



**THE REPUBLIC OF UGANDA**

**MINISTRY OF LANDS, HOUSING AND URBAN DEVELOPMENT**

**REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF**  
**COMPETITIVENESS AND ENTERPRISE DEVELOPMENT PROJECT (CEDP)**  
**COMPONENT 1- LAND ADMINISTRATION (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                                     |
| DA     | - | Designated Account                                     |
| DP     | - | Development Partner                                    |
| DST    | - | Deputy Secretary to Treasury                           |
| FA     | - | Financing Agreement                                    |
| GoU    | - | Government of Uganda                                   |
| HQ     | - | Headquarters                                           |
| HTTI   | - | Hotel and Tourism Training Institute                   |
| IDA    | - | International Development Association                  |
| IECS   | - | Information Education and Communication Strategy       |
| IFMS   | - | Integrated Financial Management System                 |
| IFRs   | - | Interim Financial Reports                              |
| ITA    | - | Income Tax Act                                         |
| KCCA   | - | Kampala Capital City Authority                         |
| LARC   | - | Land Administration Reform Component                   |
| 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                            |

**REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF  
COMPETITIVENESS AND ENTERPRISE DEVELOPMENT PROJECT (CEDP)  
COMPONENT 1-LAND ADMINISTRATION (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 the Competitiveness and Enterprise Development Project (CEDP) Land Administration Reform Component (IDA Credit Agreement CR. 52690 – UG) Project ID P130471 for the year ended 30<sup>th</sup> June 2017 set out on pages 35 to 41. These financial statements comprise of the statement of financial position, statement of income and expenditure and statement of cash flows for the year ended which have been prepared on the basis of the accounting policies set out on page 42.

In my opinion, the financial statements present a true and fair view of the financial position of the competitiveness and Enterprise Development Project (CEDP) Land Administration Reform Component (IDA Credit Agreement CR. 52690-UG|) Project ID P130471, as at 30<sup>th</sup> June 2017 and its financial performance and cash flows for the year then ended, in accordance with the terms of the agreements and in conformity with the basis of accounting policies described in paragraph 7.5.1 of the report.

**Basis for Opinion**

I conducted my audit in accordance with International Standards on Auditing (ISAs). 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, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters. I determined the key matters at the planning stage that included Grants received from IDA, Planned activities and expenditure for which during the audit, I did not identify any significant issues relating to the identified risk.

## **Other Matters**

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

- **Low absorption capacity**

I noted that out of the available funds of UGX.55,687,422,193 (receipt of UGX.17,959,150,000 and balance brought forward of UGX. 36,039,301,402) for the project operations for the financial year, only UGX.21,987,643,523 (excluding ineligible expenditure) was spent, leaving a balance of UGX.33,651,003,670. This represents approximately 41% absorption rate.

Low absorption rate led to non-implementation of planned activities and impacts on the project completion progress

Management explained that the low absorption was as a result of the Project's inability to implement some of the planned activities. Only UGX.21,987,643,523 was spent during the year out of a budget of UGX.53,423,003,999 representing 39.6 %

I advised management to institute the necessary measures to ensure that planned activities are executed in time so as to achieve the project objective

- **Delay in the Legislative review process**

Under Component 1 of the Project, the objective is to carry out Land Administration Reform which involves:

- (i) Improving land administration including rolling out the land information system (LIS), strengthening land valuation and land use planning functions, developing and strengthening Geodetic, Surveying and mapping policies and infrastructure, supplying base maps for the project and supporting the Uganda Land Commission's Housing and Urban Policies and Programs.

- (ii) Systematic Registration of Communally and Individually owned lands.
- (iii) Strengthening Systems and Institutions for Land Dispute Resolutions.
- (iv) Strengthening Land Administration and Management Institution
- (v) Project management and other requirements.

I noted that there was significant delay in the legislative review of the laws that affect the implementation of the project. These include, Registration of Titles Bill, Survey and mapping Bill, Surveyors Registration Bill, Land acquisition, Bill Land Information Systems and Infrastructure Bill

Delay in the legislative review may lead to delay in implementation of some project activities such as LIS Rollout.

Management explained that the five (5) draft Principles have been developed and their Regulatory Impact Assessments are being finalized by the Ministry.

I advised the Ministry of Lands, Housing and Urban Development to expedite the finalization of these legislations to ensure that they are submitted to Parliament for approval to enable timely achievement of project objectives.

- **Delay in recruitment of staff for the Ministry Zonal Offices (MZOs)**

I noted that there was a delay in the recruitment of staff for the MZOs due to non-approval of staff structure. In addition the provision for the wage bill for the Ministry as a whole was inadequate. The staffing gaps are as shown in the table below,

| <b>Category of staff</b> | <b>Approved number</b> | <b>Filled number</b> | <b>Vacant positions</b> |
|--------------------------|------------------------|----------------------|-------------------------|
| Category one             | 51                     | 15                   | 36                      |
| Category two             | 220                    | 69                   | 151                     |
| Category three           | 136                    | 24                   | 112                     |
| Total                    | 407                    | 108                  | 299                     |

Delay in recruitment of staff for the MZOs may lead to delay in the implementation of some project activities such as the LIS Rollout.

Project management explained that the Ministry has been in constant engagements with Ministry of Public Service and Ministry of Finance, Planning and Economic Development to ensure that a wage is provided for the staff to be recruited. In addition, an assessment was conducted by MoPS and MLHUD on the structure of the MZOs.

I advised management to expedite the process of recruitment of staff for the MZOs so that the implementation of the project may not be retarded.

- **Lack of agreed institutional framework and structure for NLIC**

I noted that there was lack of agreed institutional framework and structure of NLIC which will be responsible for the management of the NLIS infrastructure after development and handover of the system has been finalized. The sustainability of the system may remain a challenge due to lack of an agreed structure.

Project management explained that a proposed Institutional framework and NILC structure has been developed and submitted to Management for consideration.

Management should ensure that the process of development of the institutional framework is expedited by all parties responsible, including the approval by the Ministry of Public Service.

- **Delay in carrying out the pre-testing exercise for systematic titling in rural and urban areas**

I noted that there were delays in carrying out the pre-testing exercise for systematic titling in rural and urban areas which was attributed to electioneer period that pre-occupied the masses.

Delays in carrying out pre-testing exercise could lead to corresponding delays in getting consultants on board since the pre-testing exercise informs the rollout.

Project management explained that the Mini Data Processing Center is being established to fast track the process. The Ministry is also fast tracking the procurement process of a consultant to undertake systematic titling in rural and urban areas.

Management should ensure that measures are put in place to carry out the pre-testing exercise in order to avoid slow-down in project implementation.

- **Delay in capturing aerial photography for restricted areas and international borders**

I noted that there was delay in capturing aerial photography for restricted areas and international borders as a result of very poor weather over a very long period, coupled with delays in approval to fly across borders.

Since this project activity feeds into the LIS rollout and SLAAC, a delay in this activity, therefore, leads to a delay in the LIS rollout and SLAAC project activities.

Project management explained that the Ministry is in the process of securing international boundary clearances from the respective countries and clearances for restricted areas within the country during this flying season.

Management should, through the Ministry of Lands, Housing and Urban Development, ensure that the government secures the necessary approval to fly across borders for the purpose of capturing the aerial photography for restricted areas.

### **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 ISAs 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 ISAs, 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



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

KAMPALA

28<sup>th</sup> December, 2017

**REPORT OF THE AUDITOR GENERAL ON THE DESIGNATED ACCOUNT  
OPERATIONS OF THE COMPETITIVENESS AND ENTERPRISE DEVELOPMENT  
PROJECT (CEDP) COMPONENT 1- LAND ADMINISTRATION (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 1-Land Administration (IDA) Credit Agreement CR 52690-UG) Project ID P130471 for the year ended 30<sup>th</sup> June 2017 which is set out on pages 39 to 41 of financial statements.

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 1- Land Administration (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 account statement and its fair presentation in accordance with the requirements of the Government of Uganda regulations, and Credit (IDA) guidelines. Management is also responsible for designing and implementing internal controls relevant to the preparation of the special 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 Credit 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.

A handwritten signature in black ink, appearing to read 'John F.S. Muwanga', with a large, stylized flourish extending to the right.

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

KAMPALA

28<sup>th</sup> December, 2017

**FINANCIAL STATEMENTS**