



**THE REPUBLIC OF UGANDA**

**MINISTRY OF FINANCE, PLANNING AND ECONOMIC  
DEVELOPMENT**

**REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF  
COMPETITIVENESS AND ENTERPRISE DEVELOPMENT PROJECT (CEDP)  
COMPONENT 2-5 (IDA CREDIT AGREEMENT CR 52690-UG) PROJECT ID P130471  
FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2017**

**OFFICE OF THE AUDITOR GENERAL  
UGANDA**

## **LIST ACRONYMS**

AG	-	Accountant General
AGO	-	Accountant General's Office
BIK	-	Benefits in Kind
BOU	-	Bank of Uganda
CEDP	-	Competitiveness and Enterprise Development Project
CG	-	Central Government
CMA	-	Capital Markets Authority
DA	-	Designated Account
DP	-	Development Partner
DST	-	Deputy Secretary to Treasury
EDMS	-	Electronic Data Management System
ESIA	-	Environmental Social Impact Assessment
FA	-	Financing Agreement
GOU	-	Government of Uganda
HQ	-	Headquarters
IDA	-	International Development Association
IECS	-	Information Education and Communication Strategy
IFMS	-	Integrated Financial Management System
IFRs	-	Interim Financial Reports
ITA	-	Income Tax Act
ITB	-	Invitation to Bid
KCCA	-	Kampala Capital City Authority
LAN	-	Local Area Network
LIS	-	Land Information System
M&E	-	Monitoring and Evaluation
MDA	-	Ministries, Departments and Agencies
MGF	-	Matching Grant Facility
MICE	-	Meeting Incentives Conventions and Events
MLHUD	-	Ministry of Land Housing and Urban Development
MOFPED	-	Ministry of Finance, Planning and Economic Development
MOU	-	Memorandum of Understanding

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COMPETITIVENESS AND ENTERPRISE DEVELOPMENT PROJECT (CEDP)  
COMPONENT 2-5 (IDA CREDIT AGREEMENT CR 52690-UG) PROJECT ID P130471  
FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2017**

**THE RT. HON. SPEAKER OF PARLIAMENT**

**Opinion**

I have audited the financial statements of Competitiveness and Enterprise Development Project (CEDP) Component 2-5 (IDA Credit Agreement Cr. 52690-UG) Project ID P130471 for the year ended 30th June 2017. These financial statements comprise of Statement of cash receipts and payments, Statement of comparative budget and actual amounts, Cash flow statement, designated account statement and Notes to the accounts which contain a summary of significant accounting policies.

In my opinion, the Project financial statements present fairly in all material respects the cash balances of Competitiveness and Enterprise Development Project (CEDP) Component 2-5 as at 30th June 2017 and the receipts and payments for the year then ended in accordance with the accounting policies stated on pages 33 and 38 of the financial statements.

**Basis for Opinion**

I conducted my audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of Project Management in accordance with the Constitution of the Republic of Uganda (1995) as amended, the National Audit Act 2008, the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to my audit of the financial statements in Uganda, and I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

## **Key Audit Matters**

Key audit matters are those matters that, in my professional judgment, are of most significance in my audit of the financial statements of the current period. I have determined that there are no other Key Audit Matters to communicate in my report.

## **Other Matters**

I consider it necessary to communicate the following matters other than those presented or disclosed in the financial statements:

- **Delayed enactment of legislation to improve business**

Under component 2 of the project, the objective is to reduce the burden for business in dealing with registration and licensing procedures through introducing reforms.

I noted that there has been significant delays enactment of legislations to improve business environment and competitiveness in Uganda. Instances of these delays are tabulated in the table.

	<b>Legislation</b>	<b>Responsible ministry</b>
1	Sale of Goods and Supply of services Bill, 2008	Ministry of Trade, Industry and Cooperatives.
2	Plant Variety Bill, 2010	Ministry of Agriculture, Animal Industry and Fisheries (MAAIF)
3	Competition Bill 2007	Ministry of Trade, Industry and Cooperatives
4	Consumer Protection Bill	Ministry of Trade, Industry and Cooperatives.
5	Investment Code Bill, 2010	Ministry of Finance, Planning and Economic Development (MFPED)

As a result of the delays to enact the necessary legislation, the businesses environment has remained uncompetitive.

Management explained that the project is mainly supporting administrative and technology reforms. Whereas, the legal reforms are important for attainment of a conducive business environment, they fall outside the project scope. The respective Ministries need to ensure that the necessary legal framework is put in place to attain the desired competitiveness.

I advised management to liaise with responsible Ministries to fast track these legislations to ensure that they are submitted to Parliament for approval.

- **Inadequate capacity of agencies to implement project activities**

Component 2 to 5 of the project is coordinated by Private Sector Foundation Uganda and directly implemented by public agencies such as URSB, UTB, MoTWA, UHTTI and UWA.

A review of the project management report indicated that one of the challenges in the implementation of the project activities is inadequate capacity at agency level to execute project activities in a timely and sustainable manner.

Such capacity gaps will affect sustainability of the interventions implemented as the project closes.

Management explained that a capacity gap assessment was undertaken during the design phase of the project and mitigated through engagement of project staff to support execution of activities. Government has already started progressively increasing financing for recruitment and training of staff to fill the gaps identified under the agencies. It's also worth noting that contribution of the agencies to Non-tax revenue has significantly increased e.g. URSB whose NTR collection have increased by 24.3% since 2013/2014 from US\$ 7.2 million to US\$ 9.0 million in 2016/2017 which provides justification to appropriate additional resources to consolidate on the achievements made under the project.

I advised government needs to provide resources to the respective entities to recruit and train staff to ensure sustainability.

### **Management Responsibility**

Management is responsible for the preparation and fair presentation of the Financial Statements in accordance with the provisions of the Public Finance Management Act, 2015 and the Project Funding Guidelines. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

In preparing the financial statements, Management is responsible for assessing the Project's ability to achieve its core objectives, disclosing, as applicable, matters related to the

achievement of its objectives, unless management either intends to close the project or to cease operations, or have no realistic alternative but to do so.

Management is responsible for overseeing the Project's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISSAIs, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Project's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Project's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Project to fail to deliver on its mandate.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with him/her all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with the Management, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **Report on other Regulatory requirements**

Section II B.2 of the Project Agreement between IDA and the Government of Uganda requires that the Project Implementing Entity shall have its financial statements audited by independent auditors acceptable to the Association, in accordance with acceptable consistently applied auditing standards. In carrying out our audit, I have considered and report to you, on the following matters.

- i) I have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

ii) In my opinion, proper books of account have been kept by the project, so far as appears from our examination of those books:

iii) The Project's Financial Statements are in agreement with books of account

A handwritten signature in black ink, appearing to read 'J. Muwanga', with a large, sweeping flourish extending to the right.

John F.S. Muwanga  
**AUDITOR GENERAL**

KAMPALA

21<sup>st</sup> December, 2017

**REPORT OF THE AUDITOR GENERAL ON THE DESIGNATED ACCOUNT  
OPERATIONS OF THE COMPETITIVENESS AND ENTERPRISE DEVELOPMENT  
PROJECT (CEDP) COMPONENT 2-5 (IDA CREDIT AGREEMENT CR 52690-UG)  
PROJECT ID P130471  
FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2017**

**Opinion**

I have audited the Designated Account Statement of the Competitiveness and Enterprise Development Project (CEDP) Component 2-5 (IDA Credit Agreement CR 52690-UG) Project ID P130471 for the year ended 30<sup>th</sup> June 2017 which is set out on page 37 – 38 of financial statement.

In my opinion, Project Management complied in all material respects with IDA rules and procedures and that the Designated Account Statement for Competitiveness and Enterprise Development Project (CEDP) Component 2-5 (IDA Credit Agreement CR 52690-UG) Project ID P130471 presents fairly in all material respects the account transactions and the closing balance as at 30<sup>th</sup> June 2017.

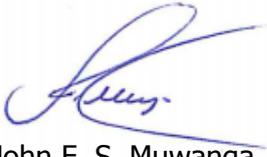
**Management Responsibility for the Designated Account Statement**

Project management is responsible for preparation of the designated statement and its fair presentation in accordance with the requirements for the Government of Uganda regulations, and loan (IDA) guidelines. Management is also responsible for designing and implementing internal controls relevant to the preparation of the designated account statement that is free from material misrepresentation, whether due to fraud or error and selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

**Auditor's Responsibility**

My responsibility is to express an opinion on the designated account statement based on my audit. I conducted my audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs) and the IDA guidelines on auditing. Those standards and the loan guidelines require that I plan and perform the audit to obtain reasonable assurance about whether the designated account statement is free from material misstatement.

I believe that the Audit evidence I have obtained provides a reasonable basis for my opinion.



John F. S. Muwanga

**AUDITOR GENERAL**

KAMPALA

21<sup>st</sup> December, 2017

**FINANCIAL STATEMENTS**