Republic Of Botswana

REPORT OF THE AUDITOR GENERAL

ON THE ACCOUNTS

OF THE BOTSWANA GOVERNMENT

FOR THE FINANCIAL YEAR ENDED

31 MARCH 2019

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REPUBLIC OF BOTSWANA

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OFFICE OF THE AUDITOR GENERAL

24 April 2020

Honourable Dr Thapelo Matsheka, MP
Minister of Finance and Economic Development
Private Bag 008
GABORONE

Dear Sir,

In accordance with Section 124 (3) of the Constitution of Botswana, I have the honour to submit my Report on the audits of the accounts of the Government for the financial year ended 31 March 2019.

I have the honour to be, Sir,

Pulane D. Letebele
AUDITOR GENERAL

OFFICE OF THE AUDITOR GENERAL

VISION

To be a world-class supreme audit institution.

MISSION

Our mission is to promote accountability through quality audits and assure the nation that public resources are applied to obtain value for money and for purposes intended.

VALUES

The following statements of values are the basic principles which guide the culture of the office which have to be observed by all members of staff in their professional and social capacities.

- *Competence*
- *Independence and Objectivity*
- *Integrity*
- *Professionalism*
- *Teamwork*
- *Confidentiality*
- *Botho*

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REPORT OF THE AUDITOR GENERAL ON THE ACCOUNTS OF THE BOTSWANA GOVERNMENT FOR THE YEAR ENDED 31 MARCH 2019

I INTRODUCTION

1. Audit of Public Accounts

a) I am required by Section 124 of the Constitution to audit the public accounts of Botswana and of all officers, courts and authorities of the Government of Botswana and submit my reports thereon to the Minister responsible for finance, who shall cause them to be laid before the National Assembly.

In discharging these duties, I am required in terms of Section 7 of the Public Audit Act, (Cap. 54:02) to satisfy myself, that

i) all reasonable precautions have been taken to safeguard the collection and custody of public moneys and that the laws, instructions and directions relating thereto have been duly observed;

ii) the disbursement of public moneys has taken place under proper authority and for the purposes intended by such authority;

iii) all reasonable precautions have been taken to safeguard the receipt, custody, issue and proper use of public stores, and that the instructions and directions relating thereto have been duly observed;

iv) adequate instructions or directions exist for the guidance of officers responsible for the collection, custody, issue and disbursement of public moneys or the receipt, custody and issue of public stores;

v) In addition, I have the duty, by virtue of the same Section of the Public Audit Act, to examine the economy, efficiency or effectiveness with which any officer, authority or institution of Government has, in the discharge of his/her or its official function, applied or utilized the public moneys or public supplies at his/her or its disposal and submit my report on the findings thereon to the Minister who shall lay such reports before the National Assembly.

b) I am also required by the terms of Section 68 (3) of the Local Government Act, and Section 32 (3) of the Tribal Land Regulations to audit the accounts of the local authorities (city councils, town councils, township authorities and district councils) and land boards, and submit my reports thereon together with the audited statements to the Chief Executive Officers of these entities, who shall cause them to be laid before their respective Authorities and Boards, as the case may be.

2. Scope of Public Accounts

The scope of the audit mandate, in terms of Section 124 of the Constitution and of other relevant governing Acts, covers the accounts of all the Ministries and extra-Ministerial Departments of Government, of all local authorities and land boards and selected parastatal organizations.

In addition, under the Public Audit Act, I am required to carry out performance audits of the various entities of Government, local authorities and land boards to assess the extent to which value for money has been obtained in the use of the resources at the disposal of those entities.

In terms of the same Act, notwithstanding the provision of any other written law for the audit, I am empowered to carry out investigations into the financial affairs of any public corporation, where I consider it in the public interest to do so.

3. Extent of Audits

The statutory audit is discharged by a programme of test checks and examinations which are applied, in conformity with standard audit practice, selectively over the year of account under review. The checks are intended to provide an overall assurance of the general accuracy and propriety of Government's financial and accounting transactions and not to disclose each and every accounting error or financial irregularity. With the considerable growth in recent years in Government revenues and expenditures, the examination of the accounts is, of necessity, increasingly executed by means of selective test checks and in-depth reviews which are designed to indicate possible areas of weaknesses in the systems of accounting and internal control.

4. **Submission of Accounts**

Section 42(2) of the Public Finance Management Act provides that the Accountant General shall prepare and submit to me, for the purpose of auditing, the Annual Statements of Accounts within six months after the end of the financial year to which those Statements relate, that is to say, by 30 September in each year.

In the year under review, the said accounts and statements were submitted to me on various dates between September 2019 and mid-December 2019, because of some malfunction of Government Accounting and Budgeting System. This latter date is almost 3 months after the submission deadline prescribed by the Act.

5. **Auditor General's Certificate**

The examination of the Annual Statements of Accounts of Botswana Government for the year ended 31 March 2019, which had been submitted to me in terms of Section 42 (2) of the Public Finance Management Act has been completed and my certificate thereon dated 24 April 2020 was transmitted to the Accountant General in terms of Section 42 (3) of the Act.

6. **Submission of the Report**

In terms of Section 19 (3) of the Public Audit Act, (Cap 54: 02). I am required to submit my report on the audit of the annual accounts and statements and related matters to the Minister responsible for finance within 9 months after the end of the financial year to which those accounts and statements relate, that is to say, 31 December in each year, who shall cause them to be laid before the National Assembly.

For the year under review, I have not been able to meet the statutory deadline, as my report was not ready for dispatch to the Government Printer until April 2020.

7. **Outstation Inspections**

The conduct of outstation inspections of up-country offices to review their operations and compliance with the rules and regulations forms part of the programmed audits of the Ministerial accounts. However, in view of the countrywide spread of the offices, it is not possible to visit all of them in any one year, but have to be done on a selective and rotational basis.

For the year under review, in addition to the limited local inspections and follow-up of projects in the districts, inspection visits were undertaken to the following diplomatic Missions abroad: Brasilia, Brussels, Geneva, London, Washington, Maputo, New York, Berlin and Beijing.

II GENERAL

8. **Public Accounts Committee**

Standing Order 105.3 of the National Assembly provides that the Public Accounts Committee, a Standing Committee of the House, shall, after the end of each financial year, examine the accounts prepared and signed by the Accountant General and the accounts of the Special Funds. It is noted that over the life of the current Parliament this requirement had been complied with in respect of all the financial years up to and including 2016/2017. The Committee did not however examine the accounts for the financial year 2017/2018 in accordance with this requirement, because of the preparations related to the general elections expected to be held in October 2019. In the past, when this had happened, the Committee would in the ensuing year, meet twice to cover the accounts of the previous year and the current year to bring the examinations up-to-date. In line with this practice it is expected that the examinations will be undertaken during the 2020 calendar year for the accounts of the years 2017/2018 and 2018/2019.

9. **The Statutory Bodies and State Enterprises Committee**

The Parliamentary Committee on Statutory Bodies and State Enterprises met during the month of May 2019 to examine the Chief Executive Officers of selected parastatal organisations on the performance and activities of their entities, in terms of Standing Order 110 of the National Assembly. At the time of writing this report, the report of the Committee to the House on the said examinations, in terms of Standing Order 110.4, had not yet been published.

10. **Organisational Restructuring**

With the ever-increasing growth and complexity of Government business and programmes, over the years, it had become necessary to restructure the Office to cope with the demands of the increased workload and professional applications involved. Accordingly, Government has accepted my proposals to restructure the Office, the implementation of which would be effective from 2018/19 financial year. Although the benefits of the new structure may not be evident in the current year, it is expected that it will go a long way in bringing about improvements in the quality and coverage of the audit work, in furtherance of the mandate of the Office.

In essence, the new structure entails an increase in staff complement by creation of new posts, covering specialized functions, such as forensic audits, investigations, research, etc., which hitherto could not be performed with the existing structures. The implementation of the new structure will be spread over a 5-year period.

11. **Currency**

The monetary values in this report are in the Pula currency, unless otherwise expressly indicated. The year-end balances in foreign currencies were translated to the Pula equivalents at the applicable middle-market rate as at 31 March 2019. For the Botswana Diplomatic Missions accounts, a fixed exchange rate for each host country, as determined by the Ministry of Finance and Economic Development, has been used throughout the year, unless otherwise advised by the Ministry.

III STATEMENT OF ASSETS AND LIABILITIES

12. **Statement of Assets and Liabilities – (Statement No. 1)**

Imprests

The balance of outstanding imprests on the 31 March 2019 held by public officers in connection with their official functions totalled P25 476 638, classified as follows-

Travelling Imprests	25 086 270
District Imprests	18 699
Standing Imprests	371 669
	25 476 638

The imprest balances include the negative balances of P77 222 being travelling imprest under the Industrial Court and the long outstanding balance of the standing imprest of P36 198 under the Ministry of Finance and Economic Development, which I consider should have been investigated and cleared. Out of the above balances, amounts of P2 470 966 (10%) in respect of travelling imprests and P18 699 in respect of district imprests were non-moving. The facility of district imprests no longer exists, and therefore the long outstanding balance of P18 699 under the Administration of Justice should not feature among these accounts. The details of non-moving travelling imprests are given under the Ministerial Section of this report.

I have in the past suggested that the standing imprests, especially those of larger amounts, should form part of the year-end Boards of Survey cash checks operated by the Ministry of Finance and Economic Development. My suggestion in this regard had not been heeded, but I consider that the need for this to be done still exists as a control measure over the use of these facilities. This is even more so in instances where the expenditure from these imprests may not be ordinarily accountable for a variety of reasons, including issues of confidentiality and security.

IV CONSOLIDATED FUND

13. **Revenue Results**

The estimated revenue for the year was P62 990 524 080, and the actual collections were P57 490 439 051, resulting in a net of P5 500 085 029 under the estimate, compared to P309 841 247 over the estimate last year.

14. **Appropriation Act**

The sum appropriated from the Consolidated Fund by the Appropriation (2018/2019) Act (No 2 of 2018) for the financial year ending 31 March 2019 was P63 339 069 280.

15. **Supplementary Estimates**

During the year under review the National Assembly approved supplementary provisions totaling P120 414 610, in terms of Section 119 (3) of the Constitution, for the following Ministries in the amounts indicated.

Financial Paper No.2 of 2018/2019 – December 2018

Finance and Economic Development	21 594 430
Nationality, Immigration and Gender Affairs	19 633 320
Basic Education	60 000 000
Youth Empowerment, Sport & Culture Development	(60 000 000)
Defence, Justice and Security	79 186 860
	120 414 610

16. **Supplementary Appropriation Act**

The sum appropriated from the Consolidated Fund by Appropriation (2017/2018) Act (No.1 of 2017) for the financial year ended 31 March 2018 was P55 685 253 256.

A further sum of P934 234 244 was appropriated by Supplementary Appropriation (2017/2018) Act, (No.4 of 2019) to meet expenditures incurred in excess of the amounts already appropriated for that financial year.

V DEVELOPMENT FUND

17. **Appropriation Act**

The Appropriation (2018/2019) Act (No 2 of 2018) authorised the Minister of Finance and Economic Development to issue a warrant for payment from the Development Fund for the year ending 31 March 2019 of the sum of P19 306 338 840.

18. **Supplementary Estimates**

The supplementary estimates for the Development Fund were approved as follows –

a) **Financial Paper No.1 of 2018/2019 – June 2018**

Presidential Affairs, Governance and Public Administration	(114 800 000)
Agricultural Development & Food Security	621 000 000
Mineral Resources, Green Technology and Energy Security	520 000 000
	1 026 200 000

b) **Financial Paper No.2 of 2018/2019 – December 2018**

Agricultural, Development and Food Security	32 000 000
Mineral Resources, Green Technology and Energy Security	71 200 000
	103 200 000

VI OTHER STATEMENTS

19. **Statement of Recurrent Expenditures – (Statement No.3)**

This Statement gives details of Ministerial expenditures from the Consolidated Fund set out against the approved estimates by the National Assembly and warranted provisions issued by the Ministry of Finance and Economic Development. A review of these expenditures for the year under review had shown satisfactory performance in that all Ministries had spent within their warranted provisions, and only one Ministry of Nationality, Immigration and Gender Affairs will require a supplementary appropriation of P435 535, in terms of Section 119 (4) of the Constitution.

The approved estimates for Ministerial expenditures for the financial year 2018/2019 was P63 339 069 280 while the warranted provisions were P63 459 483 890 and the actual expenditure was P62 183 315 824, leaving an unspent balance of P1 276 168 066 (2%) of the warranted provisions.

The expenditure on statutory commitments relating to Public Debt; Pensions; Gratuities and Compensations; Specified Officers and Miscellaneous was P8 096 784 462.

20. **Statement of Investments and Loans Made from Special Funds – (Statement No 8)**

Comments arising from the audit of the balances of investments and loans made from Special Funds as at 31 March 2019 are made below-

(a) Guaranteed Loans Insurance Fund

The balance of P943 312 073 shown as the value of investments from this Special Fund included the following items, which are not investments for purposes of this Statement –

- Computer Equipment – Software	3 250 000
- Computer Equipment – Hardware	550 000
- Office Equipment	200 000
- Accumulated Depreciation	(3 750 000)
- Accounts Receivable	3 174 166
- Bank and Cash	110 342

(b) Public Debt Service Fund

The total of the balances of investments by way of loans to parastatals and local authorities from this Fund amounting to P2 060 418 678, included a payment of P900 566 097 to the liquidator of BCL to meet liquidation, care and maintenance costs whose loan status remains the subject of inquiry by my Office. I was unable to obtain loan agreements or any other form of evidence relative to this purported loan.

(c) Human Resource Development Fund

The value of investments shown as P732 983 877 is represented by balances with various commercial banks totaling P666 001 208, and includes accounts receivables in the amount of P66 982 669, which are not investments.

(d) Export Credit Reinsurance Fund

The investments of the Fund total P33 114 566. The item of "Other Assets" comprise Accounts Receivables and Cash and Cash Equivalents of P548 705.

21. **Statement of Special Funds – (Statement No. 10)**

The audit of the accounts of Special Funds for the financial year ended 31 March 2019 under the various Ministries gave rise to the following comments and observations-

(a) Prison Industries Revolving Fund

The Fund was established in 2014 by Statutory Instrument No.113 of 2014 to provide funding for training and development of prisoners in local institutions to acquire skills related to any rehabilitation programme and other similar and related purposes.

In my report for last year, I had stated that there were no transactions in the Fund as it had been put on hold pending the outcome of an on-going review of the Fund Order. In the year of account, the review had still not been completed. As at 31 March 2019 the balance of the Fund was P107 737.

(b) Prisons Rewards and Fines Fund

As in the previous year, the accounting treatment of repayments of P13 600 of a loan made to an officer of the Department was incorrect by credit to an income account with a resultant overstatement of the totals in the Income and Expenditure Statement. The balance of the loan of P21 433 had been omitted from the Balance Sheet, resulting in the understatement of assets.

(c) Confiscated Assets Trust Fund

The Fund was established by Statutory Instrument No.158 of 2018 to receive deposits and administer moneys collected as proceeds and instruments of crime.

This is the first year of operation of the Fund. The audit of the accounts of the Fund for the year under review could not be completed because of some misunderstanding of the Fund Order regarding the accounts maintenance and presentation. In terms of the draft accounts submitted for audit, the value of the Fund as at 31 March 2019 was recorded as P121 049, representing forfeited assets, while the balance of the confiscated cash was P110 643 325 held in a commercial bank outside of the Government accounting system, which, in my view, defeats the purpose of the Fund Order. The physical properties are recorded in appropriate registers.

In this connection, I have taken up the matter with the Accounting Officer with suggestions for the accounting treatment of the affairs of the Fund. We have held a meeting at which it was agreed that effective from 2019/20 accounts, the correct accounting procedure would be followed along the lines that had been suggested.

(d) Copyright and Neighbouring Rights (Levy on Technical Devices) Fund

Section 9 (2) of the Fund Order (Statutory Instrument No. 94 of 2008) establishing the Fund requires that I appoint an independent auditor to audit the accounts of the Fund. In accordance with this provision, the appointed auditor has completed the audit and submitted the audited accounts for the years 2010/11 to 2015/16 and the management letters thereon to the Permanent Secretary, Ministry of

Investment, Trade and Industry, who has provided comments thereto. I consider that the matters raised have been adequately dealt with and need no further comment in this report.

In the context of her responses the Accounting Officer had intimated that effective from December 2017, a Handbook on Policies for the Administration of the Levy on Technical Devices Fund had been introduced which would assist in providing guidance on the administration of the affairs of the Fund. She had also commented that the Fund Order needed to be reviewed to bring clarity on the role of the Registrar General, who is the Chief Executive Officer of the Companies and Intellectual Property Authority, in relation to the Fund, which was established under the auspices of the Register of Companies and Intellectual Property, as a Government Department at the time.

Lastly, following the completion of the audit of the Fund accounts up to 31 March 2016, and the approval of the framework tender by the Ministerial Tender Committee, I have appointed another auditor to carry out the audit of the Fund accounts for a 4-year period ending on the 31 March 2020.

(e) National Electrification Fund

The accounts of the Fund for the financial years ended 31 March 2018 and 2019 were audited by an independent auditor appointed by the National Electrification Fund Management Committee in terms of Section 12 (2) of the Fund Order (Statutory Instrument No. 27 of 2010).

Without modifying their opinion, in respect of both financial years, the auditors had pointed out non-compliance with the following requirements of the Fund Order.

(i) For the financial year ending 31 March 2018, the Accounting Officer had not appointed the National Electrification Fund Management Committee which shall be responsible for the administration of the affairs of the Fund as set out under Section 7 (1) of the Fund Order.

(ii) Section 12 (2) requires that the accounts of the Fund shall be audited in accordance with the generally accepted international standards within 3 months after the close of the financial year to which these accounts relate. This requirement had not been complied with as the accounts for the financial year ended 31 March 2018 were completed in December 2019.

(iii) Within the same 3 months, Section 12 (5) provides that the National Electrification Fund Management Committee shall submit a report to the Accounting Officer on the conduct of the business of the Committee. This had not been done.

(iv) Within 6 months after the end of the financial year, the Accounting Officer is required to submit to the Accountant General the financial statements and the auditor's report thereon. This requirement of Section 12 (6) had not been met.

(v) The requirement of Section 9 (1) relating to the investment of the funds of the Fund had not been complied with although there were sufficient funds to justify investments as contemplated by the Fund Order.

The foregoing observations by the auditors would indicate serious lapses on the efficient operation of the Fund. In this regard it is noteworthy that the Ministerial internal auditors had reported an overpayment of P9 577 350 to Botswana Power Corporation due to duplicate work orders. At the time of writing this report I was not aware of any action taken on this overpayment.

(f) Levy on Alcoholic Beverages Fund

I am required by Section 12 (2) of the Fund Order (Statutory Instrument No.90 of 2008) establishing the Fund to appoint an independent auditor to audit the accounts of the Fund. Accordingly, following the award of the tender, I had appointed the auditors to carry out the audit of the Fund for financial years from 2010/2011 through to 2015/2016.

The auditors had consistently qualified their opinion on the accounts of the Fund in respect of the following matters.

- As they did not have access to the records of the Botswana Unified Revenue Service relating to the collection of levies on alcoholic beverages imported or locally produced, their audit procedures were restricted to the amounts rendered in the Fund's ledgers. The differences in the levy collections in the Fund's Income and Expenditure Statement and the levies as submitted by BURS could not be reconciled. The Botswana Unified Revenue Service is responsible for the collection of levies charged on alcoholic beverages and credited to the Fund.

- The auditors had not been able to ascertain that 80% of the levy which is allocated directly to the Consolidated Fund and 10% to the Department of Gender Affairs in the Ministry of Nationality, Immigration and Gender Affairs fell within the scope of the purpose of the Fund Order, namely, collection of levies "---- *to promote projects and activities designed to combat alcohol abuse and minimise the effects of alcohol abuse* ----", as they did not have access to the records relating to the use of these funds by the said Ministries.

At the time of writing this report, the audit of the accounts for the financial years from 2016/2017 to 2018/2019 was in progress.

(g) <u>Levy on Tobacco and Tobacco Products Fund</u>

The Fund was established by Statutory Instrument No.8 of 2014 to promote projects and activities which are designed to combat the use of tobacco products and the harmful effects thereof, and to provide training for health workers.

At the time of writing this report the audit of the accounts of the Fund for the financial years 2017/2018 and 2018/2019 by auditors who were appointed by me, in terms of Section 12 (2) of the Fund Order, was in progress.

(h) President's Housing Appeal Fund

The Special Fund was established in February 2019 by Statutory Instrument No.20 of 2019 for the purpose of constructing basic housing for destitute persons and maintenance of dilapidated houses for destitute persons. The Fund is essentially a continuation and successor to the Presidential Housing Appeal, previously operated administratively as housing appeal campaign under the Ministry of Presidential Affairs, Governance and Public Administration.

In the year under review the Fund was funded by P876 711 transferred from the Presidential Housing Appeal bank account and a donation of P15 000, making a total of P891 711. There was no expenditure incurred in the 2 months of the existence of the Fund.

(i) National Disaster Relief Fund

Following the audit of the accounts of the Fund in the previous year in which the major expenditure was on purchases of tents, and visits to some districts to assess the extent of tents usage, I had suggested that purchases of tents should be on the basis of need occasioned by circumstances of disaster. The suggestion was made against the backdrop of purchases in that year, although there were stocks of tents of different sizes which were stockpiled in a warehouse in Gaborone. The stocks at this warehouse were a mixture of new and worn-out tents, which were not even stacked properly for ease of identification and issuance.

In the year under review it was noted that a total of 480 units in different quantities of cottage tents, marquees and tarpaulins had been purchased at a cost of P3 363 913, out of the Fund expenditure of P4 696 009. Out of this number only 76 were distributed to Serowe, Palapye and Moshupa Administrative Districts which were in any case non-disaster areas in this year, leaving a balance of 404 to be added to the warehouse stocks in Headquarters.

While it may be necessary to hold stocks of tents in Headquarters in reserve for emergencies, I consider that such reserves should be in reasonable and sufficient numbers for immediate issuance in times of need, and not as an annual stockpile.

(j) Sim's Bursary Trust Fund

The Fund consists of funds from the residue of the estate of the late George Sim which was bequeathed to the Minister responsible for education to be used to educate Batswana citizens in the professions through interest earned from investments. In the year under review, the interest earned from Cash with Accountant General was P19 381, and no students had been identified for scholarships. The value of the Fund as at 31 March 2019 was P560 212.

(k) Revenue Stabilisation Fund

This is a general revenue reserve established by Statutory Instrument No.10 of 1973 to supplement the recurrent revenues in those financial years in which the appropriated revenues are not sufficient to meet the expenditures. As indicated in my previous report the balance of the Fund was substantially reduced by transfer of P1 300 000 000 to the Consolidated Fund in 2016/2017, leaving a balance of P392 375 754 which remains to date.

(l) Export Credit Re-Insurance Fund

The comments which arose from the audit of the accounts of the Fund are given below-

(i) The amount of P82 024 classified as Accounts Receivable in the Balance Sheet represents funds which had been received by the Fund Managers as far back as August 2018 but had not yet been paid into the Fund, representing

- Premium Income	P22 024
- Security Deposit	P60 000
	P82 024

(ii) In response to the observation raised in the management letter on the 2017/18 accounts relating to travel costs to attend a Berne Union meeting in Kenya, of which BECI is a member, and had been charged to the Fund which I had considered inappropriate, the Fund Managers had stated that those expenditures had been authorized by the Ministry. In my view, the relevant issue to consider is whether the expenditure charged to the Fund meets the intent and purpose of the Fund, and the source of authorization should address that criteria.

In the year under review expenditures totalling P97 105 had been paid from the Fund to finance travel costs to the Prague Club and to China, whose relevance to the Fund also remain questionable.

(m) Botswana Innovation Hub Fund

The Fund was established by Statutory Instrument No. 34 of 2010 for the purpose of monitoring innovation through technology, products and business development in the private sector by providing cash grants to companies and organisations registered with the Hub and to universities and research organisations. The Fund was started with an initial seed capital of P12 000 000 provided by Government.

The Fund has never been operational since inception in 2010 to-date. It was in view of this that the Accounting Officer had informed the Public Accounts Committee during its 56th meeting on the 2016/17 accounts, that the balance of P12 000 000 would be disbursed to the "beneficiaries" [Government through the Consolidated Fund] during the 2018/19 financial year, following the establishment of the Botswana Innovation Fund and revocation of Botswana Innovation Hub Fund by Botswana Innovation Fund Order (No.93 of 2017), effective from September 2017.

However, during the year under review a payment of P8 607 850 was made from the Botswana Innovation Hub Fund, instead of Botswana Innovation Fund, as the new operational Fund to facilitate the payment of grants to innovators and inventors and to meet the Fund administration costs.

In terms of the Public Finance Management Act (No.17 of 2011) the Botswana Innovation Hub Fund should have been dissolved immediately following revocation by the Fund Order establishing the new Fund.

(n) Botswana Innovation Fund

The Special Fund was established in September 2017 for purposes set out in the Botswana Innovation Fund Order (Statutory Instrument No.93 of 2017) which are similar to those of the revoked Botswana Innovation Hub Fund, referred to above.

The Fund Order provides that the Accounting Officer shall cause the audited financial statements of the Fund to be included in the Annual Statements of Accounts prepared by the Accountant General in accordance with Section 42 of the Public Finance Management Act.

Although the Accounting Officer had produced audited financial statements for the financial year ended 31 March 2019, these are not included in the Annual Statements of Accounts, as required. As at 31 March 2019 the value of the Fund was P6 046 114.

(o) Public Debt Service Fund

The audit of the accounts of this Special Fund has elicited the following comments in relation to the investments of the Fund, shown with a total value of P2 060 418 678 as at 31 March 2019-

(i) I have previously raised issue with a purported loan of P900 566 097 to Bamangwato Concessions Limited to meet the liquidator's care and maintenance costs, on the basis of its inability to raise loans under its present circumstances. I have however, still not been provided with details of the loan agreement, repayment arrangements, etc in support of the loan investment.

(ii) The Botswana Postal Services has outstanding instalments totaling P22 551 261 on the loan of P140 000 000 obtained from the Fund.

(iii) National Development Bank had accumulated arrears of P19 947 946 in repayment instalments on the loan of P300 000 000 raised from the Fund.

Subject to the foregoing comments, the value of the Fund as at 31 March 2019 was P2 344 185 001, including cash held by Accountant General of P283 766 323.

(p) Sir Seretse Khama Memorial Fund for the Handicapped

The Fund was established by Statutory Instrument No.60 of 1981 for the purpose of assisting handicapped persons in Botswana by providing for their needs either in cash or in kind. It is funded by Government grants and donations. As in previous years the grant was P500 000 in the year under review.

The expenditure for the year approved by the Board of Trustees was P104 601, out of which P96 906 was for the purchase of 4 wheelchairs with cushions and P7 695 for the Trustees sitting allowances.

(r) Botswana Defence Force Rewards and Fines Fund

While all the transactions of the Special Fund are expected to be accounted for through the Fund, at the time of the audit, I could not obtain clarification on the BDF Fines Recoveries being accounted for under the main Advances Accounts of Government and explanation for the credit balance of P3 590 389, under this account and how it is proposed to be cleared.

The expenditure of P382 500 from the Fund related to assistance to wives and families of deceased soldiers in the total amount of P97 500, as provided for under Section 177 (3) of the Botswana Defence Force Act, and the payment of P285 000 to soldiers in connection with the deaths of their families. These latter payments are not provided for in the Act. While the Commander may exercise discretion in these matters, but these payments are made with such regularity that they have almost become a normal feature of the Fund, and have almost become entitlements. My view is that discretion has to be exercised within the spirit and intent of the provisions of the Act under question, in this case assistance being restricted to the deaths of soldiers and not of their families.

(s) Housing Fund

The Housing Fund was established by Housing Fund Order (Statutory Instrument No. 51 of 2015) for the purpose of providing housing for beneficiaries in Botswana to be identified by Government from time to time.

There have not been any expenditures incurred from the Fund since inception to-date on housing in the manner contemplated by the Fund Order. However, in the year under review a payment of P531 915 was made to UN Habitat Secretariat following a Government decision to do so, on the understanding that subsequent payments would be sourced from normal budgetary processes over the next 5 years. In my view, the appropriateness of this payment from the Fund would appear doubtful in the light of the purpose of the Fund as stated in the Fund Order.

(t) Guardians Fund

The audit of the accounts of the Fund for the year ended 31 March 2019 had produced the following-

(i) As in previous years, the discrepancy of the year-end balance due to depositors with General Ledger and the total of the depositors' listing in both Lobatse and Francistown had persisted. In the year under review, the General Ledger balance was P493 435 012 while the depositors' listing totaled P489 420 816, leaving a difference of P4 014 196 to be accounted for.

(ii) A review of the depositors' balances had indicated numerous accounts with credit balances ranging from P10 to P462 436, which represented either over-withdrawals or accounting errors, which needed to be investigated.

(u) Agricultural Credit Guarantee Scheme Fund

The payments to the National Development Bank and Citizen Entrepreneurship Development Agency under the terms of the Scheme in respect of drought from the 2017/18 cropping season was P63 122 978, which was P20 247 721 in excess of income, resulting in the substantial reduction of the value of the Fund to P239 838.

Unless additional funding is injected into the Fund, the Fund cannot sustain future operations.

Section 7 of the Fund Order requires that the Minister shall, at least in every period of 12 months, lay before the

National Assembly a report on the operation of the Fund. This requirement has not been complied with.

(v) Human Resource Development Fund

I have audited the accounts of the Fund in terms of Section 26 of the Human Resource Development Council Act (as set out under the repealed Vocational Training Act) and have not raised any significant audit matters that require mention in this report. The matters raised were of an accounting nature which were of interest to management only, and have been resolved.

(w) Botswana Police Relief Fund

The Fund was established by Section 67 of the Police Act (Cap 21:01) to make provision for voluntary contributions by members of the Police Service for the purpose of financial assistance through relief grants in the event of death of the police officer or his/her spouse. In the year under review, the benefits paid out amounted to P3 485 333.

Although not forming part of the purpose of the Fund, the Fund is also used to facilitate the payment of contributions by members of the Police Service to a welfare scheme under which officers are assisted in the event of need through disasters or similar causes, better described by the name Botswana Police Service Physical Fitness, Sports and Social Responsibility. The contributions are made through deductions from salaries of officers (contributors) which are then withdrawn on a quarterly basis and transferred to an account with a commercial bank.

(x) Botswana Police Rewards and Fines Fund

The verification of the expenditure of P2 828 057 from the Fund in the year under review had indicated that a total of P2 095 000 (74%) was given as grants to various sports codes under the Department of Police Service, and other items of charity donations, Christmas parties, witness expenses, etc. to a total of P461 245.

(y) Tertiary Education Development Fund

The Fund was set up in 2004 by Statutory Instrument No.57 of 2004 to finance the establishment of the Botswana

International University of Science and Technology and the medical school and for the expansion of University of Botswana. The BIUST project commenced in 2006, and to date, some 15 years later, it is still not yet completed as expenditures continue to be incurred from the Fund.

In the year under review, a payment of P167 913 386 was made to the University to cover the cost of capital development projects, such as access roads, expansion of sewerage systems and for consultancy and professional fees connected to NDP 11 Projects. The subvention to the University from the recurrent budget was P438 306 570.

22. **Statement of Loans Made by Government from Public Revenue – (Statement No. 13)**

As at 31 March 2019 there were 2 outstanding loans made to Parastatal Organisations, namely, Botswana Housing Corporation and Botswana Development Corporation, with a combined total of P58 732 018.

23. **Statement of Other Deposits – (Statement No. 14)**

As at 31 March 2019 the Government liabilities under these accounts totalled P1 556 946 898, comprising Contractors' Retention Deposits of P491 240 489 and Other Deposits totalling P1 065 706 409. As in previous years, the main issues of concern continue to be the following-

(a) The Ministries failure to remit to Botswana Unified Revenue Service timeously the taxes deducted from payments made by them, in contravention of the provision of the Income Tax Act which requires that such taxes be remitted within 15 days of the end of the month in which the deductions were made. As at the end of the year of account the balances of these accounts totalled P55 582 625 from all Ministries, and debits of P241 094, which represent overpayments or accounting errors which should have been addressed.

(b) The year-end balances of these accounts included debits totalling P24 672 217 across all Ministries, which represent overpayments or accounting errors, which should have been appropriately addressed.

(c) Despite my repeated comments in previous years, the debit balance of P37 968 under the defunct Ministry of Communications, Science and Technology is still reflected under the Contractors Retention Deposits.

It is a matter of concern that matters which had been raised and brought to the attention of the Public Accounts Committee continue to be reflected in the accounts.

24. **Statement of Advance Accounts – (Statement No. 15)**

A review of the balances under these accounts had indicated weaknesses in their management and monitoring, as evidenced by a number of non-moving items involving large amounts without evidence of vigorous follow-up and other features across all Ministries and Departments of Government. In addition to the spectre of non-moving items there are also credit balances of large amounts, which suggest overpayments or accounting errors, which should have been investigated and timely corrective action taken. Some of the major matters of concern about these accounts are illustrated below-

(a) The total of outstanding balances as at 31 March 2019 was P1 519 807 060, net of credits of P127 273 511. The bulk of the credits relate to long outstanding balances under the Ministry of Tertiary Education, Research, Science and Technology's students sponsorship accounts totalling P99 695 832. In addition, there is a credit balance of P23 300 152 under the Ministry of Basic Education relating to payment of students allowances through a commercial bank which has not been connected to a debit of P14 127 107 under the Ministry of Tertiary Education, Research, Science and Technology under the same account.

(b) Out of the gross total of P1 647 080 571 under all Ministries, an amount of P77 675 088 was non-moving covering periods from 2004, or earlier, to-date. The more significant of the amounts of non-moving items were the following, across all Ministries –

Grant Loan Scheme (Students)	23 624 027
Motor Vehicle Loan Scheme	774 986
Residential Property Loan Scheme	7 285 100
Recovery of Overpayment of Salaries	18 990 277
Training Bond Liability	7 206 785

If properly managed and monitored some of these would have been considered for write-off.

The performance of Ministries with the worst record is indicated below-

Ministry	Outstanding Advances	Non-Moving	%
-Parliament	142 564	127 620	90
-Basic Education	17 362 201	10 495 322	60
-Mineral Resources, Green Technology, etc	409 853	224 408	55
-Health & Wellness	15 866 004	10 244 344	65
-Attorney General	778 541	425 896	55
-Land Management, Water and Sanitation Services	1 445 236	781 511	54
-Employment, Labour Productivity & Skills Development	1 704 231	1 049 138	62

(c) The total of P911 282 011 representing outstanding balances under the Ministry of Finance and Economic Development includes a balance of P673 597 322 from expenditure which was incurred as far back as 2010 which could not be accounted for in the books of accounts in respect of the purchase of shares at that time. This balance is held under these accounts pending clearance to an appropriate account when identified. It also includes a payment of P211 944 430 to the liquidation of BCL towards the liquidation care and maintenance costs. In my view, this payment does not have the features of a recoverable advance, and should not have been classified under these accounts.

25. **Statement of Cash and Bank Balances – (Statement No. 16)**

The verification of the year-end total of cash and bank balances of (P1 653 462 281) as at 31 March 2019 had indicated that the perennial weaknesses and shortcomings in the reconciliations and resolution of long outstanding reconciling items, reported on in previous years, had persisted in the year under review: a number of bank accounts had not been reconciled at year-end, while others included reconciling items going as far back as 2005 involving large amounts. In view of these shortcomings and other features, I was unable to certify the correctness of the balance of (P1 653 462 281) as at 31 March 2019. The main areas of concern which led to this qualification were the following-

(a) The Remittances Account, the main Government bank account at Bank of Botswana had an overdrawn balance of P356 662 620 as at 31 March 2019. As in previous years, and despite the Accounting Officer's assurance to the Public Accounts Committee on the 2016/17 accounts that he would have cleared all bank reconciliation issues by October 2018, as at 31 March 2019 the bank reconciliation statement still included unidentified items going back to 2005, involving large amounts. Until the old reconciling items are cleared and the reconciliation brought up-to-date, the correctness of the year-end balance of this important bank account would remain open to doubt.

(b) The Government salaries account at Bank of Botswana was reconciled up to 31 March 2019, but had included old reconciling items going as far back as 2005, despite the Accounting Officer's assurance to the Public Accounts Committee on the 2016/17 accounts that the reconciliation of this bank account would be up-to-date by March 2019. The old reconciling items become more difficult to identify with the passage of time.

(c) The reconciliation for the bank accounts maintained by Treasury Cashiers throughout the country had not been submitted, or otherwise not done, as at 31 March 2019. It was therefore not possible to verify the correctness of their balances.

(d) The balances of cash held by Treasury Cashiers at the close of business on the 31 March 2019, as authenticated by the Boards of Survey cash counts as on that date, had not been reconciled with the General Ledger balances in respect of these offices. The Boards of Survey Cash count results had shown significant discrepancies with the General Ledger balances, including the improbable credit balances against Ramotswa (P26 556) and Kasane (P1 052 504) Treasury Cashiers.

(e) The reconciliation statements for the call accounts maintained by the Treasury Cashiers alongside the current account had also not been submitted, and the balances of these accounts have not been verified.

(f) As in previous years, the General Ledger balances maintained by the Accountant General for the various Botswana Diplomatic Missions as at 31 March 2019 did not, in numerous cases, agree with the certified bank/cash book balances submitted by the Missions. These have not been reconciled. The more glaring ones are illustrated below-

Diplomatic Mission	General Ledger	Mission Accounts Balance
Washington	850 828	3 405 014
Abuja – local	1 214 097	1 117 454
Abuja – USD	489 644	312 619
Addis Ababa – local	(140 177)	81 094
Geneva	5 458 481	5 322 739
Nairobi	26 117 859	24 544 051
Brasilia	12 192 440	6 712 586

(g) In my report last year, I had commented that the General Ledger balance of the Lome Sysmin bank account of P636 654 917 had not shown any movement since 2014, although there was evidence of expenditure on projects financed from these funds, such as Plaatjan Bridge construction. As at 31 March 2019 this balance had still not shown any movement.

The related unspent deposit balances were BCL Sysmin Reemployment P250 731 504 and Sysmin Support Grant P475 768 088.

(h) As in previous years, the Point-of-Sale facilities operated by Government Departments throughout the country have presented challenges with regard to the verification of year-end balances and other related matters in the following respects-

(i) Although large sums of money were held in commercial banks under this arrangement, out of 224 facilities only 19 had submitted year-end reconciliations which were verified, leaving the rest unreconciled.

(ii) At least 13 out of these facilities had credit balances, which is not the character of these accounts.

(iii) The arrangement that all collections in excess of P10 000 under these accounts should be transferred to the Remittances Account was not observed, as there were many with balances far in excess of this amount, the highest amount being P7 173 978.

(i) The Electronic Fund Transfer (EFT) Group Accounts J, K, L, M and N were reconciled only up to February 2019. The year-end balances under these accounts could therefore not be verified.

26. **Statement of Contingent Liabilities (Statement No.17)**

The contingent liabilities of Government as at 31 March 2019 totalled P8 666 531 360 in respect of guarantees on parastatal borrowings, public officers borrowings from the commercial banks under the motor vehicle residential property loan schemes and undertakings to international financial institutions made by Government through Bank of Botswana.

The breakdown of these liabilities is as follows-

Parastatal Borrowings	6 060 900 103
Public Officers' Borrowings	1 126 012 960
Non-Interest Bearing Notes	1 479 618 297
	P8 666 531 360

In respect of the public officers' borrowings Government has, over the years since 2004/05, been called upon to make good on the default loans. The total of these stood at P10 429 734 as at 31 March 2019, most of which were non-moving.

I have in the past suggested that the long outstanding balances of default loans under these accounts should be assessed for recoverability and appropriate action taken, as may be necessary, so that the books reflect the true state of these accounts.

27. **Statement of Arrears of Revenue – (Statement No. 19)**

Despite repeated adverse comments in my previous reports on the slow rate of collections, or otherwise unsatisfactory treatment, of Government revenue debts resulting in large amounts of year-end arrears, a review of the accounts for the year under review had shown that there was no improvement in this area across most Ministries and Departments of Government.

The main weaknesses related to the following major areas-

- Long outstanding balances of accounts that should have been investigated leading to appropriate action being taken, had formed part of the year-end balances from one year to the next over a long period of time.

- In respect of the current accounts involving large amounts, very little is collected and other debts abandoned without evidence of meaningful and vigorous follow-up.

- Administrative debts, such as those arising from private usage of private telephones, which are governed by General Orders, continued to be a dominant feature of these year-end balances with some coming from previous years. This is a result of failure to comply with the terms of General Orders which require that the cost of unpaid private calls should be deducted from the salaries of the officers concerned.

On the overall performance on these arrears, out of the adjusted opening balance of P439 955 570 on the 1st April 2018, only a paltry P20 863 275 (5%) was collected during the year, while a total of P372 523 207 was abandoned across the Ministries.

Unless Accounting Officers in the Ministries make concerted efforts to collect these concessionary debts, because of the Government cash-based accounting, the public revenue will continue to suffer losses through abandonment with implications for the budgetary processes.

28. **Statement of Contingencies Fund – (Statement No. 20)**

The Fund is established under Section 121 of the Constitution to make provision for meeting the cost of urgent and unforeseen need which has arisen for which there is no provision in the Estimates of Expenditure. Currently, the Fund has a balance of P10 000 000.

The Fund is used alongside the National Disaster Relief Special Fund which is funded annually through appropriations from the Consolidated Fund. In the year under review the expenditure from the Special Fund was P4 696 009, while there was none from the Contingencies Fund.

29. **Tabular Summary of Unallocated Stores – (Statement No 21)**

The Ministry of Finance and Economic Development through the former Department of Supply, no longer carries out the procurement of unallocated stores function on behalf of the line Ministries. The residual stocks comprising national flags, office equipment spares and consumables and some carpentry items valued at P2 503 898, were written off and disposed of during the year under review. This has brought closure to the procurement function of the Ministry and the use of the warehouses previously used for the storage of the unallocated stores. The warehouses have been handed over to the Department of Lands for allocation to the Ministries and Departments of Government as necessary.

30. **Statement of Losses of Public Monies and Stores – (Statement No. 22)**

Table A – Losses of Cash

Reported During the Year Under Review

During the year under review, 20 cases of losses of cash with a value of P1 557 360 were reported to the Ministry of Finance and Economic Development in line with the requirements of Financial Instructions and Procedures. Although the cases were reported in the year under review, the actual occurrences, in some cases, date back to earlier periods, such as 2004, 2009, 2014 etc. especially those relating to theft and systematic fraud. As at 31 March 2019, save for recovered amounts totalling P124 200, the rest of the cases were still under investigation.

Reported in Previous Years

The cumulative loss amounts reported in previous years totalled P13 803 117 as at 31 March 2019, including a single case of systematic fraud with an amount of P8 123 676 reported in 2016 in the Office of the Accountant General. Out of this total loss amount, only P752 140 has been recovered to-date, while P382 010 was written off to public funds.

While I note the Accounting Officer's assurance to the Public Accounts Committee in the past that he would follow-up this matter with the line Ministries, I am still concerned that the processing and finalization of loss cases continues to be slow, as there are still many outstanding cases dating back many years which are said to be under investigation, even when it is doubtful that a loss which occurred in, say 2004, would still be subject of investigation today.

I am, however, hopeful that the Accounting Officers would advert more attention to this matter to speed up the finalization of all loss cases.

31. **Statement of Losses of Public Monies and Stores – (Statement No. 22)**

Table B – Losses of Stores

Reported During the Year Under Review

During the year under review, 53 cases of losses of stores were reported to the Ministry of Finance and Economic Development with a loss amount of P1 456 420 (including burnt gumpoles, valued at P139 365, reported in previous years), in terms of Supplies Regulations and Procedures. The losses reported covered the Ministries of State

President [Presidential Affairs, Governance and Public Administration], Basic Education, Agriculture and Food Security [Agricultural Development and Food Security, and Tertiary Education [Tertiary Education Research, Science and Technology]. While most of the losses under the Ministry of Basic Education, valued at P32 327, had occurred at the various Junior Secondary schools, there were no details of the items lost in the draft Statement submitted for audit.

Out of the loss amount of P1 317 055 (adjusted for gumpoles reported previous years), reported during the year under review, a total of P145 390 was recovered while P204 638 (after adjusting P139 365 for gumpoles reported previous years), was written off leaving a balance of P967 027 still to be resolved.

Although these losses were reported in the year under review, some of them are very old, dating back to the mid-2000s, such as 2008, 2010, 2011-etc. at the earliest, indicating that the reporting had not been always as prompt as may be desired.

Reported During Previous Years

As at 31 March 2019, the outstanding balance of the losses of stores reported during previous years was P733 419 from the original loss amount of P1 000 293. Out of this amount, P116 094 (12%) was recovered, while P150 780 (15%) was written-off to-date. The processing and finalization of the loss cases is still considered slow, as there are outstanding cases dating back to 2008, 2011, 2012, etc. involving simple cases of losses of laptops, cameras, cellphones and such similar items.

As well as taking steps to minimize the incidence of losses, it is my view that Accounting Officers should diligently investigate and finalise all loss cases whenever these have occurred.

32. Accidents to Government Motor Vehicles – (Statement No. 22)

Table C– Losses through Motor Vehicle Accidents

Reported During the Year Under Review

In the year under review, 165 cases of losses through accidents to Government motor vehicles with a damage cost of P3 922 445 (2018: P3 308 118) were reported to the Ministry of Finance and Economic Development. Out of this amount, P471 406 involving 25 cases is recoverable from third parties and are very old dating back to 2016 and 2017. There is no evidence that the actual recoveries had been made, as only P6 087 is reflected in the reporting as having been received.

I have, in the past, repeatedly raised the matter of recoveries from the third party motorists, that these amounts should be reflected in this Statement, so as to reflect the true extent of losses to public funds through this source, after abatement of losses by recoveries from third party motorists who have caused damage to Government motor vehicles.

Reported During Previous Years

The losses through accidents to Government motor vehicles reported in previous years totalled P13 986 214 (2018: P13 741 606) as at 31 March 2019. Out of this amount, P2 163 166 is recoverable from third parties, and only P87 515 (4%) is reported as having been recovered by full or part-recoveries. This is unsatisfactory performance considering that some of these, and other non-third party, cases are very old dating back to 2009. As commented on in my previous reports, this is an indication that the processing of the cases is slow in the extreme where accidents investigations would take up to 10 years without finalization in sight. The delays in processing the accidents cases could result in losses to the public revenue even where recoveries might have been possible.

As suggested in my previous report, the Permanent Secretary, Ministry of Finance and Economic Development should prevail on Accounting Officers in the line Ministries, in terms of Section 4 of the Public Finance Management Act, to carry out their financial responsibilities in relation to the national resources entrusted to them in accordance with the laid down rules and regulations.

VII MINISTERIAL ACCOUNTS

PARLIAMENT

33. Warranted Provision

The utilisation of funds warranted to Parliament for the financial year ended 31 March 2019 is indicated below-

Department	Warranted Provision	Actual Expenditure	Under Expenditure	%
National Assembly	144 392 780	136 961 347	-7 431 433	5
Ntlo ya Dikgosi	8 873 780	8 530 253	-343 527	4
	153 266 560	145 491 600	-7 774 960	5

34. Non-Moving Advances

The non-moving advances which were outstanding on the 31 March 2019 under Parliament are shown below-

Damage to Government Vehicles	(5 898)
Emergency Advances – Permanent and Pensionable	34 251
Recovery of Overpayment of Salaries	1 500
Training Bond Lability	91 868
Motor Vehicle Advance – Old	74 062
Travelling Imprest	(9 301)
	186 482

MINISTRY FOR PRESIDENTIAL AFFAIRS, GOVERNANCE AND PUBLIC ADMINISTRATION

35. **Warranted Provision**

The utilisation of funds warranted to the Ministry for the financial year ended 31 March 2019 is indicated below-

Department	Warranted Provision	Actual Expenditure	Under Expenditure	%
State House	11 188 140	10 945 684	-242 456	2
Office of the President	369 700 880	362 232 471	-7 468 408	2
Directorate of Public Service Management	107 271 430	104 255 266	-3 016 164	3
Former President- Festus G. Mogae	3 623 480	3 247 227	-376 253	10
Information Services	66 878 870	64 383 370	-2 495 500	4
Broadcasting Services	214 678 280	211 374 145	-3 304 135	2
Govt. Printing & Publishing Services	82 058 740	80 713 903	-1 344 837	2
National Strategy Office	27 453 140	26 747 204	-705 936	3
Directorate of Corruption & Economic Crime	111 586 020	108 138 122	-3 447 898	3
DISS	404 401 790	397 206 141	-7 195 649	2
Former President- Seretse Khama Ian Khama	4 031 790	3 261 821	-769 969	19
	1 402 872 560	1 372 505 355	-30 367 205	2

36. **Non-Moving Advances**

The non-moving advances which were outstanding on the 31 March 2019 under this Ministry are shown below-

Damage to Government Vehicles	37 127
Surcharge – Permanent and Pensionable – Payroll	4 624
Emergency Advances – Permanent and Pensionable	(26 573)
Imprest Recoveries	30 223
Industrial Class Advances	9 877
Grade D4 & Below	39 083
Loss of Cash	30 493
Advance of Gratuity – Members of Parliament	7 469 200
Recovery of Overpayment of Salaries	85 506
Training Bond Liability	25 223
Motor Vehicle Advance – Old	(74 062)
Travelling Imprests	31 106
	7 661 827

The outstanding balances should be followed-up and their recoverability determined so that appropriate action may be taken, while the negative balances should be investigated for possible errors or over-recoveries.

MINISTRY OF FINANCE AND ECONOMIC DEVELOPMENT

37. Warranted Provision

The utilization of funds warranted to the Ministry for the financial year ended 31 March 2019 is indicated below-

Department	Warranted Provision	Actual Expenditure	Under Expenditure	%
Headquarters	611 409 389	597 841 702	-13 567 687	2
Accountant General	343 990 591	337 313 765	- 6 676 826	2
Finance & Intelligence Agency	19 959 870	18 023 641	-1 936 229	10
	975 359 850	953 179 108	-22 180 742	2

Out of the Ministry expenditures of P953 179 108, an amount of P355 551 539 (37%) represented payments of subventions to parastatals falling under the portfolio responsibility of the Ministry and international organisations.

38. Non-Moving Advances

The non-moving advances which were outstanding on the 31 March 2019 under this Ministry are shown below-

Surcharge – Permanent and Pensionable – Payroll	162 139
Permanent and Pensionable – Emergency Advances	51 750
Advances – Imprest Recoveries	6 178
Loss of cash – Cash Shortage	328 686
Prepayment Account	778 096
Residential Property Loan	7 285 100
Motor Vehicle Loan	774 987
Recovery of Overpayment of salaries	427 387
Travelling Imprest	58 809
	9 873 132

Some of the items under Residential Property and Motor Vehicle Loan Schemes are very old dating back to 2014, almost 6 years old, and need to be assessed for recoverability, for necessary action.

MINISTRY OF NATIONALITY, IMMIGRATION AND GENDER AFFAIRS

39. **Warranted Provision**

The utilisation of funds warranted to the Ministry for the financial year ended 31 March 2019 is indicated below-

Department	Warranted Provision	Actual Expenditure	Under Expenditure	%
Headquarters	70 520 561	66 689 264	-3 831 298	5
Immigration & Citizenship	224 712 710	216 475 721	-8 236 989	4
Gender Affairs	29 809 870	25 682 941	-4 126 929	14
Civil & National Registration	69 070 019	66 067 449	-3 002 570	4
	394 113 160	374 915 375	-19 197 785	5

The expenditure of P374 915 375 of this Ministry represents 95% utilisation of funds warranted to the Ministry for the year under review, compared to 97% in the previous year.

40. **Non-Moving Advances**

The non-moving advances which were outstanding on the 31 March 2019 under this Ministry are shown below-

Surcharge – Damage to Government Vehicles	23 978
Advances – Industrial Class	3 000
Advances – Permanent and Pensionable Grade D4 & Below	100 484
Loss of Cash – Cash Shortage	636 274
Recovery of Overpayment of Salaries	186 584
Training Bond Liability	4 556
Travelling Imprest	173
	955 049

41. **Grants Paid Under the Women Economic Empowerment Programme**

I carried out an audit of payments of grants to beneficiaries under the Women Economic Empowerment Programme to establish whether the objective of the programme was being achieved and the terms and conditions of those grants were, in all material respects, complied with in relation to *Guidelines For Financial Support To Individual Women Shareholders, Women's Non-Governmental Organisations, Women*

*Community Based Businesses and Women's Groups Business Ventures (*Guidelines). The objective of the programme is to promote women economic empowerment, alleviate poverty and create employment through small-scale business enterprises.

The key findings pointed to non-compliance with applicable requirements across regions. Out of the 1 048 projects funded at a total cost of P152 830 443, in the period from November 2015 to November 2017, 155 projects valued at P21 902 506 had collapsed before graduation while 56 projects valued at P6 757 807 were struggling to survive.

The main areas of non-compliance were the following-

- In terms of the Guidelines it is provided that *in the event that the beneficiary abandons a project or shows lack of commitment to the project before 5 years, the Ministry will repossess all the equipment and other assets financed by Government*. This requirement was not observed in that there was no follow-up for the recoupment of assets whose values had not been ascertained. The following are examples of assets for failed projects:

    - Gym equipment
    - Toilet paper producing machine
    - Peanut butter machine
    - Chicken cages
    - Biltong machines etc

- Guidelines require funding to be disbursed to beneficiaries in phases according to the implementation plan. However, instances had been noted where payments had been made in full at the initial stage. In these cases, without proper monitoring, there is the possibility of grants being misapplied to other purposes.

- In terms of the Guidelines, the beneficiaries were required to prepare proper books of accounts and furnish the Department, 30 days after utilization of the initial funding and thereafter monthly progress report. In all the 67 files sampled, accounts had not been submitted leaving the Department without any form of checking projects progress.

- The projects teams across different regions could not avail projects appraisal reports which would indicate that they had appraised the individual projects. That was a significant non-compliance to the Guidelines which require that all project proposals will be appraised to determine market availability, projected profitability, sustainability and management and prospects for growth.

While the programme projects failure may be considered moderate at 15%, it is nevertheless of paramount importance that all the requirements of the Guidelines should be complied with for the good management of the programme and attainment of its objective.

MINISTRY OF AGRICULTURAL DEVELOPMENT AND FOOD SECURITY

42. **Warranted Provision**

The utilisation of funds warranted to the Ministry for the financial year ended 31 March 2019 is indicated below-

Department	Warranted Provision	Actual Expenditure	Under Expenditure	%
Headquarters	423 412 430	421 040 813	-2 371 617	1
Crop Production & Forestry	207 744 139	205 522 772	-2 221 368	1
Agricultural Research	104 037 655	102 713 376	-1 324 280	1
Animal Production	114 564 588	112 964 119	-1 600 469	1
Agricultural, Business Promotions	32 407 405	31 770 413	-636 992	2
Veterinary Services	435 925 562	429 001 782	-6 923 780	2
Agricultural Research Statistics & Policy Development	19 615 140	19 382 658	-232 482	1
	1 337 706 920	1 322 395 932	-15 310 988	1

The expenditures of the Departments under this Ministry are well within the warranted provisions, resulting in the overall Ministry funds utilisation of 99%, compared to 98% in the previous year.

43. **Non-Moving Advances**

The non-moving advances which were outstanding on the 31 March 2019 under this Ministry are shown below-

Surcharge – Damage to Government Vehicles	76 534
Surcharge – Permanent and Pensionable – Payroll	7 016
Permanent and Pensionable – Emergency Advances	16 888
Advances – Imprest Recoveries	8 728
Advances – Industrial Class	4 077
Advances – Permanent and Pensionable Grade D4 & Below	91 183
Loss of Cash – Cash Shortage	248 506
Recovery of Overpayment of Salaries	982 241
Training Bond Liability	66 298
Travelling Imprest	80 655
Loss of Cash	138 386
	1 720 512

MINISTRY OF BASIC EDUCATION

44. **Warranted Provision**

The utilisation of funds warranted to the Ministry for the financial year ended 31 March 2019 is indicated below-

Department	Warranted Provision	Actual Expenditure	Under Expenditure	%
Headquarters	994 107 831	979 118 601	-14 989 230	2
Out of School Education	56 216 602	55 484 506	-732 096	1
Curriculum Dev. & Evaluation	20 638 839	20 265 521	-373 318	
Teaching Service Management	5 026 838 267	5 026 314 060	-524 207	-
Pre- and Primary	46 867 087	41 652 915	-5 214 172	11
Secondary Education	1 810 837 857	1 760 614 026	-50 223 831	3
Technical Services	28 124 882	27 436 182	-688 701	2
Info. Communications & Media Services	16 001 720	15 395 904	-605 816	4
Special Support Services	20 349 887	19 425 750	-924 137	5
Educational Planning & Research	10 064 868	9 891 572	-173 296	2
	8 030 047 840	7 955 599 038	-74 448 802	1

The expenditures of the Ministry are well within the warranted provisions with the budgetary utilization ranging between 89% and 99%. The bulk of the expenditure had gone to the Department of Teaching Service Management at 63% of the total, followed by Secondary Education at 22%.

45. **Non-Moving Advances**

The non-moving advances which were outstanding on the 31 March 2019, under this Ministry are shown below-

Surcharge – Damage to Government Vehicles	46 889
Surcharge – Permanent and Pensionable – Payroll	266 947
Permanent and Pensionable – Emergency Advances	(4 500)
Advances – Imprest Recoveries	64 775
Advances – Industrial Class	20 572

Advances – Permanent & Pensionable D4 & Below	172 163
Loss of cash – Cash Shortage	371 832
Recovery of Overpayment of Salaries	8 933 307
Teaching Service Management	6 715 535
Training Bond Liability	623 336
Travelling Imprest	480 604
	17 691 460

The indebtedness under these accounts fall predominantly under the Department of Teaching Service Management with a total of P6 715 535 in respect of overpayment of salaries with the earliest dating back to 2013. There are also cases of non-moving industrial class advances that date back to 2008.

46. Tshwaragano Junior Secondary School Expansion – Maun

The initial tender process for the expansion of Tshwaragano Junior Secondary School was carried out in 2014. However, due to lack of funds the project was suspended and was resuscitated in 2015 through the Economic Stimulus Programme.

The contract of works was awarded to a contractor at a price of P65 158 767 for a duration of 504 calendar days with a completion date of 27 October 2017.

Late awarding of Mechanical & Electrical Sub-Contractors

The tenders for Mechanical and Electrical subcontractor were awarded in December 2016 and October 2017 respectively, that is six (6) and sixteen (16) months after the commencement of the construction works which started in June 2016, which accounted for the delay in project performance. The irregular performance by the Electrical subcontractor added to the delay in the project completion as the project had to be stalled for a period of time. This resulted in time extensions and delay damages imposed on the Ministry. The project took 966 calendar days against the initial schedule of 504 calendar days and had resulted in cost overruns of P7 332 427 as the cumulative amount stood at P72 491 194 at the time of audit, including an overpayment of P1 803 868.

Furthermore, it was observed that the contractor was paid P971 430 as costs associated with extension of time instead of P253 820. This brings the total overpayment to P2 521 479 which needed to be recovered from the contractor.

47. **Audit of Procurement of Food for Secondary Schools**

The audit of the process of procurement of food supplies for secondary schools brought to light the following:

(a) Procurement Method

The procurement method used to procure food for secondary schools is the tendering method which is guided by a price index from PPADB. Across the 24 secondary schools inspected the most commonly used method was the Request for Quotations (RFQ) which gives the suppliers a latitude to charge the prevailing market prices as they are usually higher than those provided in the PPADB price index.

The RFQ method is not considered as the suitable method for high value items and the volume of supplies involved. The use of the method escalates food prices unnecessarily and becomes costly to Government.

The delays in the tender evaluation process which take an average of twelve (12) months before awarding the tender contributed to the use of RFQ by the procuring schools. These delays resulted in some selected suppliers rejecting the offers immediately as the prices would have changed.

(b) Non-Compliance with contract agreements

Instances were noted where suppliers failed to honour their obligations under the contracts, mainly the key suppliers who failed to supply food items within the stipulated dates.

This would result in the institutions having to look for alternative sources of supply for the item in question, which may not be always easy.

(c) Food Storage Facilities

Storage facilities at Sedie and Tsodilo Junior Secondary Schools in Maun were considered not suitable for food items as they had broken roofs and cracked walls which exposed the food items to damage by water in case of rains and dust which goes through those cracks. Furthermore, there were traces of rats in these storage facilities, which poses a health risk to students consuming the food.

MINISTRY OF INVESTMENT, TRADE AND INDUSTRY

48. **Warranted Provision**

The utilisation of funds warranted to the Ministry for the financial year ended 31 March 2019 is indicated below-

Department	Warranted Provision	Actual Expenditure	Under Expenditure	%
Headquarters	927 307 444	924 926 707	-2 380 737	0.26
Cooperative Development	44 702 429	42 892 148	-1 810 281	4
Trade & Consumer Affairs	29 034 932	28 423 972	-610 960	2
Industrial Affairs	22 695 760	22 016 969	-678 791	3
International Trade	21 507 920	20 145 184	-1 362 736	6
Companies & Intellectual Property	978 215	793 719	-184 496	19
	1 046 226 700	1 039 198 698	-7 028 002	0.67

Out of the expenditure of P1 039 198 698, an amount of P841 714 619 (81%) represents payments of grants and subventions to parastatals under the responsibility of the Ministry. The Department of Register of Companies and Intellectual Property has since been established as a statutory corporation, and the expenditure under the Department relate to salaries and related allowances to seconded staff, which is substantially reduced from P1 895 699 in the previous year to P793 719 in the year under review.

49. **Non-Moving Advances**

The non-moving advances which were outstanding on the 31 March 2019 under this Ministry are shown below-

Surcharge – Permanent and Pensionable - Payroll	4 053
Advances – Permanent and Pensionable – Grade D4 & Below	(650)
Loss of Cash – Cash Shortage	4 422
Recovery of Overpayment of Salaries	31 635
Training Bond Liability	98 515
Travelling Imprest	(18 767)
	119 208

50. **Government Funds with Companies and Intellectual Property Authority**

As is my normal practice, I recently carried out a review of the audited accounts of the above Authority for the purpose of incorporating my review comments in this report for the benefit of the National Assembly. In the process of the review, it came to realisation that the Authority holds an amount of P38 292 150 which had been collected by it on behalf of Government, but had not yet been remitted to Government.

The revelation came through a bank confirmation to the Authority's auditors, who have reported that the money is held in a call account with the bank in question, even as it was not recorded in the books of account of the Authority. Although it is not clear how long the money has been with the Authority, it is however hoped that it will be remitted to the Ministry in due course.

My review comments on the accounts of the Authority are set out under the Parastatal Section of this report.

MINISTRY OF LOCAL GOVERNMENT AND RURAL DEVELOPMENT

51. **Warranted Provision**

The utilisation of funds warranted to the Ministry for the financial year ended 31 March 2019 is indicated below-

Department	Warranted Provision	Actual Expenditure	Under Expenditure	%
Headquarters	142 687 180	127 796 719	-14 890 461	10
Social Services	-	38 750	38 750	-
Local Government & Development Planning	9 515 000	8 850 136	-664 864	7
Local Governance Finance & Procurement	4 483 493 944	4 438 509 270	-44 984 674	1
Tribal Administration	530 691 750	497 907 872	-32 783 878	6
Technical Services	11 153 261	10 625 700	-527 561	
Rural Development	5 854 050	5 127 397	-726 653	5
Social Protection	1 087 163 885	1 079 279 004	-7 884 881	12
Community Development	12 244 350	10 967 986	-1 276 364	10
	6 282 803 420	6 179 102 833	-103 700 587	2

The Ministerial expenditures for the year under review totaled P6 179 102 833, of which P3 805 098 576 (62%) was Revenue Support Grant to the local and urban authorities. The Departmental expenditures are well within the warranted provisions, recording in the range of 88% to 99% utilisation.

52. **Non-Moving Advances**

The non-moving advances which were outstanding on the 31 March 2019 under this Ministry are shown below-

Surcharge – Damage to Government Vehicles	27 314
Surcharge – Permanent and Pensionable - Payroll	3 326
Advances – Permanent and Pensionable - Emergency Advances	20 100
Advances – Imprest Recoveries	11 851
Advances – Industrial Class	8 372
Advances – Permanent and Pensionable – Grade D4 & Below	45 430
Loss of Cash – Cash Shortage	49 858
Recovery of Overpayment of Salaries	1 095 974
Travelling Imprest	25 677
	1 287 902

Out of the outstanding balance of P1 095 974 of salary overpayments, an amount of P770 402 related to the Department of Tribal Administration, while P281 121 was under Ministry Headquarters.

53. **Accounting for Social Security Benefits – Department of Social Protection**

In my report for the financial year 2016/2017 I had commented that there were considerable delays in accounting for unclaimed social security benefits (Old Age Pension, World War II veterans, etc.) by BotswanaPost to the Department of Social Protection. In that report I had indicated that unclaimed benefits amounting to P33 723 248, covering the period from November 2014 to October 2015 had not been remitted to the Department until financial year 2016/17; and that unpaid benefits amounting to P26 063 010 in respect of financial year 2016/17 had not yet been paid over at the end of that year.

In his written submission to the Public Accounts Committee the Accounting Officer had informed the Committee that he had taken up the matter with BotswanaPost, and that he expected improvement from January 2019.

However, an interim audit of these payments for the financial year ended 31 March 2019 had indicated that challenges surrounding accounting for these benefits had persisted: unclaimed benefits amounting to P35 766 575 in respect of the period from 2014/15 to 2016/17 for deceased beneficiaries had been manually adjusted to a revenue account, and incorrectly so, as this has now left an outstanding debit under the funds advanced to BotswanaPost for these payments.

The interim audit had also noted that the agency which is contracted for the payment of social security benefits in the Southern Region, Sandulela, was taking too long to account for funds advanced to it for the payment of the benefits: an amount of P114 443 660 paid to Sandulela covering the period from September 2016 to March 2018 was only accounted for in November 2018, including a cheque for P6 200 000 for unclaimed benefits; payments totalling P56 252 420 to Sandulela, covering the period from September 2018 to April 2019, in the financial 2018/19 had yet to be accounted for at the time of audit in January 2020.

The foregoing observations indicate that there is much to be done to bring about improvement in these transactions in line with the Accounting Officer's assurance to the Public Accounts Committee during the 56th meeting. In view of the large amounts involved for both

BotswanaPost and Sandulela there is the risk of loss of control over these funds if the terms of agreements are not strictly followed.

54. **Development Expenditure – Construction of Customary Court Office, Plateau, Chobe District.**

The construction of a customary court office in Plateau in the Chobe District was awarded to a contractor in April 2016 in the contract amount of P1 787 745, with a duration of 28 weeks, commencing in September 2016 and ending in March 2017. However, the contractor had not been able to complete the project within this period on account of heavy rains in the months of January and February 2017, and changes in the design of the building (cell blocks to conference room, windows and extra work not in the bills of quantities). The contractor had therefore sought an extension of time, which was granted in May 2017. Despite the extension of time, the building was not completed until 4th August 2017 at a total cost of P2 000 118 with a 6-months defects liability period to February 2018.

Following the recommendation of the technical officers of the Council the retention deposit was duly released in February 2018 on the basis that all the defects and deficiencies had been made good to the satisfaction of the Council.

As part of the audit of the project expenditure, in July 2018, I carried out an inspection of the structural condition of the office building, with the assistance of my in-house engineer later in March 2019. Although his conclusion is that the building is structurally sound and habitable, he has nevertheless pointed to numerous defects, mainly related to vertical and horizontal cracks on walls, loose gutters, poor compaction of pavers, etc which he said could lead to major defects if not attended to in time. These could later affect the overall structural integrity of the building. Other matters reported related to damage from termites infestation and the destruction of the fence by elephants. The termites infestation is most likely the result of failure to apply ant poison.

I had drawn the attention of the Accounting Officer to these defects for comments. My view is that the manifestation of structural defects on this scale so soon after construction completion and the retention release is suggestive of inadequate project management and supervision, which would entail further expenditure in remedial works.

55. **Audit of Accounts – Food Relief Services, Northern Region**

An audit of the accounts and records for the supply of food rations to the institutions in the Northern Region for the financial year-ended 31 March 2019 was carried out, and my observations thereon pointing out weaknesses and shortcomings were addressed to the Accounting Officer for comments. The main ones of those observations which are applicable to almost all depots are set out below;-

(a) It had been noted across all depots in the Region that there had been instances where food items were short for periods ranging from 1 to 7 months in the institutions for a variety of reasons, including absence of regular contracts and supplier failures. The success of this programme is dependent on regular and reliable availability of the supplies to achieve its objective.

(b) There would be instances where food items were returned from the feeding centres to the depots for reasons of spoilage or any other cause. In these cases, instances had been noted where these returns were not supported by any documentation, which could lead to these items being lost without trace.

(c) Large quantities of various food items valued at P772 436 from different depots were damaged by rodents, and written off. Included in the write off were 13 538 (340ml) cartons of milk valued at P75 745. In this connection, it is important that the warehouses be maintained to a standard where they would not be infested by rodents and other pests.

(d) Seven stacking machines which had been bought for use in warehouses in Selibe Phikwe, Maun, Shakawe, Ghanzi and Francistown and 2 fumigation sheets had never been used since purchase on some unascertained dates. The explanation given was that the stacking machines could not fit into the warehouses. If these machines cannot be used in these warehouses they should be considered for transfer to other Government departments where the need might exist, in line with the requirements of Supplies Regulations and Procedures.

(e) There is an outstanding matter relating to the supply of stewed steak (283x3.1kg cans) to the Maun depot which was allegedly defective. The steak had been supplied by Botswana Meat Commission to the depot in November 2016. In March 2017 part of the consignment was reported to the supplier as defective, and was to be replaced. Even as there was no agreement reached between the parties regarding replacement, in

October 2018 the items in question were disposed of by destruction.

This disposal represented a loss as the whole consignment had been paid for. In my view, the loss resulted directly from failure by the depot managers to deal with the matter immediately upon receipt of the consignment and detection of the defects.

Audit inspections during visits to Selibe Phikwe, Maun, Shakawe, Ghanzi and Francistown depots had raised a number of observations on points of detail related to the maintenance of records, reconciliations of stocks and related matters, which I drew to the attention of the Accounting Officer for comments.

56. **Audit of Accounts – Food Relief Services, Southern Region**

The undernoted observations arose from the audit of accounts and records of food relief institutions in the Southern Region, which have been forwarded to the Accounting Officer for comments.

(a) A scrutiny of the records for the control of stocks of food items in the Southern Region had indicated intermittent shortages of the various items, principally Tsabana, Malutu, Sunflower Oil and Milk which was mainly due to absence of subsisting contracts for the supply of these items. For example, the contract for the supply of Tsabana to all depots expired in September 2018 and was not replaced by a substantive contract. The supplier contracts for these stocks should be so managed that the expiry of one contract is immediately followed by the commencement of the next.

(b) Suppliers who had been contracted to supply foodstuffs had failed to do so and no timely action had been taken to redress the situation to ensure continuity of supply of the food items-

(i) In one case, the supplier was to manufacture and supply 1 136 metric tonnes of Malutu for a 4-months period from March 2019 to June 2019, but had been unable to honour the obligation. The situation was relieved by inter-depot transfers, at additional cost in transportation and subsistence expenses.

(ii) In another case, the contract was for the supply of Sunflower Oil to Mabutsane, where the supplier had also failed to deliver.

(c) Examination of the Molepolole depot Food Issues Register had indicated a number of instances where food items consigned to the various feeding centres had been returned for a variety of reasons, including food item available; no storage space; and in other cases the whole consignments were returned, and reasons not stated. This is an indication of lack of proper management and monitoring of the affairs of the depot, which could result in losses from frequent movements of the food items concerned.

(d) The maintenance of accounting records in the Region, typically in Letlhakeng, Tsabong, Mabutsane was less than satisfactory. In these depots a number of instances had been noted where receipts and issues had not been recorded over long periods, resulting in incorrect balances reflected in the accounting records. This is a serious weakness which could lead to or result in losses without trace or detection, and is a contravention of Supplies Regulations and Procedures.

(e) A consignment of Sunflower Oil which had been delivered to the Molepolole depot was found to be unacceptable, and had to be returned. When the supplier came to collect it was discovered that 13 boxes were missing for which there was no explanation. The matter was reportedly reported to the Police. At the time of writing this report I had not been advised of the outcome of the Police investigations. There is no indication in the Statement of Losses in the Annual Statements of Accounts for the financial year 2018/2019 that this loss had been reported, as required by Supplies Regulations and Procedures.

(f) Similarly, consignments of a total of 892 bags of Malutu and 3 bags of beans from Tsabong depot to different feeding centres had not been received in those centres, and are considered lost. These are also not reflected in the Statement of Losses in the Annual Statements of Accounts for the same periods.

MINISTRY OF MINERAL RESOURCES, GREEN TECHNOLOGY AND ENERGY SECURITY

57. **Warranted Provision**

The utilisation of funds warranted to the Ministry for the financial year ended 31 March 2019 is indicated below-

Department	Warranted Provision	Actual Expenditure	Under Expenditure	%
Headquarters	358 071 823	326 224 963	-31 846 860	9
Geological Surveys		60 067	60 067	-
Mines	25 526 440	22 400 752	-3 125 688	12
Energy Affairs	22 276 130	18 233 425	-4 042 705	18
	405 934 460	366 916 024	-39 018 436	10

The Ministry expenditures increased by 27% from P288 269 989 in the previous year to P366 916 024 in the year under review mainly because of significant increases in subventions to parastatals under the portfolio responsibility of the Ministry from P153 759 246 (53%) in the previous year to P223 713 566 (61% of the total) in the year under review.

The Department of Geological Surveys has since been established as a parastatal under the name, Botswana Geoscience.

58. **Non-Moving Advances**

The non-moving advances which were outstanding on the 31 March 2019 under this Ministry are shown below-

Surcharge – Damage to Government Vehicles	4 363
Surcharge – Permanent and Pensionable – Payroll	10 101
Advances – Permanent and Pensionable – Grade D4 & Below	12 000
Recovery of Overpayment of Salaries	197 943
Travelling Imprest	(5 132)
	219 275

MINISTRY OF HEALTH AND WELLNESS

59. **Warranted Provision**

The utilisation of funds warranted to the Ministry for the financial year ended 31 March 2019 is indicated below-

Department	Warranted Provision	Actual Expenditure	Under Expenditure	%
Headquarters	933 766 802	881 960 966	-51 805 836	6
Policy, Monitoring & Evaluation	10 995 990	9 232 985	-1 763 005	16
Health Sector Relations	208 596 410	200 817 055	-7 779 355	4
Clinical Services	6 128 048 626	5 722 461 613	-405 587 013	7
Public Health	144 619 622	125 650 136	-18 969 486	13
AIDS Prevention & Care	104 298 440	94 123 672	-10 174 768	10
Health Inspectorate	9 856 010	8 744 864	-1 111 146	11
	7 540 181 900	7 042 991 291	-497 190 609	7

60. **Non-Moving Advances**

The non-moving advances which were outstanding on the 31 March 2019 under this Ministry are shown below-

Surcharge – Damage to Government Vehicles	180 567
Surcharge – Permanent and Pensionable – Payroll	103 991
Permanent and Pensionable Emergency Advances	52 288
Advances – Imprest Recoveries	496 502
Advances – Industrial Class	71 990
Advances – Permanent and Pensionable Grade D4 & Below	202 098
Loss of cash – Cash Shortage	36 350
Recovery of Overpayment of Salaries	4 641 790
Training Bond Liability	4 433 438
Travelling Imprest	1 287 686
	11 506 700

61. **Overpayment of Salary – Department of Public Health**

An officer who was employed under the Department of Public Health in the Ministry as a Technical Officer (Environmental) in 2009 was transferred to the Central District Council in 2010 as an Environmental Health Technician. After transfer the officer had continued to draw salary from the Ministry up to 2019 while he was also on Council payroll, resulting in an overpayment of salary of P643 919. An amount of P94 960 has been recovered, leaving a balance of P548 959.

I have drawn the attention of the Accounting Officer to these erroneous payments, and requested to be advised of the circumstances of the overpayments over such a long period, the exact amount involved and whether a loss report had been submitted in accordance with the requirements of Financial Instructions and Procedures. At the time of writing this report I had not received his comments, I am therefore not aware what action has been taken on this case.

62. **Payments of Grants to Non-Governmental Organisations under the Ministry**

During the year under review, I had carried out an audit of the payments of grants to Non-Governmental Organisations (NGOs) providing services related to the portfolio responsibility of the Ministry to assess the extent to which the Policy Guidelines relating thereto had been complied with for the achievement of the objectives of the grants. The main findings pointed to non-compliance with the very important requirements of the Guidelines which indicated that the Accounting Officer had little or no control over the beneficiaries in the use of the grants. I have addressed my findings to the Accounting Officer for his comments, but his responses had not been helpful as they did not indicate positive action taken or to be taken to remedy the shortcomings of non-compliance; in the main, they merely repeated the requirements of the Guidelines. There were altogether 10 NGOs' and 7 hospitals and clinics grant-aided by Government through the Ministry.

The main areas of non-compliance of some concern were the following-

- The Policy Guidelines require that the proposals shall be received and vetted by an Evaluation Committee which shall be headed by the Accounting Officer or a delegated officer at the level of a Director. The mandate of the Evaluation Committee is to ascertain whether the NGO has the capacity to provide service within the Ministry's portfolio responsibility. The Ministry's response has confirmed that there was no Evaluation Committee, and that instances had occurred where NGO's had formed part of the evaluation forum where their requests were being considered.

- Instances had been noted where ineligible expenses in terms of the Memorandum of Agreement, such as severance benefits, insurance, medical aid, legal fees, etc., had been allowed. In one case, students who were diagnosed as intellectually challenged and slow learners were funded under the NGO falling under this Ministry when they should have been supported under the Department of Special Support Services under the Ministry of Basic Education.

- The NGO's were funded subject to satisfactory submission of a narrative and financial progress reports as well as supporting documents. This requirement had not always been complied with, as a case in point, one Centre in Serowe was funded for several years without any running programmes and activities, and was later dissolved.

- The NGO's supported by the Ministry are required to submit audited financial statements and management letters within 6 months after the end of the financial year, and such financial statements should be audited by an independent auditor registered with the Botswana Institute of Chartered Accountants. Failure to comply with this requirement would result in the suspension of the funding. The NGO's had failed to submit these reports, but had continued to receive funding.

In view of the brevity of the responses from the Accounting Officer and lack of commitment to deal with the non-compliance issues referred to, I am unable to appreciate whether any action is being or has been taken to address these shortcomings.

63. **<u>Audit Inspection – District Health Management Team, Lobatse</u>**

An audit inspection was conducted at the above District Health Management Team in Lobatse, including the clinics in satellite villages, and the observations thereon were addressed to the Accounting Officer for his comments, and necessary action, as appropriate. The following were the more significant matters raised, to which I had not yet received the Accounting Officer's responses at the time of writing this report-

(a) A test check of the physical items of supplies against ledger balances had revealed significant discrepancies to suggest that the standard of accounting for supplies was not to the required level prescribed by Supplies Regulations and Procedures. In almost all the cases sampled, there were deficiencies which would need to be accounted for by submission of loss reports (the items sampled included, nebulizer machines, electric refrigerator, computer (CPU) and monitor, compressors, overhead projectors, etc,).

(b) An examination of the records for the supply of medical supplies from the Central Medical Stores had shown consistent short deliveries in the order of 35% of the quantities ordered, resulting in shortages and insufficient drugs to Athlone Hospital and the surrounding clinics.

(c) A contractor was engaged to provide a 24-hour security guard service for 2 years from May 2016 to April 2018, at a cost of P2 272 878. On expiry of the contract term, this was followed by a series of extensions of up to 18 months, resulting in almost the same period as the initial contract term.

Athlone Hospital,Lobatse

(d) The situation at the Athlone Hospital was found to be unsatisfactory in a number of respects as indicated below, among others-

(i) This 170-beds hospital has 30 toilet units. At the time of audit, in September 2019, only 4 were working, causing inconvenience to patients.

(ii) Two out of 3 x-rays machines had been out of service since January 2019, impacting on service delivery.

(iii) The compressor in the mortuary was old and was reported to be constantly out of service, creating problems for users.

(iv) The dental clinic has 6 dentists and one surgeon, with only one dental chair. This has resulted in long waiting lists. The autoclave supplied by the Ministry has not been brought into use, as it was reportedly unsuitable.

Digawana Clinic

(e) Out of the 2 staff houses at this clinic, one does not have a water supply connection, resulting in the occupant drawing water from the clinic stand pipe. At a maternity clinic, the facility has not had electricity supply since 2017.

Molapowabojang Clinic

(f) The clinic gets its water supply from a bowser hired by DHMT, and supply is reportedly erratic.

There have been reported leaks from the consulting room, toilets, caravan used by IDCC and in Child Welfare Centre.

Mogojogojo Health Post

(g) Although the health post has power connection, it has not enjoyed the use of electricity since the beginning of 2019. It has the provision of night-time security guard services during the week, but not at weekends, for some inexplicable reasons.

Peleng Clinic, Lobatse

(h) This is a 24-hour clinic with a maternity wing. At the time of audit, the following defects were noted;

- the main door locks were broken
- staff toilet was leaking
- Patients' toilets sink was leaking

Motswedi Clinic, Lobatse

(i) The clinic has 3 consultation rooms without wash basins; and the chairs in the waiting area were broken.

Tsopeng Clinic, Lobatse

(j) This is a 24-hour maternity facility, and reportedly a busy one.

The following defects were noted-

- there were large cracks on the floors and walls
- 14 out of 15 toilets were not in service. Water is drawn from outside to use the one in service.
- One of the consulting rooms burnt-down last year, and is yet to be refurbished.

64. **<u>Audit of Accounts – Department of Health Services Management, Headquarters, Gaborone</u>**

Following the audit of the accounts and records of the above Department, a number of observations were brought to the attention of the Accounting Officer, the main ones of which were the following-

(a) A South African based company was engaged to provide managed-care services for patients referred to private health facilities in South Africa. The engagement was for a 3-year period from June 2015 to May 2018 at a contract price of P11 649 528.

A scrutiny of payment vouchers had indicated that a total of P14 197 633 was paid to the company which was in excess of the contract price by P2 548 105. I had not been able to obtain satisfactory explanation for the additional payment.

In addition, the same company had entered into another contract with the Department to train Departmental officers in case management courses, involving clinical auditing; hospital coding, billing, at a cost of P1 115 770 including transportation and accommodation costs for trainers, for a period of 6 months. However, the company did not provide the services to the extent required, as another company was engaged to provide the same services at a cost of P560 869.

(b) The Ministry has made an agreement for Batswana patients who have chronic illnesses for which they require medicines, but are not on a medical aid scheme, for such patients to be assisted by Botswana Public Officers Medical Aid Scheme (BPOMAS) with the cost of the medicines and then BPOMAS to claim from the Department. The payment to BPOMAS for this service is on a sliding scale ranging from P18 to P12 per patient, according to the number of patients assisted. The audit comment is that payments for these services are paid on sight of invoice without appropriate supporting documents as a way of authenticating the claim.

(c) Instances had been noted where invoices issued in 2017 for mercy flights transportation had not been paid until June 2019, indicating that the Department was not complying with the requirements of Generic Public Service Standards relating to the timely payment of supplier invoices. These payment delays bring discredit to Government.

65. **Development Expenditure - Refurbishment of Old Scottish Livingstone Hospital, Molepolole**

A contractor was awarded a tender for the refurbishment of the old Scottish Livingstone Hospital following its closure in 2007. The works entailed refurbishment of 20 different and very old buildings and largely defunct infrastructure. The contract was for a period of 1 year, running from November 2016 to October 2017, at a price of P25 319 106. The progress in the implementation of the project was slow in the extreme, in that even as late as at the time of the audit, in September 2019, over 1½ years after the initial contract completion date, the project was still not complete. It was only 80% complete and the expenditure was P23 757 403, representing 94% of the contract sum.

While the contractor had submitted a number of requests for time extensions, resulting in revised completion dates, the consultant's assessment attributed the completion delay to the following factors-

- the contractor started badly and never improved;
- the site agent and key personnel performed badly;
- they did not understand the FIDIC contract and had little regard for its provisions;
- they did not read the drawings and carried out works without instructions;
- there was evidence of cash flow problems when the workers were not paid on time;
- the contractor disregarded subcontractors and did not hold coordination meetings.

The above factors are all a clear indication of the contractor's failure to carry out the terms of the tender, who should have been considered for termination at a much earlier stage.

It might be some time before this project is completed, with all its deleterious effect on service delivery in terms of provision of planned services to the public within the targeted time. This, in my view, is a matter for concern and steps should be taken to complete this project at the earliest.

66. **Audit Inspection – Sbrana Psychiatric Hospital, Lobatse**

An audit inspection which was conducted at the above hospital had given rise to some observations, the main ones of which were the following-

(a) The water bills invoiced to the hospital included the cost of water supplies consumed at the Athlone Hospital and in staff houses, for both the hospital and the Athlone Hospital staff. While I appreciate that these are large institutions, I am however of the view that the cost of the water consumed in these institutions is unreasonably high as evidenced by the undernoted billings-

Invoice Month	Payment Date	Amount
May 2018	18/06/18	1 425 756

June 2018	29/06/18	1 516 946
November 2018	28/12/18	1 464 627

(b) A test check of physical items of supplies on charge to the hospital against the supplies ledger balances had indicated that these were not maintained to a satisfactory standard of accounting prescribed by the Supplies Regulations and Procedures, as there were significant discrepancies. The discrepancies indicated that there was no recording of issues when these were made, which would render the monitoring of these Government properties unreliable.

(c) A contractor was engaged for the provision of security services at the hospital for a 2-year period from October 2016 to September 2018, at a contract sum of P4 675 228. At the expiry of the contract term, the contractor was given a series of 3-months extensions leading up to end of October 2019, making a total of 13 months of extensions at an additional cost of P2 554 903.

(d) Another contractor was awarded a 3-year tender for the provision of catering services from November 2015 to October 2018, in the amount of P48 588 736. This tender was also characterised by a number of extensions up to 31 January 2020, making a total of 17 months, almost half of the initial tender period.

The basic principle is that tenders for the provision of services should be so managed that at any point in time, the services are performed under a validly approved tender, rather than by a system of extensions which defeats the purpose of competitive tendering, as contemplated by the provisions of the Public Procurement and Asset Disposal Act.

(e) A site inspection of the hospital premises had indicated a number of maintenance issues which needed to have been attended to, to safeguard the security and integrity of the hospital, such as in the cases of-

- The elevator in the female ward that had not worked since installation in 2010.

- Reported 12 suicide cases in the hospital since 2013. These were reportedly facilitated by the fallen ceiling which had exposed the rafters from which patients had hanged themselves.

- Broken window glasses which provided escape route for patients.

- Dysfunctional air conditioners, CCTV cameras and smoke detectors.

- The Psychiatric Ward not refurbished since it burnt-down in 2014.

ADMINISTRATION OF JUSTICE

67. **Warranted Provision**

The utilisation of funds warranted to the Department for the financial year ended 31 March 2019 is indicated below-

Department	Warranted Provision	Actual Expenditure	Under Expenditure	%
Administration of Justice	286 942 800	281 847 743	-5 095 057	2

68. **Non-Moving Advances**

The non-moving advances which were outstanding on the 31 March 2019 under this Department are shown below-

Surcharge – Damage to Government Vehicles	12 216
Advances – Imprests Recoveries	20 405
Advances – Permanent and Pensionable – Grade D4 & Below	27 018
Loss of Cash – Cash Shortage	134 329
Recovery of Overpayment of Salaries	118 558
District Imprest	18 699
Travelling Imprest	27 086
	358 311

69. **Development Expenditure – Broadhurst Magistrate Court Extension Project, Gaborone**

A tender was awarded to a contractor for the construction of extension works to the Magistrate Court in Broadhurst, Gaborone. The contract was for a period of 70 calendar weeks running from January 2016 to May 2017 at a price of P75 626 898. The extension works comprised 6 court rooms and corresponding magistrates' chambers, regional court, juvenile court and ancillary offices for interpreters and security personnel, etc. The 70-calendar weeks contract completion period had not been achieved because of several requests for extensions of time for a variety of reasons, including-

- Changes in the scope of works purportedly to enhance the function of spaces and to improve the security of the facility, that is to say, additional floor tiles, external tiles, fire doors, drywall partitioning made to fit glazed ballustrades and aluminum partitioning and addition of staff gym.

- Work stoppages occasioned by above average rainfall during the period from November 2016 to February 2017.

- Delay in the supply of BTC pipes which were received in January 2017, instead of October 2016.

- Delays in the appointment of mechanical and electrical subcontractors by the employer, which ran into 14 calendar weeks.

The result of these extensions was that the project was not completed and handed over until December 2017 at a final cost of P80 729 751, recording an additional P4 554 333 over the tender award price of P75 626 898. The matters of cost and time over-runs have become a regular feature in the implementation of Government projects, involving considerable sums of money. Apart from the incidence of rain, which is beyond the control of the parties, in my view, the other instances that required time extensions could have been managed better with more careful project implementation planning.

ATTORNEY GENERAL'S CHAMBERS

70. **Warranted Provision**

The utilisation of funds warranted to the Chambers for the financial year ended 31 March 2019 is indicated below-

Department	Warranted Provision	Actual Expenditure	Under Expenditure	%
Attorney General	210 751 830	208 324 810	-2 427 020	1

71. **Non-Moving Advances**

The non-moving advances which were outstanding on the 31 March 2019 under these Chambers are shown below-

Surcharge – Damage to Government Vehicles	39 130
Surcharge – Permanent and Pensionable – Payroll	13 161
Permanent and Pensionable – Emergency Advances	1 333
Advances – Imprest Recoveries	29
Advances – Industrial Class	600
Recovery of Overpayment of Salaries	182 813
Training Bond Liability	188 829
Travelling Imprest	63 242
	489 137

72. **Audit of Accounts – Attorney General**

An audit of the accounts and records of the Attorney General's Chambers for the financial year ended 31 March 2019 had given rise to some observations, which I had addressed to the Accounting Officer for comments. I have since received those comments, on which I wish to comment further as indicated below-

(a) The Attorney General had engaged a contractor for the provision of elevator maintenance services at Attorney General's Chambers, Director of Public Prosecutions Headquarters and the Francistown Office for the period from April 2018 to March 2019. However, during this period, 3 out of 7 elevators at Chambers were dysfunctional for a greater part of the time, in one case for the entire period.

In the response, the Attorney General had indicated that he had taken up the matter with the contractor by bringing it to his attention. While this is so, I consider that he was rather lenient, even as he extended the contract into the following period. By his own account it was not until much later in the next contract period that he declined to pay the service fees for the months of December 2019 and January 2020 for the elevators that were out of order for the entire period.

In my view, failure on the part of the contractor to deliver satisfactorily on the contract amounted to a breach, and timely and appropriate action should have been taken to address the matter.

(b) At the time of the audit I had not been able to obtain the lease agreement with the Botswana Building Society for the property leased for use by the Director of Public Prosecutions in Maun, for verification purposes. In response to my observation on the matter, the Accounting Officer confirmed that he had all the lease agreements, except one for the period 2015 – 2017, a copy of which had been requested from the landlord. The safe keeping of these important documents under sure and secure custody cannot be over-emphasized.

OFFICE OF THE AUDITOR GENERAL

73. **Warranted Provision**

The utilisation of funds warranted to the Office of the Auditor General for the financial year ended 31 March 2019 is indicated below-

Department	Warranted Provision	Actual Expenditure	Under Expenditure	%
Auditor General	80 720 080	68 270 790	-12 449 290	15

The funds utilization for the Office of the Auditor General for the year under review was 85% of the warranted provision, compared to 97% in the previous year and 99% in the year before.

74. **Non-Moving Advances**

The non-moving advances which were outstanding on the 31 March 2019 under this Office are shown below-

Surcharge – Permanent and Pensionable - Payroll	1 098
Advances – Imprests Recoveries	33 755
Advances – Industrial Class	2 899
Advances – Permanent and Pensionable – Grade D4 & Below	910
Recovery of Overpayment of Salaries	7 302
Training Bond Liability	83 965
Travelling Imprest	29 288
	159 217

MINISTRY OF INTERNATIONAL AFFAIRS AND COOPERATION

75. **Warranted Provision**

The utilisation of funds warranted to the Ministry for the financial year ended 31 March 2019 is indicated below-

Department	Warranted Provision	Actual Expenditure	Over + Under - Expenditure	%
Headquarters	121 179 740	103 285 797	-17 893 943	15
Washington	29 733 655	28 252 440	-1 481 215	5
New York	35 598 250	34 132 350	-1 465 900	4
London	26 117 400	23 416 734	-2 700 666	10
Lusaka	6 894 330	6 278 545	-615 785	9
Brussels	18 769 600	17 181 321	-1 588 279	8
Stockholm	15 872 230	14 715 929	-1 156 301	7
Harare	13 793 843	11 196 467	-2 597 376	19
Windhoek	10 560 480	9 750 636	-809 844	8
Beijing	26 710 380	25 579 256	- 1 131 124	4
Geneva	38 019 450	38 369 955	+350 505	-
Pretoria	12 708 970	11 450 902	-1 258 069	10
Johannesburg	11 572 180	10 913 414	-658 766	7
Tokyo	24 148 400	24 185 840	+37 440	-
Addis Ababa	14 077 140	12 614 312	-1 462 828	10
Nairobi	15 937 430	14 740 315	-1 197 115	8
Canberra	20 389 610	20 053 972	-335 638	2
New Delhi	18 769 910	18 447 647	-322 263	2
Abuja	17 322 480	12 925 927	-4 396 553	25
Brasilia	20 294 860	17 363 445	-2 931 415	14
Kuwait	11 921 430	9 701 311	-2 220 119	19
Maputo	15 241 310	13 625 542	-1 615 768	11
Berlin	18 384 672	15 882 995	-2 501 677	4
	544 017 750	494 065 050	-49 952 700	9

Although the warranted provision for the Ministry had increased by a modest 9% from that of the previous year, this had resulted in some Mission's fund utilisation of 75% to 86% rate. Some Missions had incurred lesser expenditures than in the previous year, while the Geneva and Tokyo Missions had overspent funds subwarranted to them by the Accounting Officer.

76. **Non-Moving Advances**

The non-moving advances which were outstanding on the 31 March 2019 under this Ministry are shown below-

Surcharge – Damage to Government Vehicles	3 077
Loss of Cash – Cash Shortage	599 534
Recovery of Overpayment of Salaries	5 910
Travelling Imprests	86 785
	695 306

77. **Audit Inspection – Botswana Permanent Mission to United Nations, Geneva**

An audit inspection was conducted at the above Mission, and the following were some of the matters raised-

(a) A rental security deposit of P421 200 which had been lodged with the landlord in respect of a leased property which was vacated as far back as September 2018 had still not been claimed at the time of inspection in April 2019. The explanation offered was that this was because of repairs which had to be carried out on the property to the tune of P46 470. I consider that the time taken to resolve this matter is too long.

(b) The perennial issue of transportation of officers' children to and from school, which I had raised in the past with the Accounting Officer in other Missions, had persisted at this Mission. It was explained that representations had been made to the Accounting Officer pleading the peculiar circumstances of the situation in Geneva, and his response was awaited.

(c) A test check of physical stocks of supplies at the residences against ledger balances had shown some discrepancies which indicated that the standard of accounting for those assets was not to the level required by Supplies Regulations and Procedures. Failure to record and maintain these accounts up-to-date could lead to losses without trace or detection.

At the time of writing this report, the Accounting Officer's response was awaited.

78. **Audit of Accounts – Botswana High Commission, Maputo**

The audit of the accounts of the Mission had given rise to a number of observations, the main ones of which were the following-

(a) The estimates of revenue had been made for collections from refunds of VAT from the local tax authorities for the years 2013/14, 2014/15 (token) and 2016/17, but no actual collections had ever been received in all the years from 2013/14 to-date. In response to my earlier comment the Mission had indicated through a communication addressed to Headquarters, which never reached my Office, that claims were not submitted as the tax authorities required the original invoices which formed part of the accounts submitted to Headquarters. In the circumstances, it is my view that the Accounting Officer should make arrangements for the original invoices to be made available for purposes of claims to safeguard further losses of revenue from this source.

(b) The cash count conducted in August 2018 had indicated that the appointed revenue collector held an amount of P1 147.56 which had been paid-in in July 2018 in respect of purchases from an auction sale which had been held in 2016. Although the amount involved is relatively small, it nevertheless represents a breach of Government financial rules with regard to prompt accounting for monies received and cash transactions of all auction sales of Government properties.

(c) A number of instances were noted where submissions of claims for refunds of medical expenses by staff members for purchases of medications from pharmacies were not supported by prescriptions from medical practitioners. In those cases it could not be vouched whether those purchases related to the actual medical needs of officers and their families as determined by professional medical advice.

(d) It was intimated that the security company engaged by the Mission to provide security guard services had advised the Mission that the location for the official residence was unsafe as it was prone to criminal activities. Furthermore, the boundary wall was not high enough to prevent intruders from gaining access into the property; moreover next to the residence was reportedly a place for criminal hideouts. The Accounting Officer's comments have been sought in connection with the security considerations for the official residence, and are awaited.

(e) The security company in question had been engaged on a one-year renewable contract for the provision of security services at the Chancery and the residences since December 2012 to-date. Although the company had continued to provide the services, there was no evidence of renewals for the subsequent periods after the initial contract.

(f) Other matters raised concerning the residences related to the security deposits totaling P236 053 (converted at US$0.095 Mission exchange rate for 2017/18) in respect of vacated properties which had not been claimed, in some cases, and lease agreements which had not been signed, in others. The importance of paying due attention to these matters cannot be over-emphasised.

(g) Instances were noted in which two Mission vehicles, the representational and the utility cars, had been involved in accidents, both in the month of June 2018, and the incidents had not been reported to the Police until much later. The delays in reporting to the Police could have implications on the determination of culpability for the accidents and on possible insurance claims. In the instance, I am not aware how the matters of these accidents had been resolved.

(h) Although the Mission had been provided with Letters of Authority by other departments of Government to meet the expenses connected to those departmental officers' posting to the Mission, instances had been noted where expenses incurred by those officers, such as medical bills, utility bills, language lessons, had been charged to the Mission votes, and thereby inflating the Mission expenditures.

As I had not received the Accounting Officers responses at the time of writing this report, I was not aware of any action taken on the foregoing matters.

79. **Audit of Accounts – Botswana Permanent Mission to the United Nations, New York**

An examination was conducted on the accounts and records of the above Mission for the financial year ended 31 March 2019, and the results were communicated to the Accounting Officer for his comments. The more significant observations are summarized below-

(a) The Mission had purchased the Chancery in 1999 for an amount of P44 050 539. Shortly thereafter, between 2010/11 and 2015/16, it became necessary to carry out extensive renovations to the tune of P16 005 746. The extent and cost of the renovations had given rise to questions about the condition of the building at the time of purchase, and whether, the structural soundness of the building had been tested. Furthermore, to-date the Certificate of Occupancy had still not been obtained because of delays in meeting certain requirements of the Department of Buildings New York City.

(b) A residential property leased by the Mission at a monthly rental of P147 000 had been vacant since June 2015 to-date with little or no prospects of it ever being occupied. Our enquiries had indicated that the grade of the officer for which the property was leased which has not been filled hitherto, is not likely to be filled in the near future. My view is that if the property was not likely to be needed the lease agreement should have been terminated to save the Mission the nugatory expenditure in rental payments as well as service charges.

(c) A test check of the records of Mission supplies in the office and at the residences had indicated that the standard of accounting was not that which is prescribed in the Supplies Regulations and Procedures, in that the receipts and issues were not recorded regularly to maintain these records on an up-to-date basis. Failure to account properly for these assets may result in losses without trace or detection.

(d) As at 31 March 2019, there were instances of officers who owed large amounts on account of private usage of official telephones, totaling P41 348 dating back to 2014. This is in contravention of the clear terms of General Orders which allow use of official telephones on condition that private calls would be paid for promptly on receipt of telephone accounts.

At the time of writing this report, the comments of the Accounting Officer had not yet been received.

80. **<u>Audit of Accounts – Botswana Embassy, Beijing</u>**

An audit of the accounts of the above Mission for the financial year ended 31 March 2019 was carried out, and the following observations were brought to the attention of the Accounting Officer for his comments. The audit was supplemented by an audit inspection of the Mission, and the results thereof incorporated in this report.

(a) The Chancery was bought as far back as 2008, but the title deed could not be made available to the auditors for verification purposes, nor could a satisfactory explanation be offered for failure to produce this important document.

(b) The accounting for the receipts of refunds of Value Added Tax from the local tax authorities was inconsistent in that the credits were shared between the expenditure from which payments had been made on one hand, and the revenue item appropriate for this purpose, on the other. This has resulted in varied fluctuations in the receipts under the revenue item ranging from zero to amounts significantly below the estimates over the last five-year period. The persistent shortfalls of revenue collections over this period is also a reflection of the unrealistic revenue estimates of the Mission under this item, which are totally unrelated to the eventual actual collections.

(c) It was noted that an amount of P1 529 was paid for water deposit and this payment was charged to expenditure vote. Although this payment is a relatively small amount, it is an ultimately refundable deposit and should have been accounted for through an advance account so that it is not lost sight of when due for refund.

(d) Although the Mission is contracted to a medical aid scheme for the health needs of the diplomatic staff, it was noted that medical expenses which had been incurred in direct payments to the service providers had not been claimed from the medical aid scheme. In this respect, a total of P368 434 had been paid to the service providers during the year under review, but only P77 020 had been claimed and recovered in the month of March 2018, leaving the balance of P291 414 as a charge to public funds, or as yet to be claimed in the ensuing year.

(e) An examination of the payment vouchers had indicated that the payment of P683 485 for school fees at the International School of Beijing for one Mission officer's children had included P27 848 which was levied as penalty for late payment. The Government rules require that all payments shall be made on time to safeguard the reputation of Government and to avoid situations such as this one which has resulted in nugatory expenditure in penalty charges.

(f) It was intimated that a system for the recording and processing of visa applications was purchased and installed in 2011 but the system had failed the initial testing since then to-date. In this long period since acquisition, it is my considered view that steps should have been taken to bring the system into beneficial use in furtherance of the original purpose of facilitation of service delivery.

(g) Since the establishment of this Mission in the early 1990s, there has never been a proper system of accounting for office furniture, equipment and general supplies as well as those at the residences of officers, as required by Supplies Regulations and Procedures. In the absence of proper accounting records for various supplies on charge to the Mission, the matter remained open to doubt as to how the Government assets had been accounted for over the whole of this period, including the disposal of any unserviceable supplies. The latest audit inspection had confirmed that even at this stage, no efforts were being made to improve on this unsatisfactory state of affairs.

At the time of writing this report, I had not received the comments of the Accounting Officer despite the significance of the matters raised.

81. **Audit of Accounts – Botswana Embassy, Brussels**

An audit inspection which was conducted at the above Embassy had elicited the observations noted below. These observations had been drawn to the attention of the Accounting Officer for his comments and or any necessary action. At the time of writing this report the Accounting Officer's comments and responses had not yet been received.

(a) In this Mission, in addition to the Chancery, the Mission had purchased 2 other properties, namely, the official residence and one other residential property used by the Counsellor and Head of Chancery. At the time of the inspection, the title deeds for these properties could not be produced, for verification purposes, and as such the ownership of these properties could not be ascertained.

(b) With respect to the leased residential properties for use by the rest of the Mission staff, it was noted that the Mission is required to contribute 50% of the insurance premiums for those properties. While these obligations may be embedded in the lease agreements, I have not been able to appreciate the justification for the Mission's involvement in the insurance arrangements for properties in which, in my view, it does not have insurable interest.

(c) From discussions with the Mission staff it was learnt that unserviceable supplies comprising old furniture and household items, valued at P10 870, had been damaged by floods when stored at the basement of the Chancery. These supplies were disposed of by being deposited at the dumpsite without the appropriate write-off approvals and recording in the stores accounting records, in breach of Supplies Regulations and Procedures.

(d) A Mission motor vehicle which is no longer in use and is considered to be beyond economical repairs is parked at the Chancery. While it remains so out of commission and is not likely to be brought into use, yet the Mission has continued to maintain an insurance policy for it. In my view, in the circumstances of this vehicle, steps should be taken to dispose of it, in accordance with the advice of the Public Procurement and Assets Disposal Board.

(e) A locally recruited employee was overpaid terminal benefits to the tune of P158 250 upon termination of service in July 2016 as a result of incorrect calculations which awarded her P171 463, instead of P13 213. When the fact of the overpayment was drawn to her attention, in December 2017, with the advice from her lawyer, she disclaimed liability on the basis that the Mission had taken too long to bring up the matter. So far the matter is still unresolved, and a loss report has not been submitted in accordance with the terms of Financial Instructions and Procedures.

82. **Audit of Accounts – Botswana Embassy, Washington**

An examination of the accounts of the above Mission was carried out which gave rise to the following observations and comments-

(a) The Mission had purchased a residential property for use by the Mission staff. When the Department of Buildings and Engineering Services later carried out an inspection in 2008, they recommended that it should be demolished and rebuilt in accordance with the new city regulations. Evidently, no action had been taken on the recommendation, which resulted in the property being vacated in 2015, and has remained vacant since then. It is a matter for concern that no action has been taken on this important matter for a period of well over 10 years, while expenditure is being incurred on alternative accommodation elsewhere.

(b) A check of the inventories held in the office had revealed that teleconferencing equipment, which had been received as a donation from another country, had not been installed and brought into use, despite it having been received many years back. It is a pertinent requirement of Supplies Regulations and Procedures that when an inventory item does not meet the needs of one Government Department it should be offered to other departments where the need might exist.

(c) A test check of the physical stocks of supplies against the ledger balances had disclosed significant discrepancies, which indicated that the supplies accounting records were not maintained to the standard prescribed by Supplies Regulations and Procedures. Failure to maintain proper accounting records for Government assets could lead to losses without trace or detection.

The above observations had been addressed to the Accounting Officer for comments, but at the time of writing this report those comments had not yet been received.

INDEPENDENT ELECTORAL COMMISSION

83. **Warranted Provision**

The utilisation of funds warranted to the Commission for the financial year ended 31 March 2019 is indicated below-

Department	Warranted Provision	Actual Expenditure	Under Expenditure	%
Independent Electoral Commission	64 014 190	62 200 364	-1 813 826	3

84. **Non-Moving Advances**

The non-moving advances which were outstanding on the 31 March 2019 under the Commission are shown below-

Permanent and Pensionable – Emergency Advances	800
Advances – Permanent and Pensionable Grade D4 & Below	23 000
Travelling Imprest	1 705
	25 505

OFFICE OF THE OMBUDSMAN

85. **Warranted Provision**

The utilisation of funds warranted to the Ombudsman for the financial year ended 31 March 2019 is indicated below-

Department	Warranted Provision	Actual Expenditure	Under Expenditure	%
Ombudsman	30 469 620	28 597 079	-1 872 541	6

MINISTRY OF LAND MANAGEMENT, WATER & SANITATION SERVICES

86. **Warranted Provision**

The utilisation of funds warranted to the Ministry for the financial year ended 31 March 2019 is indicated below-

Department	Warranted Provision	Actual Expenditure	Under Expenditure	%
Headquarters	656 202 493	652 000 038	-4 202 454	0.64
Surveys & Mapping	40 065 622	38 684 293	-1 381 329	3.00
Town & Country Planning	27 047 253	26 782 090	-265 163	1.00
Lands	36 703 863	35 456 089	-1 247 774	3.00
Deeds Registry	12 521 885	11 876 961	-644 923	5.00
Project Management Office	7 661 020	6 809 491	-851 529	11.00
Water & Sanitation	129 927 375	126 875 842	-3 051 533	2.00
	910 129 510	898 484 804	-11 644 706	1.00

87. **Non-Moving Advances**

The non-moving advances which were outstanding on the 31 March 2019 under this Ministry are shown below-

Surcharge – Damage to Government Vehicles	1 206
Surcharge – Permanent and Pensionable – Payroll	770
Advances – Imprest Recoveries	5 759
Advances – Permanent and Pensionable – Grade D4 & Below	2 964
Loss of cash – Cash Shortage	425 052
Recovery of Overpayment of Salaries	303 533
Training Bond Liability	42 227
Travelling Imprest	80 234
	861 745

88. **Revenue, (Rent, State Land/Farms) – Department of Lands**

The Ministry, through the Department of Lands, collects revenue from the leases of Government properties, including farms, state land and horticultural plots, among others. A review of the collections under these accounts over the last 5-year period had indicated that, although the collections are based on fixed periodic amounts in the form of rentals, there were huge variations in the total collections from one year to the next. These variations are a result of lack of proper monitoring of these accounts, which had given rise to high levels of arrears and losses through abandonments. The actual revenue collections under these accounts set against the estimates for the respective years are shown in the table below, illustrating the extent of the variations-

Variations in Revenue Collections and against Estimates

Financial Year	Revenue Estimates	Actual Collections
2014/15	3 500 000	5 144 789
2015/16	6 000 000	6 199 161
2016/17	5 000 000	10 380 323
2017/18	5 150 000	7 499 479
2018/19	5 407 500	18 162 930

While to some extent the revenues from this source had been collected over the years as indicated above, there are still a number of cases where rentals are not paid, without evidence of vigorous follow-up which had engendered complacency on the part of the lessees resulting in high levels of arrears, leading to perennial losses through abandonments. This unsatisfactory state of affairs in regard to the collection of revenue arrears is illustrated in the table below-

Arrears of Revenue

Financial Year	Arrears Balance	Arrears Collections	Abandonments
2014/15	3 885 779	1 146 305	144 393
2015/16	3 366 982	935 670	188 783
2016/17	7 558 501	2 989 089	1 560 241
2017/18	4 423 890	804 056	102 387
2018/19	3 848 652	1 141 102	142 111

Although these arrears have been the subject of progress reporting in successive meetings of the Public Accounts Committee in the past, on the status of individual cases, the Accounting Officer has never given a definitive undertaking which he proposed to take to bring this matter under control. Until such action is taken the revenue will continue to sustain losses through abandonments and inordinate delays in revenue receipts.

89. **Water Consumer Accounts – P14 887 353**

The above balance listed under Statement No.19 (Arrears of Revenue) of the Annual Statements of Accounts purports to represent water consumers' indebtedness to the Department of Water Affairs on water accounts which were incurred prior to the transfer of water supply function to Water Utilities Corporation. The history of these accounts, which have become dormant, is a long outstanding matter, which has been the subject of progress reporting in successive meetings of the Public Accounts Committee. As far back as 2014/15 the Chief Executive Officer of Water Utilities Corporation had informed the Statutory Bodies and State Enterprises Committee that these accounts had been transferred to the Corporation as part of the assets hand-over to the Corporation at the time of the transfer of the water supply function.

However, for his part, the Accounting Officer of the then Ministry of Minerals, Energy and Water Resources had admitted to the Public Accounts Committee during the 54th Meeting of the Committee that there had been slow progress in the follow up of this matter and undertook to make further efforts with the Corporation to close the matter. In the latest written submission on the accounts for the financial year 2016/17, he, again, admitted that there had been slow progress on the matter, but did not brief the Committee on the results of his earlier request for payment of the money from Water Utilities Corporation as he had submitted to the 54th meeting of the Committee on the 2014/15 accounts.

In the light of the divergent submissions by the Chief Executive Officer, on one hand, and the Accounting Officer on the other, there is some confusion on the true status of this balance. Whereas the Chief Executive Officer is clear that the revenue was for the Corporation's account, there appears to be some uncertainty on the part of the Ministry officers who were the principals behind the decision on transfers of assets to the Corporation. I trust that the Accounting Officer would see the need to bring this matter to a conclusion at the earliest to eliminate further distortions of the accounts by inclusion of these balances, which appear non-existent.

MINISTRY OF ENVIRONMENT, NATURAL RESOURCES CONSERVATION AND TOURISM

90. **Warranted Provision**

The utilisation of funds warranted to the Ministry for the financial year ended 31 March 2019 is indicated below-

Department	Warranted Provision	Actual Expenditure	Under Expenditure	%
Headquarters	210 728 985	204 768 610	-5 960 375	3
Wildlife & National Parks	287 339 175	283 170 655	-4 168 521	1
Tourism	21 691 522	21 039 663	- 651 859	3
Meteorological Services	60 784 811	59 133 300	-1 651 511	3
Sanitation & Pollution Control	22 361 336	22 080 198	-281 138	1
Forestry & Range Resources	97 600 711	93 432 896	-4 1167 815	4
Environmental Affairs	27 050 380	26 234 279	-816 101	3
National Museum, Monuments and Art Gallery	28 563 260	27 996 170	-567 090	2
	756 120 180	737 855 771	-18 264 409	2

This year's performance is an improvement over the last years when the Ministry had overspent the warranted provisions, principally under the Departments of Wildlife and National Parks and the Meteorological Services in 2016/2017 and the Department of Forestry and Range Services in 2017/18.

91. **Non-Moving Advances**

The non-moving advances which were outstanding on the 31 March 2019 under this Ministry are shown below-

Surcharge – Damage to Government Vehicles	9 519
Surcharge – Permanent and Pensionable - Payroll	(400)
Advances – Imprest Recoveries	7 429
Advances – Industrial Class	250
Advances – Permanent and Pensionable – Grade D4 & Below	173 397
Loss of Cash – Cash Shortage	58 322
Recovery of Overpayment of Salaries	210 367
Training Bond Liability	358 280
Travelling Imprest	13 408
	830 572

INDUSTRIAL COURT

92. **Warranted Provision**

The utilisation of funds warranted to the Industrial Court for the financial year ended 31 March 2019 is indicated below-

Department	Warranted Provision	Actual Expenditure	Under Expenditure	%
Industrial Court	42 052 370	39 558 263	-2 494 107	6

The warranted provision for the year was P42 052 370, compared to P43 040 500 in the previous year resulting in a budgetary utilisation of 94%, compared to 87% in the previous year.

93. **Non-Moving Advances**

The non-moving advances which were outstanding on the 31 March 2019 under this Court are shown below-

Recovery of Overpayment of Salaries	1 963
Travelling Imprests	7 896
	9 859

Some of the travelling imprest balances are very old dating back to 2004, over 15 years old, which I consider should have been investigated and appropriate action taken.

MINISTRY OF YOUTH EMPOWERMENT, SPORT AND CULTURE DEVELOPMENT

94. **Warranted Provision**

The utilisation of funds warranted to the Ministry for the financial year ended 31 March 2019 is indicated below-

Department	Warranted Provision	Actual Expenditure	Under Expenditure	%
Headquarters	710 966 154	654 518 991	-56 447 163	8
National Archives & Records	23 506 300	20 814 064	-2 692 236	11
National Internship Program	209 227 066	202 765 222	-6 461 844	3
	943 699 520	878 098 278	-65 601 242	7

The approved estimate for the Ministry was P1 003 699 520, of which P943 699 520 was warranted and the actual expenditure was P878 098 287 (93% of the warranted provision), leaving a balance of P65 601 242.

95. **Non-Moving Advances**

The non-moving advances which were outstanding on the 31 March 2019 under this Ministry are shown below-

Recovery of Overpayment of salaries	94 602
Travelling Imprest	23 012
	117 614

The balances of travelling imprests include those going back to 2004, while the overpayments of salaries date back to 2013.

MINISTRY OF INFRASTRUCTURE AND HOUSING DEVELOPMENT

96. **Warranted Provision**

The utilization of funds warranted to the Ministry for the financial year ended 31 March 2019 is indicated below-

Department	Warranted Provision	Actual Expenditure	Under Expenditure	%
Headquarters	59 817 890	57 007 147	-2 810 743	5
Building & Engineering Services	248 993 080	234 453 487	-14 539 593	6
Housing	183 473 730	179 178 541	-4 295 219	2
	492 284 730	470 639 175	-21 645 555	4

The Ministry expenditures for the year under review totaled P470 639 175 recording a 96% utilization of the warranted provision of P492 284 730.

97. **Non-Moving Advances**

The non-moving advances which were outstanding on the 31 March 2019 under this Ministry are shown below-

Surcharge – Permanent and Pensionable - Payroll	454
Advances – Permanent and Pensionable – Emergency Advances	4 549
Advances – Imprest Recoveries	2 030
Advances – Industrial Class	2 300
Advances – Permanent and Pensionable – Grade D4 & Below	20 347
Loss of Cash – Cash Shortage	14 291
Recovery of Overpayment of Salaries	126 406
Travelling Imprest	26 322
	196 699

MINISTRY OF TRANSPORT AND COMMUNICATIONS

98. **Warranted Provision**

The utilisation of funds warranted to the Ministry for the financial year ended 31 March 2019 is indicated below-

Department	Warranted Provision	Actual Expenditure	Under Expenditure	%
Headquarters	446 112 218	435 520 594	-10 591 624	2
Road Transport & Safety	179 974 280	173 220 680	-6 753 600	4
Central Transport Organisation	525 607 080	489 997 969	-35 609 111	7
Telecomms & Postal Services	10 702 790	9 233 630	-1 469 160	14
Roads	326 100 992	308 416 991	-17 684 001	5
Information Technology	476 543 680	469 256 931	-7 286 749	2
	1 965 041 040	1 885 646 795	-79 394 245	4

In my report for last year I had commented that all the Departments of the Ministry had spent reasonably well within the budgetary provisions, except for the Department of Telecommunications and Postal Services which I considered had more funds than requirements as evidenced by 83% budget utilization in that year and the year before. In the year under review, the budget utilization for that Department was 86% of the warranted provision.

99. **Non-Moving Advances**

The non-moving advances which were outstanding on the 31 March 2019 under this Ministry are shown below-

Surcharge – Damage to Government Vehicles	80 484
Surcharge – Permanent and Pensionable – Payroll	205 587
Permanent and Pensionable – Emergency Advances	5 306
Advances – Permanent and Pensionable Grade D4 & Below	27 000
Advances – Imprest Recoveries	89 080
Advances – Industrial Class	10 723
Loss of Cash – Cash Shortage	230 550
Recovery of Overpayment of Salaries	668 852
Training Bond Liability	34 822
Travelling Imprests	(25 628)
	1 326 776

MINISTRY OF DEFENCE, JUSTICE AND SECURITY

100. **Warranted Provision**

The utilisation of funds warranted to the Ministry for the financial year ended 31 March 2019 is indicated below-

Department	Warranted Provision	Actual Expenditure	Under Expenditure	%
Headquarters	154 673 600	133 387 836	-21 285 764	14
BDF	3 342 145 280	3 302 393 464	-39 751 816	1
Botswana Police Service	2 007 417 350	1 986 975 607	-20 441 743	1
Prisons & Rehabilitation	427 945 130	417 432 980	-10 512 150	2
	5 932 181 360	5 840 232 836	-91 948 524	2

The expenditure of P5 840 232 836 under the Ministry carries an increase of 18% over P4 970 106 346 in the previous year. The approved estimates for the Ministry was P5 852 994 500 for the year under review.

101. **Non-Moving Advances**

The non-moving advances which were outstanding on the 31 March 2019 under this Ministry are shown below-

Surcharge – Damage to Government Vehicles	115 375
Permanent and Pensionable – Emergency Advances	5 250
Advances – Imprest Recoveries	10 715
Advances – Permanent and Pensionable Grade D4 & Below	9 096
Loss of Cash – Cash Shortage	134 977
Recovery of Overpayment of Salaries	294 482
Training Bond Recovery	643 666
BDF Fines Recovery	313 892
Travelling Imprest	200 377
	1 727 830

102. **Development Expenditure – Construction Works at Makobo BDF Camp**

A contractor was awarded a tender for construction works at Makobo BDF Camp at a price of P4 780 000, for a period of 32 calendar weeks running from September 2015 to May 2016. The scope of works covered operation room, offices, ablution blocks, accommodation block, storage facilities, external works, etc. However, the construction did not commence on the scheduled date because of errors in drawings and exact project site had not been properly determined. The new project period was agreed as March 2016 to October 2016 (32 calendar weeks).

The implementation of the project had a number of challenges which resulted in it not being delivered on time, and with additional costs.

Some of the factors that had affected the project progress were: late issuance of drawings and instructions and late payments, the contractor's unsatisfactory performance. Although the contractor had been paid a mobilisation advance of P717 000, it appeared he was struggling financially, from the contract commencement. The project manager had commented that the contractor's poor performance, lack of materials on site and contractor's commitment had been raised in several project meetings. The fact that the site was on a rocky and sloping ground was a challenge to the contractor. On his part, the contractor had also complained that there were too many variations added to the original project scope.

On account of the delay in completion, the contractor had been charged Liquidated and Ascertained Damages of P208 587, instead of P478 000, being 10% of the contract sum, allowed by the contract agreement.

The upshot of all these factors had been that, even as late as March 2019 the project had still not been completed, while a total of P6 658 488 had been paid to the contractor. It is to be noted that the approval of the Ministerial Tender Committee had not been obtained for the additional amounts paid.

It has always been my concern and that of the Public Accounts Committee that the implementation of Government development projects invariably involved inordinately long delays with substantial cost over-runs, without timely action being taken against contractors who fail to perform. The observance of Government Procurement rules is also not heeded as in the failure to obtain Public Procurement and Asset Disposal Board approval.

MINISTRY OF EMPLOYMENT, LABOUR PRODUCTIVITY AND SKILLS DEVELOPMENT

103. **Warranted Provision**

The utilisation of funds warranted to the Ministry for the financial year ended 31 March 2019 is indicated below-

Department	Warranted Provision	Actual Expenditure	Under Expenditure	%
Headquarters	145 006 364	139 891 975	-5 114 389	4
Labour & Social Security	49 411 420	47 625 706	-1 785 714	4
Occupational Health Safety	11 790 150	9 693 563	-2 096 587	18
Skills Development	473 275 276	417 450 268	-55 825 008	12
	679 483 210	614 661 513	-64 821 697	10

The Ministerial expenditures of P614 661 513 (90% utilisation) are well within the approved budget and the warranted provision both of P679 483 210. The funds utilisation of 82% in the year under review and in the previous year under the Department of Occupational Health and Safety would seem to suggest over-budgeting by the Department.

104. **Non-Moving Advances**

The non-moving advances which were outstanding on the 31 March 2019 under this Ministry are shown below-

Advances- Imprest Recoveries	8 860
Advances – Industrial Class	600
Advances – Permanent and Pensionable – Grade D4 & Below	(17 484)
Loss of Cash – Cash Shortage	291 047
Recovery of Overpayment of Salaries	254 052
Training Bond Liability	511 762
Travelling Imprest	902
	1 049 739

105. **Audit Inspection – Tshwaragano Brigade, Gabane**

An audit inspection which was carried out at the above Brigade had given rise to a number of observations which showed weaknesses and shortcomings in the conduct of the financial affairs of the institution. These are summarized below-

(a) Former students of the Brigade had been engaged to carry out maintenance works on the school premises, comprising painting, tiling, plumbing and electrical works, which covered the period from July 2017 to June 2018. Although the agreed maintenance period had elapsed, the works had not been completed because of unavailability of funds and this situation had persisted up to the time of inspection in November 2019. In my view, arrangements should have been made in time for funds to be available to complete these relatively minor works even before the works commenced.

(b) Various contractors had been engaged for clearing the bush and for the supply of concrete stones, pit and river sand and hiring equipment for digging the trench towards the construction of an auto mechanics workshop. The cost of services and supplies provided totalled P117 949.80. However, despite the services and the supplies having been paid for, the construction works had not commenced for a long period afterwards, resulting in the trench filling back in. The audit inquiries had not elicited satisfactory response as both the institution and the Ministry had not accepted the responsibility for the project, although orders for the provision for the supplies had been made. For their part, the Ministry had stated that they had sub warranted funds for the purchase of porta cabins. It is therefore confusing that a project which is critical to the functioning of an institution such as this one would commence without a well-defined plan.

(c) Some minor works were undertaken for the construction of a traffic cross-over slab at the entrance to the school, at a cost of P49 748. A verification of this expenditure by reference to evaluation of quotations could not be achieved as the related records could not be availed. However, my in-house engineer's assessment, using the bills of quantities abstracted from a similar project though different in magnitude, had estimated that the cost of the works should have been of the order of P7 600. Further, he had noted that from his visual inspection of the project that the workmanship was substandard.

(d) The accounting and maintenance of records for the supplies items was not of the standard prescribed by the Supplies Regulations and Procedures in that the supplies ledger cards, the main accounting records for Government assets, were not properly maintained for the recording of receipts and issues. This had resulted in significant discrepancies between physical and ledger balances, while in other instances the supplies items had not been recorded at all. For example, 24 new computers found in the computer laboratory at Kumakwane ABC campus were not recorded anywhere, as were the other computers in the storeroom which could not be counted due to the disorderly storage conditions.

(e) The institution had entered into a contract agreement with a security company for the provision of security services at Tshwaragano Brigade, ABC and Horticulture campuses at Kumakwane for a 2-year period which ended in June 2018. After contract expiry in June 2018, an extension was granted to 30 September 2018. Since then, there has been no security service coverage to the institution to-date. In the face of prevailing crime, it is of paramount importance that Government properties should be protected by provision of security services at all times.

(f) During the period under review, the institution did not have running contracts for the supply of foodstuffs, which had resulted in waivers being granted for the supplies to be obtained from the open market. By comparison with the ordinary retail prices, the institution was charged far above the market prices under this arrangement, as illustrated by the table below-

Item Description	Contract Price	Amount Charged	Retail Price
Mayonnaise 3kg	60.85	198.60	82.92
Powdered Drink 25kg	219.64	821.40	399.95
Peanut Butter 20L	391.96	1 360.00	633.95
Apple Golden Box	220.60	650.00	211.95

Furthermore, the institution did not maintain appropriate records for the recording of the receipts and issues of foodstuffs processed through the kitchen. The register designed for this purpose is the Rations Ledger, and not the Consumables Material Control Ledger. They were not using the relevant ledger.

(g) An attempt to verify the rentals paid by members of staff for the institutional houses that they occupied was hindered by absence of the relevant documentation, such as house occupation certificates, advice slips and casualty returns. I could therefore not ascertain whether staff were paying rentals correctly and regularly.

The above, and other matters, were addressed to the Accounting Officer for comments, at the time of writing this report I had not received those comments.

106. **Audit Inspection – Tlokweng Brigade**

The undermentioned observations were raised, arising from an audit inspection which was carried out at the above-mentioned Brigade, and were addressed to the Accounting Officer for comments-

(a) At the time of audit, the Brigade did not have security guard services following the expiry of the contract in July 2018, with extensions up to January 2019, some 6 months of extensions. A fresh tender was floated in May 2019 and was yet to be processed and finalised. These contracts for services should be so managed that there is no break in the provision of services, which would expose the Brigade to the vagaries of rampant crime.

(b) It was noted that the kitchen staff were working under difficult conditions as the kitchen facilities and equipment, such as the cold room, tilting pot, food warmers and solar power for hot water were dysfunctional. The kitchen roof was leaking and men's toilet was not working. All these need to be brought to a reasonable and functional state of repair.

The kitchen staff should use a purpose-designed Rations Ledger for the recording of receipts and issues of foodstuffs to reflect the usage of those items.

(c) As far back as 2014 the Department of Buildings and Engineering Services had found that the house occupied by the bursar was uninhabitable on account of structural defects. A site visit during the audit had established that the house was indeed unfit for occupation as there were cracks on the walls, power switches were not working and the roof was leaking.

(d) At the time of the audit there were a number of finished items of clothing, such as dresses, shirts, and jackets from students' practical exercises from the Fashion Design Textiles Workshop. I have not been able to ascertain the policy on the disposal of products from these practicals.

(e) A trace of 103 green acid-proof overalls which had been purchased in August 2018 had indicated that there was no record of these items having been recorded or issued, nor were they available in stock. I was not able to obtain any explanation for this situation.

(f) The Brigade had a safe which had been locked for some time, the key to which was said to be lost. As there was some uncertainty about the contents, it was all the more important that it should be opened to clear this aspect, and bring the safe into use.

107. **Audit Inspection – Kgatleng Brigade, Mochudi**

An audit inspection which was carried out at the above Brigade had given rise to the undermentioned observations, which I addressed to the Accounting Officer for comments and clarifications. At the time of writing this report I had not received his responses.

(a) The Brigade has altogether 26 institutional houses at Bokaa, old campus and new campus. Some of these houses are very old and dilapidated, with 2 declared uninhabitable. The condition of the houses is a clear indication of lack of care and maintenance of these properties

(b) The Brigade has leased a farm on a piece of land situated at Morwa village for a 50-year period, effective from April 1980, for the purpose of operating a forestry plantation and vegetable growing.

While the lease remains current, the plot is virtually abandoned and is overgrown with trees and all fences have collapsed. The lease on this plot has 10 more years to go. In the instance, I am not aware of any plans that the Ministry proposes to put in place to benefit from the lease, if ever this is the intention.

(c) Except for the 2 houses which are occupied by members of staff, the Bokaa campus is not functional and the facilities there show a serious state of deterioration, suggestive of the need for maintenance to avoid further deterioration.

(d) At the time of the audit, there was no contractor engaged for the provision of security guard services at the new campus, after expiry of the previous one in July 2019. It is hoped that steps would be taken to safeguard the security of the premises and Government properties against any acts of hooliganism.

(e) In August 2019, there was a break-in at the electrical and at the plumbing maintenance workshops and a number of high value items, such as drilling machines, bolt cutters, spanners and cables, were stolen. The break-in and theft were reported to the police. At the time of writing this report I was not aware of the outcome of the police investigation, nor of any loss report submitted in terms of the Supplies Regulations and Procedures.

(f) A review of the supplies accounting records had indicated that these were not maintained to the prescribed standard under the terms of Supplies Regulations and Procedures, as evidenced by-

- Significant discrepancies at the time of takeover by a new supplies officer in February 2019.

- Receipts and issues not regularly recorded in Supplies Ledger Cards.

- Inventory Cards not maintained.

- Rations Ledger (not Consumable Material Control Ledger) not maintained to record movement of foodstuffs in the kitchen.

(g) An inspection of workshops and offices had revealed a number of unserviceable items, which I considered should be processed and dealt with in accordance with the requirements of Supplies Regulations and Procedures.

MINISTRY OF TERTIARY EDUCATION, RESEARCH, SCIENCE AND TECHNOLOGY

108. Warranted Provision

The utilisation of funds warranted to the Ministry for the financial year ended 31 March 2019 is indicated below-

Department	Warranted Provision	Actual Expenditure	Under Expenditure	%
Headquarters	1 874 084 534	1 862 627 709	-11 456 825	0.6
Tertiary Education & Financing	2 504 191 031	2 497 205 394	-6 985 637	0.3
Teacher Training & Technical Education	351 058 335	339 673 028	-11 385 307	3.0
Research, Science & Technology	10 611 300	10 201 356	-409 944	4.0
Radiation Protection Inspection	13 543 370	13 256 052	-287 318	2.0
	4 753 488 570	4 722 963 540	-30 525 030	0.6

The Ministry's expenditure pattern for the year under review follows that of the previous year, recording P1 788 739 282 (38%) for grants and subventions to parastatals and P2 444 622 321 (52%) for students tuition fees and allowances.

VIII SUSTAINABLE DEVELOPMENT GOALS

109. **Performance Audit on Government Preparedness for Implementation of Sustainable Development Goals**

I have audited the extent of preparedness of Government for the implementation of Sustainable Development Goals (SDGs) coordinated by the Ministry of Finance and Economic Development (MFED). Botswana is a signatory to the new global framework, termed the 2030 Agenda for Sustainable Development adopted by the United Nations member states in September 2015. This framework goes far beyond the Millennium Development Goals (MDGs) where progress had been uneven, particularly in Africa, least developed countries, landlocked developing countries and Small Island Developing States and some of the MDGs remained off-track. During the Millennium Development Goals era, my office played a minimal role in adding value and benefits to the lives of citizens. Therefore, concerning the 2030 Agenda and the SDGs, my Office, as a National Audit Office, found it necessary to include the audit of these in my annual audit plans to track progress, monitor implementation and identify improvement opportunities across the full set of SDGs. Thus, conducting this audit offers a quality and independent assessment of the Government's readiness to successfully implement the SDGs without replicating the shortfalls that were experienced during implementation of MDGs. Most importantly, this will assist in monitoring and overseeing the use of public resources and overall implementation of SDGs.

The objective of the audit was, to

- assess the extent to which the Ministry of Finance and Economic Development (MFED) had adapted the 2030 Agenda into the national context;
- determine whether MFED had identified and secured resources and capacities (means of implementation) needed to implement the 2030 Agenda;
- assess the extent to which MFED had established a mechanism to monitor, follow up, review and report on the progress towards the implementation of the 2030 Agenda.

The main findings of the audit were as follows:

(a) Integration of SDGs into National Planning

A review of the 2030 Agenda, National Vision 2036, National Development Plan 11 and the associated District and Urban Development Plans revealed that the national plans were aligned to the 2030 Agenda, and the principles of SDGs were integrated into the plans.

Despite the integration of SDGs into the plans, national baselines had not been developed which would hinder monitoring and evaluation of the SDGs, as there would be no reference point for measuring performance of SDGs implementation.

In response, MFED stated that Statistics Botswana, with the support of United Nations Population Fund (UNFPA), had engaged a consultant to develop the National SDGs Baseline Report. MFED further indicated that the Report validation was held in July 2018.

(b) Institutional Framework for Implementation of 2030 Agenda

At the time of audit, the National SDGs Secretariat operated under the services of the Director [Population and Development Coordination] assisted by two Chief Economists and two officers at district level. The coordination of the implementation of the SDGs was an additional function to the Secretariat as they had a core function of coordinating the implementation of the Revised National Population Policy. The additional function was allocated without any capacity assessment to determine if the Secretariat would be able to discharge both functions effectively.

In response, MFED stated that the United Nations Development Programme was working on a project document which recognised the need to capacitate the Secretariat through recruitment of an SDGs Project Manager and Communications Officer. The MFED confirmed that the project manager was recruited and resumed duty in September 2018.

(c) Policy Coherence

There was no policy coherence which indicated that review and assessment of the existing policies had not been undertaken to manage trade-offs and balance conflicting priorities. Ministries operated in silos with standalone policies, which could stretch the limited resources at Government disposal and ultimately defeat the 2030 Agenda intent of Whole of Government Approach.

In response, MFED indicated that they acknowledged the deficiencies revealed by the audit with regard to policy coherence. MFED attested that policy integration was a process that involved the entire economy. They further stated that while SDGs promote policy coherence and need to take into account the inter-linkages between goals and targets, policies would not be reviewed in abstract, but only when there was a policy gap that may limit attainment of certain objectives.

(d) Public Awareness

The audit revealed that the level of public awareness on the 2030 Agenda and SDGs was low, as MFED had not intensified awareness activities throughout the country. They had not used diverse communication tools that would be central to disseminating information and creating awareness on SDGs. The SDGs had also not been translated into the local language in order to reach the local communities.

In response, MFED stated that they agreed with the audit finding and that the Ministry in collaboration with UNDP had developed the National SDGs Communication Strategy, which outlined all channels of communication for effective reach.

(e) Financing Mechanism

The main source of SDGs funding is the mainstream national budget as MFED has not explored other financing mechanisms for implementing the Agenda 2030 and SDGs. The reliance on national budget is because of non-recognition and non-domestication of the Addis Ababa Action Agenda (AAAA), which together with SDG 17 recognise that all types of financing are needed for the implementation of the Agenda. The AAAA outlines an array of financing mechanisms including domestic public resources, domestic and international business and finance, international development cooperation as well as debt and debt sustainability.

In response, MFED stated that they acknowledged the need to domesticate and implement the Addis Ababa Action Agenda (AAAA) on financing for development and therefore concurred with the audit recommendation that MFED should adopt, domesticate and implement it.

(f) National Results Framework

Government through MFED had not fully conducted regular and inclusive reviews of progress at sub-national, national, regional and global levels, as there were no mechanisms or systems in place to integrate monitoring, follow-up and reporting into action for all parts of Government and other stakeholders. Botswana participated in the 2017 Voluntary National Review (VNR) but there was no documentary evidence that sub-national (Districts) reviews had been undertaken to inform the VNR.

At the time of audit, the National Strategy Office and Statistics Botswana were working on developing a National Monitoring and Evaluation Framework to facilitate effective monitoring and evaluation of the SDGs in Botswana.

(g) Availability of Quality Disaggregated Data

There was limited quality, accessible, timely and reliable disaggregated data to the lowest level by gender, age and other salient characteristics for monitoring the 2030 Agenda and the SDGs, due to ineffective data collection systems at both national and local levels to collect, analyse and disseminate high quality data. The 2030 Agenda explicitly recognizes the critical importance of quality, accessible, timely and reliable disaggregated data to monitor progress and ensure that no one is left behind.

My recommendation was that MFED should collaborate with Statistics Botswana and the National Strategy Office to strengthen systems at both national and sub-national levels and that measures should also be taken to optimize National SDGs Roadmap, which calls for data revolution in Botswana.

IX EXTRACTIVE INDUSTRIES

110. The expression "Extractive Industries (EI)" describes the removal or extraction of natural resources from the earth, processing and beneficiation of these extracts and ultimately the sale of the final products and by-products. These resources are non-renewable and therefore, once removed they cannot be replaced. Extractive Industries include solid minerals mining as well as oil and gas extraction.

The Extractive Industry in Botswana has been in existence for almost a century as the country is well endowed with mineral resources. Minerals available in the country include, diamonds, copper, coal, nickel, soda ash and gold, and gas which is at exploration stage. Minerals remain one of the main contributors to Botswana's Gross Domestic Product (GDP).

Although natural resources are an essential revenue source for Botswana, there are a number of questions that are still asked by the citizens.

These questions include, whether

- Government receives all the revenue that it should from natural resources

- there is reliable information showing the natural resources reserves of the country

- the Government adequately fulfils her role in managing and monitoring the country's resources

It is part of my audit functions to audit Government revenues, including those from Extractive Industries. The audit of Extractive Industries would encompass the whole range of steps of the value chain which are:

- Legal Framework,
- Government activities/decisions regarding natural resources and exploration,
- Award of Contracts and Licenses,
- Monitoring of Operations,
- Assessment and Collection of Revenues,
- Revenue Management
- Allocation and Implementation of Sustainable Policies

The execution of my audits includes the audit of the information reported, the systems, processes and the actual collections of revenue relating to natural resources, as well as ascertaining that natural resources are managed and allocated in an efficient and environmentally sustainable manner. The performance of my functions entails promotion of accountability of Government institutions involved in regulating and monitoring the Extractive Industries. These responsibilities require an understanding of concepts related to Extractive Industries, country specific environments and international good practices.

Since the extraction of natural resources is a very risky activity that has potential disastrous environmental consequences, it is essential that the Government plays a regulatory and monitoring role in order to help mitigate those risks. An audit of Extractive Industries is also important in enhancing citizen beneficiation, as negligence of such an important sector can have undesirable impact on its contribution to the country's economy.

In light of the foregoing, I have undertaken a risk assessment exercise through the Extractive Industries value chain with the following outcomes:

- Potential risks were identified and prioritised so as to focus on areas that have higher risks. Eventually, audits that need to be performed in order to respond to the risks were identified.

- Key players were identified, as they are essential in the process of identifying potential auditees, where my Office has the mandate to perform risk-based audits.

As a result of the risk assessment, one audit is underway, namely, "Performance Audit on Collection of Royalties and Dividends" which is at reporting stage. The objective of the audit is to assess the efficiency and effectiveness with which the Department of Mines is collecting these revenues from mining companies.

X LOCAL GOVERNMENT AUTHORITIES

111. In terms of Section 68 (3) of the Local Government Act, (Cap 40:01) and Section 32 (3) of the Tribal Land Regulations (Tribal Land Act, (Cap 32:02), I am required to audit the accounts of all Councils and Land Boards, and submit my reports and audited statements, to the Minister responsible for finance and to the Town Clerks, Council Secretaries and Land Board Secretaries who shall cause them to be tabled before their respective Full Councils and Land Boards, as the case may be.

Section 73 of the Local Government Act established the Local Authorities Public Accounts Committee to examine the accounts of every Council and Land Board which are required to be presented to the Minister and any other accounts referred to it by the Minister. The Committee reports the results of its findings to the Minister.

The Local Government authorities under the scope of my mandate are as follows-

Town and City Councils

City of Francistown Council
Gaborone City Council
Jwaneng Town Council
Lobatse Town Council
Selibe Phikwe Town Council
Sowa Town Council

District Councils

Central District Council
Chobe District Council
Ghanzi District Council
Kgalagadi District Council
Kgatleng District Council
Kweneng District Council
North East District Council
North West District Council
South East District Council
Southern District Council

Land Boards

Chobe Land Board
Ghanzi Land Board
Kgalagadi Land Board
Kgatleng land Board
Kweneng Land Board
Malete Land Board
Ngwaketse Land Board
Ngwato Land Board
Rolong Land Board
Tati Land Board
Tawana Land Board
Tlokweng Land Board

XI PERFORMANCE AUDIT

112. In addition to financial audits which I am required to undertake on the public accounts of the Central Government and Local Authorities (Councils and Land Boards) and selected Parastatals, I am also required by Section 7 (2) of the Public Audit Act (No 15 of 2012) to conduct performance audits on these entities to assess the extent to which value for money has been achieved in the use of resources at the disposal of officers at these entities. I am required to submit my reports on Central Government and Parastatals' audits to the Minister responsible for finance, who shall cause them to be laid before the National Assembly in accordance with Section 20 (1) of the Public Audit Act of 2012. With respect to performance audit reports of Local Authorities, these are to be tabled before the respective Full Councils and Land Boards, in terms of Section 68 (11 & 12) of the Local Government Act, No 18 of 2012 and Section 32 (5) (iii) of the Tribal Land Regulations.

Performance audit is an independent, objective and reliable examination of whether Government's undertakings, systems, operations, programmes and organisations are performing in accordance with the principles of economy, efficiency and effectiveness. The main objective of the audit is to assist management streamline its work, based on identified operational and managerial gaps and suggest corrective action to be taken to improve efficiency and effectiveness of service delivery. It does not question the intentions and decisions by the legislature, but examines whether possible shortcomings in the laws and policies have affected the achievement of those intentions. It also promotes accountability and transparency.

During the year under review, four performance audit reports were completed. These have been submitted to the Minister of Finance and Economic Development for tabling, and fourteen were at various stages of the audit process.

The completed reports are;

- Government Preparedness for the Implementation of Sustainable Development Goals (SDGs)
- Provision of Maternal Health Care Services,
- Management of Youth Development Fund (YDF)
- Coordination and Monitoring of Environmental Assessment

Three out of the four completed reports are summarised below, while the report on Government Preparedness for the Implementation of Sustainable Development Goals (SDGs) is summarized under Sustainable Development Goals Section of this report.

These summaries are given here as briefing notes on key findings and are for information only. The detailed reports have been tabled separately before the House to be examined by the Public Accounts Committee during their regular sittings.

(a) **<u>Provision of Maternal Health Care Services</u>**

The objective of the audit was to assess the extent to which the Ministry of Health and Wellness put measures in place to minimise incidences of complications during pregnancy, labour and delivery of babies in health facilities.

The key findings were as follows-

(i) <u>Coordination of Maternal Health Care Services at District Level</u>

While the Ministry had established District Health Management Teams (DHMTs) in all the districts that were visited, there was inadequate collaboration between clinics with maternity services/wings and hospitals in the selected health districts, particularly with regard to human resource utilisation. For instance, basing on the number of patients each midwife had to assist, clinics were allocated a relatively higher number of midwives than hospitals although hospitals had much higher patient inflows than clinics.

At the time of audit, the Ministry was undergoing restructuring and one of the key areas was revitalizing Primary Health Care (PHC). In the strategy, PHC was to take care of provision of health services from community level (intensifying utilization of community health workers and volunteers) to tertiary level, maternity services inclusive. They would also develop the guidelines for manpower utilization within and across institutions in order to maximize care when rationalising staff.

(ii) <u>Management of Mothers in Labour</u>

There was inadequate monitoring of mothers in the third and fourth stages of labour in facilities, particularly in hospitals. As a result of inadequacies in the monitoring of patients in labour, there was an increase in the occurrence of complicated cases, some of which resulted in maternal deaths.

In response management stated that they planned to procure equipment that would facilitate continuous and timely monitoring of women in labour and they were to further devise guidelines that would manage skills utilization within and across the institutions. They were also to consider incorporating midwifery to the General Nursing programme so that when one finished training they would have attained both skills. This would help address the shortage and maximize service provision. Management was also in the process of developing Human Resource (HR) policy, which would advise the staffing norms.

(iii) Congestion in Referral Hospitals

Wards in some health facilities had patient numbers and beds beyond their prescribed carrying capacity, which was an indication of congestion of patients. In one instance, there were 48 beds in an ante-natal ward designed for a 30-bed capacity. The post-natal ward on the other hand had a bed capacity of 52 beds but had an extra 22 beds and 18 patients sleeping on the floor. This compromised patients' privacy as well as quality of health care services.

Management stated that they would complete the review of the referral guidelines by the end of financial year 2018/19 and roll them out in the subsequent financial year. They would also intensify health education to the community on the referral system, develop a strategy of continuous training on Emergency Obstetric Care and other related services, and roll-out the implementation of Integrated Training Curriculum that includes all the programmes. Furthermore, they would explore other modern technologies to educate the public, e.g. short message service (sms) and increase the number of output in the training institutions.

(iv) Management of Obstetric Emergencies

There was no effective management of obstetric emergencies, as hospitals were not adequately monitoring and preventing complications. Out of a total of nineteen cases reviewed from the Maternal Death Audit Reports for the period 2014 to 2016, 40% were caused by poor monitoring of patients and prevention of complications while 30% were caused by poor intervention and the other 30% caused by poor diagnosis.

In response, management stated that they were in agreement with the audit findings.

(v) Domiciliary Care

Health facilities did not adequately carry out domiciliary visits as most of them either did not conduct them at all or conducted a smaller number of domiciliary visits as compared to the number of deliveries per year.

In response, management stated that they would implement the PHC strategy using the differentiated health care services which would embrace maternal health services. This would include linkages of Community Health Care workers to the tertiary institutions and the total involvement and participation of the community. They would also implement the referral guidelines.

(vi) Construction and Utilization of Health Facilities

The Ministry of Health and Wellness did not put mechanisms in place to ensure that all services were provided in an efficient and cost-effective manner. Substantial investments were made in construction of health facilities, which remained of no benefit to local communities because they remained unutilized for a considerable periods of time after their completion for a variety of reasons. During the audit, three facilities, which had been constructed and remained unutilized for a considerable period of time, were identified. These were Matshwane Clinic in Maun, where a maternity ward was completed and fully equipped in 2014, but never utilised; a similar clinic in Donga, Francistown was also completed and commissioned in 2011, but never utilised. The third was Letsholathebe II Memorial Hospital Intensive Care Unit in Maun, which was constructed and completed in 2010 with some defects that remained unrectified and as a result the ICU facility had never been utilised

In response management stated that Donga Clinic, which was undergoing maintenance to add structures such as sluice facilities, was expected to be completed in financial year 2018/19.

Matshwane Clinic Maternity Ward was not yet operational due to shortage of midwives while the Ministry was working on rationalization and recruitment of midwives. The Ministry had established a project office in 2017 that oversees all projects, which would improve on consultation and involvement of end users at the initial phase of the project. This would facilitate planning, including Human Resource in the project.

The Intensive Care Unit at Letsholathebe II Memorial Hospital had been attended to and was left with gas compressor, which would be attended to in the financial year 2018/19. The unit however, could be used in the event of emergencies.

(vii) Health Information Management

The Ministry had not developed an effective framework for coordinating and reporting health and related information. For instance, there was no proper information management system linking health programmes and areas related to human resource planning and utilization as well as infrastructure or facility management, equipment included. As a result, the Ministry had fragmented information management units, with bottlenecks impeding information flow and sharing, contributing to challenges like resource shortages and under-utilization of some resources (especially human resources and information technology systems) in some instances.

In response, management stated that the Ministry, through Central Medical Stores (CMS), was undertaking an assessment of all the systems that were in use. This would assist in monitoring availability of drugs and medical supplies. The Ministry was still reviewing the way forward on the harmonization of such connectivity plans together with other workable solutions where there was no power and limited bandwidth.

(b) **Management of Youth Development Fund**

The overall objective of the audit was to assess whether the Ministry had put measures in place to efficiently and effectively implement the Youth Development Fund (YDF) program.

The key findings were as follows-

(i) Monitoring of YDF Projects at the District Level

The audit revealed that supervision and monitoring of YDF projects was not adequately carried out. In most instances it became evident that continuous monitoring was conducted only on nearby projects, while those far from District Offices were not regularly monitored, or not at all. Lack of monitoring by district officers as well as reporting by beneficiaries led to beneficiaries not getting the necessary assistance on time, which eventually led to the collapse of some projects.

Management responded and stated that, there was an effort to undertake the monitoring exercise although there were constraints with transport and inadequate manpower. To augment the shortfall, the Ministry Monitoring and Evaluation Unit undertook routine monitoring across Districts. The report was shared with Districts to devise intervention strategies for identified gaps.

(ii) Non-Compliance to YDF Guidelines

There were instances where some YDF beneficiaries had applied as individuals, but were funded under the Youth Industry option, which is given to a group of youths, not individuals. The audit also revealed that those businesses which were funded in this category were all not functional. The non-adherence to YDF Guidelines by the Ministry has led to misuse of funds.

In response, management stated that the YDF Guidelines were clear on the different fund ceilings and categories. The individual cases by the Districts would be followed and action taken for violation of the Guidelines.

(iii) YDF Projects Assets Management

An audit inspection revealed that YDF projects assets were not all labelled as required by the Memorandum of Agreement. Furthermore, the Ministry did not adequately do the verification and recording of assets after procurement. In all the districts visited, there were no inventories of YDF projects' assets. Due to failure to verify and record the assets bought by the Fund, the Ministry did not know the number and the value of assets bought through the Fund.

Management stated that they would explore ways of standardising labelling of projects' assets. Benchmarking with institutions such as CEDA would be undertaken to determine the most effective labelling mode. It was mandatory for the Asset and the Fund Disbursement Registers to be maintained for each funded project and the Ministry was working on remedying the shortcomings identified by the audit and would extend to other Districts not covered by the audit. The verification of assets, and updating of assets registers was expected to be completed by May 2019. To strengthen monitoring, the Ministry would continue to use the Monitoring and Evaluation Unit for routine monitoring and further explore the use of interns.

(iv) YDF Application Process Set Time Standard

The audit revealed that the Ministry offices in all the districts were not able to meet the 33-day standard set time for processing of the YDF applications. The average number of days taken to process applications ranged between 63 and 244 days, leading to backlog and underutilisation of the allocated funds.

In response, management stated that they would review the YDF process map, and consultations would be done to engage Programme implementers in a walk-through process to ensure that the process owners informed the turnaround time. They further stated that there was inadequate manpower which impacted negatively on programme delivery. Additionally, external experts' commitments on other official engagements had negative bearing on the turnaround time. In this regard, the Ministry was exploring ways to augment the current establishment for effective and efficient programme delivery.

(v) Training

It was noted that some districts had backlog of beneficiaries who were not trained, contrary to the requirement that all applicants are trained before being funded to enhance their business skills. It was observed that the majority of the projects were poorly managed due to lack of the requisite business skills by the beneficiaries, which contributed to the collapse of some businesses.

In response management stated that training had taken place and that it was on-going to clear the backlog across the Districts. Annually, the Ministry was allocated P120 million with each constituency being allocated P2 million. The Constituency allocation covered funding and any business support activity like training and mentorship. The YDF process map indicated training as a pre-funding activity and that meant it was a mandatory process and a priority geared towards enhancing beneficiary skills competencies.

Management further stated that they noted the inconsistencies across the Districts and to curb such, the following was being done:

Formal communication to Districts would be issued to stipulate training for YDF beneficiaries as a pre-funding requisite. The same would communicate the budget quota for training. The revised YDF Guidelines are being finalised and cover the training aspect as a mandatory activity and the development of the YDF Manual for Programme Officers aimed to address inconsistencies and irregularities in the administration of the Fund.

(vi) Recouping of YDF Projects Assets

The audit revealed that recouping of assets remained a challenge even after nine (9) years of inception of the Fund. The audit further revealed that there were no documented guidelines on the recouping and disposal of assets, despite the discretion in the Memorandum of Agreement for the Ministry to reclaim the Fund or any part thereof or take possession of the equipment bought with the financial assistance in the event the beneficiary failed to meet some stipulated requirements. Moreover, the Ministry did not have facilities in place to keep recouped assets or mechanism for their disposal.

In response, management stated that the Ministry was working on the finalisation of the repossession guidelines which would ensure consistency in the disposal of YDF projects assets. They would also define the roles and responsibilities of parties involved as well as the disposal process. The guidelines were due for implementation in 2019/20. Despite the shortcomings, repossession and disposal of assets were done through District Administration Tender Committee.

(vii) YDF Loan Repayments

The audit showed that beneficiaries did not repay the loans as agreed and this was attributed to inadequate internal arrangements for loan repayments. Out of the six sampled districts, Maun was leading with 41.5% in arrears of the total balance owed by beneficiaries followed by Mochudi with 37.3%, Jwaneng with 28% and Tsabong with 13.5%. Non-repayment of the loans could deny more youth to benefit from the Fund and defeat Government's efforts of empowering youth.

In response, management stated that in an effort to ensure compliance with loan repayments, the Ministry introduced YDF loan repayments Pitso. There was also the sms notification, reminder letters and follow ups that were done. However, management acknowledged that the above was not enough and were exploring other ways that would enhance loan repayments.

(c) **Coordination and Monitoring of Environmental Assessment Operations**

The objective of the audit was to examine and report on the processes, quality and timeliness of environmental assessments and approvals under the Environment Assessment Act, as well as on the Department of Environmental Affairs (DEA) activities to ensure compliance with the Act.

The key findings were as follows-

(i) Legal Framework

There was no overarching and consolidated National Environmental Policy to harmonize the different pieces of environmental assessment legislative frameworks.

In response, management stated that the Ministry was in the process of developing an overarching environmental legislation called Environmental Management Act (EMA). They highlighted that the instructions for the drafting of the review of the Environmental Assessment Act had been submitted to Attorney Generals Chambers, and it was expected that the bill would be read in the July 2019 sitting of Parliament.

(ii) Rigours of the Assessment Process

It was noted that there was no standard documented review procedure or guide for projects. The Departmental officers explained that they used field experience and depth of knowledge acquired over the years. The lack of a comprehensive documented procedure for review and quality control mechanisms had a bearing on the consistency of DEA decisions on different projects.

In response, management indicated that there were checklists available to guide the review process for Environmental Impact Assessments (EIAs). Guidance on the content of the EIA report was provided in the Environmental Assessment Regulations, 2012.

Management however acknowledged the importance of applying the consistent quality assurance mechanism across all the areas/offices and it was their desire to do so. They further stated that implementation remained a challenge in district offices where the staff complement was two (2) or three (3) officers such as Kasane, Ghanzi, Tsabong and Selibe Phikwe.

Baseline data would be available once the Environmental Information System (EIS) was completed and running. The Department had partnered with the United Nations Environment Programme in a three-year project, in which one of the deliverables was the operationalisation of the EIS. Furthermore, it was noted that baseline environmental data was one of the deliverables of the practitioner conducting EIA study because of the fluidity of the baseline information resulting in both human-induced and natural factors.

(iii) Compliance Information and Risk Assessment

It was noted that the Department had no documented risk framework or strategy that informed their compliance inspections or audits. There was no system in place to collect and manage compliance information to allow for periodic assessment of risks and ultimately inform the inspections and audits.

In response management stated that analyses of compliance intelligence was done regularly as part of the Customer Service Standard (CSS) reporting and that further information was collected in a manner guided by the Draft Audit Plan and the General EIA Checklist. They further indicated that risks that could impact the environment were identified in the various environmental assessment studies that were conducted prior to undertaking any developmental projects and mitigations against such likely impacts were recommended for implementation in the reports. Inspections and audits were meant to ensure compliance with the recommended remedial action for the various projects.

(iv) Monitoring Approved Actions

The Department had not developed a coordinated programme of monitoring the activities of the proponents, including a dedicated budget and target number of inspections to undertake each year. Monitoring the progress of all actions that are subject to the Act is important to ensure that there were no unintended consequences and that the objectives of the Act were met.

Management highlighted that submission of monitoring reports was mandatory in terms of the Section 18.2 of the Environmental Assessment Act, 2010, and approval letters informed the developer of his obligation to submit such reports. Furthermore, the monitoring reports provided information on progress of the implementation of recommended actions, which would mitigate the environmental impact associated with the project. The Department also concurred with the need to develop a database for consistent tracking of activities. Further, they stated that compliance monitoring was done through Inspections and audits. The inspections and the audits were part of the Annual Performance Planning process of the Department.

(v) Regulatory Enforcement

The Department compliance and enforcement framework did not address numerous good practice considerations for administering regulations. It was noted that there was no framework to guide the officers on how to handle the cases, to document and conduct investigations to determine the appropriate action to take in the event of breach of the regulations.

In response, management stated that monitoring of compliance was guided by the General EIA Checklist, which assisted in the conduct of inspections and the audit plan which assisted in the conduct of the audits, and ensured consistency in conducting compliance checks across all Departmental offices.

XI PARASTATALS

113. **Introductory**

With the exception of the Botswana Railways and Air Botswana which are under the ambit of my audit, the rest of the statutory bodies and state-owned enterprises are audited by independent auditors appointed by their Boards of management under the terms of their governing statutes. However, by a long standing arrangement these entities provide me with the audited accounts and reports of their organisations for purposes of review and inclusion of the review results in this report to the National Assembly. These reviews are for the benefit of the Committee on Statutory Bodies and State-owned Enterprises during the examinations of the accounts of these organisations.

The succeeding paragraphs are observations and comments resulting from my audits (where appropriate) and review of the audited accounts and reports of those bodies. It has not been possible to obtain financial statements and reports from all parastatals as some of these were not ready for a variety of reasons, and where this is the case I have so indicated in this report.

114. **Air Botswana**

In terms of Section 22 (2) of Air Botswana Act, I am the auditor of the accounts of Air Botswana as indicated in the preceding paragraph. However, for reasons of staff constraints I have appointed an independent auditor to carry out the audits on my behalf in terms of the Act.

The management of Air Botswana has not submitted the required financial statements and reports for the year under review. In a communication to the Ministry they indicated that they would not be able to submit the accounts within the stipulated time frames, as the audit of the accounts had not been finalised.

Consequently, I have not been able to carry out the review of the accounts of the organisation for the financial year ended 31 March 2019 for the benefit of the National Assembly.

115. **Banyana Limited**

The financial statements of Banyana (Proprietary) Limited for the financial year ended 30 June 2018 were audited by Messrs RSM Botswana, Certified Auditors, who were appointed by the Board.

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The annual financial statements presented fairly, in all material respects, the financial position of the company as at 30 June 2018, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

2.2 Financial Results

During the financial year under review, Banyana Limited recorded a loss of P526 555, compared to a loss of P685 267 in the previous year. The reduction in the loss was due to a scale-down of operations as reflected in the reduction in the cost of sales from P110 729 to P9 611 and in operating expenses from P3.16 million in the previous year to P2 million in the year under review.

Income was P1.49 million in the year under review, compared to P2.67 million in the previous year.

2.3 Working Capital

The working capital position of Banyana Limited as at 30 June 2018 showed current assets of P2.82 million and current liabilities of P0.44 million, resulting in a net current assets position of P2.38 million.

3.0 Management Letter

The auditors had issued a management letter and the matters raised dealt with accounting procedures and internal controls which were of interest only to management, hence did not merit mention in this report.

116. **Botswana Accountancy College**

The financial statements of Botswana Accountancy College for the financial year ended 31 March 2019 were audited by Messrs PricewaterhouseCoopers, Certified Auditors, who were appointed by the Board.

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements gave a true and fair view of the financial position of Botswana Accountancy College as at 31 March 2019, and of its financial performance and its cash flows for the year then ended, in accordance with the International Financial Reporting Standards.

2.2 Financial Results

In the year under review, the College recorded a surplus of P41.35 million, compared to P9.74 million recorded in the previous year. The increase in surplus was attributable to an increase in Revenue and Other Operating Income by 25% from P181.28 million in the previous year to P225.88 million in the year under review. Another contributing factor was net impairment gains on trade receivables realised of P3.7 million in the year under review, compared to a net impairment loss on trade receivables of P3.2 million in the previous year.

Expenditure was P188.41 million in the year under review, compared to P171.62 million in the previous year.

2.3 Working Capital

The working capital position of the College as at March 2019 showed total current assets of P101.96 million and current liabilities of P90.09 million, giving a net current assets position of P11.86 million.

3.0 Management Letter

The following were some of the matters raised by the auditors and the management responses thereto-

3.1 Control Over Staff Debtors Write-off

The auditors observed that staff debtors amounting to P98 408 were written off as bad debts during the period. This was an indication that there was lack of monitoring and control when employees resign as these balances should have been set off against employee benefits and recovered as appropriate.

In response, management stated that they agreed with the audit observation which pertained to staff termination that occurred in prior years. They further stated that it is now mandatory for staff to complete the Exit Clearance forms which are signed by all Departmental Heads to clear any existing staff members upon separation with the College. In addition, Management has improved the process to have staff debts that are not tuition-related, to be moved to payroll control accounts for closer monitoring.

3.2 <u>Reconciliation of Student Register and Accounting Records</u>

The auditors indicated that during the audit their procedures revealed omitted/unbilled invoices. Upon being advised of the findings, management carried out an exercise to identify and quantify unbilled revenue. The results revealed that P2 135 933 of the revenue from 194 students (spanning two semesters: June 2018 to December 2018 and January 2019 to June 2019) had not been invoiced with respect to classes attended.

The auditors further noted that there were inconsistencies in the naming convention (absence of unique identifiers) between the registry records and the accounting records. Potential errors and omissions may still occur even if the reconciliation had been carried out on a timely basis rendering the process ineffective.

In response, management stated that a monthly reconciliation between the student register and accounting records would be introduced effective immediately. The student register would be signed off by the Registrar before being passed on to Finance for billing. The monthly reconciliation would help in identifying any updates to the register which would necessitate additional billing required.

Furthermore, management stated that they resolved to use National Identity Number (Omang) or Passport Number, for international students, as a short term measure. This would be effective from January 2020 semester. Furthermore, they stated that preliminary processes were underway for the procurement of a students information management system which would provide a sustained solution for the current problem. A Statement of User Requirement (SOUR) had been prepared and process mapping was underway for the student information management system.

3.3 Management Review Process of General Ledger and Control Accounts

The auditors noted that the College had the following clearing accounts which had not been reconciled and cleared as at the end of the year-

Account Code	Description	Balance
48365	AAT Collection Control Account	(6 668 944.38)
23005	WIP Debtors	895 973.72

As a result, the Collection Control Account had P1 498 075.15 income relating to the current period and P647 904.04 relating to the prior year which should have been classified as income for the respective periods. An amount of P3 858 573.19 of the remaining unreconciled balances dated back to 2013. Management could not provide supporting evidence relating to the unreconciled balances, and was investigating.

In response, management stated that in the current year, they had resolved to carry out a monthly reconciliation of the clearing accounts and recognise any related income accordingly. Balances from previous years would also be reconciled separately by the Finance department and recommended to management for appropriate action in terms of revenue recognition.

117. **Botswana Accountancy Oversight Authority**

The financial statements of Botswana Accountancy Oversight Authority for the financial year ended 31 December 2018 were audited by Messrs Deloitte & Touché, Certified Auditors, who were appointed by the Board in terms of Section 65 (2) of the Financial Reporting Act, 2010.

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements gave a true and fair view of the financial position of the Authority as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards.

2.2 Financial Results

The financial operations of the Authority showed a surplus of P292 000 for the year under review, compared to a deficit of P473 600 in the previous year. The surplus was attributable to a 6% increase in Government subvention from P13.30 million in the prior year to P14.08 million in the year under review. Revenue from provision of services also increased by 7% from P4.49 million in the prior year to P4.78 million in the year under review and other income, which increased from P8 900 in the previous year to P28 200 in the year under review.

Expenditure was P18.63 million in the year under review, compared to P18.45 million in the previous year.

The Authority is funded primarily by Government grants, in the year under review the grant was P14.08 million, making 75% of total income.

2.3 Working Capital

The working capital position of the Authority as at 31 December 2018 showed current assets of P5.96 million and current liabilities of P3.65 million, resulting in a net current assets position of P2.31 million.

3.0 Management Letter

The following was the matter raised by the auditors and the management response thereto-

3.1 Internal Audit Reviews

The auditors noted that the scope of the operations of the Authority has increased, and as such they recommended that the Authority should engage internal audit to perform periodic reviews. In their view that would enable the Authority to identify any deficiencies or weaknesses in internal controls that address both financial and business risks.

In response, management stated that the Board had resolved that currently the size of the Authority did not warrant an independent internal audit function. They explained that the function was carried out by the Technical Department. They however, stated that in future they would present a risk-based internal audit plan to the Finance and Audit Committee for adoption, and thereafter request for funds from the Ministry of

Finance and Economic Development to engage the internal audit service providers.

118. **Botswana Agricultural Marketing Board**

The financial statements of Botswana Agricultural Marketing Board (BAMB) for the financial year ended 31 March 2019 were audited by Messrs Ernst & Young, Certified Auditors, who were appointed by the Board in terms of Section16(3) of Botswana Agricultural Marketing Board Act (Cap 74:06).

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The annual financial statements presented fairly, in all material respects, the financial position of Botswana Agricultural Marketing Board as at 31 March 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Botswana Agricultural Marketing Board Act (Cap 74:06).

2.2 Financial Results

The financial operations of Botswana Agricultural Marketing Board showed a profit of P70.77 million for the year under review, compared to a loss of P63.87 million reported in the previous year before Other Comprehensive Income. The increase in profit was due to an increase in Revenue from Contracts with Customers by 14.9% from P285.97 million in the previous year to P328.57 million in the year under review. Other Income also increased by 202 % from P14.17 million in the previous year to P42.79 million in the year under review. In the year under review the Board received a Government grant of P40 million to cover acquisition costs of the Livestock Advisory Services Fund to assist with take-over and running costs, compared to P6 million in the previous year. Reversal of impairment losses amounting to P70.35 million also contributed to the increase in profit for the year under review.

Expenditure increased by P5.7 million from P365.41 million in the previous year to P371.11 million in the year under review.

2.3 Working Capital

As at 31 March 2019, the working capital position of the Board showed current assets of P177.26 million and current liabilities of P232.70 million, resulting in a net current liabilities position of P55.44 million.

The current liabilities included Deferred Income of P7.16 million and Payroll Accruals of P3.73 million.

3.0 Management Letter

The following were some of the significant matters raised by the auditors and the management responses thereto-

3.1 Long Outstanding Debtors - (Repeat Finding)

The auditors noted that the Board did not have a stated policy to provide for overdue accounts receivables.

There was a balance of P92.45 million of accounts receivable that was more than a year old, whose recoverability was doubtful. Provision was made in the accounts for this prospect.

According to the auditors long outstanding debtors may result in large amounts of money being tied up in receivables and this may impact negatively on cash flow.

Management was advised to evaluate the policy on balance of receivable balances from the Government since most of these debtors are Government Ministries. Management was advised to charge interest on long outstanding balances in an effort to recover the high interest charges on overdrafts and loan.

3.2 Long Outstanding Amounts Payable - (Local and Foreign)

The auditors noted that the local creditors ageing for a period of over 90 days amounted to P6.8 million which represented 33% of the total payables amount of P20.5 million.

Furthermore, foreign creditors amounts over 90 days amounted to ZAR9.0 million which represented 35% of the amount owed to foreign creditors of ZAR25.4 million.

According to the auditors the outstanding creditors had a negative impact on the Board's liquidity ratios which would lead to the Board being charged high interest rates when sourcing working capital financing. The Board may also find it difficult to negotiate credit terms with current suppliers due to long outstanding payments.

The auditors advised management to reduce the outstanding balance due to local and foreign creditors to avoid challenges when securing external financing and seeking credit terms from suppliers.

3.3 Compliance with Agency Agreement - (Repeat Finding)

The auditors noted, as in the previous years, that the Government contractual stock holding levels for grains had not been maintained. The auditors also noted the following exceptions relating to compliance of the agency agreement between the Board and Government Strategic Grain Reserve.

According to the contract, the Board should ensure that the contracted stock quantities were maintained.

Product	Minimum Quantity Per contract (Mt)	Actual Holdings (Mt)	Compliance with Contract
Beans/cowpeas	2 000	1 997	No
Maize	5 000	Nil	No

The auditors recommended that management should actively review and ensure compliance with Agency Agreement.

119. **Botswana Bureau of Standards**

The financial statements of Botswana Bureau of Standards for the financial year ended 31 March 2019 were audited by Messrs Mazars, Certified Auditors, who were appointed by the Board in terms of Section 8(2) of the Standards Act, (Cap 43:03).

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The annual financial statements presented fairly, in all material respects, the financial position of the Botswana Bureau of Standards as at 31 March 2019, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

2.2 Financial Results

In the year under review, the Bureau recorded a loss of P5.73 million, compared to a restated loss of P1.97 million recorded in the previous year. Income increased from a restated figure of P87.98 million in the previous year to P92.21 million in the year under review, while expenditure increased from a restated figure of P89.95 million in the previous year to P97.94 million in the year under review.

The Bureau is funded by Government grants, in the year under review the grant was P73.95 million, representing 80% of the total income. Other income was P12.88 million from Sale of Services and Standards, P3.96 million rental and sundry income, P33 408 other operating gains and P167 595 Finance Income.

2.3 Working Capital

The working capital position of the Bureau as at 31 March 2019 showed total current assets of P29.32 million and total current liabilities of P18.55 million, resulting in a net current assets position of P10.77 million.

3.0 Management Letter

The following were some of the matters raised by the auditors and the management responses thereto-

3.1 Property, Plant and Equipment - (Repeat finding)

The auditors noted that there were assets in the assets register with nil book values which were still in use. This was an indication of either wrong estimates applied or non-revision of estimated useful lives of Property, Plant and Equipment. International Accounting Standard 16 requires that useful lives be reviewed at least at each financial year-end.

In response, management stated that at the time of the audit, the old fleet of motor vehicles had been identified for disposal and a request to dispose them of had been compiled for presentation to the Finance, Risk and Audit Committee for approval at its meeting scheduled for November 2019. Management further stated that as the approval for the disposal was pending, the assets had been maintained in the register. Fully depreciated laboratory equipment could not be valued owing to lack of secondary market for this type of equipment in

Botswana, hence the decision to maintain these assets at zero value.

3.2 Trade Receivables

The auditors noted that there were no credit limits in place for credit customers.

In response, management stated that the reviewing of clients on credit terms was on-going. They further stated that delays were caused by connectivity between Botswana Bureau of Standards and Information Trust Company (ITC). They indicated that the connectivity persisted and therefore ITC would do the credit vetting and give a report. The exercise was expected to be concluded by 30th September 2019.

120. **Botswana Communications Regulatory Authority**

The financial statements of Botswana Communications Regulatory Authority for the financial year ended 31 March 2019 were audited by Messrs PricewaterhouseCoopers, Certified Auditors, who were appointed by the Board in terms of Section 26(2) of the Communications Regulatory Authority Act, (No.19 of 2012).

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The consolidated and separate financial statements gave a true and fair view of the consolidated and separate financial position of Botswana Communications Regulatory Authority and its subsidiaries as at 31 March 2019, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and requirements of the Communications Regulatory Authority Act, 2012.

2.2 Financial Results

In the year under review the Group and the Authority recorded a surplus of P11.08 million and P5.07 million respectively, compared to P35.63 million and P20.37 million respectively in the previous year.

Total income, excluding fair value adjustment, for the Group decreased by 8.82 % to P175.97 million in the year under review from P191.50 million in the previous year, while total operating expenses increased by 8.90% to P163.25 million during the same period from P149.91 million. Income for the Authority decreased by 9.28% from P 138.86 million in the previous year to P 126.86 million in the year under review while expenditure increased by 6.72 % from P112.10 million in the previous year to P120.17 million in the year under review.

2.3 Working Capital

The working capital position of the Group showed current assets of P451.33 million and current liabilities of P30.33 million which resulted in a net current assets position of P421.00 million. The Authority showed current assets of P348.53 million and current liabilities of P25.24 million which resulted in a net current assets position of P323.29 million.

3.0 Management Letter

The following was one significant matter raised by the auditors and the management response thereto-

3.1 Overall IT Environment Controls.

The auditors observed that the Authority had not reviewed the key policies within the IT environment for the period under review. These policies are the Change Management Policy, Disaster Recovery Plan, User Access Management and Password Policy and User Acceptance Policy. The auditors pointed out that if policies are not periodically reviewed they may fail to address changes to the IT environment.

The auditors recommended that management review and approve these policies to keep up with technology enhancements.

Management responded by saying that IT policies were currently under review with the process to be completed by September 2019.

121. **Botswana Development Corporation Limited**

The financial statements of Botswana Development Corporation Limited for the financial year ended 30 June 2018 were audited by Messrs KPMG, Certified Auditors, who were appointed by the Board.

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The consolidated and separate financial statements gave a true and fair view of the consolidated and separate financial position of Botswana Development Corporation Limited as at 30 June 2018, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards.

2.2 Financial Results

The financial operations of the Group showed a profit of P148.23 million before Other Comprehensive Loss for the Year of P17.79 million in the year under review, compared to a restated profit of P108.43 million before restated loss of Other Comprehensive Loss of P292.38 million reported in the previous year. The Corporation recorded a profit of P227.31 million before Other Comprehensive Loss of P19.61 million in the year under review, compared to a restated profit of P199.34 million before Other Comprehensive Loss of P301.49 million in the previous year.

The profit from operations for the Group increased by 53% from a restated profit of P97.17 million in the previous year to P148.23 million in the year under review, mainly due to an increase in income from Available for Sale Investment reclassified to profit or loss by 146% from P37.39 million in the previous year to P92.05 million in the year under review and an increase in Fair Value Gain on Investment Properties by 56% from P28.51 million (restated) in the previous year to P44.52 million in the year under review.

The operating profit for the Corporation increased by 14% from a restated profit of P199.34 million in the previous year to P227.31 million in the year under review. This was due to an increase in Available for Sale Investments reclassified to profit or loss by 146% from P37.39 million to P92.05 million; and a decrease in Marketing Expenses from restated expenses of P2.27 million to P964 000 and a decline in Finance Costs from P55.27 million to P45.74 million in the previous year and in the year under review respectively.

2.3 Working Capital

As at 30 June 2018 the working capital position of the Group showed total current assets of P602.90 million and total current liabilities of P167.27 million, resulting in a net current assets position of P435.62 million. The Corporation had total current assets of P479.85 million and total current liabilities of P170.16 million, resulting in a net current assets position of P309.69 million.

3.0 Management Letter

The following were significant matters raised by the auditors and the management responses thereto-

3.1 Oversight and Control over Certain Subsidiaries -(Repeat Finding)

The auditors noted that there was no oversight and control performed by the holding company over certain subsidiaries. These subsidiaries were allowed to operate independently from the Group with their own management and, to a certain extent, Board of Directors. As a result, they had identified a number of deficiencies at certain subsidiaries which indicated a weak control environment and lack of strategic alignment between the subsidiaries and the holding company. The following were significant control deficiencies relating to those subsidiaries:

- Lack of succession planning
- Uncertainties with regard to going-concern status of certain subsidiaries
- High staff turnover, and
- Monitoring and execution of strategic plans

In response, management noted the auditors' observation and committed to continuous improvement. Management continued to monitor and provide strategic oversight to subsidiaries through the investments division and the appointed Boards to the respective companies.

3.2 Bank Signatories and Accounts

The auditors had noted that former employees of the Corporation were confirmed by commercial banks as signatories to the Corporation's bank accounts.

In response, management committed to ensuring that changes in cheque signatories, and closure of accounts, were communicated to the respective financial institutions and followed up for timely updates.

In addition, there were two Barclays Bank accounts (call and current account) that had nil balances in the general ledger for which the bank confirmed a total balance of P300. Enquiry with management indicated that the accounts had been closed even though there was no supporting documentation provided as evidence instructing the bank to close the particular accounts.

122. **Botswana Energy Regulatory Authority**

As part of my writing of this report, and in line with the long standing arrangement with the Public Accounts Committee, I had circularized all statutory bodies and state-owned enterprises requesting them to forward to me copies of their audited financial statements and reports for purposes of review and inclusion of the review results in this report.

In response, management of the Authority stated that the financial statements for the year ended 31 March 2019 were available for distribution to stakeholders even though the management letter for the same period was said not to be available for sharing since the Authority was awaiting conclusion and signing of the report by the auditors.

However, at the time of writing this report, the financial statements had not been submitted as expected and I have therefore not been able to review the audited accounts of the Authority.

123. **Botswana Examinations Council**

The financial statements of Botswana Examinations Council for the financial year ended 31 March 2019 were audited by Messrs KPMG, Certified Auditors, who were appointed by the Council in terms of Section 20 (2) of the Botswana Examinations Council Act, (Cap 58:03).

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors

The financial statements gave a true and fair view of the financial position of Botswana Examinations Council as at 31 March 2019, and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards.

2.2 Financial Results

In the year under review, the Council recorded a surplus of P7.24 million, compared to a deficit of P3.45 million in the previous year. The main contributor to the surplus was the increase in the Government subvention from P252.52 million in the previous year to P260.52 million in the current year, and Finance Income which increased from P242 614 in the previous year to P431 796 in the year under review.

Income increased from P267.90 million in the previous year to P276.52 million in the year under review while expenditure decreased from P280.34 million in the previous year to P279.53 million in the year under review.

2.3 Working Capital

The working capital position of the Council as at 31 March 2019 showed current assets of P32.56 million and current liabilities of P40.22 million, resulting in a net current liabilities position of P17.35 million.

The current liabilities included provisions for gratuities and leave pay of P24.62 million.

3.0 Management Letter

The following were some of the significant matters raised by the auditors and management responses thereto-

3.1 Litigation

The auditors noted that the provision for probable legal costs was overstated by P2 699 168 when compared to the confirmations obtained from the legal counsel at the reporting date.

In response, management stated that going forward they would get regular confirmations from the legal services department for the input account provisions.

Asset Management – (Repeat Finding)

The auditors noted, as in the previous year, that some fully depreciated assets were still in use and provided economic benefits to the Council, which was in breach of the International Accounting Standard 16 and International Accounting Standard 38 which require that assets be periodically revalued to reflect their economic useful lives. The following were the assets that were identified:

Computer Equipment
Office Equipment
Motor Vehicles
Computer Software
BNEPS Licensing Fee
BNEPS Website

In response, management stated that they would implement the results of the assets valuation consultancy on residual values and review of useful lives during the financial year 2019/20.

3.3 Compliance with the Financial Intelligence Act

The auditors noted that the Council did not have documented processes and procedures to monitor compliance with the Financial Intelligence Act, which may result in financial losses as a result of penalties levied by Financial Intelligence Agency for non-compliance with the Act.

In response, management stated that they would develop procedures and train staff on the requirements of the Act to ensure compliance by the end of 2019/20 financial year.

3.4 Bank Account Signatories

The auditors noted that the First Capital Bank Limited bank confirmation obtained included a terminated employee, the former ICT Director, as an authorised signatory, which could result in continued access to the Council's bank accounts.

In response, management noted the finding and stated that they had resolved the matter; and that as a routine whenever a bank signatory ceases to be an employee the Bank would be notified immediately.

124. **Botswana Fibre Networks (Proprietary) Limited**

The financial statements of Botswana Fibre Networks (Proprietary) Limited for the financial year ended 31 March 2019 were audited by Messrs PricewaterhouseCoopers, Certified Auditors, who were appointed by the Board.

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements gave a true and fair view of the financial position of Botswana Fibre Networks (Proprietary) Limited as at 31 March 2019, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

2.2 Financial Results

The financial operations of Botswana Fibre Networks (Proprietary) Limited resulted in a loss of P67.14 million for the year under review, compared to a loss of P28.24 million reported in the previous year. The significant decline in performance was largely attributable to substantial decrease in Government grant from P67.47 million in the previous year to P37.22 million in the year under review. The company recorded a fair value gain of investment in equity instruments of P25.52 million in the year under review, resulting in a total comprehensive loss for the year of P48 million, compared to P28.44 million in the previous year.

Total expenditure increased from P371.22 million in the previous year to P423.87 million in the year under review, representing a 14% increase. This increase in expenditure was largely due to an increase in Salaries and Wages costs from P69.09 million in the previous year to P88.22 million in the year under review. The other significant operating expense which increased was a Loss Allowance Movement which was P9.8 million in the year under review from P2.05 million in the previous year.

Income increased from P342.98 million in the previous year to P356.73 million in the year under review.

2.3 Working Capital

As at 31 March 2019, the working capital position of the company showed current assets of P307.69 million and current liabilities of P155.33 million, resulting in a net current assets position of P152.36 million.

3.0 Management Letter

The following was one significant matter raised by the auditors and the management response thereto-

3.1 Salaries and Payroll – Pay-As-You-Earn (P.A.Y.E)

The auditors noted that the payroll system calculations of P.A.Y.E were leading to incorrect payments to Botswana Unified Revenue Service.

In response, management indicated that there had been a system upgrade project to correct all system anomalies. The project was anticipated to be concluded by 31 December 2019.

125. **Botswana Geoscience Institute**

The financial statements of the Botswana Geoscience Institute for the financial year ended 31 March 2019 were audited by Messrs Mazars, Certified Auditors, who were appointed by the Board in terms of Section 30 (1) of the Botswana Geoscience Institute Act, 2014.

2.0 Accounts

2.1 Audit opinion

In the opinion of the auditors:

The financial statements presented fairly, in all material respects, the financial position of Botswana Geoscience Institute as at 31 March 2019, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

2.2 Financial Results

For the financial year ended 31 March 2019, the Institute recorded a surplus of P42 753, as compared to P744 058 in the previous year. Income increased from P49.76 million in the previous year to P72.98 million in the current year. The increase in income was attributable to increase in Government grant from P49.02 million in the previous year to P72.94 million in the year under review.

Expenditure on the other hand increased from P49.04 million in the previous year to P72.94 million in the year under review. Significant increases were noted in Staff Costs of P15.99 million, Utilities of P1.46 million, Research and Development Costs of P1.04 million, Staff Development and Training Expenses of P854 393, Repairs and Maintenance of P772 294 and Consumable Lab Services of P764 117.

2.3 Working capital

The working capital position of the Institute as at 31 March 2019 showed current assets of P9.20 million and current liabilities of P8.30 million giving a net current assets position of P900 000.

3.0 Management Letter

The following were some of the significant matters raised by the auditors and the management responses thereto-

3.1 Maintenance of the Fixed Assets Register

The auditors noted that the Fixed Assets Register did not reflect a comprehensive description of the assets, their unique codes, residual values, location and details of assets disposed of. The assets register did not reflect the consideration of assessment of residual values which is a requirement under International Accounting Standard 16. Failure to adequately maintain the Fixed Assets Register may affect management's ability to properly reflect correct values of fixed assets in the financial statements.

In response, management stated that the Fixed Assets Register in the SAGE system did not have the detailed description as detailed by auditors and that in future they would ensure that the report to the auditors had all relevant details.

3.2 Ownership of Land and Buildings – (Repeat Finding)

The auditors noted, as in the previous years, that the Institute had land and buildings valued at P230.29 million whose ownership had not yet been legally transferred to the Institute from Government.

In response, management noted the finding and stated that Government had, by an Act of Parliament, transferred all the properties previously owned by the Department of Geological Surveys to the Botswana Geoscience Institute, and that what was pending was the actual vesting order with specific details of property transfer which was at an advanced stage between the parent Ministry and the Department of Lands.

126. **Botswana Housing Corporation**

The financial statements of Botswana Housing Corporation for the financial year ended 31 March 2019 were audited by Messrs KPMG, Certified Auditors, who were appointed by the Board in terms of Section 24 (3) of the Botswana Housing Corporation Act, (Cap 74:03).

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements gave a true and fair view of the financial position of Botswana Housing Corporation as at 31 March 2019, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Botswana Housing Corporation Act, (Cap 74:03).

2.2 Financial Results

In the year under review, the Corporation recorded a surplus of P16.76 million, compared to a surplus of P87.75 million in the previous year, representing a decrease of 81%.

Income reduced by P17.68 million, representing 3% reduction, from P568.49 million in the previous year to P550.82 million in the year under review, while expenditure increased by P53.31 million, representing 11% increase, from P480.74 million in the previous year to P534.06 million in the year under review.

Revenue from Contract with Customers increased by P14.78 million from P93.30 million in the previous year to P108.07 million in the year under review while total rental income, on the other hand, slightly declined by P4.65 million (or 2%) from P197.84 million in the previous year to P193.19 million during the year under review.

Significant increases in expenditure of P41.16 million (or 25%) were noted in Cost of Sale of Construction and Management Contracts from P163.27 million in the previous year to P204.43 million in the year under review. Employee Benefits expenses rose by P28.92 million (or 28%) from P103.13 million in the previous year to P132.05 million during the year under review.

2.3 Working Capital

The working capital position of the Corporation as at 31 March 2019 showed total current assets of P2.04 billion and current liabilities of P1.20 billion resulting in a net current assets position of P841.45 million.

3.0 Management Letter

The Corporation had not submitted the management letter as requested. Consequently, I have not been able to comment on any observations that the auditors might have raised there in.

127. **Botswana Innovation Hub Limited**

The financial statements of Botswana Innovation Hub for the financial year ended 31 March 2019 were audited by Messrs Grant Thornton, Certified Auditors, who were appointed by the Board.

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The annual financial statements gave a true and a fair view of the consolidated and separate financial position of Botswana Innovation Hub as at 31 March 2019, and of its consolidated, and separate financial performance, and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards.

2.2 Emphasis of Matter

Without qualifying their opinion, the auditors drew attention to note 26 of the financial statements. The Investment Property under construction developed certain structural defects during the financial year ending 31 March 2017 which were to be remedied in the financial year 2017/2018. The company had engaged experts to determine the cause and the remedial actions. Based on the reports provided by the experts employed, the estimated costs involved in such remediation would be approximately P24.10 million and the company had obtained approval for additional funding required from its stakeholders. The balance of works for Block F was estimated to be carried out at P80 million and the remediation process was still on-going. Since Investment Property was under construction and value-in-use could be determined only after the building was put to use, no impairment due to technical defects had been effected in these financial statements for the year. As at the current financial year end, the company continued to engage with legal experts to pursue the reimbursement of the above remedial costs from the service contractors who were considered to be potentially at fault for these cracks and defects.

2.3 Financial Results

In the year under review, the Group recorded a loss of P19.36 million, compared to a loss of P57.95 million in the previous year, while the company recorded a loss of P7.44 million in the year under review compared to a loss of P8.21 million in the previous year. The main contributor to the improved performance of the Group in the current year compared to the previous year was the non-occurrence in the year under review, of an item of Inventories write-downs to Net Realisable Value which was P 42.86 million in the previous year.

Total Income for the Group increased to P49.46 million in the year under review from P31.22 million in the previous year. The Government grant is a significant source of revenue for the Group, making 61% of the total income during the year under review compared to 97% in the previous year. The other notable source of income for the Group was Plot Sales for P13.66 million.

Expenditure for the Group decreased from P89.17 million from the previous year to P66.95 million in the year under review. The decrease in expenditure for the Group was mainly attributed to the Inventories write-downs to Net Realisable Value expense, as stated above, which was P42.86 million in previous year and nil in the year under review.

The expenditure for the Company was P43.98 million in the year under review, compared to P42.41 million in the previous year which is a modest increase of 4%.

2.4 Working Capital

As at 31 March 2019, the working capital position of the Group showed current assets of P463.98 million and current liabilities of P93.90 million, resulting in a net current assets position of P370.08 million, while that of the Company showed current assets of P5.89 million and current liabilities of P5.21 million, resulting in a net current assets position of P679 941. The substantial net current assets of the Group resulted from inventories of P390.74 million and cash and cash equivalents of P67.43 million.

3.0 Management Letter

The following were some of the matters raised by the auditors and the management responses thereto-

3.1 Defects on the Block F of the Icon Building

The auditors observed that during the financial year ending 31 March 2017, the Investment Property under construction, which was measured at cost in line with the requirements of IAS 40, developed certain cracks and structural defects in one portion of the building. Management engaged engineering experts to determine the cause of, and remedy to, these defects. As of July 2018, the experts had issued a report on the causes and remedial action to be taken to rectify the defects. The Government of Botswana had since agreed to finance additional costs for completion of the building which were estimated at approximately P80 million. BIH continued to engage with the legal experts to pursue the reimbursement of the above remedial cost from the contractors who were considered to be potentially at fault for these cracks and defects.

Due to the technical complexities and the administrative impracticalities surrounding the defects, it was not possible to determine if the additional costs would increase the value of the building significantly after the remedial measures and its costs. As at the reporting period the remedial works had already started with the total additional cost towards the Icon building adding up to P71.34 million.

Once the building is completed, which was likely to be in the next financial year, it was presumed that the fair value of the Investment Property could be reliably measured and the company shall effect any changes to the value including any impairment as is necessary after a valuation exercise is undertaken.

In response, management stated that the remedial solution to the portion of the building affected by the structural deficiency (Block F) was on-going. Management explained that remediation was programmed to be completed in October 2019 at the approved cost of P24 615 264.34. Following this, management stated that the balance of the works, for Block F would resume and final completion was programmed for September 2020. In April 2019 the area of the building not affected by the structural deficiency was completed and duly handed over to Botswana Innovation Hub Property (BIHP). Management confirmed that the Government had since approved a budget of P80 million in the financial year 2019/2020 to complete the Icon building.

3.2 Government Integrated Data Centre Project

The auditors noted during the review that stage 3 (Design stage) of the Government Integrated Data Centre (GIDC) had been completed with total management fees calculated at P7 690 607 since the inception of the project. Management fees were calculated based on the Memorandum of Agreement between the two parties (BIH and Ministry of Transport and Communications). A total of P5 million had been received and accounted for in the prior year with a balance of P2 690 607 (Receivable) still outstanding from the Ministry. The auditors also noted that certification of the project was received from Uptime Institute in June 2019.

Based on further reviews and discussion with management, the auditors noted that the Ministry had already indicated that they would not settle the balance and the matter had since been communicated to the legal personnel to advice on the way forward.

In response, management stated that BIH had hoped for positive outcome based on engagement with the Ministry as well as previous correspondence. Whilst management had discussed the matter and the likelihood of a need to make provision, it was decided to await feedback from the Ministry of Transport and Communications. As stated, the matter was with BIH legal office to advise on the way forward as the Ministry decision was based on their interpretation of the contract.

128. **Botswana Institute for Development Policy Analysis**

The financial statements of Botswana Institute for Development Policy Analysis for the financial year ended 31 March 2019 were audited by Messrs Grant Thornton, Certified Auditors, who were appointed by the Trustees in terms of the Deed of Trust, (MA 16/95).

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements gave a true and fair view of the financial position of Botswana Institute for Development Policy Analysis as at 31 March 2019, and of its financial performance and its cash flows for the year then ended, in accordance with the International Financial Reporting Standards.

2.2 Financial Results

In the year under review, the Institute recorded a deficit of P384 613, compared to a surplus of P1.01 million in the previous year. The main contributor to the deficit was a decrease in Income from Research Projects of P3.1 million (56%) from P5.53 million in the previous year to P2.42 million in the year under review.

Total income decreased by P1.18 million (4%) from P26.92 million in the previous year to P25.74 million in the year under review while expenditure increased slightly by P216 352 (1%) from P25.91 million in the previous year to P26.12 million in the year under review.

The Institute is mainly funded by Government grant, and in the year under review the grant was P21.90 million, representing 85% of total income, compared to P20.61 million (77%) in the previous year.

2.3 Working Capital

The working capital position of the company as at 31 March 2019 showed current assets of P31.60 million and current liabilities of P13.35 million, resulting in a net current assets position of P18.25 million.

3.0 Management Letter

The auditors had issued a management letter and the matters raised dealt with accounting procedures and internal controls which were of interest only to management, hence did not merit mention in this report.

129. **Botswana Institute for Technology Research and Innovation**

The financial statements of Botswana Institute for Technology Research and Innovation for the financial year ended 31 March 2019 were audited by Messrs Ernst & Young, Certified Auditors, who were appointed by the Board.

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The annual financial statements gave a true and fair view of the financial position of Botswana Institute for Technology Research and Innovation as at 31 March 2019, and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards and the requirements of the Companies Act, (Cap 42:01).

2.2 Financial Results

The Institute recorded a deficit of P397 675 in the year under review, compared to a surplus of P3.61 million in the previous year. The deficit was attributable to 10% increase in expenditure to P113.13 million in the year under review from P103.15 million in the previous year. Income increased by 6%, to P112.73 million in the year under review from P106.76 million in the previous year.

The Institute is funded by Government grants, in the year under review the grant was P106.87 million, representing 95% of total income, compared to P105.01 million in the previous year.

2.3 Working Capital

The working capital position of the Institute as at 31 March 2019 showed total current assets of P168.06 million and current liabilities of P163.53 million, giving a net current assets position of P4.53 million.

Current liabilities included P121.10 million project funds and payroll accruals of P14.04 million.

3.0 Management Letter

The auditors had issued a management letter and the matters raised dealt with accounting procedures and internal controls which were of interest only to management, hence did not merit mention in this report.

130. **Botswana Institute of Chartered Accountants**

The financial statements of the Botswana Institute of Chartered Accountants for the financial year ended 31 December 2018 were audited by Messrs Goel & Associates, Certified Auditors, who were appointed by members in terms of Section 53 (2) of the Accountants Act, 2010.

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements gave a true and fair view of the financial position of the Botswana Institute of Chartered Accountants as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

2.2 Financial Results

During the year under review the financial operations of the Institute showed a net surplus of P3.22 million compared to a net surplus of P4.62 million in 2017, a 43% decline. Expenses increased by 13.24% to P24.01 million in the year under review as compared to P20.83 million recorded the previous year.

2.3 Working Capital

As at 31 December 2018, the working capital position of the Institute showed current assets of P23.16 million and current liabilities of P11.20 million, resulting in a net current assets position of P11.96 million.

3.0 Management Letter

The auditors had issued a management letter and the matters raised dealt with internal controls which were of interest only to management, hence did not warrant mention in this report.

131. **Botswana International University of Science and Technology**

The financial statements of Botswana International University of Science and Technology for the financial year ended 31 March 2019 were audited by Messrs Mazars, Certified Auditors, who were appointed by the University Council in terms of Section 19(1) of the Botswana International University of Science and Technology Act, (Cap 57:05).

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements presented fairly, in all material respects, the financial position of Botswana International University of Science and Technology as at 31 March 2019, and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards and the requirements of the Botswana International University of Science and Technology Act, (Cap 57:05).

2.2 Financial Results

The financial operations of the University showed a profit of P4.46 million, compared to a loss of P21.84 million reported in the previous year. Income increased by 13% from P489.78 million in the previous year to P553.23 million in the year under review, while expenditure increased by 7% from P512.52 million in the previous year to P548.77 million during the year under review.

The income comprised the following-

	2019 P'million	%	2018 P'million	%
Government Grant	419.07	75.8	366.34	74.8
Tuition Fees	62.97	11.3	60.33	12.3
Other Income	7.56	1.4	6.06	1.2
Amortisation of Capital Grants	63.63	11.5	57.05	11.7
	553.23	100	489.78	100

(According to the Annual Statements of Accounts of the Accountant General the amount of subvention remitted to the University was P438 306 570).

Expenditure comprised the following:

	2019	2018
Staff Costs	325.31	286.95
Operating Expenses	223.46	225.57
	548.77	512.52

2.3 Working Capital

As at 31 March 2019, the working capital position of the University showed total current assets of P138.45 million and total current liabilities of P127.57 million resulting in a net current assets position of P10.88 million.

Current liabilities included provision for gratuities of P69.45 million.

3.0 Management letter

The following were some of the significant matters raised by the auditors and the management responses thereto.

3.1 Gratuity Provision Rates

The auditors observed that Gratuity provision rates on payroll schedule/payslips were different from what was written in the contracts of employees. These contracts were the latest as per management. However, the correct rates were incorporated in the HR and payroll system and correctly provided for. The personnel files were to be corrected with the updated contract.

In response, management indicated that they would ensure that all contract renewal letters were filed in the employees' personnel files and that staff personnel files were kept up-to-date. Furthermore, they also stated that for all contract renewals copies of renewal letters will be given to Financial Services department.

3.2 Pay-As-You-Earn (P.A.Y.E)

The auditors observed that the tax compliance summary from BURS dated 11 June 2019 showed payees outstanding interest of P8 857 252.92. The University was paying the P.A.Y.E and filing returns promptly. Upon bringing it to the attention of management, they communicated with BURS and had reverted to the auditors explaining that there was an error from the BURS side. The management was still in communication with BURS to resolve the error.

In response, management explained that in the past reliance was placed on ITW forms from BURS and that going forward they would ensure that they obtained a tax compliance summary annually.

3.3 Private Tuition Income

The auditors identified a need for the University to introduce an automated student registry and billing system, linked with the main accounting package for billing of students for all the services rendered to them. The auditors indicated that there was a current manual system in place, that they had relied on for reasonable assurance on the completeness of income and receivables from students. However, they believed that an automated system would further mitigate the risk of incomplete revenue.

The management explained that the Council Tender Committee awarded the tender for the students' information system on the 4 July 2019. Pre-engagement activities were continuing and the project implementation would start soon thereafter.

132. Botswana Investment and Trade Centre

The financial statements of Botswana Investment and Trade Centre for the financial year ended 31 March 2019 were audited by Messrs PricewaterhouseCoopers, Certified Auditors, who were appointed by the Board in terms of Section 19 of the Botswana Investment and Trade Centre Act, (No 12 of 2011).

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The consolidated financial statements presented fairly, in all material respects, the consolidated financial position of the Botswana Investment and Trade Centre and its subsidiary for the year ended 31 March 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards.

2.2 Financial Results

In the year under review, the Centre recorded a profit of P13.99 million, compared to P18.59 million in the previous year. The decline in profit was mainly attributed to 4.34% increase in administrative expenses from P112.51 million in the previous year to P117.39 million in the year under review. Furthermore, a gain in fair value adjustment in investment increased by 43.61% from

P7.04 million in the previous year to P10.11 million in the year under review.

Income increased by P0.28 million (0.21 %) from P131.10 million in the previous year to P131.38 million in the year under review Government grant was P106.36 million

2.3 Working Capital

The working capital position of the Centre as at 31 March 2019 showed total current assets of P90.04 million and total current liabilities of P22.01 million, resulting in a net current assets position of P68.03 million.

3.0 Management Letter

The following were some of the significant matters raised by the auditors and the management responses thereto-

3.1 Preparation of Bank Reconciliations

The auditors noted that bank reconciliations were not prepared on time. The following table illustrates reconciliations that were prepared more than 60 days after month end.

Bank	Month	Date Prepared	Time Taken (Days)
FNB Current Account	Apr-18	29/8/2018	150
Standard Chartered Global Expo Current Account	May-18	21/8/2018	112
FNB Call Account	Jun-18	21/8/2018	81
FNB Current Account	Nov-18	11/1/2019	71
FNB Current Account Rental Income	Nov-18	12/1/2019	72

In response management indicated that posting in the sub-ledgers and reconciliation of transactions would be conducted on a timely basis as advised, in future.

3.2 Lease Agreements

The auditors noted that lease agreements for factory shells were not renewed timeously. Tenants continued to occupy the buildings although the leases had not been renewed. The following table illustrates lease agreements that were only signed when the auditors requested for the renewed leases.

Lessee	Lease Period	Date Signed
Mortiganz	15 Sept 2018 - 14 Sept 2023	11/7/2019
Yerushalmi	01/Jan/2019 - 31/Dec/2024	11/7/2019
Blits	15 Sept 2018 - 14 Sept 2023	11/7/2019

In response management stated that the lease register was in place and property management would in future work very closely with the Property Management Company to ensure that lease renewals are closely monitored and updated before expiry. The delay which was encountered was mostly due to disputes with tenants on some of the clauses introduced in new lease documents. Tenants were also requesting for a reduction in rental escalation, an approval which could only be granted by the Board of Directors. It was only after these issues were ironed out that the above mentioned tenants agreed to sign the new leases.

133. **Botswana Meat Commission**

As part of my writing of this report, and in line with the long standing arrangement with the Public Accounts Committee, I had circularized all statutory bodies and state-owned enterprises requesting them to forward to me their audited financial statements and reports for purposes of review and inclusion of the review results in this report. The Botswana Meat Commission did not submit the audited financial statements for the financial year under review, nor give an explanation for their inability to do so.

Consequently, I have not been able to carry out the review of the accounts of the Commission for the financial year ended 31 March 2019 for the benefit of the National Assembly.

134. **Botswana Medicines Regulatory Authority**

The financial statements of Botswana Medicines Regulatory Authority for the 15 months ended 31 March 2019 were audited by Messrs RSM Botswana, Certified Auditors, who were appointed by the Board in terms of Section 21 (3) of the Medicines and Related Substance Act, 2013.

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements presented fairly, in all material respects, the financial position of the Authority as at 31 March 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

2.2 Financial Results

As indicated in my previous report, the financial transactions of the Authority started in June 2018, although the Authority had been in existence since January 2018, so the financial results for the period under review cover a period of 15 months from that date to 31 March 2019.

During the period under review the total operating surplus was P16.84 million. The surplus arose from an income of P41.85 million of which P41.84 million, was Government grant, on one hand, and an expenditure of P25 million on the other.

2.3 Working Capital

As at 31 March 2019 the working capital position of the Authority showed current assets of P46.29 million and current liabilities of P29.75 million, resulting in a net current assets position of P16.54 million.

3.0 Management Letter

The auditors had issued a management letter and the matters raised dealt with internal controls which were of interest only to management, hence did not warrant mention in this report.

135. **Botswana National Productivity Centre**

The financial statements of Botswana National Productivity Centre for the financial year ended 31 March 2019 were audited by Messrs Deloitte and Touché, Certified Auditors, who were appointed by the Board in terms of Section 16 [2] of the Botswana National Productivity Centre Act (No. 19 of 1993).

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

Except for the effects of the matter described in the Basis for Qualified Opinion, the financial statements gave a true and fair view of the financial position of Botswana National Productivity Centre as at 31 March 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

2.2 Basis for Qualified Opinion

The auditors were unable to obtain sufficient appropriate audit evidence which confirmed that the Centre had legal title and rights to a property recognised in the Statement of Financial Position as at 31 March 2019, with a carrying amount of P52 300 000. The depreciation charge relating to the property in the Statement of Profit and Loss and Other Comprehensive Income was P1 568 800. As indicated in note 17 of the financial statements, the Centre was in the process of obtaining a title and ownership of the land and buildings and this was the management's basis for recognition of the property in the Statement of Financial Position. The Centre occupies the land and buildings on a free rental arrangement.

2.3 Financial Results

During the year under review, the Centre recorded a surplus of P3.9 million, which was a decrease of 36% from a surplus of P6.11 million recorded in the previous year. There was a Gain on Revaluation of Properties of P7.58 million which resulted in Total Comprehensive Income of P11.48 million, compared to P6.11 million recorded in the previous year.

The Centre is funded by Government grants. In the year under review the grant was P48.16 million, representing 86% of the total income, compared to a grant of P42.62 million in the previous year, representing 84% of the total income.

Expenditure increased by 16.61% from P44.37 in the previous year to P51.74 million in the year under review. The more significant increases were attributable to the following items:

1) Staff Costs which were P26.12 million in the year under review, compared to P24.56 million in the previous year.

2) Remuneration paid to directors and key management personnel which increased from P5.24 million in the previous year to P6.77 million in the year under review.

3) Project Expenses which were P3.81 million in the year under review, compared to P2.27 million in the previous year and.

4) Training-Staff costs which were P1.83 million in the year under review from P0.62 million in the previous year.

2.4 Working Capital

As at 31 March 2019, the working capital position of the Centre showed current assets of P28.03 million and current liabilities of P11.91 million, resulting in a net current assets position of P16.12 million.

3.0 Management Letter

The following is a significant matter raised by the auditors and the management response thereto-

3.1 Use of Government Property Agreement

The auditors noted that the Agreement between Botswana National Productivity Centre and the Government of Botswana had no clarity in terms of use of Government properties. As per clause 22 (b) of the agreement, upon termination or expiration the Centre shall return all properties availed to them to the Government in good order. However, the auditors noted that during the year under review, the Centre had generated income from the Government properties but the properties were not all fully recognised in the Centre's books.

The auditors further highlighted that in the current year management engaged an external valuer to conduct the valuation of the property and the market value of the property was estimated to be P82 100 000. However, only P52 300 000, being the value of the portion of the building occupied by the Centre, was recognised as land and buildings.

The auditors advised that the Centre should obtain clarity with the Government to understand the ownership with regard to the rest of the property to ensure that this is treated appropriately in the Centre's books.

In response, management indicated that the matter was long outstanding and they had been following it up with the parent Ministry of Employment, Labour Productivity and Skills Development, but it was still not resolved.

3.2 Auditor General's Comments

As management indicate this is a long outstanding matter, and apart from assurances that action was being taken to regularise this matter of transfer of property to the Centre, there has not been any progress over the years of such assurances. I trust that concerted efforts would be made to finalise this issue.

136. **Botswana National Sports Commission**

The financial statements of Botswana National Sports Commission for the financial year ended 31 March 2019 were audited by Messrs Grant Thornton, Certified Auditors, who were appointed by the Commission in terms of Section 37 (2) of the Botswana National Sports Commission Act, (No. 30 of 2014).

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The annual financial statements gave a true and fair view of the financial position of Botswana National Sports Commission as at 31 March 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the Botswana National Sports Commission Act No. 30 of 2014.

Emphasis of Matter

The Commission had an accumulated loss amounting to P86 458 982 (2018: P67 369 588) and a net current liability position of P1 312 349 (2018: P16 105 648). The continued deterioration of the net equity position and the perennial precarious liquidity position of the Commission raised concern on its ability to continue as a going-concern. The Government of the Republic of Botswana had committed in writing through the Ministry of Youth Empowerment, Sport and Culture Development that it would continue to support the Commission and had committed to provide a grant of P113.70 million to ensure it continued as a going-concern in financial year 2019/2020.

2.2 Financial Results

During the financial year under review, the Commission recorded a deficit of P126.31 million, compared to a deficit of P18.67

million in the previous year. The main contributors to the worsening deficit were losses incurred on revaluation of properties which were P107 222 539 in the year under review.

The Commission is funded by Government grants, in the year under review the Grant Income, including amortised grant, was P122.48 million (92.77% of total income). Other Income was derived from, among others, Sports Awards (P1 345 752), Rental (P1 026 746), Stadium (P3 597 670) and Debswana Re Ba Bona Ha (P1 272 818).

The distribution of funds by the Commission to affiliates and other operating expenses were generally as follows:

	2019	2018
Distribution to Affiliates and Associates	28 599 838	32 504 335
Funds Distributions Towards Special Projects	47 011 313	18 855 922
Other Operating Expenses	74 967 108	65 280 515
	150 578 259	116 640 772

2.3 Working Capital

As at 31 March 2019, the working capital position of the Commission showed current assets of P10.39 million and current liabilities P11.7 million, resulting in a net current liabilities position of P1.31 million.

Of the P11.7 million current liabilities, P2.3 million related to Accrued Leave Pay and Accrued Gratuity.

3.0 Management Letter

The following were some of the significant matters raised by the auditors and the management responses thereto-

3.1 Ownership of the Stadia in the Control of the Commission

The auditors noted that in the past, the Commission was given control of the following stadia by Government.

1. Lobatse Stadium
2. Molepolole Stadium
3. Maun Stadium
4. Masunga Stadium
5. Serowe Stadium

6. Francistown Sports Complex

However, the auditors noted that they had not been provided with any legal documents, or correspondence between the two parties to support the activities of the Commission, in the aforementioned stadia. Further, without consistent and adequate support from Government on the maintenance of these stadia and with the income-generating activities undertaken by the Commission not yielding any tangible positive results, there were financial strains on the Commission's limited funds.

In response, management noted the auditors' findings and indicated that the Commission would continue to engage the parent Ministry on formalising an agreement on management of the Stadia.

3.2 Unexplained Adverse Variances Between Budget & Actual Expenditure

On performing an analytical review of the budget against actual expenditure, the auditors noted some expenditure line items (Stadia Expenses) with unexplained adverse movements, despite further enquiry with the client. The average adverse coverage movement percentage noted for this expenditure was 64%, thus reflecting significant non-compliance with the Finance and Accounting Procedures Manual, which stipulates that all variances that are +/- 15% should be investigated, with adequate reasoning provided for the same.

In response, management noted the finding and stated that the majority of the huge expenses were from stadia outside Gaborone and were due to water charges. Management further indicated that they had engaged Government on the matter and continued to find solutions to bringing down the water costs.

3.3 Lease Agreement to Avani

The auditors noted that the Commission had leased Plots 25108 and 25109 in Gaborone to Avani Hotel even though the lease agreement had expired in 2015.

In response, management stated that the Commission and Avani had agreed on a lease rental for Plot 25108 but there was still a disagreement on the proposed rental charge for Plot 25109.

137. **Botswana Oil Limited**

As part of my writing of this report, and in line with the long standing arrangement with the Public Accounts Committee, I had circularised all statutory bodies and state-owned enterprises requesting them to forward to me copies of their audited financial statements and reports for purposes of review and inclusion of review results in this report.

At the time of writing this report, Botswana Oil had not submitted their annual financial statements and the management letter. The acting Chief Executive Officer had explained that there were related party disclosure matters which had delayed the approval of the financial statements. The expected date for the approval of the financial statements was mid-March 2020.

I have therefore not been able to review the audited accounts of the Botswana Oil for the financial year ended 31 March 2019 for inclusion of the results in my report to the National Assembly.

138. **Botswana Open University**

The financial statements of Botswana Open University for the financial year ended 31 March 2019 were audited by Messrs Grant Thornton, Certified Auditors, who were appointed by the Council in terms of Section 30 (2) of the Botswana Open University Act, No.13 of 2017.

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements gave a true and fair view of the financial position of Botswana Open University as at 31 March 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Botswana Open University Act, 2017.

2.2 Financial Results

In the year under review the University recorded a surplus of P16.30 million, compared to a deficit of P17.84 million in the previous year.

The University is funded by Government grants, in the year under review the grant was P122.86 million, representing 92% of total

Income, compared to P86.04 million in the previous year. Another notable source of income was Revenue from Student Application and Tuition Fees of P27.33 million in the year under review, compared to P26.64 million in the previous year.

Other Income increased by 45% from P92.00 million in the previous year to P133.73 million in the year under review.

Expenditure increased by 17% from P136.59 million in the previous year to P160.03 million in the year under review.

Increase in expenditure was mainly due to employee costs which increased by 24% from P80.47 million in the previous year to P99.72 million in the year under review.

2.3 Working Capital

As at 31 March 2019, the working capital position of the University showed total current assets of P34.78 million and total current liabilities of P73.22 million resulting in a net current liabilities position of P38.44 million.

Current liabilities included deferred revenue of P33.48 million and payroll accruals of 18.24 million.

3.0 Management Letter

The auditors had issued a management letter and the matters raised dealt with accounting procedures and internal controls which were of interest only to management, hence did not warrant mention in this report.

139. **Botswana Postal Services Limited**

The financial statements of Botswana Postal Services Limited for the financial year ended 31 March 2019 were audited by Messrs Grant Thornton, Certified Auditors, who were appointed by the Board.

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The annual financial statements gave a true and fair view of the financial position of Botswana Postal Services Limited as at 31 March 2019, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

2.1.1 Emphasis of Matter

The company had an accumulated loss amounting to P159 236 453 (2018: 118 276 168) and a net current liabilities position of P78 887 161 (2018: P52 247 945). The continued deterioration of the net liquidity position of the company raises a concern of its ability to continue as a going-concern. The Government of the Republic of Botswana has committed in writing through the Ministry of Transport and Communications that it would continue to support the company and has committed to provide a Universal Service Obligation grant of P 85 million to ensure it continues as a going-concern in the fiscal year 2019/2020.

2.2 Financial Results

In the year under review, Botswana Postal Services Limited recorded a loss of P948 354 before Other Comprehensive Income compared to a profit of P3.11 million recorded in the previous year. The main contributors to the loss were increases from the previous year to the year under review, of

Cost of Operations by P38.93 million from P164.56 million to P203 million;

Other Operating Expenses by P39.68 million from P117.62 million to P157.31 million, and

Amalgamation Costs of P63 million incurred in the year under review.

As stated in note 12 of the financial statements, the Amalgamation Costs arose from Government decision to amalgamate Botswana Postal Services Limited with Botswana Couriers and Logistics (Proprietary) Limited and rescission of the amalgamation with Botswana Savings Bank.

Revenue increased by 17% from P251.16 million in the previous year to P292.61 million in the year under review. Grant Income increased by P87.05 million from P47.10 million in the previous year to P134.15 million in the year under review.

2.3 Working Capital

The working capital position of the company as at 31 March 2019 showed current assets of P201.06 million and current liabilities of P279.95 million. The net current liabilities position increased by 51% from P52.25 million in the previous year to P78.89 million in the year under review.

The auditors reported that the deterioration of the company's liquidity position was due to a weak financial position as a result of many years of loss making and inability to quickly generate enough revenue to cover costs mainly related to Universal Service Obligations. The auditors further stated that these conditions indicated material weaknesses that may cast significant doubt on the company's ability to continue as a going-concern, unless relief is provided by the shareholder (Government of Botswana).

The auditors noted that the Board continued to drive the turnaround strategy that included implementation of revenue upliftment initiatives and cost containment measures, as well as continuing to engage the shareholder in providing capital injection to alleviate the already eroded capital base.

3.0 Management Letter

The following were some of the significant matters raised by the auditors and the management responses thereto-

3.1 Liquidity Risk - Agencies Balances

The auditors observed that there was an increase in the agency business handled by the company. From inquiries with management, the auditors noted that the company was not maintaining specific bank balances to support the agency activities as demanded by some of the agreements. The auditors noted that the agency liabilities exceeded the total cash balances as shown below:

	P
Agencies Balances	(128 801 921)
Cash Balances	102 592 591
Difference	(26 209 330)

The auditors were of the view that this left the company exposed to the risk of failing to meet its obligations as and when they fall due. The delays in the settlement of the agency liabilities was a key indicator of the level of the liquidity risk the company faced.

In response, management stated that they would continue to engage with the shareholder for re-capitalisation to manage liquidity risk.

3.2 Retirement of Assets

The auditors noted that in the current year the company embarked on a Property, Plant and Equipment verification exercise and in the process scrapped assets costing P10.6 million, with a net book value of P3.6 million, mainly on the grounds that they could not be located. The auditors, however, were not provided with a Board resolution or a policy to support this.

In response, management stated that they would continue to exercise better controls for retirement of assets, following the fixed assets disposal procedure.

3.3 Title Deeds for Land and Buildings

The auditors stated that during the audit they were not availed title deeds for some of the land and buildings. On further inquiry, the auditors learnt that some of the title deeds had been lost during the process of migrating offices. The auditors further stated that measures would be taken to verify ownership of the said land and buildings with the Deeds Office.

In response, management stated that they had initiated the process of reapplying for the missing title deeds. Follow up with the relevant Government department was to be made during the year with the exercise scheduled for conclusion by March 2020.

3.4 Expired Lease Agreements and Revenue Contracts

The auditors observed that the company had several lease agreements, with lessees and lessors and revenue contracts, that had long expired. The auditors were not availed any correspondence to indicate that there had been engagement between the contractual parties to update these agreements.

The auditors indicated that the lack of monitoring controls may lead to the company having difficulties protecting its rights over lease of properties resulting in financial losses in the event of disagreements with lessees and lessors. The auditors further indicated that old expired lease agreements may lead to financial losses as the old terms and conditions may not reflect the prevailing market rental rates.

In response, management made a commitment to renew all expired contracts and lease agreements by the end of September 2019.

3.5 Monitoring Controls

The auditors noted instances suggesting weaknesses in monitoring controls across the finance function of the company as noted below:

a) P3.2 million receivable relating to customs duty was paid on behalf of customers at the border. Of this receivable P2.8 million had to be written off during the audit as it was considered to be impaired.

b) P1.7 million profit/loss account was included in the receivables which had to be written off during the audit as it was considered to be impaired.

c) An advance account was misstated to the extent of P13 million. However, a journal was posted to correct the misstatement.

In response, management commented that they would continue to ensure that complete general ledger reconciliations supporting the trial balance were prepared, checked and reviewed on a monthly basis. Follow ups were also to be done by management to ensure that controls were followed in line with the accounting procedures manual. Management further stated that a process review on the customs duties imposed on parcels to close the revenue leakage would be commenced during the second quarter.

140. **Botswana Power Corporation**

The financial statements of Botswana Power Corporation for the financial year ended 31 March 2019 were audited by Messrs PricewaterhouseCoopers, Certified Auditors, who were appointed by the Board in terms of Section 22 (2) of the Botswana Power Corporation Act, (Cap 74:01).

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements gave a true and fair view of the financial position of Botswana Power Corporation as at 31 March 2019, and of its financial performance and its cash flows for the year then ended, in accordance with the International Financial Reporting Standards.

2.2 Financial Results

The financial operations of the Corporation showed a profit of P201.92 million for the year under review, compared to a profit of P674.11 million in the previous year. The decline in profit was largely attributable to a reduction in consumer tariff subsidy from P1.46 billion in the previous year to P800 million in the year under review, and a reduction in other operating income from P157.8 million in the previous year to P117.5 million in the year under review.

Revenue increased by 11.63 % from P3.01 billion in the previous year to P 3.36 billion in the year under review.

There was an increase of 2.31% in operating expenses from P3.47 billion in the previous year to P3.55 billion in the year under review.

The Corporation's land and buildings and generation, transmission and distribution assets were revalued, at least, at five-yearly intervals. However, the Corporation performed a fair value assessment on a yearly basis.

As at 31 March 2019, the fair value assessment of the Corporation's land and buildings was performed internally. As a result an upward adjustment of P87 million was recognised on generation, transmission and distribution assets, compared to P1.1 billion gain on the revaluation for the same assets, the effect of which resulted in a decrease in total comprehensive income to P276.14 million in the year under review compared to P1.61 billion in the previous year.

The Corporation continued to incur a loss (before tax) of P558 million before taking into account the tariff subsidy grant received from Government of P800 million. Further, its current liabilities exceeded current assets by P1.40 billion. These conditions cast doubt on Corporation's ability to continue as a going-concern. The Ministry of Mineral Resources, Green Technology and Energy Security confirmed that it would continue to facilitate and support the Corporation's requests and motivations to Government for cost–efficient tariffs as well as, where necessary, support for revenue shortfall. Hence, in pursuit of this commitment, Government had allocated P600 million towards BPC tariff support for the financial year 2019/2020. Based on foregoing matters, auditors had concluded that no material uncertainty existed. Management had made adequate disclosures in the financial statements, thus no impact on their audit opinion.

2.3 Working Capital

As at 31 March 2019, the working capital position of the Corporation showed current assets of P2.66 billion and current liabilities of P4.06 billion, resulting in a net current liabilities position of P1.40 billion.

Current liabilities included the following:

	2019 P'000	2018 P'000	% Change
Borrowings	492 264	436 520	13
Trade and Other Payables	1 854 037	1 559 401	19
Advances –Consumer Financed	1 386 640	954 040	45
Provisions	145 541	237 083	(39)

3.0 Management Letter

The following were some of the significant matters raised by the auditors and the management responses thereto-

3.1 Property, Plant and Equipment- Timely Capitalisation

The auditors noted that the Corporation did not capitalise the network assets in a timely manner. The project engineers certified the date on which the assets were available for use and therefore the assets were to be capitalised on that date. Furthermore, they noted that there was a backlog of assets pending capitalisation. They stated that this may result in misstatements in the financial statements.

In response, management pointed out that the anomaly had since been corrected, which was due to the manual capitalisation. Automation of the capitalisation process would avert the anomaly.

Additionally, on the backlog of assets capitalisation, management had established a project department to handle project capitalisation.

3.2 Property, Plant and Equipment- Fully Depreciated Assets

The auditors noted that the Corporation`s Fixed Assets Register included fully depreciated assets, some of which were still in use.

This was in breach of the requirement of International Accounting Standard 16 which provides that useful lives of assets be reviewed at least at each financial year-end.

In response management indicated that they were planning to institute a whole verification exercise to identify those assets that were in use and those that were not in use and take corrective measures. In addition, management had arranged for the auction of those assets that were not in use.

3.3 Authorised Signatories

The auditors observed that former employees continued to be included in the authorised signatories list of the following financial institutions as confirmed to the auditors by the respective institutions in their year-end audit confirmations.

Bank name	No of Signatories
FNB South Africa	3
Barclays Bank of Botswana	1
Standard Chartered Bank of Botswana	2
Stanlib Bank of Botswana	1
Bank of Botswana	1

This was despite the Corporation having instructed the financial institutions to remove the former employees from the list of authorised signatories.

In response, management stated that they had instructed the banks to remove employees who had resigned from the Corporation at the time the employees left the Corporation. The affected banks had acknowledged the oversight and committed to rectify it. Furthermore, management stated that former employees did not have rights in BPC to effect payment transactions.

3.4 Management of User Access

The auditors noted that a super-user/administrator activity on Ultima application and database level were not monitored. A super-user may be granted more rights than they needed which may in turn lead to them performing unauthorised activities on the database.

They further noted that no user access reviews were performed on Ultima application users and database access level as such there is a risk of improper access being granted where users are granted rights not commensurate with job responsibilities.

Furthermore, system generic accounts in Ultima (BPCCORP\Conlog) were shared. Shared accounts are accounts used by multiple users so accountability becomes an issue; once the account is compromised the impact is high since many users share the same account.

In response, management acknowledged the finding and indicated that super-user rights on the databases would be monitored on a regular basis and that access reviews would be done and monitored on a monthly basis.

Additionally, management indicated that shared accounts would be discontinued in the new vending system.

3.5 Computer Operational Activities

The auditors noted that there was a Disaster Recovery Plan in place. However, testing and restoration had not been done. An outage of one or more mission critical systems could result in failure to resume operations.

In response, management acknowledged the finding and stated that Disaster Recovery Plan testing was scheduled for second quarter of 2019 and would be done every quarter.

3.6 Impairment Assessment of Property, Plant and Equipment (Repeat Finding)

The auditors noted that the Corporation carried a significant fixed assets base in its Statement of Financial Position and that, as per International Accounting Standard 36, these assets were subject to impairment assessment should any indicators of impairment exist. These indicators include factors such as physical damage, worse economic performance of the assets, decline in market value, significant changes with adverse effect on expected use of assets, etc.

Historical continuing losses incurred by the Corporation, construction and equipment defects in plant for which remedial work was currently underway and plant not being operated at its optimal capacity indicated a possible impairment of its assets base, particularly the generation plant. Accordingly, management performed an impairment assessment on the Cash Generating Unit, being its Generation, Transmission and Distribution asset group with the following key assumptions-

Expected Unit Generated (GWH)	Period 2019/20 to 2022/23 3,258 per year, and thereafter 4, 467 (85% of capacity) until end of useful life of plant
Internal Usage	12% of units generated
System Loss	15% of the units generated
Tariff Rate	104.61 thebe /kwh in 2019/20 and 3% on year increase.
Other Cost	Fuel, water & Chemicals- 2019/2020 per approved budget and 5% increment every year. Staff cost -2019/2020 as per approved budget and 4% increment every year. Maintenance -2019/2020 as per approved budget and 4% increment every year.

Discount Rate	Weighted Average Cost of Capital ("WACC") at 12.87%.

No impairment loss was recognised as value-in-use calculated based on key inputs above was P17.34 billion which was higher than the carrying value of Generation, Transmission and Distribution asset as at 31 March 2019 (P14.95 billion).

3.7 Morupule B Remedial Work and Liquidated Damages Claim (Repeat Finding)

The auditors noted that, according to management, there was a delay in shut-down of the first unit due to an engineering design issue and implementation of remedial works was delayed by more than one year. It had since commenced in June 2019. The whole remedial works were expected to run for a period of about 4 years (from shut-down of the first unit to completion of the last/fourth unit).

Accordingly, there had been no changes to the status of liquidation damages claim since last year. Although management believed that the contractors' claims would not exceed the Corporation's liquidated damages claims, no asset (claim receivable) had been recognised in the BPC's financial statements as the outcome could not be ascertained at the time. Similarly, no liability (claim payable) had been recognised as management believed that there was no obligation until they were accepted by BPC. Accordingly, this uncertain position had been disclosed in the financial statements.

141. **Botswana Privatisation Asset Holdings**

The financial statements of Botswana Privatisation Asset Holdings Limited for the financial year ended 31 March 2019 were audited by Messrs KPMG, Certified Auditors, who were appointed by the Board.

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The annual financial statements presented a true and fair view of the financial position of Botswana Privatisation Asset Holdings Limited as at 31 March 2019, and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards.

2.2 Financial Results

The financial operations of Botswana Privatisation Asset Holdings Limited recorded a profit of P30.30 million for the year under review, compared to a profit of P8.71 million reported in the previous year.

Revenue increased by P14.88 million from P11.70 million in the previous year to P26.57 million in the year under review. The main contributors to the significant increase in performance were Dividend Income and Interest Income on Fixed Deposits and Debentures amounting to P17.10 million and P8.15 million respectively in the year under review, compared to P11.70 million from interest and dividends in the previous year. There was also a fair value gain on Equity Shares of P6.30 million in the year under review, compared to fair value loss on Equity Shares of P244 000 in the previous year. The Government grant was P1.32 million in the year under review.

Expenditure increased by 11% from P1.89 million in the previous year to P2.10 million in the year under review.

2.3 Working Capital

The working capital position of the company as at 31 March 2019 showed current assets of P21.23 million and current liabilities of P955 073 resulting in a net current assets position of P20.27 million.

3.0 Management Letter

The auditors stated that they did not identify any control deficiencies during the course of their audit.

142. **Botswana Qualifications Authority**

The financial statements of Botswana Qualifications Authority for the financial year ended 31 March 2019 were audited by Messrs Mazars Certified Auditors, who were appointed by the Board in terms of Section 23(2) of the Botswana Qualifications Authority Act, (No. 24 of 2013).

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements presented fairly, in all material respects, the financial position of Botswana Qualifications Authority, as at March 31 2019, and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards and the requirements of the Botswana Qualifications Authority Act, 2013.

2.2 Financial Results

The Authority recorded a deficit of P10.50 million in the year under review, compared to a profit of P7.47 million in the previous year. The main cause of the deficit was a decline in income of P20.29 million (20%) from P99.56 million in the previous year to P79.27 million in the year under review as a result of discontinuation of funding from Human Resource Development Fund.

The main sources of income are indicated below-

Income	2019	2018
Government Subvention	73,315,145	54,470,686
Ministry of Tertiary Education	-	2,755,983
Human Resource Development - Fund Contribution		31,120,620
Quality Assurance Fees	3,769,750	8,562,492

(According to the Annual Statements of Accounts of the Accountant General the amount of subvention remitted to the Authority was P74 921 070).

Expenditure decreased by P2.31 million (3%) from P92.09 million in the previous year to P89.77 million in the year under review.

2.3 Working Capital

As at 31 March 2019 the working capital position of the Authority showed current assets of P58.47 million and current liabilities of P49.48 million, resulting in a net current assets position of P8.99 million.

3.0 Management Letter

The following is the more significant matter raised by the auditors and the management response thereto-

3.1 Gaborone City Council Rates

The auditors noted that the Authority had not been paying rates to the Gaborone City Council for Plot 66450. The Authority had also not provided for this accrual. The estimate of the payable was P300 000.

In response, management stated that the BQA plot 66450 did not appear on the City Council rates roll, therefore the Authority had not received any bills previously. They also indicated that however, a budget provision had been made and on that note, there was no basis for accrual except to disclose as a contingent liability. Management also stated that they would continue to engage both the City Council and the Ministry of Land Management, Water and Sanitation Services to ensure that the issue was resolved.

143. **Botswana Railways**

The financial statements of Botswana Railways (BR) for the financial year ended 31 March 2019 were audited by me in terms of Section 21 (2) of the Botswana Railways Act (Cap. 70:01).

2.0 Accounts

2.1 Audit Opinion

In my opinion:

The financial statements presented fairly, in all material respects, the consolidated and separate financial position of the Botswana Railways as at 31 March 2019, and of its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended, in accordance with International Financial Reporting Standards.

2.2 Financial Results

The audited financial statements of the organization showed a net loss of P57.35 million in the year under review, compared to a net profit of P76.45 million recorded in the previous year. The net loss is mainly attributable to a decline in other income from P156.85 million in the previous year to P42.44 million in the year under review. This was mainly due to less debenture interest received in the year under review of P22.12 million compared to P150.77 million received in the previous year. The organization had a total comprehensive loss of P57.36 million, after taking into account loss on unit trust investments of P16 000.00, compared to a total comprehensive income of P76.43 million in the previous year.

The Group financial results showed a net loss of P18.64 million in the year under review, compared to a net profit of P1.42 million recorded in the previous year. The reduction in net profit for the group was mainly attributable to an increase in total costs from P474.73 million in the previous year, to P528 million in the year under review, and the increase in finance costs from P7.96 million in the previous year to P22.86 million in the year under review. The comprehensive loss for the Group was P18.66 million in the year under review compared to P1.39 million recorded in the previous year.

2.3 Working Capital

As at 31 March 2019 the working capital position of the Botswana Railways Group showed current assets of P330.94 million and current liabilities of P131.11 million, resulting in a net current assets position of P199.84 million.

The working capital of BR showed current assets of P255.58 million and current liabilities of P103.36 million, resulting in a net current assets position of P 152.22 million.

3.0 Management letter

The following were some of the matters I had raised and the management responses thereto-

3.1 Bad Debts

Although provision had been made for doubtful debts, long outstanding debtors should have been considered for write-off, as efforts to collect had not been successful. The failure to write off bad debts and reflecting them under receivables overstates the current assets.

Customer	Balance	Management Remarks
African Star Mineral	P3 933 290	Followed through lawyers efforts futile
BCL	P6 263 152	Under liquidation
MM African Technology	P315 436	Not able to locate

In response, management noted the finding and stated that they were in the process of compiling a list of doubtful debtors for write off by the Board at its next sitting.

3.2 Assets Management Plan

Audit observed that Botswana Railways did not have an Assets Management Plan. User departments determine the capital budget, the custody and/or safeguarding as well as maintenance of the assets.

In response, management stated that they had recently produced an Assets Management Policy which was approved by the Board in March 2019. As part of the implementation of this policy, management would come up with the Assets Management Plan during the next financial year.

3.3 Assets Impairment Review

It was observed that despite irrefutable evidence of physical damage to locomotives and coaches due to accidents the entity had not done any reviews in respect of the impairment of assets confirmed by internal correspondence relating to:

- Budget Cap 2018/31 accident repairs of BD 108, BD 229: Replacement of damaged and missing components budgeted amount to P11 million.

- Budget Cap 2018/28 Repairs to 4 passenger coaches. Train 501 collided with a stationary wagon, budget P5.2 million.

IAS 36 provides that entities should assess at the end of each reporting period whether there is any indication that an asset may be impaired and if any such indication exists, the entity should estimate the recoverable amount of the asset. Failure to do so may result in the asset being carried at an incorrect value in the financial statements.

In response, management stated that in 2018 Botswana Railways engaged Real Reach Consultancy to do the asset valuation and verification. The exercise was completed in October 2018 and a report submitted to Management.

3.4 Supplier Database

It was observed that the organisation did not have a supplier database. Requests for quotations were sourced from randomly selected suppliers that the procurement staff were accustomed to.

In response, management stated that they were evaluating several eProcurement solutions that would be able to address the issue. The supplier management system would offer the following features;

- Customisable supplier registration forms that allow for capture of key information regarding capabilities, certifications, insurance, diversity certifications, and experience.

- Suppliers would be responsible to update their own company information and documentation

- Up-to-date supplier information

- Make it easy to send out supplier notifications and inform all relevant suppliers of upcoming bid events

The target date for implementation was February 2020.

144. **<u>Botswana Savings Bank</u>**

As part of my writing of this report, and in line with the long standing arrangement with the Public Accounts Committee, I had circularized all statutory bodies and state-owned enterprises requesting them to forward to me their audited financial statements and reports for purposes of review and inclusion of the review results in this report.

At the time of writing this report, Botswana Savings Bank had not submitted their annual financial statements and the management letter. In response, the Chief Executive Officer explained that the audited financial statements were delayed because of the challenges encountered in the implementation of the IFRS 9 Expected Credit Losses (ECL) Model which was subsequently approved by the external auditors. The financial statements would then be submitted to the Board sitting of March 2020 for approval.

As a result, I have therefore not been able to review the audited accounts of the Botswana Savings Bank.

145. **<u>Botswana Special Economic Zones Authority</u>**

As part of my writing of this report, and in line with the long standing arrangement with the Public Accounts Committee, I had circularized all statutory bodies and state-owned enterprises requesting them to forward to me their audited financial statements and reports for purposes of review and inclusion of the review results in this report.

In response to the request, the Acting Chief Executive Officer stated that he was unable to submit the audited accounts for the year under review as the audit was still on-going and was expected to be completed before the end of March 2020. The Acting Chief Executive Officer further highlighted that the reason for the delay was due to the fact that the auditors needed a lot of time to acquaint themselves with how the Special Economic Zones operate as this is a new concept in Botswana.

Consequently, I have not been able to carry out a review of the accounts of the Authority for the financial year ended 31 March 2019 for the benefit of the National Assembly.

146. **Botswana Stock Exchange**

The financial statements of Botswana Stock Exchange for the financial year ended 31 December 2018 were audited by Messrs Grant Thornton, Certified Auditors, who were appointed by the Stock Exchange Committee in terms of Section 41 (2) of the Botswana Stock Exchange Act, (Cap 56:08).

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The Group financial statements presented fairly, in all material respects, the financial position of Botswana Stock Exchange Limited as at 31 December 2018, and of its financial performance and cash flows for the year then ended, in accordance with the International Financial Reporting Standards.

2.2 Financial Results

In the year under review, the Group and the Stock Exchange recorded a profit of P7.28 million and P7.18 million respectively compared to P8.44 million and P6.85 million in the previous year.

The income for the Group decreased by P2.00 million from P40.69 million in the previous year to P38.69 million in the year under review, while expenses decreased by P829 356 from

P32.24 million in the previous year to P31.41 million in the year under review.

The Government subvention decreased by P1.28 million from P2.20 million in the previous year to P921 007 in the year under review.

2.3 Working Capital

The working capital position of the Group as at 31 December 2018 showed current assets of P96.89 million and current liabilities of P3.89 million, resulting in a net current assets position of P93.00 million.

The current assets for the Stock Exchange were P67.46 million and the current liabilities were P3.50 million, giving a net current assets position of P63.96 million.

3.0 Management Letter

The following was the more significant matter raised by the auditors and the management response thereto-

3.1 Capital Grant Recognition

The auditors noted that the capital grant received from the Government had been recognised as part of equity. As per discussions with management, the auditors learnt that grants received were for the purchase of IT equipment and software for the CSD activities.

In response, management stated that the capital grant received was for projects that had not commenced yet. At the time of receiving the grant, BSE was still a mutual entity with the Government being the sole financier of capital projects. The grant had no performance obligations that would render it repayable. The grant was recorded in equity because it formed part of capital injection of the development of BSE. These amounts were subsequently converted to equity shareholding presently held by the Government. This was necessary under the BSE structure then because the understanding had always been that Government grants would be converted to equity holding post demutualisation. On commencement of the projects, these funds were to be reallocated to related asset and expenditure thereof. Management further acknowledged the recommendations of the auditors to recognise the Government grant as a liability as per IAS 20 requirement.

147. **Botswana Telecommunications Corporation Limited**

The financial statements of Botswana Telecommunications Corporation Limited for the financial year ended 31 March 2019 were audited by Messrs Ernst & Young, Certified Auditors, who were appointed by the Board.

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements gave a true and fair view of the financial position of Botswana Telecommunications Corporation Limited as at 31 March 2019, and of 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, (Cap 42:01).

2.2 Financial Results

In the year under review, the Corporation recorded a profit of P162.06 million compared to a profit of P217. 35 million in the previous year. Income decreased by 7% from P1.62 billion in the previous year to P1.50 billion in the year under review. Expenditure decreased by 5% from P1.40 billion recorded in the previous year to P1.33 billion in the year under review.

2.3 Working Capital

As at 31 March 2019, the working capital position of the Corporation showed total current assets of P803.28 million and total current liabilities of P399.19 million, resulting in a net current assets position of P404.09 million.

3.0 Management Letter

In view of the restrictions imposed by the Botswana Stock Exchange Listing Requirements I have not commented on the issues raised in the management letter.

148. **Botswana Tourism Organisation**

The financial statements of Botswana Tourism Organisation for the financial year ended 31 March 2018 were audited by Messrs

PricewaterhouseCoopers, Certified Auditors, who were appointed by the Board in terms of Section 22 (2) of the Botswana Tourism Act.

I had commented in my report for last year that Botswana Tourism Organisation was in breach of Section 22 (2) which requires that the accounts of the Organisation shall be audited within a period of three months after the end of the financial year. The management had explained that the delay was due to restatement of the financials from 2013 to 2018 to consolidate Botswana Tourism Organisation financials with the community projects financials.

In respect of the accounts for 31 March 2019 they indicated that they had experienced delays in procuring the services of the auditor for the period.

In this connection, it is to be noted that failure to comply with the requirements of the Act had persisted over a number of years. This has continued to deny the National Assembly the opportunity to examine the accounts of this Organisation on a timely and current basis.

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

Except for the possible effects of the matter in the *Basis for Qualified Opinion* section of the report, the consolidated and separate financial statements gave a true and fair view of the consolidated and separate financial position of Botswana Tourism Organisation and its subsidiaries as at 31 March 2018, and of its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Qualified Opinion

The auditors stated that the Group did not have adequate internal controls to maintain and record the revenue of its subsidiaries. The auditors were unable to obtain sufficient appropriate audit evidence to substantiate the accuracy and completeness of revenue from the sale of goods and services disclosed. As a consequence, they were unable to determine whether any adjustments were required to the consolidated and separate financial statements relating to the accuracy and completeness of revenue from the sale of goods and services.

2.2 Financial Results

The financial operations of the Group showed a profit of P10.54 million in the year under review, compared to a loss of P38.96 million in the previous year, while the Organisation recorded a profit of P15.98 million in the year under review, compared to a loss of P32.04 million in the previous year.

The Operating Expenses for the Group decreased by 5.74% from P146.65 million in the previous year to P138.23 million in the year under review. Net depreciation and Impairment Charge decreased from P15.88 million in the previous year to P2.87 million in the year under review.

The Operating Expenses for the Organisation decreased by 7.6% from P140.92 million in the previous year to P130.24 million in the year under review. Net Depreciation and Impairment Charge decreased from P12.8 million in the previous year to nil in the year under review.

Botswana Tourism Organisation is mainly funded by Government grants. The grant for the year under review was P123.15 million, compared to P84 million in the previous year.

2.3 Working Capital

As at 31 March 2018 the working capital position of the Group showed total current assets of P41.20 million and total current liabilities of P43.41 million, resulting in a net current liabilities position of P2.21 million. The Organisation on the other hand had total current assets of P36.23 million and total current liabilities of P41.49 million resulting in a net current liabilities position of P5.26 million.

3.0 Management letter

The following were significant matters raised by the auditors and the management responses thereto-

3.1 Property Plant and Equipment – Assessment of Residual Values and Useful Lives

The auditors noted that there were fully depreciated assets that were still in use and provided economic benefit to the Organisation, which was in breach of International Accounting Standard 16 which requires that useful lives be reviewed at least at each financial year-end to reflect their economic useful lives.

3.2 Prepayments - Advance Payments

The auditors noted that the Organisation had paid an advance of USD340 000 for entertainment performance by an international artist. However, the artist did not perform in Botswana due to a dispute. The Organisation had filed legal action to recover the advance paid. An impairment provision was made during the audit.

149. **Botswana Trade Commission**

The financial statements of Botswana Trade Commission for the financial year ended 31 March 2019 were audited by Messrs Grant Thornton, Certified Auditors, who were appointed by the Board in terms of Section 29 (1) of the Botswana Trade Commission Act, No.20 of 2013.

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The annual financial statements gave a true and fair view of the financial position of Botswana Trade Commission as at 31 March 2019, and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards.

2.2 Financial Results

The financial operations of the Commission recorded a surplus of P1.4 million for the year under review, compared to a surplus of P1.06 million reported in the previous year.

Income increased by 22% from P10.60 million in the previous year to P12.97 million in the year under review. Expenditure increased by 21 %, from P9.53 million in the previous year to P11.56 million in the year under review.

The Commission is funded by Government grants, in the year under review the grant was P12.95 million, compared to P10.59 million in the previous year.

2.3 Working Capital

As at 31 March 2019 the working capital position of the Commission showed current assets of P3.07 million and current liabilities of P321 925, resulting in a net current assets position of P2.75 million.

3.0 Management Letter

The auditors had issued a management letter and matters raised dealt with accounting procedures and internal controls which were of interest only to management, hence did not warrant mention in this report.

150. **Botswana Unified Revenue Service**

The financial statements of Botswana Unified Revenue Service (BURS) for the financial year ended 31 March 2018 were audited by Messrs Deloitte & Touché, Certified Auditors, who were appointed by the Board in terms of Section 28 (2) of the Botswana Unified Revenue Service Act, (Cap 53:03).

Section 28 (2) requires that the audited accounts should be submitted within five months of the end of the financial year to which they relate. BURS has failed to comply with this requirement in respect of the financial year ended 31 March 2019, as had also been the case for the financial year ended 31 March 2018.

2.0 Accounts

Administered Government Revenue Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements of BURS Administered Government Revenue Accounts as at 31 March 2018, were prepared in all material respects in accordance with the modified cash basis of accounting as outlined in the "Basis of Preparation" paragraph under significant accounting policies.

Emphasis of Matter - Basis of Preparation and Restriction on Distribution and Use

The auditors drew attention to the basis of preparation note on page 79 of the financial statements which describes the basis of preparation of the financial statements and the significant accounting policies. The financial statements were prepared to assist BURS to meet the requirements of BURS Act and the reporting to the Government of Botswana. As a result, the financial statements may not be suitable for another purpose. The report of the auditors in this instance was intended solely for BURS and for the Government of Botswana and was not to be distributed to or used by other parties. The auditors did not modify their opinion in this respect.

Emphasis of Matter - Overpayment to SACU

Without qualifying their opinion, the auditors drew attention to note 14.3 of the financial statements, which states that BURS overpaid SACU by an amount of P114 086 060 for the customs and excise duty collected for the period up to 31 March 2018. However, the SACU general ledger report reflected total customs and excise collections of P494 495 532 resulting in a difference of P16 951 316. BURS management is yet to resolve this matter.

2.2 Revenue Receipts

The table below shows the tax revenues collected during the year and the amounts credited to the Consolidated Fund:

	BURS Receipts	Credited to Consolidated Fund
	P'000	P'000
Income Tax	16 442 358	13 778 746
Value Added Tax	6 397 232	7 649 949
Customs Union Receipts	17 864 375	17 864 375
Other Tax Revenue	10 065	-
Total	40 714 030	39 293 070

The table below shows the arrears of revenue returns

	Pula
Opening Balance on 01 April 2017	2 694 440 334
Collection of Previous Years' Arrears	(288 296 371)
Discharges/Abandonment	(392 169 159)
Balance of Prior Year Arrears Outstanding	2 013 974 804
Arrears in Respect of Current Years	1 273 114 403
Balance at End of the Year	3 287 089 207

Own Accounts

2.3 Audit Opinion

In the opinion of the auditors:

The annual financial statements gave a true and fair view of the financial position of BURS as at 31 March 2018, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Legal and Regulatory Requirements

The auditors noted that Botswana Unified Revenue Service had not complied with the requirements of certain Sections of the Botswana Unified Revenue Service Act as follows-

- Section 28 (2) stipulates that the Revenue Service shall, within 60 days of the end of each financial year, submit its books of accounts and statement of accounts to an auditor appointed by the Board, who shall audit the accounts no later than three months after the end of the financial year.

- Section 29 (1) stipulates that the Revenue Service shall, within 6 months of the end of each financial year submit to the Minister a comprehensive report on the operations of the Revenue Service during that financial year, together with the auditor's report and the audited accounts, as provided for under Section 28.

2.4 Financial Results

Botswana Unified Revenue Service recorded a surplus of P15.48 million in the year under review, compared to a deficit of P28.40 million in the previous year. The increase in surplus was attributable to a 17% increase in total income from P576.07 million in the previous year to P674.87 million in the year under review.

The income for the year comprised mainly of Government subvention of P584.26 million and other income of P90.61million. Government subvention increased by 16% from P502.92 million in the previous year to P584.26 million in the year under review and other income increased by 23% from P73.15 million in the previous year to P90.61 million in the year under review.

Expenditure increased from P614.29 million in the previous year to P659.39 million in the year under review. This increase in expenditure was mainly due to an increase in Staff Costs by P28.57 million from P407.18 million in the previous year to P435.75 million in the year under review as well as an increase in Administrative Expenses by P16.53 million from P207.11 million in the previous year to P223.63 million in the year under review.

2.5 Working Capital

The working capital position of BURS as at 31 March 2018 showed total current assets of P404.61 million and current liabilities of P159.88 million, resulting in a net current assets position of P244.73 million.

3.0 Management Letter

The following were some of the significant matters raised by the auditors and the management responses thereto-

3.1 Non-Compliance with Financial Provision of the Act - (Repeat Finding)

The auditors noted that there was non-compliance with the financial provisions of the Botswana Unified Revenue Service Act Sections 28 (2) and 29 (1) relating to the presentation and submission of the audited financial statements and comprehensive report of operations.

In response, management stated that the main challenges had been the inaccuracy of the reports produced by the recently implemented Content Management System due to teething problems in the report configurations. As per management, the problems had since been addressed and it was hoped that there would be some improvement in the turnaround time of meeting the statutory reporting deadlines. In addition, management stated that they were in the process of engaging a consultant to conduct a post implementation review of the system.

3.2 The New Taxpayers Direct Debit

The auditors noted that BURS entered into a Memorandum of Agreement with First National Bank of Botswana Limited (FNBB) whereby taxpayers were allowed to make payments for taxes using the direct debit system. The arrangement was such that immediately after a taxpayer's direct debit was initiated, FNBB would acknowledge the direct debit, gave it value and remitted it to the Government of Botswana through Bank of Botswana (BOB).

Where a taxpayer's direct debit was not honoured, BURS had an obligation to refund FNBB for the funds remitted to BOB. This arrangement resulted in dishonoured taxpayers direct debits of P8.4 million, which had been disclosed as a liability to FNBB in the Revenue Accounts as at 31 March 2018.

Subsequent to the year-end BURS refunded FNBB this amount, before recovering the funds from the defaulting taxpayers. Hence, as a result of this direct debit arrangement, the auditors noted the following issues:

- Management could not produce a signed Memorandum of Agreement (MoA) for them to confirm, verify and ascertain the terms and conditions of the MoA for appropriate disclosures in the Revenue Service' financial statements at year end.

- At 31 March 2018, FNBB held taxpayers payments of P19 million, without giving immediate value to BURS, hence this amount was disclosed as receivable from FNBB in the Revenue Service financial statements at the end of the year.

- On further investigation and discussion with management, it appeared that, in the main, management were aware of the taxpayers being responsible for the dishonoured direct debits. Such taxpayers were taking advantage of the loopholes in the system and in the process obtaining false tax clearance.

- By refunding FNBB for dishonoured direct debits, BURS was making payments on behalf of taxpayers, instead of collecting taxes from the taxpayers. This is contrary to BURS mandate of assessing and collecting taxes on behalf of Government of Botswana.

In response, management stated that the matter will be normalised before end of July 2019.

3.3 Delays in Allocating Electronic Funds Transfer (EFT) Receipts

The auditors had noted that despite the introduction of the seamless direct debit e-Payment solution and e-Services, management continued to experience significant difficulty in the allocation of EFT transactions. The amount of unallocated EFT transactions decreased from P287 million in the prior year to P249 million in the current year. However, during the course of the audit, a total of P210 million was allocated following a query by the auditors, reducing the unallocated EFT balance to P39 million as at 31 March 2018. The P210 million was accordingly adjusted in the Administered Government Revenue Accounts financial statements.

In response, management stated that direct deposits would be followed up to facilitate timeous recording. Management committed to ensuring that allocation to relevant taxpayers were performed as and when details of transfers were known.

151. **Botswana University of Agriculture and Natural Resources**

The financial statements of Botswana University of Agriculture and Natural Resources for the financial year ended 31 March 2019 were audited by Messrs Deloitte & Touché, Certified Auditors, who were appointed by the Council in terms of Section 25 (1) of the Botswana University of Agriculture and Natural Resources Act, (No 12 of 2015).

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements gave a true and fair view of the financial position of the University as at 31 March 2019, and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards.

2.2 Financial Results

In the year under review, the University recorded a profit of P62.60 million, compared to a loss of P6.69 million in the previous year. Income increased by 56% from P228.06 million in the previous year to P357.82 million in the year under review. The improvement in performance was largely attributable to a significant increase in the Government grant from P168.60 million in the previous year to P292.92 million in the year under review, representing a 74% increase. The Income comprised the following:

	2019	2018
Government Grant	292 924 518	168 600 176
Tuition Fees & Other Student Income	61 317 817	55 267 428
Finance Income	292 712	151 565
Other Income	3 281 867	4 040 524
	357 816 915	228 059 693

Expenditure increased by 26% from P234.75 million in the previous year to P295.22 million in the year under review. The main contributor to the increase in expenditure were Retrenchment Packages costs of P52 million in the year under review.

2.3 Working Capital

The working capital position of the University as at 31 March 2019 showed current assets of P176.54 million and current liabilities of P141.47 million, resulting in a net current assets position of P35.07 million.

3.0 Management Letter

The following were some of the significant matters raised by the auditors and the management responses thereto-

3.1 Audit Readiness and Delays in Obtaining Information

The auditors indicated that they had faced challenges and delays in finalising the 2018/2019 audit due to the following reasons-

- requested audit information not available
- inaccurate reports
- inconsistencies between different sources of auditee prepared information
- time taken to resolve outstanding matters
- finalisation of the year-end trial balance
- accounting entries posted after the commencement of the audit
- unavailability of accounting staff

This had resulted in the audit taking longer than planned.

Management agreed with the finding and indicated that the ITS Finance Module implementation work coincided with the audit field work. They further explained that there were capacity issues which had since been resolved and that efforts were made to respond to audit issues on time.

3.3 Review of Useful Lives and Residual Values

The auditors noted that there was no evidence that management had completed the annual review of useful lives and residual values for the period under review. The lack of review was further evidenced by the significant amount of fully depreciated assets still being used by the University. International Accounting Standard 16: Property, Plant and Equipment, and the respective policy adopted by the University, require residual values and useful lives to be reviewed by management at the end of each accounting period.

Subsequent to their follow-up, the auditors were advised that management had engaged an external consultant to complete the exercise within the 2020 financial year.

In response, management explained that a comprehensive assets useful lives and residual values review was on-going and expected to be completed by 30 November 2019, and that final adjustment resulting from the review would be effected in the new financial year 2019/20.

3.4 Analysis of New Accounting Standards and Effects of their Implementation

The auditors noted that management had not performed an analysis of the effects of IFRS 9: Financial Instruments and IFRS 15: Revenue from Contracts with Customers, on the University's accounting policies and reported numbers prior to the commencement of the audit. Auditors also indicated that the effects of IFRS 9 implementation were only recognised in the University's financial statements after the completion of audit.

Management disagreed with the finding and stated that an impact assessment would form part of the audit adjustments.

3.5 Deficiencies Around Monthly Reconciliation Processes

The auditors noted deficiencies in the monthly reconciliation process around certain general ledger accounts. For example the bank reconciliation for December 2018 was prepared in

January 2019, but was not reviewed until May 2019, a delay period of 4 months. The auditors further indicated that the University failed to provide supplier reconciliations for the months of June, July and August 2018 which led the auditors to conclude that the University did not prepare regular creditor reconciliations, and that this could result in financial losses due to fraud or error.

In response, management agreed with the finding, and explained that it was due to capacity constraints and that three key supervisory positions had since been filled to bring about improvement in the finance department, including implementing comprehensive month-end financial procedures.

3.6 Payments Processed at Bank not Captured in the Cashbook

The auditors' review of subsequent payments processed on the University's bank accounts in conjunction with corroborative evidence of supplier invoices, the auditors identified payments processed at bank but not captured in the cashbook module. The auditors indicated that this created a possibility of invalid payments being processed without audit trail.

In response, management agreed with the finding and explained that it related to the implementation of the ITS Finance Module System and that the University was addressing post implementation issues which among others included ensuring completeness of financial data.

3.7 Information Technology Audit

An audit of the Information Technology environment had raised the following observations:

- Insufficient Management of Vendor Access.

The auditors noted that the vendors who support the Integrated System (ITS) had been assigned access that allowed them to migrate changes to the production environment, and there was no clear process or procedure in place to monitor the activities of the vendors. The auditors indicated that the University might not be able to keep track of changes made to their production environment.

In response, management explained that it was included in contract terms that a vendor shall be granted limited access to the production for the duration of effecting the change.

- Ineffective Cyber Risk Management Program.

  The University did not have the following in place to facilitate processes that ensure effective information security risk management

  - The user awareness process in place was not adequate for ensuring users awareness of IT security policies.

  - The University did not have an effective cyber risk management program, aligned to the enterprise risk management function, which measures, communicates and mitigates cyber risk on an ongoing basis.

  - There was no effective intrusion detection system to monitor any attempted or successful breaches.

  In response, management explained that they shall implement an IT security awareness campaign, develop a cyber-risk management program and that they had deployed a system for intrusion detection.

- Deficiency in IT Internal Controls (Tuition Fees ITS).

  The auditors noted that 22 users were inappropriately granted access to perform functions outside of their job functions which could lead to unapproved changes being made to fee values, in error or deliberately.

152. **<u>Botswana Vaccine Institute Limited</u>**

The financial statements of Botswana Vaccine Institute Limited for the financial year ended 31 December 2018 were audited by Messrs PricewaterhouseCoopers, Certified Auditors, who were appointed by the Board.

2.0 <u>Accounts</u>

2.1 <u>Qualified Audit Opinion</u>

In the opinion of the auditors:

Except for the effects of the matter in the *Basis for Qualified Opinion* section of their report, the financial statements gave a true and fair view of the financial position of Botswana Vaccine Institute Limited as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Qualified Opinion

The auditors noted that management did not perform a desktop review on changes in fair value of plant and machinery for the year ended 31 December 2018 but, instead, the carrying amount of plant and machinery as at 31 December 2018 was recognised as the fair value determined on 31 December 2017 less depreciation for the year ended 31 December 2018. The auditors were therefore not able to determine whether there was a significant change to the fair value that required a revaluation of the plant and machinery for the year ended 31 December 2018.

2.2 Financial Results

The financial operations of Botswana Vaccine Institute Limited showed a profit of P37.20 million, compared to P16.53 million recorded in the previous year. The major contributor to the increase in profits was the increase in Sale of Vaccines by P69.61 million (84%) from P83.01 million in the previous year to P152.62 million in the year under review.

Income increased significantly by 63% from P99.39 million in the previous year to P162 million in the year under review. Income of the institute was derived from

		P'000
Sales of Vaccines	-	152 615
Finance Income	-	7 190
Other Income	-	1 242
Other Gains	-	950

Expenditure, on the other hand, increased by 51% from P82.86 million in the previous year to P124.80 million in the year under review. The most notable increases in Expenditure were Administrative Expenses, which increased from P18.28 million in the previous year to P29.18 million in the year under review and Distribution Costs which increased from P4.36 million in the previous year to P16.74 million in the year under review.

2.3 Working Capital

As at 31 December 2018, the working capital position of the Institute showed current assets of P336.85 million and current liabilities of P67.12 million, resulting in a net current assets position of P269.73 million.

3.0 Management Letter

The following were some of the significant matters raised by the auditors and the management responses thereto-

3.1 Long Outstanding Trade Receivable Balances and Impairment Provisions – (Repeat Finding)

The auditors highlighted long outstanding debtors' balances after allowing for adjustments indicated below up to 31 May 2019:

Gross Trade Receivables as at 31 December 2018	88 234 211
Impairment in respect of Debtors at year-end	(797 325)
Net Trade Receivables as at 31 December 2018	87 436 886
Less: Subsequently received as at 31 May 2019	(17 737 259)
Adjusted Balance	69 699 627

The auditors noted that the impairment provision had not been updated. Auditors further noted that the company used simplified approach to estimate the impairment provision as allowed by IFRS 9. The approach considered lifetime expected credit loss of trade receivables assessed on an individual basis taking into consideration the unique nature of each customer. In estimating the expected credit loss, historical payment patterns, factors presently known of the customer and forward looking information is taken into consideration.

Due to the fact that the Institute deals with Governments of other countries, to the extent possible external data available on sovereign default rates and expected loss rates had been used and modified to take into account historical payment patterns. Having performed the above, the auditors estimated that the expected loss due to non-payment would be P13 459 686, as a best case scenario and P32 705 089 as a worst possible outcome scenario. The auditors indicated that management were yet to make necessary adjustment in this regard.

Analysis of the outstanding customer balances as at 31 December 2018 were as follows:

Debtor Country	Total Exposure	PwC Lower Bound ECL	PwC Upper Bound ECL
Belgium	306 373	326	326
Cameroon	187 192	772	772
Malawi	2 372 385	18 169	18 169
Mozambique	24 616 876	5 535 607	13 514 665
Namibia	22 115 254	77 690	77 690
Zambia	2 642 450	10 904	10 904
Zimbabwe	34 758 768	7 816 218	19 082 564
Botswana	1 234 913	-	-
Total	88 234 211	13 459 686	32 705 090

In response, management stated that this issue had been on the table for a very long time. They highlighted that delayed payments were largely attributable to the fact that most of the customers were Governments who were currently going through difficult economic situations. While management acknowledged that most of the traditional customers do not pay within the agreed credit period, they had never had any default from customers.

Management stated that it was also important to highlight that, except for Zimbabwe and Mozambique, all the above customers have either fully settled (Belgium - EU, Cameroon, Malawi, Botswana) or partially settled (Zambia and Namibia) with Zimbabwe and Mozambique as the only ones who have made commitment to settle before end of September 2019.

In addition, management stated that Zimbabwe had pledged to make weekly payments of US $ 1 million starting on the 9th September 2019 and the same amount would be released until the debt was cleared while Mozambique had promised to settle the full amount in one tranche. Management added that they requested confirmation of the outstanding balance and this was provided.

153. **Citizen Entrepreneurial Development Agency**

As part of my writing of this report, and in line with the long standing arrangement with the Public Accounts Committee, I had circularized all statutory bodies and state-owned enterprises requesting them to forward to me their audited financial statements and reports for purposes of review and inclusion of the review results in this report.

At the time of writing this report, CEDA had not submitted their annual financial statements and the management letter. In response, the acting Chief Executive Officer stated that the financial statements of the Agency for the financial year ended 31 March 2019 were still being audited and the reasons advanced were that there were initial delays in commencing the audit for CEDA Group Financial Statements for the year ended 31 March 2019.

I have therefore not been able to review the audited accounts of CEDA.

154. **Civil Aviation Authority of Botswana**

The financial statements of Civil Aviation Authority of Botswana for the financial year ended 31 March 2019 were audited by Messrs PricewaterhouseCoopers, Certified Auditors, who were appointed by the Board in terms of Section 37 (1) and (2 of the Civil Aviation Act, 2011.

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The annual financial statements gave a true and fair view of the financial position of Civil Aviation Authority of Botswana as at 31 March 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

2.2 Financial Results

The financial operations of Civil Aviation Authority of Botswana showed a loss of P58.38 million in the year under review, compared to a restated profit of P43.97 million reported in the previous year.

Total income decreased by P57.14 million from a restated P366.89 million in the previous year to P309.75 million. The composition of the comparative total income was as follows:

	2019	2018 Restated
Government Grant	150 000 000	219 727 446
Revenue Earned	158 469 114	145 831 043

Finance Income	1 275 966	1 327 369

Government grant decreased by P69.72 million while Revenue Earned increased by P12.64 million.

Expenditure increased by 14%, from a restated P322.9 million in the previous year to P368.13 million in the year under review. This increase in expenditure was mainly due to an increase of 16% in operating expenses from a restated P99.23 million in the previous year to P122.47 million in the year under review. Employee Costs increased by 10% from a restated P221 million in the previous year to P243 million in the year under review.

2.3 Working Capital

As at 31 March 2019 the working capital position of the Authority showed current assets of P124.44 million and current liabilities of P147.56 resulting in a net current liabilities position of P23.12 million.

The current liabilities consisted of the following:

- Trade and Other Payables:

- Trade Payables	30 523 908
- Payroll related Accruals	29 787 204
- Retention Payable	7 207 204
- Security Deposits	1 140 314
-Other Payables	3 442 881
- Bank Overdraft	1 760 746
-Deferred Income – Grants	73 697 747
	147 560 004

3.0 Management Letter

The following was one significant matter raised by the auditors and the management response thereto-

3.1 Misappropriation of Daily Cash Receipts

The auditors noted that there were instances of alleged misappropriation by one of the revenue officers at Sir Seretse Khama International Airport where cash collected by the revenue officer was not banked intact and timely. The auditors have however not stated the amount involved.

In response, management stated that daily cash receipts would be reconciled to daily deposits. The concerned officer was summarily dismissed.

155. **Companies and Intellectual Property Authority**

The financial statements of Companies and Intellectual Property Authority for the financial year ended 31 March 2019 were audited by Messrs Ernest & Young, Certified Auditors, who were appointed by the Board in terms of Section 32 (1) of the Companies and Intellectual Property Authority Act, (Cap 42:13).

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements gave a true and fair view of the financial position of the Companies and Intellectual Property Authority as at 31 March 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies and Intellectual Property Authority Act (Cap 42:13).

2.2 Financial Results

The Authority recorded a loss of P1.14 million, compared to a restated profit of P1.84 million for the previous year. The major contributor to the decline in financial performance was an increase of P10.17 million in Administration and Other Operating Expenses from a restated P44.08 million in the previous year to P54.24 million in the year under review.

Income for the year was that P52.96 million, recording an increase of 16% over last year's figure of P45.82 million.

The Authority is funded by Government grants, in the year under review, the grant was P45.53 million, representing 86% of total income. The other sources of income were Other Income of P7.44 million and Interest Income of P145 203.

The Other Income comprised:

- Fees from ARIPO P2.74 million
- Fees from WIPO P1.78 million

- Other income P19 750
- Amortisation of Capital Grants P2.90 million.

2.3 Working Capital

The working capital position of the Authority as at 31 March 2019 showed total current assets of P26.88 million and current liabilities of P25.28 million, giving a net current assets position of P1.60 million.

3.0 Management Letter

The following were some of the significant matters raised by the auditors and the management responses thereto-

3.1 Revenue Collection on Behalf of the Government of Botswana

The auditors stated that as part of the audit process they received a bank confirmation which reflected a call account balance of P38 292 150. The bank account was held in the name of the Authority and the balance was not included in the Authority's books. Upon further discussions and several interactions with the Authority management, auditors were advised that the balance related to the revenue that was collected on behalf of the Government.

In response, management had stated that the Board would take the matter up with the Ministry for the money to be credited to the accounts of the Authority.

3.2 Depreciation of Fixed Assets

The auditors observed the following anomalies in relation to fixed assets-

- Some of the current-year assets additions were fully depreciated which suggested that the useful lives allocated to the assets were not consistent with the Authority's policy.

- There were instances where depreciation had not been calculated for some of the assets.

- The fixed assets register contained fully depreciated assets which were still in use which could indicate that the useful lives of those assets had not been reassessed and revised annually.

In response, management stated that the policy on useful lives assessment on an annual basis had not been documented (only noted on the annual financial statements) and was not being applied fully. Management made a commitment to document and apply this policy to the letter going forward.

Management further stated that they had already started, through Internal Audit recommendation, an exercise intended to clean up the Authority's Fixed Assets Register. The exercise, however, was taking longer than it was anticipated because of the loss of key finance team members who were directly involved in the exercise.

3.3 Capitalisation of Work-In-Progress

The auditors observed that during the year the Authority held Work-In-Progress (WIP) relating to fixed assets amounting to P6.5 million. The WIP had not been capitalised as at the reporting date as the Certificate of Completion from the contractor was yet to be issued and finalised.

The auditors advised that the accounting standards require that where fixed assets are available for use they should be depreciated from the date they are available for their intended use.

In response, management indicated that the delay to capitalise WIP occurred because of the lateness in issuing the Fixed Assets Register under the project by the contractor and other contractual issues such as defects on the work done. The Authority had put in place a process that ensures that WIP is properly accounted for and subsequently capitalised and associated assets depreciated when they become available for use.

156. **Competition Authority**

The financial statements of the Competition Authority for the financial year ended 31 March 2019 were audited by Messrs Ernst and Young, Certified Auditors, who were appointed by the Competition Commission in terms of Section 23 of the Competition Act 2009.

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements presented fairly, in all material respects, the financial position of the Competition Authority as at 31 March 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Competition Act, 2009.

2.2 Financial Results

The financial operations of the Authority for the year ended 31 March 2019 recorded a total comprehensive income of P1.27 million compared to a total comprehensive loss of P497 254 in the previous year.

Income increased by 17.50% to P33.17 million in the year under review from P 28.23 million in the previous year. Revenue of the Authority was mainly made up of Government grants of P28.39 million representing 86% of the total income.

Expenditure was P31.90 million in the year under review compared to P28.72 million in the previous year, an increase of 11%. Major contributors to expenditure were employee costs of P17.17 million making 53.82% of the total expenditure compared to P16.49 million in the previous year.

2.3 Working Capital

As at 31 March 2019, the working capital position of the Authority showed current assets of P6.45 million and current liabilities of P4.52 million, resulting in a net current assets position of P1.93 million.

3.0 Management Letter

The following was one significant matter raised by the auditors and the management response thereto-

3.1 Fixed Assets Register

The auditors noted that the Authority's Fixed Assets Register was not updated on a timely basis during the year under audit as the register was received well after the audit process had started. The delays in the updating of the assets register was not in compliance with the Finance Regulations and Procedure Manual for the Authority.

In response, management indicated that the Authority saw the need to automate the Fixed Assets Register in the ACCPAC accounting system and the automation effected from March 2019 following appointment of the service provider. The exercise included assets verification, tagging and loading them in the system.

Furthermore, management stated that following the implementation of the Asset Management System the register was updated regularly.

157. **Gambling Authority**

The financial statements of the Gambling Authority for the financial year ended 31 March 2019 were audited by Messrs PricewaterhouseCoopers, Certified Auditors, who were appointed by the Board in terms of Section 20 of the Gambling Act, 2012.

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements gave a true and fair view of the financial position of the Gambling Authority as at 31 March 2019, and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards.

2.2 Financial Results

The Authority recorded a deficit of P3.53 million in the year under review, compared to a surplus of P3.11 million in the previous year.

Expenditure increased by 19% to P40.22 million in the year under review from P33.85 million in the previous year while income, on the other hand, decreased by 1% from P36.84 million in the previous year to P36.46 million in the year under review.

The Authority is funded by Government grants, in the year under review the grant was P31.72 million, representing 90% of total income compared to 76% in the previous year. Other notable sources of income were Casino Entrance Fees of P1.60 million, Annual Fees of P900 000, Income from Gambling Machines of P464 000 and Employee License Fees of P207 500.

2.3 Working Capital

As at 31 March 2019 the working capital position of the Authority showed current assets of P101.85 million and current liabilities of P102.80 million, resulting in a net current liabilities position P951 696.

The main contributor to the unfavourable net current liabilities position was a rise in Deferred Income by 111% to P39.10 million in the year under review from P18.51 million in the previous year. The Deferred Income arose as a result of amounts allocated from annual subvention for National Lottery Adjudication not utilised as there were no activities undertaken during the year relating to National Lottery. Another factor which contributed to the Deferred Income were contributions collected from licenced casinos not utilised by the Excessive Gambling Prevention and Rehabilitation Committee during the year under review. Levies Payable also increased by 56% from P37.16 million in the previous year to P58.13 million in the year under review.

3.0 Management Letter

The following was a significant matter raised by the auditors and the management response thereto-

3.1 Establishment of the Levy Fund

The auditors noted that the Levy Fund had not yet been established and the money collected by the Gambling Authority was still in the custody of the Authority. In terms of Section 134 of the Gambling Act, 2012 the Minister may, by Order published in the Gazette, establish a Fund into which all levies imposed under this Act shall be paid. The moneys paid into the Fund shall be for the general benefit of the gambling industry in Botswana.

In response, management stated that the Ministry had agreed to set up a Levy Fund. The Ministry of Investment, Trade and Industry and the Gambling Authority were currently discussing where the Fund should reside.

Auditor General's Comment

The management have given this response since financial year 2016/2017, and it is hoped that all the necessary steps would be taken to establish the Fund, as required by the Act.

158. **Human Resource Development Council**

The financial statements of the Human Resource Development Council for the financial year ended 31 March 2019 were audited by Messrs PricewaterhouseCoopers, Certified Auditors, who were appointed by the Council in terms of Section 23 (2) of the Human Resource Development Council Act, (No. 17 of 2013).

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements presented fairly, in all material respects, the financial position of Human Resource Development Council as at 31 March 2019, and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards.

2.2 Financial Results

The financial operations of the Council showed a deficit of P14.01 million for the year under review, compared to a surplus of P2.12 million in the previous year.

The deficit was attributable to a 9% decrease in income from P95.44 million in the previous year to P86.43 million in the year under review and a 7.6% increase in expenditure from P93.32 million in the previous year to P100.44 million in the year under review. The increase in expenditure was mainly attributable to an increase of P5.85 million in payroll expenses.

The revenue of the Council for the year under review was P77.92 million, of which P 44.60 million was Government grant and P33.32 million was Human Resource Development Fund Administration Fees.

2.3 Working Capital

As at 31 March 2019, the working capital position of the Council showed total current assets of P67.64 million and total current liabilities of P47.84 million, resulting in a net current assets position of P19.8 million.

Current liabilities included P28.33 million Provision for Staff Gratuities and Leave Pay and P12.58 million of Unutilised Grants.

Auditor General's Comment

I have noted that grants which had been given to the Council for specific purposes had not been utilised for some time, and these grants were said to be available for use on operational activities of the Council at the discretion of the Board. However, it is my considered view that when funds granted by the Government are no longer required for the specific purpose identified, they should be refunded to the Government.

The Council receives an annual subvention from Government, which was P49 925 380 in the year under review.

3.0 Management Letter

The following were some of the matters raised by auditors and the management responses thereto-

3.1 Controls Over Monthly Reconciliation of Salaries

The auditors noted that monthly payroll reconciliations were not performed and various shortcomings and errors may not be identified and investigated on time.

In response, management acknowledged the audit finding and confirmed that monthly payroll reconciliations should be done. Going forward, management would use the format recommended by the auditors.

3.2 Accounting for Fixed Assets and Maintenance of Fixed Assets Register - (Repeat Finding)

The auditors noted that management did not review the residual values and useful lives of assets on annual basis as required by International Accounting Standard 16. Furthermore, they noted that breakup of some of the assets with details (description, cost, etc.) were not given in the Fixed Assets Register.

In response, management acknowledged the auditors finding and indicated that they had set up a team to carry out the assets verification exercise for all the Council assets and the exercise was ongoing and due to be completed by end of November 2019.

3.3 Unrecorded Liability

The auditors had found that purchase transactions amounting to P93 659.06 were not accounted for even though the service or goods were delivered to the Council before year-end and payment made after year-end. This was mainly due to delays in the user departments submitting goods received vouchers and invoices to the finance department.

In response, management acknowledged the finding and stated that they would ensure that the affected department passed the invoices to Procurement and Accounts timeously.

159. **Legal Aid Botswana**

The financial statements of Legal Aid Botswana for the financial year ended 31 March 2019 were audited by Messrs Grant Thornton, Certified Auditors, who were appointed by the Board in terms of Section 25 (2) of the Legal Aid Botswana Act, (Cap16:02).

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The annual financial statements gave a true and fair view of the financial position of Legal Aid Botswana as at 31 March 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

2.2 Financial Results

The financial operations of Legal Aid Botswana for the year ended 31 March 2019 recorded a surplus of P2.65 million, compared to a surplus of P1.42 million in the previous year.

Government grant for the year was P41.84 million (Government Subvention and Amortisation of Capital Grant) which constituted 99% of total income of Legal Aid Botswana of P42.37 million.

Expenditure was P39.65 million in the year under review, compared to P32.29 million in the previous year, an increase of 23%. The major contributors to the increase in expenditure were the following:

	2019 P million	2018 P million	% Increase
Other Operating Expenses	13.82	9.8	41
Employee Costs	21.56	19.19	12
Depreciation and Amortisation	2.62	1.70	54

2.3 Working Capital

As at 31 March 2019, the working capital position of Legal Aid Botswana showed total current assets of P6.99 million and total current liabilities of P4.25 million, resulting in a net current assets position of P2.74 million.

3.0 Management Letter

The following were some of the significant matters raised by the auditors and the management responses thereto-

3.1 Change Management Policy

When testing the process of adding and terminating new employees in the system, the auditors noted that the entity had no approved policy for change management. Change management refers to a formal process for making changes to IT systems. The implications of incorrectly implementing a change to an organisation's IT system environment can lead to potential security breaches and unauthorised changes being introduced into the production environment.

In response to the recommendation that management develops a change management policy that should be approved by the Board, management pointed out that the ICT policy was being reviewed with a view to incorporate the change management policy. The exercise would be completed by 30 September 2019.

3.2 Update of Judicare Liability Records

From the testing of the Judicare liability records, the auditors noted that 4 out of the 20 sampled files were paid and finalised. However, the amounts were captured as outstanding/unpaid in the client schedule and general ledger. If schedules were updated with no review processes it would leave the entity exposed to errors at the highest level of the organisation, detection of which was likely to be remote. Management re-worked the liability and after retesting the balance, an adjusting entry was posted to correct the general ledger.

In response, management indicated that they would ensure that monthly reconciliations were performed and reviewed and that they would perform an audit of the Judicare files and update records by end of September 2019. Furthermore, management pointed out that outsourced legal services process would be re-engineered to strengthen controls, reconciliation and reporting. Re-engineering would be concluded by end of December 2019.

160. **Local Enterprise Authority**

The financial statements of the Local Enterprise Authority for the financial year ended 31 March 2019 were audited by Messrs KPMG, Certified Auditors, who were appointed by the Board in terms of Section 25(2) of the Small Business Act, (Cap 43:10).

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements gave a true and fair view of the financial position of Local Enterprise Authority as at 31 March 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

2.2 Financial Results

For the year under review, the net deficit of the Authority had increased significantly to P75.44 million from P2.87 million in the previous year. This was largely attributable to increase in Expenses by 74% from P163.79 million in the previous year to P285.12 million in the year under review, a difference of P171.12 million, the bulk of which was Staff Retrenchment Costs of P114 million.

The operations of the Authority were financed largely by Government grant of P202 million in the year under review, which represented 97% of the Total Income, compared to P155 million in the previous year, also representing 97% of total Income.

2.3 Working Capital

As at 31 March 2019, the working capital position of the Authority showed current assets of P26.92 million and current liabilities of

P115.53 million, resulting in a net current liabilities position of P88.61 million.

The current liabilities included P13 million payroll related accruals and P17 million deferred grant.

3.0 Management Letter

The auditors had issued a management letter and the matters raised dealt with internal controls which were of interest only to management, hence did not warrant mention in this report.

161. **Minerals Development Company Botswana Limited**

As part of my writing of this report, and in line with the long standing arrangement with the Public Accounts Committee, I had circularized all statutory bodies and state-owned enterprises requesting them to forward to me copies of their audited financial statements and reports for the purpose of review and inclusion of the review results in this report.

The Finance Director has responded and stated that the submission of the financial statements of Minerals Development Company Botswana were delayed because they awaited the finalization of the financial statements of their major subsidiary, namely, Morupule Coal Mine.

Consequently, I have not been able to carry out the review of the accounts of the company for the financial year ended 31 March 2019 for the benefit of the National Assembly.

162. **Motor Vehicle Accident Fund**

The financial statements of Motor Vehicle Accident Fund for the financial year ended 31 December 2018 were audited by Messrs PricewaterhouseCoopers, Certified Auditors, who were appointed by the Board in terms of Section 18 (2) of the Motor Vehicle Accident Fund Act, (Cap. 69:02).

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements gave a true and fair view of the financial position of Motor Vehicle Accident Fund as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards.

2.2 Financial Results

The financial operations of the Fund showed a deficit of P242.78 million for the year under review compared to a loss of P126.49 million in the previous year. The main contributor to the increase in deficit was the P266.48 million change in fair value of financial assets reclassified to profit or loss, compared to a reduction of P118.50 million in the previous year.

Total operating income increased by P319.89 million from P77.42 million in the previous year to P397.30 million in the year under review. The major changes under operating income are illustrated in the following comparative figures:

	2018	2017
Investment Income	204 463 615	123 791 683
Changes in Fair Value of Investments At Fair Value through Profit or Loss	(13 927 095)	(7 253 395)
Foreign Exchange Gains/(Losses)	127 277 378	(107 535 908)

Total expenses increased by 16% from P331.07 million in the previous year to P384.43 million in the year under review. The major contributors to the increase in total expenses were the 24% increase in Claims Provision from P142.50 million in the previous year to P176.63 million in the year under review as well as Interest Expense which increased by 19% from P89.19 million in the previous year to P106.31 million in the year under review.

2.3 Working capital

The working capital position of the Fund as at 31 December 2018 showed current assets of P782.79 million and current liabilities of P303.97 million, resulting in a net current assets position of P478.82 million.

3.0 Management Letter

The following was one significant matter raised by the auditors and the management response thereto-

3.1 Value Added Tax

The auditors noted that VAT amounting to P399 512 on claims written back during the year was not reversed and paid to BURS. In addition, revenue relating to Third Party Cover Income amounting to P1 518 634 and Fuel Levy Income amounting to P2 222 816 were not declared in the December 2018 VAT return.

In response, management committed that they would correct the errors in the March 2019 returns and that more stringent controls around the reconciliation and review process would be employed to avoid recurrence of the issues.

163. **National Development Bank**

As part of my writing of this report, and in line with the long standing arrangement with the Public Accounts Committee, I had circularized all statutory bodies and state-owned enterprises requesting them to forward to me their audited financial statements and reports for purposes of review and inclusion of the review results in this report.

The Chief Executive Officer has explained that they were unable to submit the audited financial statements because the audit was yet to be completed. The external auditors had undertaken to complete the IFRS 9 audit by January 2020, which was not achieved.

Consequently, I have not been able to carry out the review of the accounts of the Bank for the financial year ended 31 March 2019 for the benefit of the National Assembly.

164. **National Food Technology Research Centre**

The financial statements of the National Food Technology Research Centre for the financial year ended 31 March 2019 were audited by Messrs Grant Thornton, Certified Auditors, who were appointed by the Board.

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The consolidated and separate annual financial statements gave a true and fair view of, the consolidated and separate financial position of National Food Technology Research Centre as at 31 March 2019, and of its consolidated and separate financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

2.2 Financial Results

The financial operations of the Centre showed a loss of P 3.70 million for the year under review, compared to a profit of P1.53 million in the previous year. There was a gain on property revaluation of P 28.70 million in the previous year which contributed significantly to the eventual total comprehensive profit of P30.24 million. There was no revaluation in the year under review.

Income increased by 6% from P37.73 million in the previous year to P40.02 million in the year under review. Expenditure increased by P7.54 million (21%) from P36.19 million in the previous year to P43.73 million in the year under review. The most significant contributor to the increase in expenditure was an impairment loss in Investment in Subsidiaries of P6.8 million for the year under review which was nil in the previous year.

The financial operations of the Group showed a total comprehensive loss of P0.65 million for the year under review compared to a comprehensive profit of P23.53 million in the previous year.

Income increased by 7% from P38.71 million in the previous year to P41.29 million in the year under review.

Revenue of the Group was mainly made up of Government grant of P36.10 million, or 87% of the total income.

Expenditure decreased by 3% from P43.02 million in the previous year compared to P41.86 million in the year under review for the group.

2.3 Working Capital

As at 31 March 2019 the working capital position of the Group showed current assets of P10.86 million and current liabilities of P5.23 million, resulting in a net current assets position of P5.63 million.

As at 31 March 2019 the working capital of the Centre showed current assets of P10.19 million and current liabilities of P5.12 million, resulting in a net current assets position of P5.07 million.

3.0 Management Letter

The following were some of the significant matters raised by the auditors and the management responses thereto-

3.1 Assessment of New Standards- IFRS 15 and IFRS 9

The auditors noted that the Centre had not assessed the impact of the Standards and included them in the existing accounting policies. The Centre is expected to have reviewed the accounting policies for compliance with accounting standards, and also updated adoption of any new Standards. The Centre would be susceptible to non-compliance to changes in Standards.

The auditors reviewed the impact of the new standards on the 2019 financial statements and ensured that appropriate disclosures are included for both Naftec Investments (Proprietary) Limited and National Food Technology Research Centre.

In response, management stated that they would assess all new standards and align their accounting policies with those that are relevant to the entity's operations.

3.2 Inventory Module for Naftec Investments

The auditors noted that Naftec Investments used Microsoft Excel which was manually updated to record inventory movements during the year. The retail price of goods was also maintained separately. The inventory module in the accounting system had not been updated to incorporate quantities produced, their unit cost and retail price. Manually inputting records to Excel poses a high risk of human error. Inventories may not be updated at the appropriate time, hence giving incorrect information for decision making.

In response, management indicated that they had sourced quotations from the ACCPAC consultant for the implementation of this module. Subject to availability of funds management stated that they would implement the inventory module in the year 2019/2020.

165. **Non-Bank Financial Institutions Regulatory Authority**

The financial statements of Non-Bank Financial Institutions Regulatory Authority for the financial year ended 31 March 2019 were audited by Messrs Grant Thornton, Certified Auditors, who were appointed by the

Board in terms of Section 33(1) of the Non-Bank Financial Institutions Regulatory Act, 2006.

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The annual financial statements gave a true and fair view of the financial position of the Non-Bank Financial Institutions Regulatory Authority as at 31 March 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Non-Bank Financial Institutions Regulatory Authority Act, 2006.

2.2 Financial Results

For the financial year ending 31 March 2019, the Authority recorded a total operating surplus of P2.07 million, compared to a deficit of P6.54 million in the previous year. The Income increased by 12% to P78.74 million in the year under review from P70.16 million in the previous year. Expenditure marginally increased by 1% to P77.39 million in the year under review from P76.88 million recorded in the previous year.

Income Comprised:

	P'million
Supervisory Levies	50.84
Government Grant	25.45
Other Income	2.83
Finance Income	0.72

2.3 Working Capital

The working capital position of the Authority as at 31 March 2019 showed current assets of P14.55 million and current liabilities of P6.94 million giving a net current assets position of P7.61 million.

3.0 Management Letter

The following were some of the significant matters raised by the auditors and the management responses thereto-

3.1 IFRS 9 – Expected Credit Loss Calculations

The auditors observed that effective April 2018, the Authority had adopted the Expected Credit Loss (ECL) model for calculation of impairment. While reviewing the inputs and the calculations of impairments by the Authority, the auditors noted the following-

- The impairment calculated by the ECL model used by the Authority was very similar to the incurred loss under the IAS 39 that was being previously used.
- Impairment was recorded on the present balance as opposed to the Exposure at Default (expected at a later date).
- The Authority considered objective evidence and historical performance of default as the triggering event for measuring impairment as opposed to expected scenarios of default.
- No forward looking macro-economic factors were considered.

In response, management acknowledged the finding and stated that the amount computed under IFRS was not significantly different from the provision made by the Authority. The Authority undertook to implement a comprehensive ECL model in compliance with IFRS 9.

3.2 Revenue from Supervisory Levies

The auditors observed that the Authority had a custom-made application called Risk Based Supervision System (RBSS) that was designed to be used by clients for recording information relevant for supervision and ultimately used to calculate the appropriate supervisory levies by the Authority. This application was integrated to the ERP, hence there was avoidance of manual intervention when recording revenue from the supervisory levies in the general ledger. However, the auditors also observed that in the current year under audit, this application had only been utilised for three categories, thereby exposing the Authority to fraud and errors. Further, it was noted that some trends bring into question the accuracy of the information being used by the Authority to compute the supervisory levies. For instance, for the pawn shop category, the auditors identified some clients with unchanging loan balances throughout the period which was highly unlikely.

In response, management noted the observation and stated that the inclusion of the entities on the Risk Based Supervision System was based on the legislation as the data collection forms have to be legislated. The three sectors had not been included in the RBSS and were still awaiting promulgation of the legislation. In the interim these would be monitored by a spreadsheet.

3.3 Retirement of Assets

The auditors noted that in the current year the Authority embarked on a Property, Plant and Equipment verification exercise and in the process retired assets costing P1.3 million, mainly on the grounds that they could not be located. However, they were not provided with a Board resolution or a policy to support this.

In response, management stated that the matter was brought to the attention of the Board for noting at its meeting on the 28 February 2019, as part of progress made on resolving prior year (31 March 2018) management letter points. Management stated that necessary approvals would be sought from the Board and through other relevant structures in line with the NBFIRA Tender Regulations and Procurement Procedures manual. Furthermore, a review of the said manual would be carried out by the end of December 2019 to close any gaps identified.

3.4 Revaluation of Assets

The auditors noted that the Authority revalued the computer equipment, furniture and fittings and office equipment classes using in-house personnel. The auditors were unable to satisfy themselves on the professional competences of the in-house personnel involved in the valuation exercise and hence raised concern of objectivity and independence. Furthermore, on all occasions the valuation was not carried out on the whole class of assets, which is in contravention of IAS 16: Property, Plant and Equipment.

In response, management noted the observation and stated that necessary policy and guidelines on revaluation of assets would be developed by the end of the financial year to assist accordingly. A reassessment of the residual values of some of the assets would be carried out by 31 December 2019.

166. **Okavango Diamond Company Limited**

The financial statements of Okavango Diamond Company (Proprietary) Limited for the financial year ended 31 March 2019 were audited by Messrs KPMG, Certified Auditors, who were appointed by the Board.

The Okavango Diamond Company Limited was incorporated under the Companies Act in April 2013 as a private company limited by guarantee, wholly owned by Government to trade in rough diamonds.

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements gave a true and fair view of the financial position of Okavango Diamond Company (Proprietary) Limited, as at 31 March 2019, and of its financial performance and its cash flows for the year then ended, in accordance with the International Financial Reporting Standards.'

2.2 Financial Results

The financial statements of the company were presented in US Dollars, which was the company's functional currency.

The financial operations of the company recorded a profit of USD8.01 million in the year under review which was a decline in profit by 67% from USD24.41 million recorded in the previous year. The main contributor to the decline in profit was a decrease in revenue by USD34.92 million from USD536.63 million in the previous year to USD501.71 million in the year under review.

Expenditure declined by 4% from USD513.20 million in the previous year to USD494.08 million in the year under review.

2.3 Working Capital

The working capital position of the company as at 31 March 2019 showed current assets of USD140.09 million and current liabilities of USD54.26 million, resulting in a net current assets position of USD85.83 million.

3.0 Management Letter

The following was a significant matter raised by the auditors and the management response thereto-

3.1 Fully Depreciated Assets

The auditors noted that at year-end, Fixed Assets Register included fully depreciated assets which were still providing economic benefits to the company. The auditors stated that this may indicate that the depreciation rates and residual values applied to Property, Plant and Equipment items may not be representative of the economic lives of these items as required by International Accounting Standard 16. The original cost of these fully depreciated assets amounted to USD1.55 million at the reporting date.

In response, management stated that the depreciation rates alongside residual values would be assessed across all classes of assets to ensure compliance with International Accounting Standard 16.

167. **Public Enterprises Evaluation and Privatisation Agency**

The financial statements of Public Enterprise Evaluation and Privatisation Agency (PEEPA) for the financial year ended 31 March 2018 were audited by Messrs Grant Thornton, Certified Auditors, who were appointed by the Board.

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The annual financial statements gave a true and fair view of the financial position of PEEPA as at 31 March 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

2.2 Financial Results

The financial operations of PEEPA showed a loss of P2 million in the year under review, compared to a loss of P8.49 million in the previous year. Revenue increased by 3% from P25.67 million in the previous year to P26.51 million in the year under review. The entity is funded by Government grants. The grant increased by

10% from P19.16 million in the previous year to P21.12 million in the period under review.

Expenditure decreased by 17% from P34.31 million in the previous year to P28.54 million in the year under review. The decrease in expenditure was mainly due to decreases in Training Expenses by 98% from P478 683 in the previous year to P9 570 in the year under review, Travel Expenses by 81% from P524 889 in the previous year to P97 892 in the year under review and Public Relations and Hospitality expenses by 100% from P797 282 in the previous year to nil in the year under review.

2.3 Working Capital

As at 31 March 2018, the working capital position of the Agency showed total current assets of P5.99 million and current liabilities of P7.13 million, resulting in a net current liabilities position of P1.14 million.

3.0 Management Letter

The following were some of the significant matters raised by the auditors and the management responses thereto-

3.1 Lack of Segregation of Duties in the Finance Department (Repeat Finding

The auditors noted that the finance structure for the Agency had a provision for a staff compliment of four people. However, the finance team had two people which limited segregation of duties. The auditors also noted that journal entries posted in the system were not reviewed and reconciliations between the general ledger and sub-ledgers were not being done timely due to lack of segregation controls.

In response, management stated that the recruitment process was overtaken by the restructuring and migration process. Management further stated that they were doing their best to fill the vacant positions.

3.2 Botswana Savings Bank /BotswanaPost Acquisition Study - (Repeat Finding)

The auditors noted that the contract between PEEPA and KPMG for the acquisition study on the Botswana Savings Bank and BotswanaPost transaction was behind schedule. The stated commencement date of the study was to be not later than

8 August 2016, and to be completed in twelve weeks subject to an extension of four weeks. The project was still on-going at the time of audit and management stated that the stakeholders delayed in providing information and there were lengthy deliberations after the issuance of the first draft report.

In response, management stated that the Agency had provided clear written instructions and expectations to the service provider, KPMG, for the period required for development of each deliverable and extension thereof. The timelines provided in the contract were for developing the deliverables while the additional four weeks were to cater for review and approval of deliverables. However, in some instances the review and approval process took longer than anticipated mainly due to the client Ministry's need to internalise and make decisions affecting subsequent stages. This took place outside the project structures and in some instances involved consultation with other key stakeholders.

3.3 Estimation of Residual Values and Useful Lives - (Repeat Finding)

The auditors noted that the Agency did not estimate any residual values for its items of Property, Plant and Equipment for all the categories, at least at each financial year end as required by IAS 16. The non-compliance to the provisions of the standard resulted in the Agency carrying some of its assets in use at zero carrying amount.

In response, management stated that the property mentioned was over 10 years old and had been fully depreciated. Management further stated that they would adjust the fixed assets concerned to P1 so that they would carry value in the register to comply with IAS 16.

168. **Public Procurement and Asset Disposal Board**

The financial statements of Public Procurement and Asset Disposal Board for the financial year ended 31 March 2019 were audited by Messrs Ernst & Young, Certified Auditors, who were appointed by the Board in terms of Section 58 (8) of the Public Procurement and Asset Disposal Act, (Cap 42:08).

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements presented fairly, in all material respects, the financial position of Public Procurement and Asset Disposal Board as at 31 March 2019, and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards and in the manner required by the Public Procurement and Asset Disposal Act (Cap 42:08).

2.2 Financial Results

In the year under review, the Board recorded a surplus of P8.34 million before a revaluation gain in properties of P1.30 million, compared to a deficit of P4.86 million recorded in the previous year, also before a revaluation surplus of P 618 912.

Income increased by 15% from P78.87 million in the previous year to P90.57 million in the year under review. The entity is mainly funded by Government grants. In the year under review the grant was P75.21 million, representing 83% of total income, compared to P64.57 million in the previous year.

Expenditure decreased by 2% from P83.73 million in the previous year to P82.23 million in the year under review.

Income	2019 P'million	2018 P'million
Government Subvention	75.21	64.57
Other Income	14.81	13.72
Interest Income	0.55	0.58

(According to the Annual Statements of Accounts of the Accountant General the amount of subvention remitted to the Board was P70 982 300).

Expenditure		
Administration Expenses	30.06	34.48
Staff Cost	52.16	46.26

2.3 Working Capital

The working capital position of the Board as at 31 March 2019 showed total current assets of P30.24 million and current liabilities of P14.43 million, resulting in a net current assets position P15.81 million.

3.0 Management Letter

The following were matters raised by the auditors and the management responses thereto-

3.1 Banks Signatory List

The auditors obtained bank confirmations for all bank accounts and noted that one of the former directors was still appearing as a signatory on some bank accounts in the following institutions-

Barclays
Bank Gaborone
Stanlib Money Markets

By so doing, there was a risk that fraudulent transactions might be passed to the bank without management being aware.

In response, management stated that Barclays Bank had indicated that as part of their policy they did not remove signatories' signatures from their database as these form part of the bank's record. However, other banks had acted on management's request to remove the former officer's signature. Management also stated that evidence of correspondence with the banks, in this regard could be availed on request.

3.2 Depreciation of Fixed Assets

The auditors observed that there were numerous fully – depreciated assets in the Fixed Assets Register, some of which were no longer in use or held by the Board. The total net book value of fully depreciated assets was P1 011 987.

In response, management stated that they were not aware of any assets that were in the Fixed Assets Register but not in use and not held by the Board. A detailed list of such assets would help management to reflect further on the matter. However, the finding on the fully depreciated items was accepted. Management indicated that they continually, on an annual basis, reflect on the organisation's fixed assets. It had also become clear that keeping these assets was becoming expensive, such as motor vehicles, which were no longer within the motor plan hence management was committed to disposing them of in the next financial year.

169. **SPEDU**

The financial statements of SPEDU for the financial year ended 31 March 2019 were audited by Messrs PricewaterhouseCoopers, Certified Auditors, who were appointed by the Board.

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements gave a true and fair view of the financial position of SPEDU as at 31 March 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

2.2 Financial Results

For the financial year under review the financial operations of the company showed a net surplus of P2.28 million, compared to a deficit of P3.36 million recorded in the previous year. The surplus in the year under review was attributable to a significant increase in the Government grant from P28 million to P37 million. Expenditure increased by 12.68 % from P 34.07 million in the previous year to P 38.39 million in the year under review. The significant increases were in staff costs from P16 million to P20 million (21% increase) and Seminars, Workshops and Conferences from P457 544 to P1 163 928 (154% increase).

The company is wholly funded by Government grants.

2.3 Working Capital

The financial position of SPEDU showed current assets of P17.78 million and current liabilities of P12.34 million, giving a net current assets position of P5.44 million.

3.0 Management Letter

The following was the significant matter raised by the auditors and the management response thereto-

3.1 Monthly Supplier Reconciliations

The auditors noted that supplier reconciliation was not performed. An audit adjustment of P463 103 had to be passed on Payables to decrease the liability balance. The auditors advised that non-performance of supplier and account reconciliation prior to settlement could expose the company to risk of fraudulent and erroneous payments.

In response, management stated that reconciliations were performed but due to limited understanding of the system the reconciliations were not effectively done, resulting in Payables ledgers not being cleared. Additionally, management had sent both finance and procurement teams for training on the SAGE system immediately after the audit.

170. **Statistics Botswana**

The financial statements of Statistics Botswana for the financial year ended 31 March 2019 were audited by Messrs PricewaterhouseCoopers, Certified Auditors, who were appointed by the Board in terms of Section 24 (2) of the Statistics Act, 2009.

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements gave a true and fair view of the financial position of Statistics Botswana as at 31 March 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

2.2 Financial Results

For the financial year under review, Statistics Botswana recorded a deficit of P3.24 million, compared to a deficit of P19.20 million in the previous year.

Income increased from P120.33 million in the previous year to P134.82 million in the year under review. The improvement in the financial results was attributable to an increase in Government grant from P90 million in the previous year to P103 million in the year under review and a reduction in expenses from P139 million in the previous year to P138 million in the year under review.

2.3 Working Capital

As at 31 March 2019, the working capital position of Statistics Botswana showed current assets of P16.96 million and current liabilities of P65.62 million, resulting in a net current liabilities position of P48.66 million.

Current liabilities included provisions for gratuity and leave pay of P9.54 million and unutilised project grant of P44.37 million.

3.0 Management letter

The following were some of the significant matters raised by the auditors and the management responses thereto-

3.1 Fixed Assets Tagging

The auditors observed that some property, plant and equipment were not coded which made it difficult to trace them from the Fixed Assets Register to the physical assets.

In response, management stated that at the time of audit the exercise of tagging and identification was still on-going. The process had since been completed and going forward annual assets verification would be carried out.

3.2 Submission of Pay-As-You-Earn (P.A.Y.E) - (Repeat Finding)

The auditors noted that, as in the previous period, P.A.Y.E returns were not submitted to Botswana Unified Revenue Services on time. This contravened the Income Tax Act which provides that deducted Taxes shall be remitted to BURS within 15 days of the end of the month in which the deductions were made, non-compliance of which may attract penalties. The following months are a case in point-

Month	Date Paid	Number of Days Late
April 2018	17 May 2018	2
September 2018	30 October 2018	15
November 2018	10 January 2019	26
January 2019	20 February 2019	5

In response, management noted the finding and stated that the substantive payroll accountant was hired in March 2019 as a measure to deal with payroll issues and that for the current year all PAYE were submitted on time.

171. **University of Botswana**

As part of my writing of this report, and in line with the long standing arrangement with the Public Accounts Committee, I had circularized all statutory bodies and state-owned enterprises requesting them to forward to me copies of their audited financial statements and reports for the purpose of review and inclusion of the review results in this report.

The Acting Deputy Vice Chancellor for Finance and Administration had responded stating that they were unable to do so as there was a delay in the release of audited financial statements of the University of Botswana for the year ended 31 March 2019. The explanation was that a lot of work had to be done as part of the adoption and implementation of the revised accounting standards, IFRS 9 and 15 as well as further engagements with the auditors on other audit related matters. The accounts were expected to be signed by the first week of March 2020.

Consequently, I have not been able to carry out the review of the accounts of the University for the financial year ended 31 March 2019 for the benefit of the National Assembly.

172. **Vision 2036 Council**

As part of my writing of this report, and in line with the long standing arrangement with the Public Accounts Committee, I had circularized all statutory bodies and state-owned enterprises requesting them to forward to me copies of their audited financial statements and reports for purposes of review and inclusion of the review results in this report.

In response to the request, the Chief Executive Officer stated that the Council did not have an approved structure as it was awaiting Cabinet approval on its proposed functional structure. The Council was unable to submit audited financial statements for the year 2018/19 as it did not have in-house financial management services.

I have therefore not been able to review the audited accounts of the Vision 2036 Council for the benefit of the National Assembly.

173. **Water Utilities Corporation**

The financial statements of Water Utilities Corporation for the financial year ended 31 March 2019 were audited by Messrs PricewaterhouseCoopers, Certified Auditors, who were appointed by the Board in terms of Section 25 (2) of the Water Utilities Act, (Cap 74:02).

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements gave a true and fair view of the financial position of Water Utilities Corporation as at 31 March 2019, and of its financial performance and of its cash flows for the year then ended in accordance with the International Financial Reporting Standards and the requirements of the Water Utilities Corporation Act, (Cap 74:02).

2.2 Financial Results

In the year under review, the Corporation recorded a profit of P185.50 million, compared to a profit of P513.46 million in the previous year. The level of profitability in the previous year was attributable to a tariff subsidy of P360 million received from Government.

Revenue increased slightly by 0.55% from P1.82 billion in the previous year to P1.83 billion in the year under review. Other income increased by 8.78% from P24.15 million in the previous year to P26.27 million in the year under review.

Expenditure on the other hand increased by 4% from P1.58 billion in the previous year to P1.65 billion in the year under review.

2.3 Working Capital

As at 31 March 2019 the working capital position of the Corporation showed current assets of P2.32 billion and current liabilities of P497.91million resulting in a net current assets position of P1.83 billion.

3.0 Management Letter

The following were some of the significant matters raised by the auditors and the management responses thereto-

3.1 Fully Depreciated Assets - (Repeat Finding)

As in the previous year, the auditors noted that there were fully depreciated assets that were still in use and management had not taken any action in terms of re-assessing their useful lives. This may indicate that the depreciation rates and residual values applied to property, plant and equipment may not be representative of the economic lives of these assets as required by International Accounting Standard 16. The initial cost of these assets was P207 million.

In response, management stated that the Corporation was in the process of awarding a tender for the verification, tagging and valuation of all assets across the country. This would result in an updated asset register and all assets tagged for ease of identification and tracking.

3.2 Completed Projects Not Capitalized

The auditors observed that two completed projects were still classified under capital work-in-progress. The value of completed projects but not capitalised stood at P142.77 million.

In response, management stated that they would ensure that all completed projects were capitalised on time by maintaining close communication with project managers for updates.

3.3 Long Outstanding Debts - (Repeat Finding)

The auditors noted that total debtors outstanding for over 90 days amounted to P439.81 million which was an increase from prior year's figure of P431.27 million. The auditors stated that the increase was an indication that prior year's recommendations were not actioned.

In response, management stated that a comprehensive debt management strategy had been developed through the new Department of Customer Care and had been approved by the Board for implementation effective October 2019.

3.4 Invalid Debtors - (Repeat Finding)

The auditors noted that there was an inadequate review of debtors' accounts which was indicated by a significant number of customer complaints about excessive bills. After a comprehensive analysis of a significant portion of the debtors' accounts executed by the Corporation it was found that P161.30 million (2018: P48.36 million) worth of incorrect bills was recorded in customer accounts. This error was corrected in the financial statements.

In response, management stated they would on a monthly basis systematically review debtors to identify non-genuine debtors with the objective to clean the debtors ageing at a central level. They further stated that management centres would then be provided with debtors list to be corrected and adjusted before period closure.

3.5 Out-Of-Period Billing - (Repeat Finding)

The auditors noted that at the end of the financial year the Corporation was lagging behind on customer billing, with several bills for the financial year 2018/2019 being processed in the next financial year 2019/2020. Bills amounting to P51.21 million relating to the financial year 2018/2019 were processed in the financial year 2019/2020.

In response, management stated that billing exception management would be properly and strictly managed at each Management Centre. This would ensure that all the exception reports were cleared before period closure. For the future, the new structure has allocated resources to address issues of exceptions.

3.6 Un-Invoiced Plots - (Repeat Finding)

The auditors noted that there were plots that remained un-invoiced and unbilled although there was water consumption. They stated that even if these plots were billed at a later stage which could take a few months, recoverability of these amounts was doubtful due to the time lapse and the high aggregated debt level when they are eventually billed. The total estimated revenue in the year under review that was un-invoiced or unbilled was P11.45 million (2018: P25.36 million). The auditors recognized that there was un-invoiced/unbilled revenue and then it was fully provided in the financial statements for the year ended 31 March 2019.

In response, management stated that billing exception management would be properly and strictly managed at each Management Centre. This would ensure that all the exception reports were cleared before period closure. For the future, the new structure has allocated resources to address issues of exceptions.

XIII **CONCLUSION**

174. I would like to, once more, express my gratitude to all those persons and officers who have assisted, in one way or another, in the production of this report in the discharge of my functions under the Constitution, in particular my gratitude is addressed to,

- my officers of all grades who have worked throughout the year on their various assignments leading to the writing of this report.

- Accountant General and her staff for the ready assistance and cooperation during the conduct of the audits of the Annual Statements of Accounts and other accounts of Government.

- the Permanent Secretaries and Heads of extra-Ministerial Departments and their staff for their cooperation during the audit of their Ministerial accounts.

- Heads of Parastatals and their staff who have cooperated with my Office during the audit of the accounts of those whose audit come under the scope of my remit, and others with the submission of audited accounts and reports for review and inclusion of the review results in this report for the benefit of the National Assembly.

I would also like to thank the Government Printer who, as always, has assisted with the speedy printing of this report.

24 April 2020

Pulane D. Letebele
AUDITOR GENERAL