

Emerging Issues in Hotels

Grant Thornton UAE audits the operations and processes of more than 80 hotels every year. Based on our observations while performing such internal audits, we summarise here below 5 of the most common emerging issues that have been recorded.



CITY LAYOFFS

More COVID-19 fallout

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Segregation of Duties in Critical Functions

In a bid to maintain profitability following last year's impact, many hotels took manpower rationalisation initiatives to reduce the number of staff and associated costs. As a result, we have noted that a number of hotels were no longer able to maintain the desired segregation of duties in critical functions especially in the Finance and Procurement Departments, causing an imbalance in internal controls.

Inventory Management

During the year 2020, many hotels took the initiative to reduce the inventory levels for general, F&B, and engineering items. While doing so, hotels overlooked the need to revisit the re-order levels in line with the estimated demand, presenting a risk of inventory stock outs and consequently guest dissatisfaction.

Supplier Management

We are aware that many hotels faced liquidity issues in the past year and struggled to meet day-to-day obligations, including the settlement of supplier invoices which remained pending for more than 90 days.

We noted that many hotels did not prepare a detailed payment plan that considered the criticality of the relationship with the suppliers and the internal working capital available, and relied, in most cases, on follow ups by these suppliers.





Non-Compliance with COVID-19 Protocols

The UAE tourism authorities issued detailed Covid-19 hygiene and safety protocols for hotels to abide by. We noted a few incompliance instances, especially in buffet protocols, dedicated hygiene protocols, and spa protocols. This was due to the absence of a dedicated hygiene manager who should prepare a Covid-19 protocol checklist and carry out periodic self-assessments to identify any discrepancies followed by taking corrective action.

Information Technology-Related Challenges

In the past year, there was a quick need to digitalize some operation activities to allow for remote work. However, we have noted that the review and approval mechanism for the Daily reports (rate variance, no-shows, rebates, refunds/paid outs etc.) have been compromised. This could have been solved by an application solution with an embedded approval mechanism.

We also noted that the current IT hardware infrastructure and VPN for remote connectivity faced challenges, specifically in coping with high volumes given an increase in remote working, hampering the ability of teams to continue accessing critical files.



Grant Thornton UAE aims to provide you with updates regarding the latest developments in the Hospitality industry within the country.

For more details with respect to this article or queries on other Hospitality issues, please contact the Hospitality Industry Lead, whose details are given below.



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