



THE REPUBLIC OF UGANDA

**REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF NILE
HOTEL INTERNATIONAL LIMITED
FOR THE YEAR ENDED 31ST DECEMBER, 2016**

**OFFICE OF THE AUDITOR GENERAL
UGANDA**

**REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF THE
NILE HOTEL INTERNATIONAL LIMITED
FOR THE YEAR ENDED 31ST DECEMBER 2017**

THE RT. HON. SPEAKER OF PARLIAMENT

Opinion

I have audited the financial statements of Nile Hotel International Limited for the period ending 31st December, 2016. These financial statements comprise the statement of financial position as at December 31, 2016 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 5 to 24.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Nile Hotel International Limited as at 31st December, 2016 and its financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2012.

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 Auditors' Responsibilities for the Audit of the financial statements section of my report. I am independent of the Company in accordance with 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 key audit matters to communicate in my report.

Other information

The Directors are responsible for the other information. The other information comprises the Annual Report. The other information does not include the financial statements and my auditors' report thereon. My opinion on the financial statements does not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information; I am required to report that fact. I have nothing to report in this regard.

Emphasis of Matter

Without qualifying my opinion, I draw your attention to Note 24 regarding Prior Adjustments in the financial statements:

- **Contingent liability**

Examination of Note 24 to the financial statements revealed that in April 2014, Uganda Revenue Authority (URA) gave the company a tax assessment for VAT liability of UGX.1,703,369,691 which comprised of the principal amount of UGX.987,340,734 and interest amount of UGX.716,028,957. URA issued an Agency Notice and recovered the tax from the company's fixed deposit account in DFCU. In the same year URA issued additional Agency notice of UGX.533, 877,030 but failed to recover the tax following an injunction secured by the company lawyer based on the fact that the appeal was pending in court. The contingent liability poses a risk of loss of funds by the company.

In addition to the in-house legal representation, management is advised to seek guidance of the Solicitor General on the matter.

Other Matter

In addition to the matter raised above, I consider it necessary to communicate the following matters other than those presented or disclosed in the financial statements.

- **Failure to implement the Strategic plan**

Review of the implementation of the 5 year strategic plan for the period 2015-2019 revealed that none of planned activities had been implemented, despite cumulative profits of UGX.25,880,012,549 during the three years of 2014, 2015 and 2016. Some of the key activities not implemented were;

- i) To prepare an investment proposal to the shareholders for the development of a mid-range tourist facility.
- ii) To acquire and apply best practices in hotel concessions through training and procuring of books & periodicals on concessions.
- iii) To improve on best practices in monitoring of assets and concession through training and Benchmarking regionally.
- iv) Increase visibility of the company through engaging in Corporate Social Responsibility.

Failure to implement the strategic plan undermines the essence of planning.

Management attributed the anomaly to failure to hold the company's Annual General Meetings on unclear supervision framework arising from the enactment of the UDC Act, 2014, which places the company under UDC and yet currently it is under the PERD Act.

Management is advised to follow up the issues with the Board and relevant stake holders to enable implementation of the strategic plan.

- **Unlimited tenure of the Board of Directors**

The company has not changed the Board of Directors since 28th October 1994 when it was incorporated with the exception of the Chairman. This was attributed to the unlimited tenure of the board members. Indefinite membership denies the Board infusion of new ideas.

In response, management explained that the matter of the Board tenure is for the shareholders to decide and would be presented as part of the agenda for the Annual General Meeting to be scheduled.

The Appointing authority should institute a policy of rotation of board membership as soon as it is practical for better performance of the company.

- **Failure to hold annual general meeting**

The shareholders of the company are; Minister of Finance, Planning & Economic Development and Minister of State for Finance (Privatisation). It was observed that the company has not held an annual General Meeting (AGM) since 2014. Failure to hold an AGM violates the principles of good corporate governance.

Management attributed the anomaly to the conflict between the PERD Act and the UDC Act, 2014 with regard to supervision and the shareholding of the company. The UDC Act of 2016 lists Nile Hotel International Limited (NHIL) as one of the Government undertakings in which UDC acquires the interest of the Government of Uganda. On the other hand, NHIL is still operating under the supervision of the Privatisation Monitoring Unit (Ministry of Finance, Planning and Economic Development) as prescribed by the PERD Act.

Management is advised to follow up the matter with the relevant stakeholders to ensure the supervision framework of the company is streamlined.

Responsibilities of Directors for the Financial Statements

The Directors are responsible for the preparation and fair presentation of the Financial Statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2012, and for such internal control as the directors determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so. The Directors are responsible for overseeing the Company's financial reporting process.

Auditors' 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 International Standards on Auditing 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 Authority'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 Authority'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 Authority to cease to continue as a going concern.

- 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 the Directors 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 the Directors 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 Directors, 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 Legal and Regulatory Requirements

As required by the Companies Act, 2012, I report based on the audit that;

- i. All information and explanations which to the best of my knowledge and belief was necessary for the purposes of the audit was obtained.
- ii. proper books of account have been kept by the Company, so far as appears from my examination of those books, and
- iii. The Company's statement of financial position and statement of comprehensive income are in agreement with the books of account.



John F.S. Muwanga

AUDITOR GENERAL

15th December, 2017