conflicting roles.
- 7.36 The existence of a Board Risk and Ethics Committee ensures that the Board will be accountable in terms of respect and adherence to the Board Charter among other standards.
- 7.37 The other safeguard evident in the SARB structure is also apparent in the manner in which the Board is structured to interface with the management committees. The Governor's Executive Committee (GEC) at the Board level coordinates and oversees five management committees as noted in Paragraph 6.3.5.4. This interaction with the GEC headed by the Governor

with Deputy Governors as members limits the exposure of the Governors to the day to day administration of the Bank and allows them to concentrate primarily on policy level matters.

8.0 RECOMMENDATIONS:

8.1 *Review of Laws governing Bank of Uganda*

The Committee recommends the urgent and comprehensive review of the legal regime governing the Bank of Uganda. The Bank of Uganda Act Cap 51 was last amended in 1993, two years before the promulgation of the 1995 Constitution of Uganda. In the case of the Bank of Uganda Byelaws established under Statutory Instrument 51-1, the situation is even worse as they were passed in 1968 and continue to be applied despite being inconsistent with the Constitution in some important respects such as the authority of the Governor versus the authority of the Board. In this particular case the Governor made reference to responsibilities attributable to his office as Governor under the byelaws and yet the same responsibilities were constitutionally attributable to the Board of Bank of Uganda. A review therefore needs to be urgently undertaken and the Bank of Uganda laws brought into harmony with the Constitution along with any other matters necessary for the stability and smooth functioning of the central bank.

8.2 *Separation of position of Governor from that of Chairperson of Board*

The Committee recommends the possible splitting or separation of the functions of the Governor and the Chairperson of the Board especially with regard to administrative matters. The Committee noted that the Governor's decision of 7th February 2018 was characterized by the fact that the Governor was essentially performing both the role of Chief Executive and Chairperson of the Board. Corporate Governance best practice normally requires that the two positions are separate as the Chief Executive Officer is normally supervised by and is therefore answerable to the Board. In the instant case most of the problems caused as a result of the Governor's decision could have been avoided if the two roles were separate with no opportunity for the Governor to function as both Board and Chief Executive Officer. The Committee is mindful of the rationale for the Governor being both

Chairperson of the Board and CEO in terms of the constitutional functions of the Bank especially with regard to sound monetary policy.

It is actually possible functionally speaking to have a situation akin to that of the Central Bank of Kenya whereby the Governor remains the functional head of a Monetary Policy Committee to avoid hampering the decision-making process in terms of monetary policy and currency. The idea is to ensure that the Governor does not get into a situation where he makes administrative decisions over which there is no effective oversight in terms of checks and balances.

However, in as much as the foregoing recommendation would require constitutional amendment and therefore extensive deliberation and input from various stakeholders, it is recommended that in the immediate short term, the Board of Directors reviews its structures with a view to introducing safeguards that will ensure that the Board and in particular the position of Chairperson is adequately insulated against ethical risks. It would be useful for the Board to understudy the operations of the Risk and Ethics Committee of the South Africa Reserve Bank in this regard.

8.3 Creation of additional position(s) of Deputy Governor

The Committee recommends that creation of at least one additional position of Deputy Governor. In light of the institutional problems resulting from and also preceding the decision of the Governor it is apparent that the position of the Governor is too overloaded in terms of responsibilities and that some of the responsibilities risk exposing the position of Governor to unnecessary controversies. It may therefore be prudent to consider the creation of an additional post of Deputy Governor, which Deputy shall largely be responsible for the general administration of the Bank while the Governor and the other Deputy are free to concentrate on the core functions of the Bank as stipulated in the Constitution. Matters of recruitment should never

be a basis for questioning a person of the stature of a Governor of the Central Bank.

In this same regard the Committee also recommends that in the immediate short term, all decisions involving human resource matters be subjected to the approved processes and coordinated through the Administration Directorate hierarchy in accordance with the Administration Manual to avoid propagating the impression to staff that parallel processes exist in terms of advancing human resource related interests.

8.4 Individual Appraisals and Terms of Reference for Board Members.

The Committee recommends that there should be periodic individual-focused appraisals of the performance of all the Board members including the Governor. In this same regard any review of the law establishing Bank of Uganda must take into consideration the need for distinct and specific functions or terms of reference to be spelt out for the positions of Governor and Deputy Governor(s). This is consistent with the practice in all the central banks that the Committee was able to benchmark against.

8.5 Introduction of Procedure for Removal of Board Members

In relation to the foregoing recommendation concerning appraisals, the Committee also recommends that the Bank of Uganda Act be amended to operationalize Article 161(5) of the Constitution wherein it is provided that,

“The Governor, Deputy Governor or any other member of the board may be removed from office by the President only for – (a) inability to perform the functions of his or her office arising from infirmity of body or mind; (b) misbehavior or misconduct; or (c) incompetence.”

During the course of deliberations on how to ensure that the leadership at the Bank is accountable the Committee noted that as much as grounds for removal of the individual Board members existed in the Constitution, there were no legal provisions which a President may rely upon to set in motion

the process of removal of any of the Board members including the Governor and Deputy Governor. Such legal provisions exist for other constitutional offices such as judges, heads of commissions and the Inspector General of Government and usually involve the setting up of a legally recognized tribunal.

8.6 Review of Administration Manual to clarify ambiguities surrounding Entry Requirements and Job Descriptions

The Committee recommends that the Board review the Administration Manual to remove ambiguities especially with regard to entry requirements in the Bank. The current provisions for entry in the Bank, while generally understood within the Bank to apply to all levels of staff could very easily be misunderstood to apply to a specific rank rather than cadre of staff. For example where the manual stipulates entry requirements for Banking Officers could be misunderstood to mean the rank of Banking Officer. If the term “Banking Officer” is used to refer to a wider group of staff in the bank beyond the rank of Banking Officer then there must be a specific provision to spell out who is covered under Banking Officer for purposes of entry into the Bank.

8.7 Removal of Board from direct involvement in Recruitment

The Committee recommends that the Board of Directors considers withdrawing from direct involvement in matters of recruitment and leaves them entirely to management in Bank of Uganda. This will ensure that the Board’s oversight role is not watered down or made redundant in the event of disagreement about any given recruitment. In the instant case where the Governor purportedly exercised powers of the Board to recruit staff, it has led to a complicated situation where technically the Board is reviewing its own decision taken by someone who said he was acting on their behalf. This sort of situation breeds conflicts and undermines the working relationship between the members of Board. The situation would have been a lot less complicated if the recruitment had been handled entirely within the

management structures of the bank and then the Board would only come in to either approve and appoint or reject the decision. The Board can continue to exercise its powers in terms of appointments and terminations but should stay out of the actual process of recruitment and leave it the Bank administration.

8.8 Review of process of internal promotions

The Committee recommends that the Board of Directors reviews all promotions effected on 7th February 2018 and rectify the departure from the standing policy on recruitments as contained in the Administration Manual and highlighted in this report. The Committee further recommends that the Board causes a Human Resource Audit of all existing staff of the Bank with a view to ascertaining how many staff have accessed the bank outside of required procedures and to take demonstrable measures to guard against recurrence of such cases.

8.9 Ratification of Externally Recruited Persons should be outsourced to preserve independence of the process.

The Committee recommends that the ratification of the appointment of externally recruited persons should be handled by the Board of Directors as per their mandate under the Administration Manual and the Constitution. However, due to the prevailing situation characterized by suspicion and mistrust in the bank and in the interests of ensuring that any decision in this regard is free of any perception of bias, the Committee also recommends that the ratification by the Board should involve an independent professional firm that is familiar with recruitment processes. This firm would be expected to verify the qualifications and competences of the externally recruited persons against the official bank requirements and present a report to the Board. This firm could be sourced through the Ministry of Finance, Planning and Economic Development to ensure freedom from perception of bias and guard the integrity of the process.

8.10 Internal Grievance Procedures

The Committee recommends that Bank of Uganda urgently review its internal grievance management procedures with a view to restoring trust and confidence among staff in the management of the bank. As highlighted in this report, there is distrust among staff about the grievance processes and this has led staff to mostly depend on rumours and talk in the corridors of the bank.

8.11 Benchmarking on Governance Processes

The Committee recommends that the Board of Bank of Uganda undertake benchmarking study tours of counterpart central banks particularly in Kenya and South Africa in order to determine the applicability of some corporate governance best practices in the respective jurisdictions to the Ugandan context. This is because as observed from the benchmarking visits conducted by the Committee there are some good examples in terms of best practice which may serve to address some of the governance problems at the Bank of Uganda. This is particularly necessary with regard to corporate best practice in terms of ethical governance practices and procedures for the Board of Directors.

SIGNATURES:

- 1) Hon. Abdu Katuntu (MP), Chairperson
- 2) Lady Justice Irene Mulyagonja Kakooza
- 3) Hon. Elijah Okupa (MP)
- 4) Hon. Michael Tusiime (MP)
- 5) David Makumbi (IG Staff)
- 6) Justus Kareebi (IG Staff)
- 7) Sarah Birungi (IG Staff), Committee Secretary