



THE REPUBLIC OF UGANDA

REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF
UGANDA PROPERTY HOLDINGS LTD
FOR THE YEAR ENDED 30TH JUNE 2018

OFFICE OF THE AUDITOR GENERAL
UGANDA

TABLE OF CONTENTS

LIST OF ACRONYMS..... iii

Key Audit Matters 2

Emphasis of Matter..... 2

Other Matter 3

Other Information..... 4

Responsibilities of the Accounting Officer for the Financial Statements 4

Auditor’s Responsibilities for the Audit of the Financial Statements..... 5

Other Reporting Responsibilities 6

REPORT ON THE AUDIT OF COMPLIANCE WITH LEGISLATION 7

LIST OF ACRONYMS

F/Y	Financial Year
GOU	Government of Uganda
IEC	Information, Education and Communication
IESBA	International Ethics Standards Board for Accountants
IFRSs.	International Financial Reporting Standards
INTOSAI	International Organization of Supreme Audit Institutions
ISSA	International Standards on Auditing
MDA	Ministry, Department, and other Agencies
NBI	National Data Transmission Backbone
PFMA	Public Finance Management Act, 2015
RT. HON	Right Honorable
TAI	Treasury Accounting Instructions
UGX	Uganda Shillings
UHRC	Uganda property holdings
UPHL	Uganda Property Holding Limited

**REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF UGANDA
PROPERTY HOLDINGS LTD FOR THE YEAR ENDED 30TH JUNE, 2018**

THE RT. HON. SPEAKER OF PARLIAMENT

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of the Uganda Property Holdings Limited (UPHL) for the year ended 30th June, 2018. These financial statements comprise of the statement of financial position as at 30th June, 2018, the statement of financial performance, Statement of Changes in Equity and statement of cash flow for the period the ended, together with other accompanying statements, notes and accounting policies.

In my opinion, the accompanying financial statements of Uganda Property Holding Limited for the year ended 30th June, 2018, give a true and fair view of the financial position of the Company as at 30th June, 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), the Companies Act of Uganda 2012 and Section 51 of the Public Finance Management Act, 2015.

Basis of 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 the Company in accordance with the Constitution of the Republic of Uganda (1995) as amended, the National Audit Act, 2008, the International Organization of Supreme Audit Institutions (INTOSAI) Code of Ethics, the International Ethics Standards Board for Accountants (IESBA) Code of Ethics for Professional Accountants (Parts A and B), and other independence requirements applicable to performing audits of Financial Statements in Uganda. I have fulfilled my other ethical responsibilities in accordance with the IESBA Code, and in accordance with other ethical requirements applicable to performing audits in Uganda. 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.

I have determined that there are no key audit matters to be communicated in my report.

Emphasis of Matter

Without qualifying my opinion, I draw attention to the following matter presented and or disclosed in the financial statements that, in my judgement, is of such importance and fundamental to users' understanding of the financial statements.

- **Long Overdue Trade Debtors**

The company's trade and other receivables reduced from UGX.2,015,270,471 as at 30th June 2017 to UGX.1,890,499,800 as at 30th June 2018 (Note 5) registering an overall decrease of only 6%, which is an indication of slow recovery of debt. A further analysis of outstanding receivables revealed that UPHL had outstanding debtors of UGX.441,448,567 and UGX.233,212,410 at Uganda and London offices, respectively during the prior year. However, during the year under review, the Uganda office debt increased to UGX.521,549,404 (i.e. by 18.1%) while the London office debt increased to UGX.311,875,350 (i.e. 33.7%). Further analysis of the Uganda office debt (UGX.521,549,404) indicated that UGX.337,665,772 (64.7%) remained un collected for more than 120 days, and of this amount, a sum of UGX.230,000,000 was owed by only one company.

Increase in debtors and/or non-collection of debtors may imply laxity in implementation of the debtor's management. As a result, the Company's planned activities may not be fully implemented as its revenue is tied up in receivables. Besides, there is a risk of financial loss to the Company if the debts are not collected and crystalize into bad debts.

Management explained that the level of outstanding debtors is directly proportional to total income. The debtors at the Uganda and London offices increased by 18% and 33.7%, but the income increased by 50% and 92% respectively. In addition, UPHL is trying to implement its policy to the letter. Regarding the UGX.230,000,000 owed by one company arises from rent of the silos in Masese Jinja. As per the policy, UPHL went to

court to have the outstanding amount recovered from the properties of the company if any and case was ongoing. For the other debtors worth UGX.107m outstanding for more than 120 days, many have been evicted from the Company premises and management is contemplating taking legal proceedings against them, and others are government ministries.

I advised the Accounting Officer to strengthen the company's credit management policy by putting in place measures to ensure that outstanding invoices are promptly paid up by the tenants and that long overdue receivables are followed up.

Other Matter

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

- **Lack of Certificate of Title for Masese Land**

I noted that the Company land located on JJA 191 Folio 8 Plot 3 Industrial Estate Link in Masese Jinja, was fraudulently leased out to an individual and a company by the Jinja District Land Board. Although UPHL successfully had the fraudulent titles cancelled, to date, the Company has not acquired the land titles in its own names. This was attributed to bureaucracies involved in acquisition of land titles at the Jinja District Land Board. In the absence of a certificate of land title registered in the names of the Company, there is a risk that the company may lose the same piece of land to other unscrupulous individuals.

The Accounting Officer explained that management was tracking the process of issuing the title; however, the Jinja Land Board has slowed down the efforts. Management applied for the title and after sometime, the application got lost within the Land Board Office. It applied again but the feedback was taking unnecessarily long. Management will continue to follow up the process to the end.

I advised the Company Secretary to follow up the matter with the Jinja District Land Board with a view of expediting the process of acquiring the certificate of title so as to safe guard the company land from further encroachment.

Other Information

The Accounting Officer is responsible for the other information. The other information comprises the Company background information, report of the Directors, statement of Directors responsibilities, overview of financial performance, and other supplementary information. 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 consistent 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.

Responsibilities of the Accounting Officer for the Financial Statements

Under Article 164 of the Constitution of the Republic of Uganda, 1995 (as amended) and Section 45 of the Public Finance Management Act, 2015, the Accounting Officer is accountable to Parliament for the funds and resources of the Uganda Property Holdings Limited.

The Accounting Officer is also responsible for the preparation of financial statements in accordance with the requirements of the Public Finance Management Act 2015, the Companies Act of Uganda 2012, and the International Financial Reporting Standards (IFRS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements, the Accounting Officer is responsible for assessing the company's ability to continue delivering its mandate, disclosing, as applicable, matters related to affecting the delivery of the mandate of the Uganda Property Holdings Limited, and using the IFRSs unless the Accounting Officer has a realistic alternative to the contrary.

The Accounting Officer is responsible for overseeing the Uganda Property Holdings Limited'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 Company'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 Company's ability to deliver its mandate. 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 Company to fail to deliver 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 the Accounting Officer 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 Accounting Officer 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 Accounting Officer, 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.

Other Reporting Responsibilities

In accordance with Section 19 (1) of the National Audit Act 2008, as well as the Companies Act of Uganda 2012, I report to you, based on my work described on the audit of Financial Statements, that;

- I have obtained all the information and explanations which to the best of my knowledge and belief were necessary for the purpose of my audit;
- In my opinion, proper books of account have been kept by the Company, so far as appears from my examination of those books; and
- I have obtained all the information and explanations, which to the best of my knowledge and belief were necessary for the purpose of my audit;
- In my opinion, proper books of account have been kept by the Company, so far as appears from my examination of those books.

REPORT ON THE AUDIT OF COMPLIANCE WITH LEGISLATION

In accordance with Section 13 of the NAA, 2008, I have a responsibility to report material findings on the compliance of UPHL with specific matters in key legislations. I performed procedures to identify findings but not to gather evidence to express assurance.

There were no reportable material findings in respect of the compliance criteria for the applicable subject matters.



John F.S. Muwanga
AUDITOR GENERAL
KAMPALA
21st December, 2018

FINANCIAL STATEMENTS