

**REPORT OF THE AUDITOR GENERAL**

**ON THE ACCOUNTS OF THE**

**BOTSWANA GOVERNMENT**

**FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017**

TELEPHONE: (+267) 3617100/3951050  
FAX NO: (+267) 3188145/3908582  
Plot: 54357  
Varsha House  
Central Business District  
Website: [www.oag.org.bw](http://www.oag.org.bw)  
Email: [oag@gov.bw](mailto:oag@gov.bw)



REPUBLIC OF BOTSWANA

Office of the Auditor General  
Private Bag 0010  
Gaborone  
Botswana

**OFFICE OF THE AUDITOR GENERAL**

2 March 2018

Honourable O K Matambo, 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 2017.

I have the honour to be, Sir,

A handwritten signature in black ink, appearing to read 'P. Letebele'.

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*

## TABLE OF CONTENTS

SECTION	PARAGRAPH
I. INTRODUCTION	1 - 7
II. GENERAL	8 - 14
III. STATEMENT OF ASSETS AND LIABILITIES	15
IV. CONSOLIDATED FUND	16 - 20
V. DEVELOPMENT FUND	21 - 22
VI. OTHER STATEMENTS	23 - 35
VII. MINISTERIAL ACCOUNTS	
Parliament	36 - 38
Ministry for Presidential Affairs, Governance and Public Administration	39 - 40
Ministry of Finance and Economic Development	41 - 46
Ministry of Labour and Home Affairs	47 - 48
Ministry of Agricultural Development and Food Security	49 - 50
Ministry of Education and Skills Development	51 - 58
Ministry of Investment, Trade and Industry	59 - 60
Ministry of Local Government and Rural Development	61 - 63
Ministry of Minerals, Energy and Water Resources	64 - 65
Ministry of Health and Wellness	66 - 73
Administration of Justice	74 - 78
Attorney General's Chambers	79 - 80
Office of the Auditor General	81 - 82
Ministry of International Affairs and Cooperation	83 - 86
Independent Electoral Commission	87 - 88
Office of the Ombudsman	89 - 90
Ministry of Lands and Housing	91 - 93
Ministry of Environment, Natural Resources Conservation and Tourism	94 - 95
Industrial Court	96 - 97
Ministry of Youth Empowerment, Sport and Culture Development	98 - 100
Ministry of Infrastructure, Science and Technology	101 - 102
Ministry of Transport and Communications	103 - 107
Ministry of Defence, Justice and Security	108 - 111
VIII. LOCAL GOVERNMENT AUTHORITIES	112
IX. PERFORMANCE AUDIT	113

## X. PARASTATALS

Introductory	114
Air Botswana	115
Banyana Limited	116
Botswana Accountancy College	117
Botswana Accountancy Oversight Authority	118
Botswana Agricultural Marketing Board	119
Botswana Bureau of Standards	120
Botswana College of Distance and Open Learning	121
Botswana Communications Regulatory Authority	122
Botswana Couriers & Logistics Limited	123
Botswana Development Corporation Limited	124
Botswana Examinations Council	125
Botswana Fibre Networks (Proprietary) Limited	126
Botswana Geoscience Institute	127
Botswana Housing Corporation	128
Botswana Innovation Hub Limited	129
Botswana Institute for Development Policy Analysis	130
Botswana Institute for Technology Research and Innovation	131
Botswana Institute of Chartered Accountants	132
Botswana International University of Science & Technology	133
Botswana Investment and Trade Centre	134
Botswana Meat Commission	135
Botswana National Productivity Centre	136
Botswana National Sports Commission	137
Botswana Oil Limited	138
Botswana Postal Services Limited	139
Botswana Power Corporation	140
Botswana Privatisation Asset Holdings	141
Botswana Qualifications Authority	142
Botswana Railways	143
Botswana Savings Bank	144
Botswana Stock Exchange	145
Botswana Telecommunications Corporation Limited	146
Botswana Tourism Organisation	147
Botswana Trade Commission	148
Botswana Unified Revenue Service	149
Botswana University of Agriculture and Natural Resources	150
Botswana Vaccine Institute Limited	151
Citizen Entrepreneurial Development Agency	152
Civil Aviation Authority of Botswana	153
Companies and Intellectual Property Authority	154
Competition Authority	155
Gambling Authority	156
Human Resource Development Council	157
Local Enterprise Authority	158
Minerals Development Company Botswana Limited	159
Motor Vehicle Accident Fund	160

National Development Bank	161
National Food Technology Research Centre	162
Non-Bank Financial Institutions Regulatory Authority	163
Okavango Diamond Company Limited	164
Public Enterprises Evaluation & Privatisation Agency	165
Public Procurement and Asset Disposal Board	166
SPEDU	167
Statistics Botswana	168
University of Botswana	169
Vision 2016 Council	170
Water Utilities Corporation	171
XII CONCLUSION	172

**REPORT OF THE AUDITOR GENERAL ON THE ACCOUNTS OF THE BOTSWANA  
GOVERNMENT FOR THE YEAR ENDED 31 MARCH 2017**

**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**

The Annual Statements of Accounts for the financial year ended 31 March 2017 were submitted to me by the Accountant General for the purpose of auditing, as required by Section 42 (2) of the Public Finance Management Act, within the time prescribed by the Act. The Act requires that the accounts and statements shall be submitted to me within 6 months after the end of the financial year to which those accounts and statements relate.

5. **Auditor General's Certificate**

The examination of the Annual Statements of Accounts of the Botswana Government for the financial year ended 31 March 2017, 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 8 January 2018 was transmitted to the Accountant General on that date, 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 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 February 2018.

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 these 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.

## II GENERAL

### 8. Ministerial Changes and Accounts Presentation

In October 2016, half-way in the financial year under review, Government made significant Ministerial changes by creation of 2 new Ministries and reorganisation of Ministerial portfolio responsibilities as well as renaming some Ministries to reflect correctly their functions. As the year-end accounts presentation of the Accountant General has followed the budgetary allocations prior to the changes, my reporting under the Ministerial Section in this report has also followed that format, as that was the basis of the audit. However, in those Ministries where the name changes only reflected emphasis on Ministerial functions without significant changes in budgetary allocations, I have used the new names.

It is expected that the next reporting will be based on the new Ministerial set-up.

### 9. Matters After the Financial Year

Although the report covers the audit of accounts of the Botswana Government for the financial year ended 31 March 2017, I have also included other matters which had taken place since that date and before the completion of writing of this report. I have done so where I considered it necessary in the interest of timely reporting and early resolution of the matters raised.

Additionally, it was done provided those matters had no implications on the year-end totals, but were merely concerned with issues of regularity and compliance.

### 10. Financial Legislation

In February 2016, Government announced that the Income Tax Act would be amended to have some statutory bodies and state enterprises wholly owned by the Government subjected to Income Tax. Subsequently, Income Tax (Bodies Corporate Exempt from Tax) Regulations, 2016, (Statutory Instrument No. 41 of 2016) was issued on 8 April 2016, listing 32 statutory bodies and state enterprises exempt from income tax effective from 1 July 2016. Therefore, the statutory bodies and state enterprises not listed in the Statutory Instrument are subject to income tax

11. **Appointment as Auditor to the Regional Organisations**

I was appointed jointly with the Auditor General of the Kingdom of Swaziland for a 3-year term to audit the accounts of the Regional Tourism Organisation of Southern Africa (RETOSA) based in Midrand, South Africa commencing with the accounts for the financial year ended 31 March 2013 ending 31 March 2015. The appointment was extended annually for further periods up to 31 March 2017.

I was also appointed auditor of the Southern Africa Development Community Organisation of Public Accounts Committees (SADCOPAC) based in Dar es Salaam, Tanzania for the financial years 2016/2017 and 2017/2018.

12. **Public Accounts Committee**

The Public Accounts Committee met for its 55<sup>th</sup> meeting in the period between 22 May to 16 June 2017 to examine Accounting Officers on the accounts of their Ministries and Extra-Ministerial Departments for the financial year ended 31 March 2016; and to consider progress on outstanding matters which had been raised in previous meetings of the Committee. The report of the Committee on the examinations had not been tabled at the time of writing this report.

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

The Parliamentary Committee on Statutory Bodies and State Enterprises met during the course of 2017 to examine the Chief Executive Officers of selected parastatals on the performance and activities of their entities, in terms of Standing Order 110 of the National Assembly. The reports on these examinations and those for the previous years are yet to be tabled in the House.

14. **Currency**

The monetary values in this report are in the Pula currency, unless expressly indicated. The year-end balances in foreign currencies are translated to the Pula equivalent at the applicable middle-market rate as at 31 March 2017. For the Botswana Diplomatic Missions, 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 advised by the Ministry.

### III STATEMENT OF ASSETS AND LIABILITIES

15. Statement of Assets and Liabilities – (Statement No. 1)

Imprests

The balance of outstanding imprests on the 31 March 2017 was P11 339 227, made up as follows:

Travelling Imprests	11 305 395
District Imprests	23 001
Standing Imprests	<u>10 881</u>
	11 339 277

The travelling imprests include a total of P64 867 in respect of the old defunct Ministries of Works and Transport and of Communications, Science and Technology. The District Imprest balance of P23 001 under the Administration of Justice is very old and non-moving.

The details of the other non-moving travelling imprests totalling P1 481 188, across all Ministries, are given under the Ministerial Section of this report.

## IV CONSOLIDATED FUND

### 16. Revenue Results

The estimated revenue for the year was P57 419 129 620, and the actual collections were P60 755 126 490, resulting in a net of P3 335 996 870 over the estimate.

### 17. Appropriation Act

The sum appropriated from the Consolidated Fund by the Appropriation (2016/2017) Act, 2016 for the financial year ended 31 March 2017 was P51 677 753 282.

### 18. Supplementary Estimates (2016/2017)

During the year under review, three resolutions of the National Assembly approved supplementary provisions totalling P2 153 727 790, in terms of Section 119 (3) of the Constitution, for the following Ministries in the amounts indicated:

#### (a) Financial Paper No.1 of 2016/2017 – July 2016

Finance & Economic Development	114 284 090
Education & Skills Development	<u>5 000 000</u>
	119 284 090

#### (b) Financial Paper No.2 of 2016/2017 – November 2016

Tertiary Education, Research, Science & Technology	1 308 071 800
--	---------------

#### (c) Financial Paper No.3 of 2016/2017 – March 2017

Parliament	5 324 540
Presidential Affairs, Governance & Public Admin.	38 796 770
Local Government & Rural Development	68 561 040
Health & Wellness	550 837 970
Auditor General	2 942 150
International Affairs & Cooperation	500 000
Environment, Natural Resources Conservation & Tourism	12 352 040
Defence, Justice & Security	<u>47 067 390</u>
	726 371 900

19. **Supplementary Estimates (2015/2016)**

A further resolution of the National Assembly, Financial Paper No.4 of 2015/2016, approved a supplementary estimate in February 2017 to ratify the over-expenditure in the sum of P20 545 777 incurred under the Ministry of Agriculture during the financial year ended 31<sup>st</sup> March 2016.

20. **Supplementary Appropriation Act**

The National Assembly passed the Supplementary Appropriation (2015/2016) Act (No.2 of 2017) to authorise the expenditure out of the Consolidated Fund in the amount of P715 165 149 in excess of the sums already appropriated in respect of the financial year ended 31 March 2016.

## V DEVELOPMENT FUND

### 21. Appropriation Act

The appropriation (2016/2017) Act, 2016 authorised the Minister of Finance and Economic Development to issue a warrant for payment from the Development Fund in the sum of P14 821 209 754.

### 22. Supplementary Estimates

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

Financial Paper No. 2 of 2016/2017 – November 2016

Ministry of Mineral Resources, Green Technology & Energy Security	2 007 698 000
--	---------------

## VI OTHER STATEMENTS

### 23. Statement of Recurrent Expenditures – (Statement No.3)

#### (a) Warranted Provisions

The sum appropriated from the Consolidated Fund to meet Ministerial expenditures for the financial year ended 31 March 2017 was P51 677 753 282, and amounts warranted to the Accounting Officers during the year totalled P52 748 109 132. The year-end expenditures amounted to P52 386 411 453, leaving a balance of P361 697 679, representing 0.7% of the warranted provisions, compared to 1% in the previous year. The details of the performance of each Ministry are given under the Ministerial Section of this report.

The expenditure on statutory commitments relating to Public Debt, Pensions, Gratuities and Compensations were P5 522 553 132 from the Consolidated Fund and P2 984 524 416 from the Public Debt Service Fund, making a total of P8 507 077 548, compared to P7 705 781 530 last year.

#### (b) Supplementary Appropriation

The following Ministries will require supplementary appropriations on account of expenditures incurred in excess of the sums already appropriated, in the amounts indicated-

<u>Ministry</u>	<u>Supplementary Appropriation</u>
Parliament	1 970 951
Finance & Economic Development	81 413 693
Education & Skills Development	888 970 611
Health	331 423 922
Auditor General	<u>2 468 887</u>
	1 306 248 064

#### (c) Unauthorised Expenditures

The undernoted Ministries had incurred expenditures in excess of the sums warranted to them by the Ministry of Finance and Economic Development from funds approved by the National Assembly to the extent shown-



<u>Ministry</u>	<u>Warranted Provision</u>	<u>Actual Expenditure</u>	<u>Unauthorised Expenditure</u>
Labour & Home Affairs	367 594 390	370 206 911	2 612 521
Health and Wellness	6 069 542 980	6 077 299 842	7 756 862
Environment, Natural Resources Conservation & Tourism	605 503 140	613 663 117	8 159 977

(d) Departmental Warrants

The undernoted Ministerial provisions sub-warranted to the Heads of Departments indicated had been overspent to the extent shown, in contravention of the conditions of those sub-warrants.

<u>Ministry/ Department</u>	<u>Departmental Warrant</u>	<u>Actual Expenditure</u>	<u>Over Expenditure</u>
<u>Labour &amp; Home Affairs</u>			
Headquarters	109 143 646	112 221 890	3 078 245
Labour & Social Security	42 195 155	42 422 174	227 019
<u>Education &amp; Skills Dev.</u>			
Headquarters	2 297 402 865	2 313 779 304	16 376 439
Planning & Research	9 209 446	9 316 323	106 877
<u>Health and Wellness</u>			
Clinical Services	4 863 394 471	4 895 796 439	32 401 967
<u>Environment, Natural Resources Conservation &amp; Tourism</u>			
Wildlife & National Parks	220 854 660	230 731 654	9 877 594
Meteorological Services	50 765 245	52 450 563	1 685 319

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

The observations and comments arising from the audit of the accounts of the Special Funds for the financial year ended 31 March 2017 are made below, under the respective Special Funds.

(a) Botswana Innovation Hub

The Botswana Innovation Hub Fund Order which established the Botswana Innovation Hub Fund has since been revoked, in September 2017, and replaced by Botswana Innovation Fund

Order, (Statutory Instrument No.93 of 2017) which gave rise to a new Fund called Botswana Innovation Fund.

The purpose of the new Fund is to promote innovation through technology, product and business development in the private sector by providing grants to companies registered with the Botswana Innovation Hub, universities and research organisations.

A decision is yet to be taken on the disposal of the start-up capital of P12 000 000 which stood to the credit of the Botswana Innovation Hub Fund since inception in 2010 to-date.

(b) Sim's Bursary Trust Fund

In the previous year, the Ministry had identified 4 students for sponsorship from the Fund in accordance with the terms of the testator, of funding scholarships from interest from investments of the Fund. However, in view of the insufficiency of the interest income to meet the expenditure required in that year additional funding was obtained from the Fund capital, contrary to the terms of the Will of the testator. Consequently, in the year under review the students' sponsorships were not funded from the Fund, resulting in nil expenditure. The interest from investment in the year of account was P21 168.

In a previous submission to the Public Accounts Committee, the Accounting Officer had informed the Committee that she had been advised by the Ministry of Finance and Economic Development that, in view of the continued insufficiency of funds for sponsorship purposes, she should consider closing the Fund. My advice was that such a course of action would require legal advice on the procedure to be followed so as not to depart significantly from the testator's wishes.

(c) Export Credit Re-Insurance Fund

In the year under review, the interest income of P452 625 was significantly lower than in previous years, at P1 553 355 last year and P1 673 323 the year before, while the expenditure was high at P586 835, comprising largely management fees of P538 809 (92%).

(d) Revenue Stabilisation Fund

This Fund was established in 1973 as a general revenue reserve for supplementing the recurrent revenues in those financial years

in which the recurrent revenues would be insufficient to meet the budgetary requirements of Government. In the year under review an amount of P1 300 000 000 was transferred from the Fund to the Consolidated Fund in accordance with the purpose of the Fund. As at 31 March 2017, the balance of the Fund was P392 375 754.

(e) Public Debt Service Fund

During the year under review, the Fund was drawn-down by P2 984 524 416 for the payment of instalments due on Public Debt commitments, leaving a balance of P2 198 126 611 as at 31 March 2017.

A debit of P924 000 000 had also been processed through the Fund through the Income Statement, in an attempt to adjust payments previously incorrectly made from the Fund Investment account for the payment of Government equity contributions to certain parastatals, purportedly as an investment. This accounting treatment had not achieved that objective, as it had now effectively charged the equity contribution payments to the Fund, against the earlier contention that the Fund was not the appropriate source of funding for those payments.

Furthermore, notwithstanding previous discussions on similar payments which are the subject of the above failed adjustment, a payment of P752 301 130 to the BCL liquidator on account of Government undertakings on the BCL liquidation aftermaths had been listed among the investments of the Fund and thereby inappropriately overstated the value of the Fund's investments to that extent.

(f) Citizen Entrepreneur Mortgage Assisted Equity Fund

The presentation of the accounts of the Fund comprising Income Statement and Balance Sheet as at 31 March 2017 is not a true reflection of the state of the Fund as on that date as the Fund was supposed to be non-existent following cancellation of the Deed of Trust and transfer of the only declared cash asset of P8 500 000 to Citizen Entrepreneurial Development Agency in February 2013.

The accounts of the Fund were last submitted by the Board of Trustees for incorporation into the Annual Statements for the financial year ended 31 December 2006, with assets of P68 000 000.

(g) National Electrification Fund

Section 12 of the Fund Order, (Statutory Instrument No.27 of 2010) provides that the accounts of the Fund shall within 3 months after the end of the financial year, be audited by an independent auditor appointed by the Fund Management Committee; and further that not later than 6 months after the close of the financial year, those accounts shall be submitted to the Accountant General. The Committee is required by Section 13 of the Order to submit a report on the operations of the Fund.

In my report for last year I had commented that the Committee had not complied with the requirements of the Fund Order with regard to the submission of the audited accounts. In the year under review, the non-compliance with this requirement had persisted in that the audit had not yet commenced as at the end of October 2017.

(h) National Petroleum Fund

The accounts of the Fund for the financial years ended 31 March 2016 and 2017 have not been submitted to me as the appointed auditor, for audit purposes. At the time of writing this report, I understood that the accounts for the year ended 31 March 2016 were in the process of being finalised by the former Fund Managers while those for the year ended 31 March 2017 were being finalised by the new Fund Managers.

The continued failure to submit these accounts on time is a cause for concern for both myself and the Public Accounts Committee as it denies the Committee the opportunity to examine these important accounts for the operation of the Fund in a timely manner.

(i) Prisons Rewards and Fines Fund

The comments arising from the audit of the accounts of this Special Fund are indicated below-

- (i) The loan of P43 534 to an officer which is incorrectly shown as expenditure in the Income Statement, instead of asset in the Balance Sheet, is not supported by an application letter with clear terms of repayment. In the year of account, the repayments were at the rate of P500 per month, making the loan repayable over 84 months, instead of 48 months as explained at the time of audit.

- (ii) The interest on Investment in Paid-Up Indefinite Shares with the Botswana Building Society is not reflected in the Income Statement.
- (iii) The interest on Cash with Accountant General was calculated as P5 617 in the spreadsheet against P5 463 in the Income Statement.
- (iv) Cash with Accountant General is shown as P109 838 in the interest calculation spreadsheet against P106 091 in the Balance Sheet.

(j) Cattle Export Levy Fund

Following the audit of the accounts of the Fund for the year ended 31 March 2017, the undernoted matters were drawn to the attention of the Accounting Officer for comment and or necessary action, but at the time of writing this report I had not received his responses.

- (i) The interest of P88 631 credited to the Fund calculated on Cash with Accountant General was for 3 months to June 2016, although the interest for the year had been calculated as P428 668. The calculation and award of interest are the responsibility of the Accountant General.
- (ii) The ledger balance of the Fund at year-end was P8 371 397, whereas the closing balance in the interest calculation spreadsheet was P8 800 064, suggesting possible errors in interest calculations. This is also a matter of interest to the Accountant General.
- (iii) Payment vouchers supporting payments to the value of P4 842 712, out of the total expenditure for the year of P6 947 538 could not be produced for verification purposes.

I have therefore not been able to verify that these payments were a proper charge to the Fund.

(k) Housing Fund

The Fund was established by Housing Fund Order, (Statutory Instrument No. 51 of 2015) for the purpose of providing housing for beneficiaries in Botswana who shall be identified by

Government from time to time. The Fund shall receive and maintain funds for the development of such housing.

For the year under review, the Accounting Officer had not submitted the accounts of the Fund for inclusion in the Annual Statements of Accounts, as required by the Fund Order.

(l) Botswana Police Relief Fund

The Fund was established under Police Act, (Cap 21:01). The purpose of the Fund is to receive contributions from members of the Police Service and from which members receive benefits on the death of a member or a spouse.

The interest of P275 390 credited to the Fund from the Cash held by Accountant General on behalf of the Fund was for the first quarter of the year to June 2016. The Fund balance at year-end was P24 489 772.

(m) Levy on Alcoholic Beverages Fund

At the time of writing this report my recommendation for the appointment for an independent auditor for the accounts of the Fund was still going through a tendering process.

(n) BDF Rewards and Fines Fund

In line with other Special Funds the interest on Cash held by Accountant General of P109 618 for the financial year ended 31 March 2017 was in respect of the first quarter only to June 2016.

(o) Tourism Industry Training Fund

The Fund was established by Tourism Industry Training Fund Order, (Statutory Instrument No.99 of 1996) for the purpose of financing skills training programmes for employees of the tourism sector in key areas of the hospitality industry. The Fund is financed through a training levy collected by every tourist enterprise from their guests, per bed per night, in terms of Tourism Regulations of 1996.

The audit of the accounts of the Fund for the financial year ended 31 March 2017 gave rise to the undernoted observations and comments.

- (i) The payments of P18 567 123 in the Income Statement included loans of P10 000 000 to

Botswana Tourism Organisation and P600 000 to the Ministry for unascertained purposes. I understand that these loans were repaid in March 2017, although not transacted through the accounts of the Fund in the year under review. Strictly, the making of loans from the Fund constituted a departure from the aims and purposes of the Fund.

- (ii) An advance of P314 066 was made to Botswana Tourism Organisation to purchase 23 tablet phones and pens for members of the Fund Management Committee. I have not been able to appreciate the rationale for this course of action, instead of following the normal Government procurement procedures in view of the amount involved. Furthermore, there are only 7 Members of the Committee, leaving a balance of 16 phones to be accounted for.
- (iii) In common with other Special Funds in the year under review, the interest of P874 494 credited to the Fund on Cash with Accountant General is in respect of the first quarter of the financial year to June 2016. Furthermore, the Fund closing balance in the interest calculation spreadsheet was P80 578 390, against the year-end General Ledger of P76 921 778.
- (iv) In the past, I have repeatedly commented that a spreadsheet detailing all the tourist enterprises and their payments would be helpful in showing the performance of each tourist enterprise, but in the year under review, as in the past, this has still not been done.

(p) Road Traffic Fines Fund

The audit of the accounts of the Fund for the financial year ended 31 March 2017 had elicited the undernoted findings-

(i) Revenue

The creation of the Traffic Fines item in the Revenue Estimates was specifically to facilitate the sharing of traffic fines between this Fund and the Consolidated Fund, to avoid the problems previously experienced in the use of the composite Judicial and Subordinate Court Fines. This objective had still not been

achieved in the second year of its operation: the quarterly equal sharing of the revenues collected was still based on cumulative balances at the end of each quarter which resulted in this Fund having been credited with P81 939 470 at year-end while the Consolidated Fund remained with only P24 948 141. By this treatment the Fund has benefited at the expense of Public revenue.

(ii) Expenditure

Out of the expenditure of P32 755 238 charged to the Fund, an amount of P24 240 880 (74%) related to purchases of motor vehicles, including P7 867 208 which was adjusted from the recurrent expenditure account. If this adjustment had not been done the warranted provision of the recurrent vote would have been overspent by that amount.

While the duties of the various divisions of the Police Service may be interconnected, it is to be stressed that the terms of the Fund Order require that expenditures from the Fund should be in items or matters that relate to the curbing of road traffic offences. In this instance, it is questionable whether the 5 landrovers purchased for P3 526 544 for CKGR from the Fund would be used on road-traffic-related duties in that area in view of the paucity of vehicular traffic.

(q) Copyright and Neighbouring Rights (Technical Devices) Fund

In terms of the Fund Order establishing this Fund, I am responsible for appointing an independent auditor to audit the accounts of the Fund. At the time of writing this report my recommendation for the appointment for an independent auditor for the accounts of the Fund was still going through a tendering process.

(r) Human Resource Development Fund

The audit of the accounts of the Fund for the financial year ended 31 March 2017 has been completed and the management letter thereon forwarded to management for their comments. At the time of writing this report these comments were still awaited.



(s) Livestock Advisory Services Fund

During the course of the audit it came to notice that Government had taken a decision to transfer the function, including the assets, of the Fund to the Botswana Agricultural Marketing Board. In the management letter to the Accounting Officer, I had requested to be apprised of the operations of the new arrangements regarding the accounts, audit and reporting, and whether the Special Fund is to be phased out, and dissolved. At the time of writing this report, his comments were awaited.

On the more significant audit matters raised, I drew the attention of the Accounting Officer to the fact that most of the payments made during the year under review related to invoices dating back to December 2015, contrary to Government Generic Standards which require that invoices be paid within 10 days of receipt. Further, that payments totalling P8 755 100 could not be verified as the related payment vouchers could not be produced at the time of the audit. All documents supporting the transactions in the accounts should be readily available at all times.

(t) Guardians Fund

The accounts presentation reflects a difference of P5 020 289 between the Depositors' Control account and the General Ledger balance that has to be accounted for. There is yet another discrepancy of P381 390 between the Depositors Control account balance of P473 122 507 and the Depositors' listing both in Francistown and Lobatse offices which total P472 741 117, which needs to be investigated.

(u) National Road Safety Fund

In my previous successive reports I had commented that the Fund was being inappropriately used to fund the Departmental expenditures. In his submissions to the Public Accounts Committee, the Accounting Officer had agreed with my observations and had undertaken to review the Road Traffic Regulations to make them more explicit on the use of the Fund as some of the Departmental activities have a bearing on road safety. However, in the year under review he had not yet done so, but had continued to charge expenditures on Departmental functions to the Fund, as in the following instances-

- Breakfast and Lunch for 4 People Attending BOT50 Rehearsals -2 282
- Supply of Computers and Printers to DRTS Headquarters -715 699
- HP Elite Desk 800 GL -187 239
- Draping Trucks Used to Float BOT50 Celebrations -44 800

(v) Tobacco and Tobacco Products Fund

In terms of the Fund Order establishing this Fund, I am responsible for appointing an independent auditor to audit the accounts of the Fund. At the time of writing this report the audit is being finalised.

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

Botswana Meat Commission

As in previous years, in the year under review the Commission did not pay the instalment due on the outstanding balance of P192 000 000 of the loan made from the public revenue. In his submission to the Public Accounts Committee, at its 55<sup>th</sup> meeting in June 2017, the Accounting Officer had stated that the Commission had not been able to service any of its loans because it had continued to experience financial constraints, but did not state if any fresh arrangements had been made with Government regarding the repayments of the loans. The loan repayment commencement date was 2009 with final redemption date in August 2021.

26. Statement of Other Deposits – (Statement No. 14)

The true extent of Government liabilities under these accounts, which are shown as P2 742 645 089 net of debits of P21 498 678, are subject to assessment and adjustment of significant balances which form part of these totals, as indicated below-

- (a) The cumulative balance of P1 641 835 699 relating to the payment of Government-sponsored students' allowances in local tertiary institutions had not been reconciled for long periods of time, and has no meaning to these transactions. The Accounting Officer has assured the

Public Accounts Committee that accounts controlling these payments would be brought under proper control.

- (b) The persistent failure by Ministries to comply with the requirements of the Income Tax Act with regard to the remittances to Botswana Unified Revenue Service of taxes deducted from payments, other than payroll deductions, made by them. The Income Tax Act provides that any deducted taxes should be remitted to Botswana Unified Revenue Service within 15 days after the end of the month in which they were made.

As at 31 March 2017 the outstanding balances of withholding, PAYE and other taxes were P24 717 628, net of debits of P441 646.

- (c) The debit balances totalling P21 498 678 as at 31 March 2017, including the taxes, should have been duly investigated and corrective action taken. The debit balances under these accounts denote overpayments or accounting errors, both of which require immediate attention.
- (d) The old defunct Ministry of Communications, Science & Technology has continued to be reflected under these accounts with a debit balance of P37 968 under the Retention Deposits, despite comments in my previous report.
- (e) The Industrial Court also carried a debit balance of P10 507 under the Retention Deposit accounts, which should have been investigated and cleared.
- (f) By arrangement, 20% of the levy collected under the Road Levy Collection Fund is to be remitted to the local authorities through the Ministry of Local Government and Rural Development for the maintenance of local roads.

As at 31 March 2017 the unutilised balance of these remittances was P197 188 754, incorrectly classified as Donations under the Ministry of Local Government and Rural Development.

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

As at 31 March 2017 the total of outstanding balances under these accounts was P2 928 415 052, and credits of P136 023 506 as well as a System Difference of P120 580 694.

Except for changes in figures the concerns that were raised in my previous successive reports had persisted in the year under review which rendered the correctness of the value of these assets doubtful, as illustrated below-

- (a) The above year-end balance includes a cumulative unreconciled balance of P1 659 263 939 (57%) relating to payment of Government-sponsored students' allowances in tertiary institutions through a local commercial bank;
- (b) The total of borrowers' indebtedness to Government under the Motor Vehicle and Residential Property guarantee loan schemes was P7 204 137, which was practically all non-moving.
- (c) At the time of writing this report, the appropriateness to these accounts of an item styled "Purchase of Equity De Beers SA," value P673 597 322, was yet to be clarified, and the share certificate relative thereto produced for verification purposes.
- (d) The cumulative credit balances over a long period totalling to P132 572 370 relating to Students Advance Loan Scheme and Recoveries of Government Sponsorship Loans have yet to be investigated and the status of the respective balances resolved.
- (e) The system difference of P120 580 694 between the sub-ledger listing and the General Ledger balance should also be resolved.

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

As in previous years, the verification of the cash and bank balances as at 31 March 2017 had shown weaknesses and shortcomings in the reconciliations and monitoring of the accounts making up the year-end totals. Consequently, I have not been able to certify the correctness of the value of the cash asset reflected in this Statement. The main points of concern leading to this qualification were the following-

- (a) Although the undernoted Treasury Cashier offices had been closed, they were still included in this Statement with ledger balances as indicated-

BDF – Mogoditshane	735
Gaborone Village	212 554

- (b) A verification of the year-end Boards of Survey cash count results against General Ledger balances had shown some discrepancies which had not been reconciled, as indicated hereunder –

<u>Treasury Cashier</u>	<u>General Ledger Balances</u>	<u>Board of Survey</u>
Charles Hill	22 160	24 760
Francistown	(353 817)	144 536
Gaborone Imprest	350 080	347 548
Hukuntsi	96 660	96 410
Kanye	255 408	252 430
Maun	404 086	406 795
Palapye	326 234	320 896
Shakawe	124 305	125 305
Tsabong	118 723	117 426

It is inconceivable that a Treasury Cashier would have a negative cash-in-hand balance, as was the case with Francistown, above.

- (c) The Remittances Account, the main Government bank account at Bank of Botswana had a year-end balance of P525 751 327. The reconciliation statement of this figure with the bank statement balance included, among others, unidentified debits totalling P4 933 156 857 in the bank statement and receipts totalling P114 459 342 728 in the General Ledger which should be investigated, some of reconciling items dating as far back as 2005.

I have not been able to appreciate how receipts of this magnitude could be in the General Ledger and not in the bank statement over such a long period.

- (d) The Group F account at Bank of Botswana was reconciled up to March 2017. However, the reconciling items included stale unpresented cheques totalling P2 134 648, dating back to 2010.

- (e) The Group J bank account had uncleared reconciling items which dated back to 2011 as unidentified receipts amounting to P10 317.30 and unidentified debits totalling P21 937.10.
- (f) In his submission to the Public Accounts Committee the Accounting Officer had stated that the reconciliations for Group K, L and N had been completed. This is unclear, as the Group K still had reconciling items of unrepresented cheques amounting to P2 019 578 covering the period from November 2011 to March 2017, while Group L reconciling items included unrepresented cheques amounting to P1 376 783 dating back to 2012 and voided cheques of P61 168 also dating back to 2012.
- (g) Group I – Electronic Fund Transfer bank account was reconciled up to March 2010, and further reconciliations had been suspended pending on-going investigations.
- (h) The reconciliations of Groups 3 and 4 Electronic Fund Transfer bank accounts were also behind with reconciling items going far back to 2013.
- (i) At the last meeting of the Public Accounts Committee in response to my adverse comment, the Accounting Officer had assured the Committee that the Salaries Account at Bank of Botswana had since been reconciled to March 2016. However, an audit verification of the account for the year to March 2017 had indicated reconciling items that had not been satisfactorily dealt with including voided cheques amounting to P32 414 749 which had been outstanding since 2004; unrepresented cheques amounting to P80 888 839 and other items described as “data-take-on” amounting to P19 053 325 dating back to 2004.
- (j) Out of the 35 Treasury Cashiers listed in the Statement, the Kalamazoo bank accounts for only 4, namely, Jwaneng, Mabutsane, Tsabong and Moshupa, had been reconciled up to March 2017, although these had also included items dating back variously to 2005, 2006 and 2015, which should have been dealt with and cleared from the reconciliation statements.

The Electronic Funds Transfer bank account had not been reconciled and submitted for audit, except for Letlhakeng

and Ramotswa, which had also included reconciling items dating back to 2012 that needed attention.

- (k) Out of the 22 Botswana Diplomatic Missions abroad, the certified year-end bank balances of 15 of these Missions did not agree with the General Ledger balances, and these had not been reconciled to account for the discrepancies.
- (l) As in previous years, the accounting for and verifications of the Point-of-Sale accounts in terms of reconciliations of year-end transaction balances with the General Ledger balances, had remained unsatisfactory in the year under review. At year-end, out of the 155 statements, 49 had not submitted their reconciliations. With the ever increasing need for the use of these Point-of-Sale facilities, in my view, it is important that the accounts supporting these transactions should be maintained up-to-date at all times including timely periodic reconciliation statements.

29. **Statement of Contingent Liabilities – (Statement No. 17)**

The balance of contingent liabilities of Government as at 31 March 2017 was P9 874 175 258 (2016: P9 030 531 972), represented by guarantees on parastatal borrowings, public officers' borrowings under the residential property and motor vehicle loan schemes and undertakings to international financial institutions made by Government through Bank of Botswana. The breakdown of this figure is as follows:

Parastatal Borrowings	7 593 368 492
Public Officers' Borrowings	801 011 754
Non-Interest Bearing Notes	<u>1 479 595 012</u>
	9 874 175 258

As in the past, Government had continued to experience challenges in the recoveries on default loans under the public officers' residential property and motor vehicle loan schemes. As at 31 March 2017, this figure stood at P7 598 733 involving 113 officers covering the period from 2004/005, possibly earlier, to-date. Given this time span, the recoverability of some of these is highly doubtful.

30. **Statement of Assets Held by Government in Commercial Undertakings, Statutory Bodies and International Organisations – (Statement No. 18)**

Despite my advices in the past and the Accounting Officer's assurance to the Public Accounts Committee that an updated register for these assets would be maintained, the preparation of the Statement is still based on confirmations of the details of these assets from the organisations in which they are held. It is manifestly important that a substantive and up-to-date record should be maintained by Government of all these assets that Government owns, duly supported by relevant documents of title.

The imprudence in placing entire reliance on outside sources for these matters is that Government cannot assert its ownership of these assets based on its own independent records, nor can the figures be verified for correctness and accuracy when submitted by those sources. For example, Government equity in BotswanaPost was presented as P85 474 206 last year, and in the year under review was submitted as P38 431 729, and was accepted without query or question.

Further to the issue of the register, we have discussed and agreed with the Accountant General that the Statement is incomplete insofar as numerous other statutory bodies and state enterprises have been omitted, examples include University of Botswana, Botswana International University of Science and Technology, Botswana Communications Regulatory Authority, and Botswana Unified Revenue Service, to name but a few.

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

The balance of arrears of revenue debts owed to Government, as submitted by the various Ministries to the Office of the Accountant General, as at 31 March 2017 was P424 856 144. The bulk of these arrears were in respect of dormant or slow-moving items which had not been decisively dealt with, as in the following cases-

Company Registration Fees	390 482 314	S	(Investment, Trade & Ind.)
Consumer Water Accounts	14 887 352	D	(Minerals, Energy & W/R)
Rentals on Leases	6 991 553	S	(Lands & Housing)
Mineral Royalties	3 324 114	S	(Minerals, Energy & W/R)
Courses and Books	2 321 616	S	(Education & Skills Dev.)
Leases on Govt. Boreholes	1 274 843	S	(Minerals, Energy & W/R)
Sale of Livestock to Zimbabwe	1 239 000	D	(Agricultural Dev. & F/S)
Landing Fees	<u>1 192 851</u>	D	(Transport & Comms.)
	421 713 644		

D = Dormant

S = Slow Moving



Of the balance of P3 142 501, a total of P669 708 across all Ministries related to administrative debts involving private telephone charges which, in my view, should not feature in this Statement as the use of official telephones for private purposes is clearly regulated under General Orders: any private telephone usage should be paid for promptly on receipt of the telephone account.

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

As at 31 March 2016, Contingencies Warrants which authorised advances from the Contingencies Fund to the Ministries of International Affairs and Cooperation and of Education and Skills Development were outstanding in the amount of P5 500 000, leaving a balance of P4 500 000 in the Fund. The requirement of Section 121 (2) of the Constitution is that any amount advanced from the Fund shall be replaced as soon as possible through a supplementary estimate laid before the National Assembly. However, the advance of P500 000 to the Ministry of International Affairs and Cooperation was not cleared until March 2017, that is to say, 12 months later.

In the year under review, there were no advances made from the Fund.

33. **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, 7 cases of losses of cash were reported to the Permanent Secretary, Ministry of Finance and Economic Development in accordance with the terms of Financial Instructions and Procedures. The loss amount for all the 7 cases was P708 140 including one case of P647 413 under the Ministry of International Affairs and Cooperation involving fraud and dishonesty. The recoveries recorded by the Ministry of Finance and Economic Development totalled P24 837, excluding P6 692 which was deducted in August 2016, from the terminal benefits of the officer concerned.

With regard to the loss of P647 413 I understand that the officer has been dismissed from the service and the loss is to be recovered from his terminal benefits. The officer has admitted guilt to an act of dishonesty and therefore no further investigation is necessary, as reported in the Annual Statements of Accounts.

## Reported in Previous Years

The outstanding balances of losses of cash cases reported in previous years totalled P2 818 478 as at 31 March 2017 out of a total loss amount of P4 689 253. The cumulative recoveries as at that date amounted to P1 068 144, while an amount of P802 632 had been written off.

As commented in previous years, some of the cases are very old, dating back to the 1990's and early 2000's, indicating slow pace of follow-up and finalisation of cases. The comments on the current status of the cases are not in all cases helpful as they are a repeat of previous years' comments without updates, or are just misleading, as illustrated by the following instances-

<u>Ministry</u>	<u>Loss Amount</u>	<u>Reported Status</u>	<u>Audit Comment</u>
Finance & Economic Dev.	376 617	AGC to recover balance of P121 874	Repeat comment
	505 278	Under Investigation	Case withdrawn
Int. Affairs & Cooperation	647 413	Under investigation	Officer admitted guilt
Labour & Home Affairs	76 983	Writ of Summons to be issued	Repeat comment
	36 100	Court ruled in favour of accused	What next?
Education & Skills Dev.	48 864	AGC to facilitate recovery	Repeat comment
Minerals, Energy & W/R	109 089	To pay from pension in July 2019	No deductions from salary pro tem?
Administration of Justice	14 440	Investigation ongoing	Repeat comment
	180 990	Being pursued	Repeat comment
Lands & Housing	778 831	Police investigation	Repeat comment
Environ., Natural Resources Conservation & Tourism	41 735	Under investigation	Repeat comment
Transport & Comms.	30 086	Debtor to be located	Repeat comment

34. **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, 99 cases of losses of stores were reported to the Ministry of Finance and Economic Development, with a loss amount of P500 946. Although the losses are reported in the year under review, in a number of instances the actual losses had occurred as far back as 2008 and 2009, at the earliest, indicating lack of promptness in the reporting of these matters, as required by Supplies Regulations and Procedures. Out of the above loss amount, a total of P9 776 was recovered while P187 137 was written off to public funds, leaving a balance of P304 034 of cases which are still to be followed up.

**Reported During Previous Years**

The outstanding loss amounts of cases which were reported during previous years was P1 632 236 at the beginning of the financial year under review. As at year-end a total of P177 094 had been recovered from the officers responsible and a total of P794 635 was written off to public funds, leaving a balance of P690 506, including some of the old cases dating back to 2007 and 2008. This could be an indication of delays in the follow-up and finalisation of the cases.

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

**TABLE C– LOSSES THROUGH MOTOR VEHICLE ACCIDENTS**

**Reported During the Year Under Review**

During the year under review, 189 cases of accidents to Government motor vehicles were reported to the Permanent Secretary, Ministry of Finance and Economic Development with a damage cost of P4 421 271, compared to 295 cases with a damage cost of P4 202 357 in the previous year. Out of the reported damage cost, an amount of P512 206 is claimable and recoverable from third party motorists who were responsible for the accidents involving Government vehicles. As I have repeatedly stated in the past, there is need to streamline the reporting of the recoverables from third parties with the Attorney General so that the actual recoveries can be reported through the Annual Statements for the information and appreciation of the National Assembly.

### **Reported in Previous Years**

With regard to the accidents that occurred and were reported on in previous years there are still instances of delays in the processing of the cases to finality. There are a number of cases that occurred in 2009 and 2010 whose reporting simply state that "case continues" without specifying the actions that need to be taken in each case.

As at 31 March 2017, the damage cost of cases reported in previous years was P10 483 251 covering the period from 2009 to-date, of which P8 429 205 was the outstanding balance on that date, after charging P1 358 837 to public funds and recovering P695 210 from third parties from the total recoverable amount of P1 227 850.

## VII MINISTERIAL ACCOUNTS

### PARLIAMENT

#### 36. Warranted Provision

The utilisation of funds warranted to Parliament for the financial year ended 31 March 2017 is indicated below-

<u>Department</u>	<u>Warranted Provision</u>	<u>Actual Expenditure</u>	<u>Under Expenditure</u>	<u>%</u>
National Assembly	114 578 050	112 246 792	2 331 258	2
Ntlo ya Dikgosi	<u>7 962 260</u>	<u>6 939 929</u>	<u>1 022 331</u>	<u>13</u>
	122 540 310	119 186 721	3 353 589	3

Out of the warranted provision of P122 540 310, the year-end unspent balance was P3 353 589, representing 3% of the warranted provision.

#### 37. Non-Moving Advances

The non-moving advances which were outstanding on the 31 March 2017 under Parliament are shown below-

<u>Account</u>	<u>No. of Cases</u>	<u>Amount</u>
Advances – Grade D4 & Below	1	2 400
Recoveries of Overpayment of Salaries	1	917
Training Bond Liability	1	99 068
Travelling Imprests	<u>5</u>	<u>28 216</u>
	8	130 601

#### 38. Leased Accommodation for Honourable Members

While the Parliamentary flats were undergoing renovations in the period between 2013 and 2015, the Honourable Members were accommodated temporarily in private houses on lease basis. An examination of the records related to these houses indicated some weaknesses and shortcomings in the management of these leases, the main ones of which were the following-

- (a) A scrutiny of the payment vouchers showed instances where security deposits had been paid to the lessors but there were no indications of how these refundable deposits had been accounted for, nor evidence of receipt of refunds when the houses were vacated;
- (b) After the refurbishment of the flats had been finally completed in December 2015, there was no indication when it was expected that Members would have moved to the flats, as Government had continued to pay rentals on, at least, 6 houses to-date – that is to say, up to September 2017, according to the available records at the time of audit.
- (c) While Government was responsible for the payment of rentals, instances had been noted where the lease agreements had been signed by the lessors with the Honourable Members who occupied the premises, suggesting that the Members had negotiated the leases as parties to the agreements. In my view, these leases should have been negotiated and managed by the Accounting Officer [or her officers], including all matters of lease agreements and termination.

**MINISTRY FOR PRESIDENTIAL AFFAIRS, GOVERNANCE AND  
PUBLIC ADMINISTRATION**

39. **Warranted Provision**

The utilisation of funds warranted to the Ministry for the financial year ended 31 March 2017 is indicated below-

<u>Department</u>	<u>Warranted Provision</u>	<u>Actual Expenditure</u>	<u>Under Expenditure</u>	<u>%</u>
State House	12 390 547	12 219 110	171 437	1
Office of the President	233 868 140	232 536 608	1 331 531	1
DPSM	117 471 164	116 404 050	1 067 113	1
Former President QKJM	4 173 558	3 638 222	535 337	13
NACA	-	25 079	25 079	-
Former President FGM	2 971 825	2 812 772	159 052	5
Information Services	68 190 814	67 569 987	620 827	1
Broadcasting Services	168 795 150	168 300 585	494 565	-
Govt. Printing & Publishing	78 912 858	78 494 669	418 189	1
National Strategy Office	21 079 796	20 878 984	200 812	1
DCEC	98 434 500	96 301 861	2 132 639	2
DISS	<u>303 756 390</u>	<u>303 515 609</u>	<u>240 781</u>	<u>-</u>
	1 110 044 740	1 102 647 378	7 397 362	1

The Ministerial expenditure of P1 102 647 378 is P8 337 532 under the approved budget of P1 110 984 910 and P7 397 362 under the warranted provision. All the departmental expenditures of the Ministry are within their sub-warranted provisions.

40. **Non-Moving Advances**

The non-moving advances which were outstanding on the 31 March 2017 under this Ministry are shown below-

<u>Account</u>	<u>No. of Cases</u>	<u>Amount</u>
Damage to Government Vehicles	3	61 768
Surcharge-Payroll	4	1 238
Imprest Recoveries	1	7 875
Advances-Grade D4 & Below	4	18 292
Loss of Cash	3	16 148
Recoveries of Overpayment of Salaries	18	129 627
Travelling Imprests	<u>8</u>	<u>77 842</u>
	41	312 790

Former Ministry of Communications, Science & Technology

The following advances were outstanding under the Department of Broadcasting Services under this former Ministry:

<u>Account</u>	<u>No. of Cases</u>	<u>Amount</u>
Surcharge – P&P	1	5 000
P&P – Emergency Advances	1	3 178
Travelling Imprest	<u>1</u>	<u>14 486</u>
	3	22 664



## MINISTRY OF FINANCE AND ECONOMIC DEVELOPMENT

### 41. Warranted Provision

The utilisation of funds warranted to the Ministry for the financial year ended 31 March 2017 is indicated below-

<u>Department</u>	<u>Warranted Provision</u>	<u>Actual Expenditure</u>	<u>Under Expenditure</u>	<u>%</u>
Headquarters	563 956 521	561 244 083	2 712 438	-
Accountant General	265 141 929	263 201 961	1 939 969	1
Fin. Intelligence Agency	<u>16 660 440</u>	<u>16 068 929</u>	<u>591 511</u>	<u>4</u>
	845 758 890	840 514 973	5 243 917	1

As in the past a total of P367 942 068 was paid by the Ministry by way of grants and subventions to various organisations under the portfolio responsibility of the Ministry. These payments represented 66% of the Ministry Headquarters expenditure and 44% of the total Ministerial expenditure of P840 514 973. The total unspent balance of the Ministry was P5 243 917, out of the warranted provision of P845 758 980.

### 42. Non-Moving Advances

The non-moving advances which were outstanding on the 31 March 2017 under this Ministry are shown below-

<u>Account</u>	<u>No. of Cases</u>	<u>Amount</u>
Damage to Government Vehicles	2	3 680
Surcharge – Payroll	2	171 659
Imprest Recoveries	2	3 655
Advances - Industrial Class – Payroll	1	476
Advances – Grade D4 & Below	1	883
Prepayment	8	7 624
Residential Property Loans	67	6 394 095
Motor Vehicle Loans	46	1 204 638
Recoveries of Overpayment of Salaries	21	413 825
Travelling Imprest	<u>4</u>	<u>10 684</u>
	154	8 211 219

43. **Interest on Cash With Accountant General**

The interests on Cash Balances held by Accountant General apportioned to the various Special Funds for the year under review were credited in respect of the first 3 months of the year to June 2016, the details of which are shown under the respective accounts of the Special Funds under Statement No.10 in the Annual Statements of Accounts. I am informed that this was necessitated by the financial circumstances which prevailed during the year. I have however been assured that the unpaid balances would be made good in the 2017/18 financial year.

44. **Construction of Treasury Cashier Office and Staff Houses, Shakawe**

The contractor who was awarded the tender for the construction of the Treasury Cashier office and staff houses at Shakawe had failed to perform on the contract and had to be terminated. The contract was for a 12-month period commencing in November 2015 with a completion date in November 2016, at a contract price of P45 002 163.

After the award of the tender the contractor was granted an advance of P3 438 205 to enable him to mobilise to site, and had also secured a performance bond in the sum of P2 250 108 from an insurance broker. However, notwithstanding the facilitation with the provision of the advance, the contractor had not been able to make any progress on the project implementation over a prolonged period, for no clearly stated reasons. This had resulted in termination of the contract in November 2016, 12 months later, on the grounds of continued failure to perform. The performance bond was called up and the advance of P3 438 205 has also been settled.

It has been intimated that fresh invitation for tenders had been issued in early 2017 for the project completion programme. At the time of writing this report I was not aware of the progress made.

While the termination was inevitable, given the slow progress on the project and the contractor's failure to perform, it is my view that such termination should have been considered much earlier as soon as it became evident that the contractor was not up to speed with the project, to minimise the delay in project delivery, and in turn service to the public.

45. **Loss of Cash Through Burglary – Tutume Treasury Cashier Office**

In May 2013, there was a break-in into the Treasury Cashier office in Tutume, and an amount of P505 278 stolen, with a damage cost of P88 258 in resultant repairs to the office building. Following Police investigations 4 suspects, aged between 21 and 22, were apprehended and their cars, clothing and cash totalling P13 960 suspected to have been connected to the burglary impounded. However, when the docket was forwarded to the Director of Public Prosecutions, in September 2015, for assessment of evidence for possible prosecution, the case against all of the suspects was withdrawn before the Magistrate Court for lack of evidence. The Directorate had determined that there was no sufficient evidence that linked the identities of the suspects and their impounded assets to the burglary.

While the Accountant General has reported the case in the Annual Statements as being still under investigation, my assessment is that, given the Directorate of Public Prosecutions case closure and the time lapse since occurrence, the case is not likely to progress much further than where it currently lies. Furthermore, even as the Accountant General stated that the case is under investigation, there is no mention of the share of responsibility for the loss of the company that was engaged to provide security services in all the Treasury Cashier offices throughout the country at the relevant time. As I understand it, it was the duty of the security service provider to install security devices and to be adequately insured for purposes of reimbursing the customer in the event of loss as a result of negligence of his staff.

My view is that while criminal investigations may be in progress, as reported, efforts should be equally directed to the recovery of the money by recourse to the security service provider.

46. **Purchase of Shares in De Beers S.A.**

In a previous report I drew attention to a payment of P1 018 329 939 through the Government Remittances Account at Bank of Botswana which was noted as being for the purchase of shares in De Beers SA. This expenditure was not processed through the books of accounts as there was no budgetary provision in the accounts from which payment would have been made.

However, in an attempt to bring this expenditure to account, the Accounting Officer had charged P344 732 617 against an available balance under statutory expenditure account while the balance of

P673 597 322 was held under advances class of accounts pending availability of funds from some other account(s).

I have advised the Accounting Officer that charging non-statutory expenditure to a statutory expenditure account was not correct, and that he should reconsider this treatment. Despite the considerable lapse of time since the date of my communication, I had still not received his response at the time of writing this report.

## MINISTRY OF LABOUR AND HOME AFFAIRS

### 47. Warranted Provision

The utilisation of funds warranted to the Ministry for the financial year ended 31 March 2017 is indicated below-

<u>Department</u>	<u>Warranted Provision</u>	<u>Actual Expenditure</u>	<u>Over+ Under Expenditure</u>	<u>%</u>
Headquarters	109 143 646	112 221 890	+ 3 078 345	-
Immigration & Citizenship	148 947 217	148 865 531	- 81 686	-
Labour & Social Security	42 195 155	42 422 174	+ 227 019	-
Gender Affairs	17 909 602	17 845 216	- 64 386	-
Civil & National Reg.	<u>49 398 770</u>	<u>48 859 101</u>	<u>- 546 670</u>	<u>-</u>
	367 594 390	370 206 911	+ 2 612 521	0.7

Although the Ministry expenditure is within the approved budget of P380 500 600, it has exceeded the authority of the Finance Warrant under which it is permitted to incur its expenditures. This is largely due to substantial over-expenditures under the Personal Emoluments votes of the Departments of Headquarters and of Labour and Social Security.

### 48. Non-Moving Advances

The non-moving advances which were outstanding on the 31 March 2017 under this Ministry are shown below-

<u>Account</u>	<u>No. of Cases</u>	<u>Amount</u>
Damage to Government Vehicles	4	18 610
Imprest Recoveries	1	(3 975)
Advances-Grade D4 & Below	7	76 621
Loss of Cash	4	183 600
Recoveries of Overpayment of Salaries	22	91 638
Training Bond Liability	1	4 556
Travelling Imprest	<u>8</u>	<u>7 767</u>
	47	378 817

#### Ministry of Employment, Labour Productivity and Skills Development

Imprest Recoveries (Dept. of Labour)	1	3 681
Loss of Cash (Dept. of Labour)	2	68 476

Recoveries of Overpayment of Salaries (Dept. of Labour)	1	737
Travelling Imprest (Dept. Skills Dev.)	1	3 202
Advances-Grade D4 & Below (Dept. Skills Dev.)	<u>2</u>	<u>19 480</u>
	7	95 576

## MINISTRY OF AGRICULTURAL DEVELOPMENT AND FOOD SECURITY

### 49. Warranted Provision

The utilisation of funds warranted to the Ministry for the financial year ended 31 March 2017 is indicated below-

<u>Department</u>	<u>Warranted Provision</u>	<u>Actual Expenditure</u>	<u>Under Expenditure</u>	<u>%</u>
Headquarters	260 450 696	255 921 852	4 528 844	2
Crop Prod. & Forestry	191 312 266	187 164 986	4 147 280	2
Agricultural Research	90 855 791	89 912 583	943 208	1
Animal Production	97 460 949	95 710 458	1 750 491	2
Agric. Business Promotion	34 106 612	32 191 739	1 914 873	6
Veterinary Services	360 810 633	352 122 363	8 688 270	2
Agric. Res. Stats. & Policy	<u>19 618 944</u>	<u>18 135 782</u>	<u>1 483 162</u>	<u>8</u>
	1 054 615 890	1 031 159 762	23 456 128	2

The approved budget for the Ministry was P1 088 013 870 and the amount warranted for Ministerial expenditures was P1 054 615 890, out of which P1 031 159 762 was spent, leaving a year-end unspent balance of P23 456 128, representing 2% of the warranted funds.

### 50. Non-Moving Advances

The non-moving advances which were outstanding on the 31 March 2017 under this Ministry are shown below-

<u>Account</u>	<u>No. of Cases</u>	<u>Amount</u>
Damage to Government Vehicles	6	65 599
Surcharge-Payroll	1	2 171
Imprest Recoveries	5	22 148
Advances-Grade D4 & Below	16	83 550
Loss of Cash – Veterinary Services	3	138 387
Loss of Cash – Cash Shortages	5	16 864
Payroll (Headquarters)	1	347
Recoveries of Overpayment of Salaries	122	1 113 410
Training Bond Liability	2	69 298
Travelling Imprest	<u>45</u>	<u>(36 823)</u>
	206	1 474 952

## MINISTRY OF EDUCATION AND SKILLS DEVELOPMENT

### 51. Warranted Provision

The utilisation of funds warranted to the Ministry for the financial year ended 31 March 2017 is indicated below-

<u>Department</u>	<u>Warranted Provision</u>	<u>Actual Expenditure</u>	<u>Over+ Under Expenditure</u>	<u>%</u>
Headquarters	2 297 402 865	2 313 779 304	+16 376 439	1
Vocational Training Educ.	595 473 480	585 198 080	-10 275 400	2
Tertiary Educ. Financing	3 029 847 450	2 970 561 724	-59 285 726	2
Out of School Educ.	115 276 430	114 255 685	- 1 020 745	1
Curriculum Dev & Evaluation	21 416 393	20 573 182	- 843 211	4
TSM	4 408 386 815	4 404 831 880	-3 554 934	-
Pre & Primary Education	65 430 213	65 162 865	-267 348	-
Secondary Education	888 173 940	878 016 684	-10 157 256	1
Teacher Training & Dev.	107 336 980	104 246 518	- 3 090 462	3
Technical Services	24 506 729	24 354 193	-152 536	1
Info. Comm. & Media Serv.	16 202 110	15 305 381	-896 729	6
Special Support Services	19 697 312	19 697 312	-177 557	1
Educ. Planning & Research	<u>9 209 446</u>	<u>9 316 323</u>	<u>+ 106 877</u>	<u>1</u>
	11 598 537 720	11 525 299 131	-73 238 589	1

While the Ministry expenditures are within the overall warranted provisions, the undernoted Departments had overspent specific items under the Personal Emoluments subheads-

Headquarters

Vocational Training and Education

Tertiary Education Financing

Pre & Primary Education

Secondary Education

Teacher Training & Development

Technical Services

Information, Communications and Media Services

Special Support Services

Educational Planning and Research



52. **Non-Moving Advances**

The non-moving advances which were outstanding on the 31 March 2017 under this Ministry are shown below-

<u>Account</u>	<u>No. of Cases</u>	<u>Amount</u>
Damage to Government Vehicles	9	73 358
Surcharge – Payroll	6	188 281
Emergency Advances – P&P	1	(3 000)
Imprest Recoveries	18	86 856
Advances - Industrial Class – Payroll	25	130 301
Advances – Grade D4 & Below	99	1 164 129
Loss of Cash	12	367 029
Bonded Students Recoveries	490	1 253 430
Grant Loan Scheme	1 903	50 592 348
Students Advance Loan Scheme	3 343	(4 979 912)
Recoveries of Overpayment of Salaries	533	9 029 927
Training Bond Liability	13	1 233 600
Travelling Imprest	<u>108</u>	<u>192 322</u>
	6 560	59 328 669

Ministry of Employment, Labour Productivity and Skills Development

Advances-Grade D4 & Below	2	19 480
Recoveries of Overpayment of Salaries	1	(18 566)
Travelling Imprest	2	(5 370)

The above advances relate to the Department of Skills Development.

Ministry of Tertiary Education Research Science & Technology

Advances – Grade D4 & Below	1	15 000
-----------------------------	---	--------

The above advance relates to the Department of Teacher Training and Technical Education.

53. **Recoveries of Overpayment of Salaries**

As at 31 March 2017 the balance of debts owed by officers, mostly teachers, of the Ministry on account of overpaid salaries was P10 230 287, net of credits of P320 605. An analytical review of the operation of this account had indicated that, of that amount, a total of P9 259 161, representing 88% of total indebtedness, was non-moving for a variety of reasons, including

- (a) Still investigating
- (b) No explanation offered in the spreadsheet
- (c) Officer promised to pay
- (d) Deceased
- (e) Officer retired from public service

While the above factors may have a bearing on the state of these accounts, what was however clearly evident was that there was no sustained follow-up for effective recoveries. For example, I have not been able to appreciate how cases of established overpayment of salaries would still require further investigation and why deceased officers' debts should not be recommended for appropriate determination and finalisation. I consider the proportion of non-moving items too high relative to the total debtor amount. Furthermore, action should have been taken to clear the credit balances by refund of the over-recoveries or correction of errors, as the case may be.

54. **Audit of Accounts – Department of Curriculum Development and Evaluation**

An audit of the accounts and records of the above Department for the year ended 31 March 2017 was undertaken, and the undernoted observations were among the matters drawn to the attention of the Accounting Officer for her consideration and necessary action.

- (a) As far back as November 2013 the Department had engaged a contractor to carry out refurbishment works at its Headquarters building in Gaborone. The works were to be for a period of 5 months while the Department had moved to a temporary rented office accommodation at a monthly rental of P123 685, translating to a total of P618 425 for the entire lease period. However, by an inexplicable turn of events, the refurbishment works had been disappointingly slow, having taken up to 5 years with May 2018 as the targeted completion date, without the Department taking any stern action against the contractor, either by termination or invocation of the penalty clause of the agreement. Meanwhile the rental payments had soared to a level where the approval of the Public Procurement and Asset Disposal Board would be necessary.
- (b) Up to April 2016, the policy was that officers who were sent on training courses would be on full-pay for the first 12 months, and then go on half salary for the subsequent

period. An officer who was sent on a 4-year training course was overpaid an amount of P129 440 as a result of failure to comply with the requirements of the policy in respect of the applicable period up to 31<sup>st</sup> March 2016.

- (c) A scrutiny of the loans register had indicated instances where items of stores had been issued to officers of the Department on short-term loans from as far back as 2013 and 2014 which had still not been returned at the time of the audit. The loans in question included a mattress, projectors, laptops, among others.
- (d) As at May 2017, 12 teachers held a total of P44 300 in respect of travelling imprests which had been drawn when attending a workshop in March 2017.

The above matters were addressed to the Accounting Officer in July 2017, but at the time of writing this report I had not received any comments.

55. **Audit Inspection – McConnell College, Tutume**

An audit inspection was carried out at the above College and the undermentioned observations were among those that were brought to the attention of the Accounting Officer for comment and or action, as may be necessary.

- (a) A scrutiny of the records pertaining to school fees had shown that a total of P1 4 21 550 was outstanding at the time of the inspection, with no indication that efforts were being made to collect these dues. It is my view that where there is a policy of payment of school fees, all those who have undertaken to sponsor students should be prevailed upon to honour their obligations under these contracts, if necessary by escalation of the matter to the Ministry on a case-by-case basis.

In a more general context, it has been noted that there has been a decline in the collection of school fees in secondary schools over the years, as illustrated by the table below.

<u>Year</u>	<u>Estimated Revenue</u>	<u>Actual Collection</u>
2012/13	28 428 000	22 031 965
2013/14	25 000 000	19 422 317
2014/15	15 000 000	16 911 480
2015/16	17 000 000	16 063 563
2016/17	20 000 000	14 868 681

- (b) Instances had been noted where suppliers' invoices amounting to P80 659.75 for the supply of food-rations whose contracts had expired in the previous financial year had not been paid, contrary to the requirements of Financial Instructions which provide that payments should be made in the financial year in which they were incurred, and to Generic Public Service Standards which require that invoices should be settled within 10 days of the receipt of those invoices. In one extreme case a supplier whose contract had expired declined to renew because of a spate of unpaid invoices.
- (c) It was learnt that the billings for water consumed in staff houses did not follow a systematic pattern because of the inconsistencies in meter readings.

A follow-up with the Department of Building and Engineering Services had indicated that the College had earlier been advised that the meters were irreparable and needed to be replaced, albeit at considerable cost.

- (d) The records of library books had shown that a number of books which had been borrowed as far back as 2012 had not been returned, while other books were just missing. While this situation is unavoidable in a library set-up, it is nevertheless considered that in a College environment where the library users are mostly teachers and students the incidence of unreturned and lost books should be maintained within manageable limits. The issue of lost and unreturned books come with a cost in book replacement purchases.

Despite the significance of the above, and other, matters raised, at the time of writing this report I had not received the Accounting Officer's responses.

56. **Audit Inspection – Shashe River Secondary School, Tonota**

Following an audit inspection which was carried out at the above school during the year under review, I addressed a communication to the Accounting Officer drawing her attention to certain matters that I considered unsatisfactory. The main ones of which were the following-

- (a) The school kitchen and dining area were old and dilapidated, generally unsuitable for handling foodstuffs and dining purposes: the cold room was dysfunctional and could not be used for the storage of perishables; cooking facilities pots and pans were not in a working condition; students shared plates and cups as these were in short supply. Floor tiles in the kitchen were old and cracked.
- (b) The supplies of food rations to the school were erratic and unreliable, and in other instances the suppliers could not supply. Altogether, the situation needed reassessment and remediation.
- (c) An inspection visit to the girls' hostel had indicated that the building was in a bad state of repairs with broken doors and water leakages all over, rendering it almost uninhabitable. The building was considered both a security and health risk to the students.
- (d) A test check of supplies in the Economics and Information Technology Departments had revealed that some of the valuable items had not been suitably marked with Government serial numbers as a safeguard in the event of theft or any other act of dishonesty.
- (e) Furthermore, it was noted that the computers in the school were not enough for the students taking Information Technology classes. For example, there were only 25 computers for 72 Form V and 50 Form IV students.
- (f) The school fees register indicated that a total of P1 033 065 was owed in arrears of school fees dating back to previous years. The admission of students into the school is premised on the undertaking that school fees would be paid, and therefore whoever are the sponsors should be followed up to honour their obligations under this undertaking.

Despite lapse of considerable time since my communication to the Accounting Officer, at the time of writing this report I had not received her responses or comments on the foregoing observations.

57. **FNB Students' Allowances Disbursements Account**

In my report for last year I had commented that this account, for the payment of living allowances to Government-sponsored students in local tertiary institutions through a commercial bank, had not been reconciled for a long time to the point where it was evident that the Accounting Officer had lost control over its operation. As at 31 March 2016, the cumulative balance over the years had risen to P1 122 852 010, which could not be explained or accounted for.

In her submission to the 55<sup>th</sup> meeting of the Public Accounts Committee, the Accounting Officer had confirmed that the account had not been reconciled since the inception of arrangement to pay the students through the agency of a commercial bank, in July 2005. She however assured the Committee, which was not the first time she had said that, that in future there would be notable improvement in the maintenance of this account. It had been hoped that this improvement would be noticeable from the accounts of the 2016/17 financial year. In the event, this has not been so, as the account had still carried a cumulative unreconciled balance of P1 659 263 939 as at 31 March 2017, equivalent to roughly 3 years monthly cheque remittances to the Bank.

This situation is highly undesirable that this matter has not been given the attention it deserved, in view of the large numbers of students in local tertiary institutions and the amounts involved.

58. **Uncompleted Projects – Contractor Poor Performance**

During the 55<sup>th</sup> meeting of the Public Accounts Committee, in June 2017, the Accounting Officer briefed the Committee on 4 projects that had been undertaken by the Ministry. The briefing indicated that on all the 4 projects which had been awarded to the same contractor, at different times, progress had been poor. The status of each project was reported as follows-

<b><u>Project</u></b>	<b><u>Status</u></b>
Double Storey Staff Houses for Maiteko. JSS, Mabutsane	Contractor abandoned project since September 2015 at 25% completion. Contractor owed Government P6 188 884.

Double Storey Staff Houses at Moeding College.	Contractor's poor performance referred to UCCSA Board of Governors to follow-up on contractor's poor performance. Without reporting progress the Ministry has undertaken to intervene by drawing a fresh memorandum of agreement.
Staff Houses at Marakanelo JSS, Ncojane.	Project reported complete at P5 077 897 expenditure out of contract price of P10 714 659. This reporting was questionable.
Refurbishment of Curriculum Development Building, Gaborone.	Contractor struggling to complete project. Given notice of termination in July 2015. Contractor opted for mutual termination. As at June 2017 project still not completed.

My recent follow-up with the Department of Technical Services to be apprised of the latest position with respect to projects completion progress, recoveries of moneys owed and any action against the contractor on each of the projects had not been helpful or fruitful as the required information could not be availed. The Ministry have since commented and stated that the Department of Technical Services would be decentralised to 10 regional offices as a way to improve service delivery, but have not given update on the status of the projects under consideration. Indications are that the projects remain uncompleted and unsatisfactory.

## **MINISTRY OF INVESTMENT, TRADE AND INDUSTRY**

### 59. **Warranted Provision**

The utilisation of funds warranted to the Ministry for the financial year ended 31 March 2017 is indicated below-

<b><u>Department</u></b>	<b><u>Warranted Provision</u></b>	<b><u>Actual Expenditure</u></b>	<b><u>Under Expenditure</u></b>	<b><u>%</u></b>
Headquarters	789 507 134	789 035 702	471 433	-
Cooperative Development	39 158 340	38 904 609	253 731	-
Trade & Consumer Affairs	27 172 590	26 987 565	185 025	-
Industrial Affairs	14 454 418	13 787 891	666 527	-
International Trade	16 215 090	15 912 350	302 741	-
Companies & Intellectual Property	<u>2 103 858</u>	<u>2 086 061</u>	<u>17 796</u>	<u>-</u>
	888 611 430	886 714 178	1 897 252	0.2

Out of the expenditure of P886 714 178, an amount of P704 301 296 (79%) related to disbursements by way of grants and subventions to various organisations under the portfolio responsibility of the Ministry. The Department of Registrar of Companies and Intellectual Property has since been established as a statutory corporation, and the financials under the Department relates to salaries and related allowances for seconded staff.

### 60. **Non-Moving Advances**

The non-moving advances which were outstanding on the 31 March 2017 under this Ministry are shown below-

<b><u>Account</u></b>	<b><u>No. of Cases</u></b>	<b><u>Amount</u></b>
Loss of Cash	1	4 422
Recoveries of Overpayment of Salaries	<u>5</u>	<u>25 580</u>
	6	30 002



## MINISTRY OF LOCAL GOVERNMENT AND RURAL DEVELOPMENT

### 61. Warranted Provision

The utilisation of funds warranted to the Ministry for the financial year ended 31 March 2017 is indicated below-

<u>Department</u>	<u>Warranted Provision</u>	<u>Actual Expenditure</u>	<u>Under Expenditure</u>	<u>%</u>
Headquarters	172 467 771	161 477 953	10 989 818	6
Local Govt. Development				
Planning	8 340 080	7 999 138	340 942	4
Planning Health Care	20 597 350	19 065 439	1 531 911	7
Local Govt. Finance & Proc.	3 471 516 239	3 457 666 848	13 849 391	-
Tribal Administration	376 894 930	371 894 949	4 999 981	1
Technical Services	10 410 640	9 837 351	573 289	6
Rural Development	4 001 680	3 633 788	367 892	9
Social Protection	902 626 170	893 539 069	9 087 101	1
Community Development	<u>11 177 870</u>	<u>10 281 963</u>	<u>895 907</u>	<u>8</u>
	4 978 032 730	4 935 396 496	42 636 234	1

Out of the approved estimates of P4 989 920 230 a total of P4 978 032 732 was warranted to the Ministry and the actual expenditure was P4 935 396 496, leaving an unspent balance of P42 636 234, representing 1% of the warranted provision.

### 62. Non-Moving Advances

The non-moving advances which were outstanding on the 31 March 2017 under this Ministry are shown below-

<u>Account</u>	<u>No. of Cases</u>	<u>Amount</u>
Damages to Government Vehicles	4	32 600
Surcharge – Payroll	1	3 326
Emergency Advances – P&P	3	8 876
Advances - Industrial Class – Payroll	1	1 000
Advances – Grade D4 & Below	23	146 946
Loss of Cash	1	32 564
Recoveries of Overpayment of Salaries	37	480 011
Travelling Imprest	<u>9</u>	<u>20 522</u>
	79	725 845

63. **Accounting for Old Age Pensions**

The monthly payments of old age pensions and similar benefits are administered by the Department of Social Protection in the Ministry of Local Government and Rural Development and paid through the network of post offices throughout the country. The Department makes advances to the BotswanaPost, which would in turn make cash resources available to post offices. The advances so made are to be accounted for by submission of a return of disbursements and a refund of any unpaid benefits. I understand that the period allowed for the submission of the return is 6 months.

The audit follow-up on these transactions had indicated that while the returns of disbursements were made within this period, but the cheques for unclaimed benefits did not always accompany the submission of disbursements. The receipt of the cheques from BotswanaPost took what I considered unreasonably long periods. For example, the cheques in respect of unclaimed benefits totalling P33 723 248 covering the period from November 2014 to October 2015 were not forwarded until during the 2016/17 financial year; while the cheques for unpaid benefits totalling, at least, P26 063 010 for 2016/17 remittances were still yet to be received by October 2017.

While the period of 6 months allowed for advances to be accounted for is considered generous, the delay in following up the refunds of unclaimed benefits is unreasonable and unacceptable as it carries the risk of loss of control over these funds.

## MINISTRY OF MINERALS, ENERGY AND WATER RESOURCES

### 64. Warranted Provision

The utilisation of funds warranted to the Ministry for the financial year ended 31 March 2017 is indicated below-

<u>Department</u>	<u>Warranted Provision</u>	<u>Actual Expenditure</u>	<u>Under Expenditure</u>	<u>%</u>
Headquarters	185 260 303	179 047 975	6 212 328	3
Geological Surveys	30 310 450	27 797 325	2 513 125	8
Water Affairs	105 465 060	103 291 706	2 173 354	2
Mines	22 333 247	21 137 192	1 196 055	5
Energy Affairs	<u>18 533 020</u>	<u>17 828 071</u>	<u>703 949</u>	<u>4</u>
	361 902 020	349 103 269	12 798 811	4

In the year under review, the Ministry has recorded lower expenditures of P349 103 269 than in the previous year at P371 904 088. The warranted provision had also been reduced from P381 326 380 to P361 902 080 in this year.

### 65. Non-Moving Advances

The non-moving advances which were outstanding on the 31 March 2017 under this Ministry are shown below-

<u>Account</u>	<u>No. of Cases</u>	<u>Amount</u>
Damages to Government Vehicles	5	75 864
Surcharge-Payroll	5	10 415
Imprest Recoveries	1	675
Advances -Industrial Class - Payroll	1	2 100
Loss of Cash	5	116 532
Recoveries of Overpayment of Salaries	30	270 779
Training Bond Liability	2	31 753
Travelling Imprest	<u>9</u>	<u>12 483</u>
	58	520 601

## MINISTRY OF HEALTH AND WELLNESS

### 66. Warranted Provision

The utilisation of funds warranted to the Ministry for the financial year ended 31 March 2017 is indicated below-

<u>Department</u>	<u>Warranted Provision</u>	<u>Actual Expenditure</u>	<u>Over+ Under Expenditure</u>	<u>%</u>
Headquarters	823 349 848	811 920 617	-11 439 330	1
Policy, Planning, Monitoring & Evaluation	8 055 150	7 734 790	- 320 360	4
Health Section Relations	153 736 520	151 940 111	- 1 796 409	1
Clinical Services	4 863 394 471	4 895 796 439	+32 401 967	1
AIDS Prevention & Care	102 541 627	96 624 037	- 5 917 589	6
Health Inspectorate	<u>6 354 924</u>	<u>5 842 347</u>	<u>- 512 577</u>	<u>8</u>
	6 069 542 980	6 077 299 842	+ 7 756 862	-

This is the third time in three years that the Departments of the Ministry had overspent the funds sub-warranted to them by the Accounting Officer by significant amounts, and the second time in the same period that the Ministry budget is overspent. In 2014 the Ministry had overspent by P30 137 555, resulting from over-expenditures under the Department of Clinical Services. In the year under review, the same Department was overspent by P32 401 967, resulting in Ministry over-expenditure of P7 756 862.

### 67. Non-Moving Advances

The non-moving advances which were outstanding on the 31 March 2017 under this Ministry are shown below-

<u>Account</u>	<u>No. of Cases</u>	<u>Amount</u>
Damages to Government Vehicles	17	169 880
Surcharge – Payroll	4	53 933
Emergency Advances – P&P	6	22 775
Imprest Recoveries	122	627 757
Advances -Industrial Class -Payroll	36	62 850
Advances – Grade D4 & Below	57	341 358
Loss of Cash	2	37 150
Recoveries of Overpayment of Salaries	434	4 304 513
Training Bond Liability	17	1 348 513
Travelling Imprest	<u>243</u>	<u>743 915</u>
	938	7 712 644

68. **Audit of Accounts – Ministry Headquarters**

The accounts of the Ministry Headquarters for the financial year ended 31 March 2017 were audited and the undernoted were among the matters that were raised and brought to the attention of the Accounting Officer for her comments.

- (a) As earlier indicated, the Ministerial financial provision for the year was overspent to the tune of P7 756 862, largely because of major over-expenditures under the Department of Clinical Services and other departments, under the following items, to the extent shown-

<u>Department/ Expenditure Item</u>	<u>Warranted Provision</u>	<u>Actual Expenditure</u>	<u>Over Expenditure</u>
<b><u>Clinical Services</u></b>			
Basic Salary	1 771 896 240	1 779 537 391	7 641 151
Allowances	572 191 650	656 824 976	84 633 326
Overtime	59 973 588	62 768 574	2 794 986
Transportation (External)	579 167	1 040 885	461 718
<b><u>Public Health</u></b>			
Basic Salary	54 729 600	54 904 969	175 369
<b><u>AIDS Prevention &amp; Care</u></b>			
Basic Salary	11 578 978	11 961 738	382 760
Allowances	3 251 643	3 347 656	96 013
Safe Male Circumcision	3 618 790	4 205 448	586 658
<b><u>Health Inspectorate</u></b>			
Basic Salary	2 507 230	2 588 970	51 740
Allowances	431 404	445 260	13 886
<b><u>Health Sector Relations</u></b>			
Basic Salary	3 048 740	3 054 738	5 998

- (b) Examination of payroll records had indicated some shortcomings and weaknesses that needed urgent investigation and corrective action in respect of the undernoted matters –

- (i) Officers were on the payroll system whose posts did not exist in the personnel management system, for which no explanation could be offered.
  - (ii) Overpayment of salaries and allowances to officers who were not entitled thereto by reason of service having been terminated or any other cause. The accounts of the Accountant General indicate the figure as P5 480 052 as at 31 March 2017, of which P4 304 513 (79%) was non-moving.
- (c) Similarly, according to the Ministry records, an amount of P3 657 499 was outstanding as at 31 March 2017 in respect of training bond liabilities, while those of the Accountant General showed a figure of P2 280 099, of which P1 348 513 (59%) was non-moving.
- (d) An examination of the records for the payment of utilities had revealed that telephone bills at the residence of the former Minister had continued to be paid from the Ministry vote from 2014 to-date. In the circumstances, these incorrect payments are recoverable from the former Minister.
- (e) Two vehicles which had been sent to private garages, one for engine overhaul and the other for mechanical repairs, in 2014 and 2015, respectively had still not been returned at the time of the audit inspection. By any account, these are unreasonably long periods with implications on service delivery of the Department concerned.

Despite the significance of the above, and other matters raised, at the time of writing this report I had not received the Accounting Officer's responses.

69. **Government-Sponsored Students Not Employed**

From a scrutiny of correspondence between the students who had been sponsored by Government, through the Department of Tertiary Education Financing, to study degree courses in Biotechnology in Malaysia and the Ministry regarding their employment, it became evident that these students would not be employed by the Ministry nor engage in practice as Biotechnologists in Botswana. The main and only reason being that this degree course is not registerable with the Botswana Health Professions Council under the Botswana Health Professions Act.

I understand that there were altogether 28 students who were enrolled on this course for a 4-year period of study and have all completed and returned to Botswana: 8 in 2013 and 20 in 2014. All of these are currently unemployed in line with their field of training. The summation of this situation is that the resources expended on long-term training of these students abroad, by no means insubstantial, have not benefitted the country in terms of achieving the objective of the sponsorship, which was for these students to come back after their studies and contribute to the economy of this country at a level commensurate with their training.

It is disheartening, to say the least, to note that such a large number of students would be sponsored for studies abroad by a Government Department without ensuring that the placement and training of these students was relevant and would be beneficial to the country.

70. **Construction of Staff Houses – Institute of Health Sciences, Gaborone**

In his annual report for the financial year ended 31 March 2013, my predecessor had reported that the contractor for the construction of 24 staff houses in Block 6 suburb of Gaborone, at a contract price of P28 852 081, had not been able to complete the project, despite a generous time extension from April 2010 to February 2011. When the Department of Building and Engineering Services had sought to engage another contractor to speed up project completion, the contractor, who had already been paid P30 849 848, obstructed that course of action, and finally declared a dispute whereupon the matter was referred to legal counsel. At that point, in July 2012, the contractor had suspended work and moved from site.

My latest enquiries with the concerned Ministries of Health and Wellness and of Infrastructure and Housing Development had elicited that the dispute had been resolved, and that, while the houses remained under the custody of the main contractor, another contractor had been engaged to undertake additional works at a cost of P9 296 000 with a targeted completion date of October 2017, when, hopefully, the project would be handed over to the client Ministry.

While it is gratifying to note that the project is finally coming to completion, it is nevertheless of some concern that this project has gone through protracted delays of some 6 years, resulting in substantial cost over-runs, as well as defeating the very purpose of the project, to relieve the perennial housing shortages for public officers.

71. **Audit Inspection – Mahalapye District Hospital**

An audit inspection was conducted at the above hospital in October 2017, and the undernoted matters were brought to the attention of the Accounting Officer for her consideration and comment.

- (a) Although the hospital had 5 lockable cash boxes, these were not used by the revenue collectors for the safe custody of their revenue collections. Instead they used small boxes which were not even lockable, thus exposing the revenue collections to the risk of loss.
- (b) The Supplies Ledger Cards, as the main stores accounting records, were not maintained to the required standard in the manner prescribed by Supplies Regulations and Procedures in that an audit test check had revealed discrepancies between the physical stocks and the ledger balances. The discrepancies involved such high value and attractive items as Cellular phones, Fax Machines, Television sets and Microwaves.
- (c) With specific reference to the 269 cellular phones on charge to the hospital, the ledger-card reflected a balance of 119, while the physical count in the storeroom showed 115, of which 94 were new and 21 returns from users. More substantively, I have not been able to appreciate the rationale for keeping large stocks of these obsolescence-prone items.

72. **Audit Inspection – Sekgoma Memorial Hospital, Serowe**

An audit inspection carried out at the above hospital had given rise to some observations, the main ones of which were the following –

- (a) While the Statement of Arrears of Revenue in the Annual Statements showed that, apart from the total of P151 666 which was abandoned in respect of Private In/Out-Patients Fees, during the year of account there were no outstanding arrears under the Department of Clinical Services at year-end, our inspection had observed that an amount of, at least, P1 885 was outstanding as at 31 March 2017 in Private Out-Patients Fees at this hospital. The figure had risen to P40 590 by September 2017, including Telephones and Private In-Patient Fees.



- (b) A test check of the physical stocks against ledger balances had indicated that a number of items of stores had not been taken on charge in the Supplies Ledger Card as the main stores accounting record. The items not so recorded included high value stores such as –
- Yamaha Generator (1)
  - Telecopier Fax Machine (1)
  - Heavy Duty Linen Scale (1)
  - Medium Food Display Cabinet (1)
  - Computer Stands (40)

This is an indication that stores accounting at this hospital is not maintained to the standard required by Supplies Regulations and Procedures, with the risk that items may be lost without detection or trace.

73. **Audit Inspection – Sefhare Primary Hospital**

An audit inspection which was conducted at the hospital had revealed that for all the varieties of stores (permanent and consumable) on charge to the hospital there were no stores accounting records maintained since 2009 for accountability purposes and to facilitate detection and trace in the event of loss through dishonesty or any other cause. At the time of the inspection, the exercise had been started, in June 2017, to up-date the Stores Ledger Cards and Consumable Stores Registers. Needless to say, the success of the exercise will be only to the extent of satisfactory recording of the currently existing stores assets.

In the case of the kitchen supplies, however, an attempt had been made to maintain the Rations Ledger, but this was not up-to-date, as an audit test check of the physical stocks against the ledger balances had disclosed discrepancies.

## ADMINISTRATION OF JUSTICE

### 74. Warranted Provision

The utilisation of funds warranted to the Department for the financial year ended 31 March 2017 is indicated below-

<u>Department</u>	<u>Warranted Provision</u>	<u>Actual Expenditure</u>	<u>Under Expenditure</u>	<u>%</u>
Administration of Justice	254 575 060	241 497 025	13 078 035	5

The approved and warranted funds for the Department for the year was P254 575 060, and the actual expenditure amounted to P241 497 025, representing 95% funds utilisation. Although the overall expenditure is within the warranted provision, there was an over-expenditure of P100 006 under the Overtime item with an expenditure of P3 397 307.

### 75. Non-Moving Advances

The non-moving advances which were outstanding on the 31 March 2017 under this Department are shown below-

<u>Account</u>	<u>No. of Cases</u>	<u>Amount</u>
Damages to Government Vehicles	2	14 116
Imprest Recoveries	8	29 289
Advances – Grade D4 & Below	2	3 399
Loss of Cash	2	70 744
Recoveries of Overpayment of Salaries	17	62 825
Travelling Imprest	7	37 139
District Imprest	<u>3</u>	<u>23 001</u>
	41	240 513

### 76. Renovations of Judges Residential Houses, Francistown High Court

An audit inspection of the Francistown High Court which was carried out in October 2017 was extended to the residential houses of the Honourable Judges to check on the reported poor condition of those houses. The visit to the houses had in fact confirmed the general poor condition of all 3 houses almost to the point of being unsuitable for occupation by officers of the stature of Honourable Judges, for reasons

of security and basic comfort. Without detailing all the weaknesses and shortcomings by individual houses, the general areas of concern covered dysfunctional amenities and accessories, including electric gate, security fence, main gate motor, cooking stoves, swimming pools, intercom, geysers, air conditioners, fire alarms, ovens, plugs, to name but a few.

However, even as the numerous items of concern were noted during the inspection visit in October 2017, it was inferred from the final inspection meeting chaired by the Accounting Officer in November 2017 that all these were snags which had been drawn to the attention of the contractor who had been engaged to carry out the renovations at the houses. Indications are that these snags might not have been attended to judging by the condition of the houses.

My attempt to obtain information on the renovation project with regard to its satisfactory completion, and the cost thereof, was unsuccessful as it was not readily available at the time. I am therefore unable to certify whether value for money had been obtained from the project. However, notwithstanding the foregoing, the defects and shortcomings in the houses have to be attended to.

77. **Audit of Accounts – High Court, Gaborone**

The audit of accounts and records of the High Court, Headquarters in Gaborone for the financial year ended 31 March 2017 gave rise to a number of observations and comments, the main ones of which were the following-

- (a) Two Honourable Judges who were on transfer to the Francistown High Court stayed in hotel accommodation for long periods, of one year in one case, and 5 months in another, at a total cost of P2 235 829. The explanation offered for the protracted stay was that the official residences that the Judges were to occupy were under refurbishment. I have commented elsewhere in this report that I had not been able to obtain information on the refurbishment project to enable me to assess whether value for money from the project had been obtained; and flowing from there, whether the costs of hotel stay were justified in the circumstances.
- (b) A number of instances had been noted where lawyers who had been engaged by Government on *pro deo* cases had submitted claims for fees far in excess of those set out in the tariff guide. While the claims had been

taxed and paid at the appropriate level, against the backdrop of inflated claims, there is always the danger that incorrect payments may be made in these cases.

- (c) Six shock briefcases which had been purchased for use by revenue collectors were found in the storeroom and not in use as the revenue collectors had not been inducted on their locking mechanism. I have not been provided any information regarding their planned future use. Unless they are brought into use, this may turn out to have been a wasteful expenditure while the security of the revenue collections remains at risk.
- (d) As at 31 March 2017, travelling imprests totalling P38 819 were outstanding and overdue covering the period from 2004/05 (data take-on) or earlier, to-date. Out of that amount, P7 241 was more than 12 years old. I am concerned that these financial matters are not given the necessary attention which, very often, is the source of loss of public funds through write-offs.
- (e) A book detection machine which was installed in the library in April 2012 has not functioned since then, and the supplier who had been contracted on a supply-and-fit basis has so far still not successfully operationalised the machine, with resultant loss of benefit from use of the machine and the manufacturer's warranty. The contractor was paid an amount of P470 400.
- (f) A circular issued by the Ministry of Finance and Economic Development set the limit for the purchase of official cellular phones for use by officers at P5 000, and that any additional amount in excess of that limit would be paid for by the officers.

However, instances had been noted where cellular phones had been purchased for P15 000, without recoveries of excesses above the laid down limit.

The arrangement under which officers contribute 10% of the cost of usage of cellular phones had also not been complied with, resulting in officers unpaid contributions of P44 107 covering the period from April 2016 to November 2016.

At the time of writing this report I had not received the Accounting Officer's comments on these, and other matters raised in my communication to him.

78. **Audit Inspection – High Court, Francistown**

An audit inspection was carried out at the Francistown High Court as an extension of the audit of accounts at Headquarters, and a number of observations were raised and brought to the attention of the Accounting Officer for his comments. The more significant of the matters raised were the following-

- (a) I have already commented on the two Judges who were transferred to the Francistown High Court and had to stay for long periods of time in hotels at considerable cost as their official residences were undergoing refurbishments. As stated on that reporting, I had not been afforded the opportunity to appreciate the contractors' performance on the refurbishment project with the resultant total costs, by provision of the relevant details of the project.
- (b) In another case, a Judge who had been transferred from Gaborone to Francistown High Court had sourced his own accommodation from the private market at a monthly rental of P8 000, without the involvement of the Office of the Registrar who would have possibly sourced a rent-free official residence from the Government pool housing or a house of equivalent standard from the private market. At the time of the audit inspection, the lease agreement had reportedly not been signed and rental arrears of P32 000 outstanding.
- (c) As a control measure over the payments connected with the engagement of *pro deo* counsels, the Accounting Officer had exhorted his deputies in the regions to confine the allocation of such services to local attorneys to save on travel and hotel expenses. However, instances had been noted where attorneys from the southern bar had been engaged in cases in the northern region.
- (d) A contract was awarded for the refurbishment of the building access control system, at a cost of P2 552 960. The contract period was from October 2015 to January 2016. However, this completion period was not achieved, and time extension to November 2016 was granted together with cost escalation to P2 801 662. Despite this

extension, as at the time of the audit inspection in October 2017, the project had still not been completed: the outstanding items related to access control system, the boom gates, training, etc.

- (e) A book detection machine had been installed in the library at the Francistown High Court in 2011, which has not functioned satisfactorily since then, in that it fails to activate and deactivate books on issue and on return. A similar experience had been reported at the Lobatse High Court with the same supplier.
- (f) Contracts were entered into with 3 successive suppliers for the supply of Botswana regular newspapers to the library, at significantly varied prices. The developments on these contracts, all characterised by advance payments, are indicated below-
  - (i) With the first supplier the initial contract was for 6 months at a price of P15 513.60. However, during the currency of the contract, the contractor declared his inability to supply and promised to refund the balance of P4 631.60. Since the supply stoppage in March 2015 this amount had still not been refunded as at October 2017.
  - (ii) Consequent upon failure of the first supplier, another contractor was engaged to supply from May 2017 to October 2017 (6 months) at a price of P28 824.45. Three months into the contract, the supplier stated that he was experiencing financial difficulties and would be unable to continue with the supply. As at October 2017 the balance representing the remaining period was still yet to be recovered.
  - (iii) In August 2017 another contract was entered into with yet another supplier for 3 months' supply to November 2017 at a contract price of P17 702.70. At the time of the audit inspection the contract was still on-going.

I would expect that Government Departments would contract for these services with established business entities that would honour their obligations without exposing Government to the risk of loss of public funds, as appears likely in these cases.

## ATTORNEY GENERAL'S CHAMBERS

### 79. Warranted Provision

The utilisation of funds warranted to the Attorney General's Chambers for the financial year ended 31 March 2017 is indicated below-

<u>Department</u>	<u>Warranted Provision</u>	<u>Actual Expenditure</u>	<u>Under Expenditure</u>	<u>%</u>
Attorney General	198 158 280	181 060 214	17 098 066	9

The approved and warranted funds for the Chambers for the year was P198 158 280, and the actual expenditure was P181 060 214, representing 91% utilisation of the warranted provision, compared to 96% in the previous year.

### 80. Non-Moving Advances

The non-moving advances which were outstanding on the 31 March 2017 under these Chambers are shown below-

<u>Account</u>	<u>No. of Cases</u>	<u>Amount</u>
Damages to Government Vehicles	2	18 666
Surcharge – Payroll	1	13 161
Imprest Recoveries	1	1 331
Recoveries of Overpayment of Salaries	4	43 024
Travelling Imprest	<u>4</u>	<u>16 681</u>
	12	92 863

## OFFICE OF THE AUDITOR GENERAL

### 81. Warranted Provision

The utilisation of funds warranted to the Office for the financial year ended 31 March 2017 is indicated below-

<u>Department</u>	<u>Warranted Provision</u>	<u>Actual Expenditure</u>	<u>Under Expenditure</u>	<u>%</u>
Auditor General	56 715 520	56 242 257	473 263	0.8

Despite the supplementary estimates of P2 942 150 approved by a resolution of the National Assembly during the March 2017 sitting of the House, the Office had an over-expenditure of P51 277 under the Personal Emoluments subhead at year-end.

### 82. Non-Moving Advances

The non-moving advances which were outstanding on the 31 March 2017 under this Office are shown below-

<u>Account</u>	<u>No. of Cases</u>	<u>Amount</u>
Advances - Industrial Class -Payroll	2	3 000
Advances- Grade D4 & Below	1	910
Recoveries of Overpayment of Salaries	2	5 045
Travelling Imprest	<u>1</u>	<u>29 288</u>
	6	38 243



## MINISTRY OF INTERNATIONAL AFFAIRS AND COOPERATION

### 83. Warranted Provision

The utilisation of funds warranted to the Ministry for the financial year ended 31 March 2017 is indicated below-

<u>Department</u>	<u>Warranted Provision</u>	<u>Actual Expenditure</u>	<u>Under Expenditure</u>	<u>%</u>
Headquarters	85 008 510	84 761 483	247 027	-
Washington	28 177 109	27 923 025	254 084	1
New York	36 071 480	35 725 667	345 813	1
London	26 425 940	26 363 828	62 112	-
Lusaka	8 124 680	7 876 538	248 142	3
Brussels	17 397 940	17 095 999	301 941	2
Stockholm	13 658 030	13 443 708	214 323	2
Harare	12 254 140	12 052 326	201 814	2
Windhoek	8 804 340	8 178 778	625 562	7
Beijing	28 052 150	27 694 114	358 036	1
Geneva	38 754 370	38 680 546	73 824	-
Pretoria	12 261 980	12 102 650	159 330	1
Johannesburg	8 855 860	8 607 222	248 638	3
Tokyo	22 189 760	22 177 416	12 344	-
Addis Ababa	15 077 210	15 045 869	31 341	-
Nairobi	16 351 350	16 165 383	185 967	1
New Delhi	20 036 540	19 848 036	188 504	1
Abuja	18 970 140	18 517 681	452 459	2
Brasilia	16 536 390	16 209 890	326 500	2
Kuwait	7 886 700	7 644 448	242 252	3
Maputo	14 669 040	14 588 419	80 621	1
Berlin	<u>16 031 921</u>	<u>15 857 274</u>	<u>174 647</u>	<u>1</u>
	492 139 280	486 992 789	5 146 491	1

Except for minor over-expenditures under specific items, all Departments of the Ministry are within their warranted provisions, as is the overall Ministry performance recording 99% budget utilisation, compared to 97% last year.

84. **Non-Moving Advances**

The non-moving advances which were outstanding on the 31 March 2017 under this Ministry are shown below-

<u>Account</u>	<u>No. of Cases</u>	<u>Amount</u>
Damages to Government Vehicles	2	31 231
Imprest Recoveries	1	1 390
Loss of Cash	1	647 413
Recoveries of Overpayment of Salaries	6	144 433
Travelling Imprest	<u>13</u>	<u>29 535</u>
	23	854 002

85. **Audit of Accounts – Botswana High Commission, Lusaka**

The audit of the accounts and records of the above Botswana Diplomatic Mission for the financial year ended 31 March 2017 was carried out and the observations thereon addressed to the Accounting Officer for comments, but at the time of writing this report his comments had not been received. The more significant matters raised were the following-

- (a) My review of the receipts of the refunds of the taxes paid to the local tax authorities over the last 5-year period had indicated a significant drop in the last 2 years, recording nil receipts in the previous year and a paltry P3 912 in the year under review, compared to P23 912, P17 933 and P21 538, respectively, in the preceding 3 years.

In my view this drop in revenue suggests tardiness in the follow-up of claims and collections from this source.

- (b) During the year under review, the Mission conducted an auction sale of unascertained properties which realised an amount of P7 179. A scrutiny of the sale documents indicated that the buyers were largely locally recruited members of staff, giving an impression that this was a restricted sale.

I have requested the Accounting Officer to advise whether his approval and that of the Ministerial Tender Committee had been obtained for this course of action.

- (c) With regard to imprest advances drawn for duty travel outside duty station, I have sought advices and clarifications on what I considered were incorrect per diem rates for the countries visited, and in one case, on imprest expenditures which appeared overstated.
- (d) A Department of Government had issued a Letter of Authority to the Mission authorising the Mission to incur expenditures connected with that Departmental officers' posting to the Mission, and indicated the votes of charge and the amounts thereof. However, the Department had not shown the vote of charge for rental payments for the officers' residence, which resulted in the Mission treating rental payments as incidental expenses, although these payments are regular and of significant amounts, which totalled P161 358 in the year under review. In this connection, Financial Instructions and Procedures stress the importance of correct allocation of expenditures to the appropriate accounts for accuracy of accounts presentation.
- (e) Instances had been noted where the discharge and acquittance of payments had not been in strict accordance with the requirements of Financial Instructions and Procedures with regard to attachment of necessary support documentation to the payment vouchers. For instance, there was no evidence to show that payment of P30 717 for concessionary leave travel to Botswana for 3 members of locally recruited staff was authenticated by a senior officer and that the concession was duly earned and authorised. In another instance, the payment of P23 579 for medical charges was not supported by detailed documentary evidence of services provided authenticated by the patients' signatures.
- (f) In February 2017, the Mission commissioned refurbishment works in one of the flats at the Town Houses, at a cost of P59 216. In the same month the Mission had also engaged contractors for fumigation and for maintenance services at all the flats, including the one being refurbished. I had not been able to appreciate why and how, maintenance and fumigation services could be carried out simultaneously with refurbishment works on the same property, in the case of the flat under refurbishment.

86. **Audit of Accounts – Botswana Embassy, Kuwait**

Following the audit of the accounts and records of the Botswana Embassy in Kuwait for the financial year ended 31 March 2017, I addressed my observations to the Accounting Officer for his consideration and comments. He has since responded, but has not given complete responses on all the matters raised as in the following instances on which full and comprehensive answers are yet to be provided –

- (a) The review of the utilisation of funds approved for the Mission for the period from 2012/2013 to 2015/2016 had indicated that this was of the order of 75% to 82%, while for the year 2016/2017 this had somewhat improved at 91%. The earlier figures had suggested, in my view, that the Mission's approved budget was far in excess of requirements. The Accounting Officer has not indicated whether he plans to align his future budgetary requests with the actual requirements in the light of this revelation.
- (b) The Government of Kuwait has generously offered financial assistance to the Mission for the payment of wages and rental payments for staff residences. While the receipt of the financial assistance is initially accounted for under the deposits, there is no clarity on the definitive accounting treatment for these funds in relation to the budgetary provisions of the respective expenditure items. Inconsistencies had been noted where the payments of wages for locally recruited staff were charged to the recurrent expenditure vote and others where they were paid from the deposit account.
- (c) The Mission subscribed to a medical aid scheme for the diplomatic staff and the Ambassador's housekeeper, at a premium of P195 800 per annum. In the year under review, the Mission paid for medical expenses in the total amount of P68 932, for which no claim for refund had been submitted to the insurers. The Accounting Officer is yet to offer an explanation for this course of events. Furthermore, the last refund for medical expenses was in the financial year 2012/2013 in the amount of P11 587, and none has been received since then, to-date, although revenue estimates had consistently been made for all the subsequent years.
- (d) In February 2017, the Mission paid an amount of P59 496 being the cost of hotel accommodation charges for 2

Ministers and 1 senior officer during their official visit to Dubai, and charged the expenditure to a deposit account under the control of the Mission. Subsequently, the hotel refunded P43 514, leaving a balance of P15 981 still to be cleared from the deposit account. At the time of writing this report, I had not been advised how this balance had been dealt with.

- (e) Instances had been noted where payments from the Mission funds had not been properly supported by appropriate and necessary documentation, as in the undernoted cases –
  - (i) The Counsellor's end-of-tour hotel payment in the amount of P7 174 for 3 days was supported by a proforma invoice, instead of an end-of-stay itemised bill authenticated by the guest's signature.
  - (ii) The payment for the insurance policy cover for the Mission staff residences made on January 2017 in the amount of P2 772 was supported by a payment receipt and copy of a paid cheque.
  - (iii) Similarly, the payment for the medical insurance cover for the newly posted Counsellor in the amount of P25 653 was supported by a payment receipt and copy of a paid cheque. A receipt is only an acknowledgement of payment having been received, and does not explain the circumstances of the payment.

## INDEPENDENT ELECTORAL COMMISSION

### 87. Warranted Provision

The utilisation of funds warranted to the Commission for the financial year ended 31 March 2017 is indicated below-

<u>Department</u>	<u>Warranted Provision</u>	<u>Actual Expenditure</u>	<u>Under Expenditure</u>	<u>%</u>
Ind. Electoral Commission	55 686 490	48 150 618	7 535 872	14

In the year under review the warranted provision was P55 686 490, compared to P51 823 690 recording an increase of P3 862 800 whereas the expenditure showed a decrease from P49 253 337 in the previous year to P48 150 618 which reflected an 86% budget utilization, compared to 95% utilization in the previous year.

### 88. Non-Moving Advances

The non-moving advances which were outstanding on the 31 March 2017 under this Commission are shown below-

<u>Account</u>	<u>No. of Cases</u>	<u>Amount</u>
Recoveries of Overpayment of Salaries	1	2 196
Travelling Imprest	<u>2</u>	<u>(2 281)</u>
	3	(85)

## OFFICE OF THE OMBUDSMAN

### 89. Warranted Provision

The utilisation of funds warranted to the Office for the financial year ended 31 March 2017 is indicated below-

<u>Department</u>	<u>Warranted Provision</u>	<u>Actual Expenditure</u>	<u>Under Expenditure</u>	<u>%</u>
Ombudsman	24 432 580	22 632 036	1 800 544	7

As in previous years, the Office has performed fairly well with 93% funds utilisation, compared to 93% in the previous year and 92% in the year before.

### 90. Non-Moving Advances

The non-moving advance which was outstanding on the 31 March 2017 under this Office is shown below-

<u>Account</u>	<u>No. of Cases</u>	<u>Amount</u>
Travelling Imprest	1	1 716

## MINISTRY OF LANDS AND HOUSING

### 91. Warranted Provision

The utilisation of funds warranted to the Ministry for the financial year ended 31 March 2017 is indicated below-

<u>Department</u>	<u>Warranted Provision</u>	<u>Actual Expenditure</u>	<u>Under Expenditure</u>	<u>%</u>
Headquarters	550 345 360	546 061 500	4 283 860	1
Housing	144 684 720	144 415 233	269 487	-
Surveys & Mapping	32 629 956	32 428 172	201 784	1
Town & Regional Planning	25 329 470	25 149 005	180 465	1
Lands	46 078 534	45 555 930	522 604	1
Registrar of Deeds	10 393 890	10 140 959	252 931	2
Technical Services	<u>6 400 990</u>	<u>5 830 590</u>	<u>570 400</u>	<u>9</u>
	815 862 920	809 581 389	6 281 531	1

The approved estimates for the Ministry was P833 239 050, and a total of P815 862 920 was warranted to the various Departments of the Ministry, out of which the expenditure was P809 581 389, leaving unspent balance of P6 281 531 at year-end.

### 92. Non-Moving Advances

The non-moving advances which were outstanding on the 31 March 2017 under this Ministry are shown below-

<u>Account</u>	<u>No. of Cases</u>	<u>Amount</u>
Emergency Advances P & P	1	1 900
Imprest Recoveries	1	(1 810)
Advances -Industrial Class -Payroll	1	(250)
Advances – Grade D4 & Below	1	17 500
Loss of Cash	2	308 520
Recoveries of Overpayment of Salaries	6	68 690
Training Bond Liability	4	279 460
Travelling Imprest	<u>8</u>	<u>89 052</u>
	24	763 062



93. **Audit Inspection – Department of Water Affairs, Francistown**

An audit inspection which was carried out at the above Department brought to light instances of lack of proper management of the resources under the charge of the Department at the station. The instances which were brought to the attention of the Accounting Officer were among others, the following-

- (a) At the time of the audit visit, at least 16 motor vehicles had been sent to Central Transport Organisation workshop for repairs and service and had not been returned for long periods of time, in one extreme case for the whole year. I am not aware what follow-ups are made in these cases, as the extended delays in the return of vehicles impact adversely on the service delivery of the Department.
- (b) The records at the Department indicated that high value and attractive items of stores such as tents, mattresses and gas cylinders, had been lost by identified officers on various dates, the earliest dating back to September 2014. To-date, I am not aware what action has been taken to address these losses.
- (c) A total of P99 403 was owed by farmers in arrears of lease rentals of Government boreholes under the Department. These arrears date many years going back to 2005, and there is no indication of vigorous follow-up for the recovery of these debts to Government. The implication is that, with the increasing passage of time, these debts may become difficult to collect as they accumulate beyond the farmer's ability to pay with resultant losses to Government. In one case the borehole is indicated having been sold.

**MINISTRY OF ENVIRONMENT, NATURAL RESOURCES CONSERVATION  
AND TOURISM**

94. **Warranted Provision**

The utilisation of funds warranted to the Ministry for the financial year ended 31 March 2017 is indicated below-

<u>Department</u>	<u>Warranted Provision</u>	<u>Actual Expenditure</u>	<u>Over+ Under Expenditure</u>	<u>%</u>
Headquarters	169 784 080	168 538 338	-1 245 742	1
Wildlife & National Parks	220 854 060	230 731 654	+9 877 594	4
Tourism	19 243 597	19 025 398	- 218 199	1
Meteorological Services	50 765 245	52 450 563	+1 685 319	3
Sanitation & Pollution	19 267 374	19 236 525	- 30 849	-
Forestry & Range Resources	79 879 058	78 653 164	-1 225 894	2
Environmental Affairs	21 389 148	20 868 907	-520 241	2
NMMAG*	<u>24 320 578</u>	<u>24 158 567</u>	<u>-162 011</u>	<u>1</u>
	605 503 140	613 663 117	+8 159 977	1

\* National Museum, Monuments and Art Gallery.

Last year the approved estimates and warranted provision for the Ministry was P626 721 130, and this year both the approved estimates and the warranted provisions had been reduced to P615 444 400 and P605 503 140, respectively.

These reduced budgetary allocations had resulted in over-expenditures under 2 Departments and in the overall the Ministry budgetary performance. In all cases the over-expenditures occurred under items under the Personal Emoluments subheads of the following Departments:

- Headquarters
- Wildlife and National Parks
- Tourism
- Meteorological Services
- Sanitation and Pollution Control
- Forestry and Range Resources
- Environmental Affairs

95. **Non-Moving Advances**

The non-moving advances which were outstanding on the 31 March 2017 under this Ministry are shown below-

<u>Account</u>	<u>No. of Cases</u>	<u>Amount</u>
Damages to Government Vehicles	6	52 943
Surcharge- Payroll	2	1 999
Imprest Recoveries	2	6 493
Advances – Grade D4 & Below	5	20 255
Loss of Cash	2	82 910
Recoveries of Overpayment of Salaries	18	92 286
Training Bond Liability	2	155 285
Travelling Imprest	<u>5</u>	<u>(1 363)</u>
	42	410 808

## INDUSTRIAL COURT

### 96. Warranted Provision

The utilisation of funds warranted to the Industrial Court for the financial year ended 31 March 2017 is indicated below-

<u>Department</u>	<u>Warranted Provision</u>	<u>Actual Expenditure</u>	<u>Under Expenditure</u>	<u>%</u>
Industrial Court	42 506 110	36 965 069	5 541 041	13

In the previous year the warranted provision for the Court was P32 530 640 with a year-end utilisation of 96% of those funds. In the year under review there was a significant increase of 31% in the warranted provision to P42 506 110, which resulted in the utilisation of only 87% of the funds, which may suggest that the quantum of the increase may not have been justified.

### 97. Non-Moving Advances

The non-moving advances which were outstanding on the 31 March 2017 under the Industrial Court are shown below-

<u>Account</u>	<u>No. of Cases</u>	<u>Amount</u>
Recoveries of Overpayment of Salaries	2	19 978
Travelling Imprest	4	16 969
	6	36 947

**MINISTRY OF YOUTH EMPOWERMENT, SPORT AND CULTURE  
DEVELOPMENT**

98. **Warranted Provision**

The utilisation of funds warranted to the Ministry for the financial year ended 31 March 2017 is indicated below-

<u>Department</u>	<u>Warranted Provision</u>	<u>Actual Expenditure</u>	<u>Under Expenditure</u>	<u>%</u>
Headquarters	663 513 188	648 486 407	15 026 781	2
National Archives & Records	17 557 624	16 804 127	753 496	4
National Internship	<u>192 408 898</u>	<u>191 888 689</u>	<u>805 210</u>	<u>-</u>
	873 479 710	856 888 106	16 591 604	2

Out of an expenditure of P856 888 106, an amount of P409 265 810, representing 48%, was in respect of grants and subventions to various organisations and programmes under the ambit of the Ministry. The balance of 52% represented expenditures on Ministerial purposes and activities.

99. **Non-Moving Advances**

The non-moving advances which were outstanding on the 31 March 2017 under this Ministry are shown below-

<u>Account</u>	<u>No. of Cases</u>	<u>Amount</u>
Damages to Government Vehicles	1	8 415
Imprest Recoveries	2	3 075
Loss of Cash	1	25 552
Recoveries of Overpayment of Salaries	16	110 177
Training Bond Liability	1	120 878
Travelling Imprest	<u>14</u>	<u>96 594</u>
	35	364 691

100. **Audit of Expenditure - BOT50 Celebrations**

Botswana celebrated 50<sup>th</sup> anniversary of independence, dubbed BOT50, on 30 September 2016 which was coordinated by the Ministry. For this purpose, financial provisions of P97 391 916 in 2015/16 and P136 206 385 in 2016/17 were warranted to the Ministry. The actual expenditures were P88 441 701 in 2015/16 and P135 283 374 in 2016/17

out of the warranted provisions. A Secretariat was established to coordinate the activities of the celebrations. While the Secretariat was responsible for the overall coordination, the execution of specific activities was done through the assistance of the various units of Government through their areas of specialisation.

I carried out an audit of the expenditures on the activities of the celebrations, and the results are summarised below following the activities carried out by various agencies as delegated by the Secretariat:

(a) Botswana National Sports Commission (BNSC)

- The branding of the National Stadium and the Francistown Stadium were contracted at P350 765 and P199 235, respectively. However, the cost for the National Stadium ended at P551 000, recording 57% increase over the contract sum. The increase was attributable to the bottom row having been branded with the wrong colours by the contractor and therefore had to be redone. In my view, the contractor should have contributed, wholly or partly, to the resultant additional cost for his failure to comply with the specifications.
- A company was appointed by BNSC to organise the Youth and Oldies Bashes which were held at Lobatse and Selibe-Phikwe on the 30 April 2016 and 14 May 2016, respectively. The events were contracted at P2 600 000 but were finally paid P2 912 000, the difference of P312 000 was said to represent Value Added Tax (VAT) which had not been disclosed in the original price. This practice was a deviation from the general procurement regulations which stipulate that VAT should be clearly stated in the quotation proposals, and if not stated therein, it should be deemed inclusive. The claim for the additional amount should therefore have been rejected.
- A company was engaged in September 2016 to supply 15 000 hand-held flags at a price of P588 000. The goods were supplied with the invoice having been issued before the order was received, an indication that the procurement started before authority was given by the Secretariat. Furthermore, the supplied flags did not meet specifications as they had a BOT50 logo, which was not required. Subsequently, the Secretariat instructed BNSC to suspend payment of the flags, cancel the tender and return the consignment to the company. In the event, this was not done as the Ministry had taken possession of the flags even though payment had not been made, some 12 months later. It is not clear to me how it

is proposed to resolve the matter, that the Secretariat had been disbanded and the Ministry had custody of the flags which had not been paid for.

- The Secretariat had advanced P2 000 000 to BNSC on 26 April 2016 to facilitate the provision of fireworks. A company was awarded the tender at a cost of P1 907 043 and was paid 50% mobilization fee of P953 521. Additional funds of P953 521 were further advanced to the BNSC, thus bringing the total funds towards provision of fireworks to P2 953 521. Altogether the contractor was paid P1 907 043, leaving a balance of P1 046 478 of the money advanced which BNSC should account for to the Secretariat. It was also noted that the contract agreement for the provision of fireworks was signed by the BOT50 Coordinator in March 2016 while the supplier signed in April 2016. Nonetheless, the Ministerial Tender Committee awarded the tender on direct appointment in June 2016, which was after the signing of the contract and making the 50% advance payment of P953 521.
- A company was awarded a tender of P12 753 440 for production of the opening ceremony on 29 September 2016 and another tender of P2 580 408 for coordination and directing of events on 30<sup>th</sup> September 2016, making a total of P15 333 848 to the company. However, this tender amount was negotiated down to P14 495 000 and an advance of P7 247 500 (50%) was paid. As an amount of P15 833 644 had already been advanced to BNSC to cater for the services, this left a balance of P1 338 644 to be accounted for to the Secretariat. I have not been able to obtain information as to how the funds were accounted for.
- BNSC engaged a company to provide electronic music festival at a tender price of P2 894 640 with pre-conditions that there be a contract with clear and defined deliverables and that 30% share of the tender price go to local artists/suppliers in order to empower citizen-owned companies, through sub-contracting services such as event logistics, toilet hire, security services and marketing services. An advance of P1 447 320 was paid to the service provider. However, records indicating adherence to such conditions could not be furnished when requested during the audit.

In all the cases where advance payments were paid to the service providers, there was no security attached as guarantee in the event that contractors failed to provide the service. This practice left Government exposed to the possibility of losses and also violated the PPAD Regulation 85 (2) which states that

*“where an advance payment is determined to be consistent with best practices, an advance payment security shall be required and the requirement for a security shall be stated in the bidding documents in accordance with Regulation 30 (2) (e).”*

(b) Vision 2016 Council

P3 086 941 was advanced to the Vision 2016 Council for the management of the National Roving Torch, of which P2 065 820 was used for the procurement of the torch and its accessories, and P163 731 was used for the procurement of the attire for the protocol team, leaving a balance of P857 390 which should be accounted for to the Secretariat. It was not clear whether the cost of the attire had been factored into the amount advanced.

- (c) The procurement process was characterised by waivers for direct appointment method by the Secretariat as the intention was to speed up procurement. However, this approach defeated the principle of competition and transparency geared at the achievement of value for money. In terms of the Public Procurement and Asset Disposal (PPAD) Regulation 23(2), an emergency procurement may be permitted only for emergencies which could not have been foreseen by the procuring entity and which are not the result of delays by or within the procuring entity. It was noted that these direct appointments were in some instances for activities which were planned during the financial years 2014/2015, 2015/2016 and 2016/2017, therefore were foreseen and their procurement could have been done well on time. This showed laxity in planning on the part of organizers as they waited until it was too late to procure the goods and services. The procurement included provision of meals, accommodation, gift vouchers, fireworks, flags, security services, sound system and media publicity coverage provided by various suppliers.
- (d) Weaknesses were observed on the evaluation of the tender documents, which raised doubts on the integrity of the evaluation. It was noted that some of the evaluators neither completed nor signed the evaluation form for the tenders as was the case in the evaluation report for the supply of BOT50 custom-made advertising blimps, awarded for P387 682, which was signed by only 2 of the 3 evaluators.
- (e) A service provider was awarded a tender on 30<sup>th</sup> June 2016 amounting to P1 042 720 for research, production and supply of coffee table books for the 50<sup>th</sup> Anniversary Independence Celebrations. Subsequently, two part payments were made



totalling P677 768 but as at the time of the audit, in August 2017, the coffee table books had not yet been delivered by the supplier. At the time of writing this report it was well over 12 months since the order was placed and the books had still not been delivered.

This is a matter for concern with regard to loss of purpose for which they were ordered and the possible loss of money already paid to the supplier.

- (f) An overseas company was contracted to supply calisthenics clothing at a cost of P156 520, but since some components were found missing from the consignment, a complaint was lodged with the shipping company in August 2016. Considering the urgency of the matter and the importance of the items for the 50<sup>th</sup> Anniversary Independence Celebrations, the Permanent Secretary granted authority for the items to be purchased again from the same company at an estimated cost of P144 600 as the loss was to be recovered from the shipping company. I could not establish the total cost of calisthenics clothing because the records for the tender and the additional expenditure were not availed during audit, as well as correspondence to show that follow-up was done to recover the loss on the initial consignment.
- (g) Some funds were disbursed to districts and the Botswana Diplomatic Missions abroad and observations are undernoted below:
- It was noted that invitation letters made to 5 artists who were paid varying amounts totalling P18 500 to perform during the Cultural Day in Francistown on 3 September 2016, were dated 9 September 2016, which was six days after the event.
  - In the Francistown district, various suppliers were engaged to provide catering services on Independence Day at various amounts totalling P240 544, without having been issued with Government Purchase Orders, which was in contravention of Government procurement rules.
  - A director of a company engaged to provide sound system at various events in Francistown at a cost of P243 000 was also a member of the Entertainment Committee, indicating possible conflict of interest.
  - The District Commissioner's office in Maun had P500 000 available for BOT50 celebrations and an amount of P253 026 transferred to the Maun Umbrella Village Development

Committee had no supporting documentation as to how the expenditure was accounted for.

- In some of the districts visited, namely Francistown and Mahalapye, registers for donations made by the public and the private sector were not provided when requested for during audit.
  - Detailed expenditure reports with supporting documents, such as payment vouchers were not available in the three districts visited, namely Mahalapye, Francistown and Maun. For example, the Mahalapye district was allocated P800 000 for 46 villages but only P359 990 had documents supporting how it was utilised.
  - Amounts totalling P11 028 400 were allocated to various Botswana Diplomatic Missions abroad through Letters of Authority to facilitate independence celebrations and reports were submitted to the Secretariat supporting the expenditure of P7 459 682.
- (h) An amount of P4 528 539 was disbursed to the Ministry of International Affairs and Cooperation to provide accommodation and banquet for the invited Heads of State and delegates, numbering 145. Initially, hotel accommodation was arranged, but subsequently the University of Botswana Medical School was furnished in order to accommodate the Heads of State. It was however observed that the Medical School accommodation was never used, even though an amount of P4 155 063 was spent on the furnishings, but instead hotels were used to accommodate the Heads of State at a cost of P373 476.
- (i) Numerous activities required officials to work outside normal hours, hence overtime had to be paid. The following irregularities were observed:
- Overtime amounting to P201 762 was paid separately from the BOT50 staff monthly salaries and as a result was not taxed.
  - In some instances, overtime authorization was done after work was completed.
  - In other instances, the date and the hours of overtime on the overtime authorisation forms were not stated.
  - It was observed that some of the officers worked for more than 14 hours overtime in a week, contrary to Section 11 (3) of the Employment Act, No. 26 of 1992.

I addressed these observations to the Accounting Officer in October 2017, but at the time of writing this report I had not received his comments.

## MINISTRY OF INFRASTRUCTURE, SCIENCE AND TECHNOLOGY

### 101. Warranted Provision

The utilisation of funds warranted to the Ministry for the financial year ended 31 March 2017 is indicated below-

<u>Department</u>	<u>Warranted Provision</u>	<u>Actual Expenditure</u>	<u>Under Expenditure</u>	<u>%</u>
Headquarters	172 136 077	171 747 711	388 365	-
Building & Engineering Serv.	214 017 615	213 053 371	964 244	-
Research, Science & Tech.	6 894 952	6 878 109	16 844	-
Radiation Protection	<u>11 126 696</u>	<u>11 125 580</u>	<u>1 116</u>	<u>-</u>
	404 175 340	402 804 771	1 370 569	0.3

The Departments of the Ministry had spent very closely to the warranted provisions, leaving a balance of P1 370 569, representing 0.34% of the warranted provision of P404 175 340 against the approved estimates of P433 549 960.

### 102. Non-Moving Advances

The non-moving advances which were outstanding on the 31 March 2017 under this Ministry are shown below-

<u>Account</u>	<u>No. of Cases</u>	<u>Amount</u>
Surcharge – Payroll	3	4 633
Emergency Advances – P&P	1	1 625
Imprest Recoveries	1	5 271
Advances-Grade D4 & Below	6	51 124
Loss of Cash	1	16 191
Recoveries of Overpayment of Salaries	16	94 888
Travelling Imprest	<u>11</u>	<u>38 062</u>
	39	211 794

#### Ministry of Works & Transport (former)

<u>Account</u>	<u>No. of Cases</u>	<u>Amount</u>
Travelling Imprest (DBES)	1	21 456

## MINISTRY OF TRANSPORT AND COMMUNICATIONS

### 103. Warranted Provision

The utilisation of funds warranted to the Ministry for the financial year ended 31 March 2017 is indicated below-

<u>Department</u>	<u>Warranted Provision</u>	<u>Actual Expenditure</u>	<u>Under Expenditure</u>	<u>%</u>
Headquarters	459 156 270	439 669 369	19 486 901	4
Road Transport & Safety	143 910 540	139 609 665	4 300 875	3
C.T.O.	474 163 010	435 610 742	38 552 268	8
Telecomms & Postal Services	9 828 590	8 212 758	1 615 832	16
Roads	427 621 150	416 372 934	11 248 216	3
Information Technology	<u>443 933 720</u>	<u>425 360 520</u>	<u>18 573 200</u>	<u>16</u>
	1 958 613 280	1 864 835 988	93 777 292	5

The warranted provision for last year was P2 079 535 380, and the actual expenditure was P2 026 497 740. In the year under review, the warranted provision was a reduced figure of P1 958 613 280 and the expenditure was P1 864 835 988, well within the warranted provision.

### 104. Non-Moving Advances

The non-moving advances which were outstanding on the 31 March 2017 under this Ministry are shown below-

<u>Account</u>	<u>No. of Cases</u>	<u>Amount</u>
Damages to Government Vehicles	5	62 181
Surcharge – Payroll	13	215 157
Imprest Recoveries	2	7 427
Advances - Industrial Class – Payroll	2	7 167
Advances-Grade D4 & Below	1	1 037
Loss of Cash	3	238 990
Recoveries of Overpayment of Salaries	57	420 525
Training Bond Liability	1	34 822
Travelling Imprest	<u>6</u>	<u>9 069</u>
	90	996 375

#### Ministry of Works & Transport (former)

<u>Account</u>	<u>No. of Cases</u>	<u>Amount</u>
Recoveries of Overpayment of Salaries (DRTS)	1	289

105. **Audit Inspection – Roads Training Centre, Gaborone**

An audit inspection carried out at the Roads Training Centre had revealed that the stores accounting and management was below the standard prescribed by Supplies Regulations and Procedures, which require that receipts and issues of stores shall be promptly recorded in the appropriate accounting record. The main areas of concern in this regard are indicated-

(a) Allocated Stores

A test check of physical stocks against ledger balances had shown significant discrepancies which could lead to loss of control over these assets, resulting in losses without detection or trace. The seriousness of this situation is illustrated below, involving attractive items-

<u>Item</u>	<u>Ledger Balances</u>	<u>Physical Count</u>	<u>Discrepancies</u>
Computer Monitor	31	-	31
Central Processing Unit	12	-	12
Projector	3	5	2
Stopwatch Digital	3	14	11

(b) Rations Ledger

An examination of the Rations Ledger, which record the activities in the kitchen, revealed the undernoted discrepancies-

<u>Item</u>	<u>Ledger Balances</u>	<u>Physical Count</u>	<u>Discrepancies</u>
Tinned Fruits	28	19	9
Tomato Sauce	5	4	1
Rooibos	40	70	30
Dessert Cream	24	27	3
Mayonnaise	9	-	9

Although these are consumable and small value items, unless they are properly accounted for, overtime they can lead to significant losses.

(c) Loans Register

Items of Stores issued to staff on short term loans had not been returned within the agreed periods, some dating back to 2015 had still not been returned at the time of the inspection. Examples of outstanding loan items are-

100	Chairs
43	Camping Mattresses
1	Camera
1	Projector
2	Round Shovels

If losses of public stores are to be averted, it is of paramount importance that the terms of the Supplies Regulations and Procedures are to be complied with in this regard.

106. **Audit Inspection - Central Transport Organisation - Headquarters, Gaborone**

Following an audit inspection which was carried out at the Departmental Headquarters of the Central Transport Organisation, I addressed a communication to the Accounting Officer drawing his attention to certain unsatisfactory aspects in the operations of the Department. The main ones of the matters raised were the following:

- (a) A scrutiny of the records relating to the subcontracting of Government motor vehicles to private garages for repairs had indicated that some of the vehicles had been with the private garages for very long periods of up to 5 years without being returned. In my view, this state of affairs is unsatisfactory in the extreme and therefore unacceptable, as it is a great inconvenience to the user departments, and impacts on their service delivery. I consider that the implementation of the policy should be reviewed to ensure the efficiency of its operation.
- (b) The Generic Public Service Standards require that the terminal benefits for officers who leave the public service shall be paid within 66 days. It was however noted that officers who left the service of the department had not been paid benefits in accordance with these Standards, but had taken long periods of time of up to 5 years, for a variety of reasons including matter referred to Attorney General; documents at the officers station; pending

resolution of officers occupation of a pool house and uncertainty of scale to use resulting from a recent promotion. In my view these explanations are not cogent enough reasons for the long delays, but more of an indication of unconscionable laxity in the processing of benefits to employees.

- (c) A scrutiny of the records of overtime worked by officers of the department had indicated instances where payments for overtime claimed were far in excess of basic salaries of officers by as much as 5 or 6 times. For example, an officer with a monthly salary of P3 814 had claimed overtime pay of P20 450 for the month. While Government has implored Ministries and Departments to restrict overtime work to the minimum, these instances would, in my view, suggest a possible misuse of overtime benefits.

I addressed these, and other matters to the Accounting Officer in December 2016, but at the time of writing this report I had not received his comments.

107. **Outsourcing of Vehicle Repairs at Central Transport Organisation, Francistown**

An audit inspection similar to the one in the preceding paragraph at Headquarters, was carried out at the Francistown depot to determine the extent to which the subcontracted motor vehicle repair services to private garages were of some assistance to the Government departments in their quest for service delivery through transport efficiencies. The main finding, among others, was that there were inordinate delays and other weaknesses in the provision of these repair services as illustrated by the glaring instances noted below-

- (a) As far back as 2013 a government motor vehicle was sent to a private garage for repair services to the gearbox at a cost of P24 350. When the vehicle was returned to the Central Transport Organisation after the purported repairs it still exhibited the same problems that it had before, which was to be followed by a series of discussions and correspondence with the private garage owner. The upshot of all these was that up to the time of audit the matter had still not been resolved, now with the gearbox missing. In my view, a timely action should have been taken against the garage owner to recover the aborted repair costs, and to cut losses to Government.



- (b) Another instance related to a motor vehicle which had been sent to a private garage for engine overhaul. Three months after the engine overhaul with fitted new components (pistons, ball bearings, oil pumps and cylinder head recon and block rebore), it was returned to the garage with an engine knock. An inspection of the engine by Central Transport Organisation officers had indicated that it needed to be replaced as it was unserviceable, resulting from the rebore, and the replacement block would cost P35 971.
  
- (c) A study of correspondence with one private garage regarding non-performance in sub-contracted repair services, including return jobs, going back to 2010 had indicated extreme tardiness in the follow-up of all cases where the contractor had failed to perform, including recoveries of all nugatory costs resulting directly from his failure to perform. In the instance in question the correspondence related to the withdrawal of 4 vehicles together with any components of those vehicles that might have been in the contractor's possession.

It is not clear to me how all the matters related to these vehicles had been resolved.

## MINISTRY OF DEFENCE, JUSTICE AND SECURITY

### 108. Warranted Provision

The utilisation of funds warranted to the Ministry for the financial year ended 31 March 2017 is indicated below-

<u>Department</u>	<u>Warranted Provision</u>	<u>Actual Expenditure</u>	<u>Under Expenditure</u>	<u>%</u>
Headquarters	90 662 408	86 137 410	4 524 998	5
Defence Force	2 829 587 350	2 803 146 430	26 440 920	1
Botswana Police Service	1 630 832 900	1 626 656 682	4 176 218	-
Prisons and Rehabilitation	<u>327 417 272</u>	<u>321 048 556</u>	<u>6 368 716</u>	<u>2</u>
	4 878 499 930	4 836 989 078	41 510 852	1

The expenditures of the Ministry's Departments are all within the warranted provisions, recording a 99% overall budget utilisation.

### 109. Non-Moving Advances

The non-moving advances which were outstanding on the 31 March 2017 under this Ministry are shown below-

<u>Account</u>	<u>No. of Cases</u>	<u>Amount</u>
Damages to Government Vehicles	9	87 157
Emergency Advances – P & P	1	1 500
Imprest Recoveries	2	6 807
Advances-Grade D4 & Below	3	33 915
Loss of Cash	3	60 456
Recoveries of Overpayment of Salaries	24	239 002
Training Bond Liability	3	130 180
BDF Fines Recoveries	30	266 882
Travelling Imprest	<u>5</u>	<u>22 021</u>
	80	847 920

### 110. Loss of Government Property by Fire – Botswana Police Service, Tutume

In March 2013 the office building of the Criminal Investigation Department in Tutume, of the Botswana Police Service, was completely destroyed by fire, leaving a damage cost of P237 475, together with furniture and equipment therein with a replacement cost of P19 780.

According to the account of the Commissioner of Police, the incident was immediately reported to the Tutume Police Station, who instituted the necessary investigations. The Police investigations resulted in a member of the Police Service being prosecuted and convicted for a single count of arson, and sentenced to 10 years imprisonment, 5 of which were suspended on condition that he compensated Government the loss of P237 475 (which is damage cost to the building, excluding furniture and equipment).

Although the loss of the Government property in question had occurred as far back as 2013, it was not until July 2017 that a loss report was submitted to the Ministry of Finance and Economic Development by the Commissioner, as Head of Department, requesting for a write-off of the total loss of P257 255, without even the endorsement of such a request by his Accounting Officer (as defined by Section 6 of the Public Finance Management Act). The Supplies Regulations require that losses of this magnitude shall be reported to the Ministry responsible for finance by the Accounting Officer of the Ministry where the loss occurred. Furthermore, the Commissioner's request for write-off does not indicate any follow-up action taken on the court order for compensation nor any other action for the recovery of the loss, as the primary objective of the loss investigation, from the Government perspective.

In my view, the Commissioner of Police has not adverted himself properly and fully to the circumstances of the loss with regard to the timely reporting and following of the correct procedure in terms of the Supplies Regulations and Procedures. (That the Commissioner of Police accounts directly to the Public Accounts Committee does not detract from the fact that he is doing so on a delegated basis on behalf of the Permanent Secretary, who is the Accounting Officer of the Ministry).

111. **Audit Inspection – Kutlwano Police Station, Francistown**

An audit inspection of the Exhibits Register in July 2016 at the above Police Station had indicated that the safekeeping of the exhibits and the maintenance of the Register were not to the desired standard as some of the exhibits could not be produced for verification purposes when required, without satisfactory explanation. The exhibits in question included a cash exhibit, cellphones, rifles, refrigerator, gas cylinders, items of clothing, to name but a few. The Accounting Officer has since responded to my communication, in October 2017, and indicated that some of the exhibits had been handed over to their lawful owners, but not signed for in the Register while others, including the cash exhibit, had since been located.

While the Exhibits Register has reportedly been updated and the other exhibits retrieved into custody, I consider it of paramount importance that these matters which may be crucial for trial purposes should be accorded a high degree of care and custody for ready retrieval, whenever required, so as not to prejudice the trial process.

## **VIII LOCAL GOVERNMENT AUTHORITIES**

112. 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, 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.

Section 79 of the Act requires that the Minister shall report on an annual basis to the National Assembly on the operations of the Committee.

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

## IX PERFORMANCE AUDIT

113. In addition to financial audits which I am required to undertake on the public accounts of the Central Government, 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 the 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 to respective Full Councils and Land Boards, in terms of Section 68 ( 11 & 12) of the Local Government Act, No 18 of 2012 and Tribal Land Regulation 32 (5) (iii) of the Tribal Land Act, respectively.

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 Government, 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, two reports for local authorities were completed and sent to the respective authorities for tabling, which were;

- Construction of Roads and Storm Water Drainage Facilities in Ramotswa and Taung Villages by South East District Council.
- Infrastructure Development Projects at Monarch and Gerald Estates Blocks 5 and 6 by City of Francistown.

Two audits conducted in Central Government resulted in management letters, which were sent to the Accounting Officers for implementation of recommendations. These were;

- Functionality and Maintenance of Primary School Kitchen Pots by Department of Local Government Finance and Procurement Services.
- Management of Crime and Criminal Recording System by Botswana Police Service.

At the time of writing this report, 10 audits were in progress and are expected to be concluded during 2018.



## X PARASTATALS

### 114. 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 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 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 accounts and reports of those bodies. While I expect full cooperation from state enterprises, it is disheartening to note that some of them fail to submit their reports, thus denying the Parliamentary Committee the opportunity to examine their accounts in the relevant year of account.

### 115. Air Botswana

The financial statements of Air Botswana Corporation for the financial year ended 31 March 2017 were audited by Messrs PricewaterhouseCoopers, Certified Auditors, who were appointed by me in terms of Section 22 (2) of the Air Botswana Act, (Cap 74:07).

#### 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 Air Botswana Corporation as at 31 March 2017, and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and in a manner required by Section 22 (3) of the Air Botswana Act, (Cap 74:07).

## 2.2 Financial Results

In the year under review, the Corporation made a loss of P12.35 million, which is a significant improvement from prior year loss of P86.09 million. Operating costs declined by P40.90 million (representing 9%) from P470.62 million in the prior year to P429.72 million in the year under review, while income increased by P32.84 (representing 9%) during the same period.

Significant reductions in expenditure were mainly due to:

- The 11% (P5.98 million) decrease in cost of fuel due to the sale of grounded 2 Bae 146 and 2 AVRO RJ-85 aircrafts at the beginning of the financial year and the stable fuel prices.
- Impairment charge went down by P26.26 million as nothing was provided for the current fleet of ATR 42 and 72.
- Engine overhaul expenses declined by 41% (P8.09)
- The 37% (P15.30 million) decrease in aircraft wet lease due to termination of some routes where a leased aircraft was used.
- Exchange loss went down by 51% (P5.80 million).

The traffic revenue recorded a marginal increase of 1% from P314.31 million in the previous year to 318.06 million in the year under review.

The Corporation had been incurring losses over the past years which had accumulated to P583.81 million as at 31<sup>st</sup> March 2017. The Corporation's ability to continue as a going-concern is dependent on the Government's continued financial support as the losses are expected to persist into the foreseeable future. In the year under review, Government provided P91 million grant towards operations and restructuring. Furthermore, Government approved the previously received P10 million earmarked for Enterprise Resource Planning system to be utilised in the operations.

## 2.3 Working Capital

The working capital position of the Corporation as at 31 March 2017 showed current assets of P120.24 million and current liabilities of P162.75 million, resulting in a net current liabilities position of P42.51 million.

Current liabilities included provisions for leave pay and gratuities of P19.81 million and deferred Government grant of P41.57 million.

### 3.0 Management Letter

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

#### 3.1 Capitalisation of Overhaul Costs

The auditors noted an instance where overhaul costs of P716 000 were expensed as maintenance cost instead of being capitalized.

In response management stated that the matter was an accounting oversight and that controls had been put in place to ensure that transactions are captured correctly.

#### 3.2 Acquisition of ATR Engines

The auditors noted that the Corporation had acquired two ATR engines to replace two old ones which were found to be uneconomic to repair. However, the Corporation had not evaluated the supplier's offer to trade-in the old engines by comparing with other quotes from similar suppliers. Therefore, the trade-in value had not been negotiated or formally agreed with the supplier during the transaction. The Corporation subsequently obtained a trade-in value of US Dollar 160 000 but did not make the necessary adjustments in the financial statements, hence the capitalised engine costs and profit on disposal of engines were each understated by P1.70 million while depreciation on new engines were understated by P147 000.

In response management stated that they had a contract with Pratt & Whitney of Canada for service of engines and that overhaul costs were not to exceed US Dollar 1.60 million. The fleet enhancement programme availed by the service provider allowed the Corporation to exchange the old unserviceable engines with new ones at a discounted price. Otherwise the Corporation would have been forced to overhaul the old engines at a cost not exceeding the capped US Dollar 1.60 million. Controls would be put in place to ensure that all necessary adjustments were made in the financial statements.

### 3.3 Tagging of Assets

The auditors noted that management had performed an exercise of tagging all fixed assets up to 2015 and that no reconciliation had been performed between the tagged assets and the fixed assets register. The assets register had continued to be maintained in excel spreadsheet even though the Corporation had spent P75 000 in an assets management system to manage its assets. There was no process in place to tag the assets which were acquired after 2015.

In response management stated that uploading of the software had been completed and tested for the 2014/15 assets register but user training had not been done. The remaining and newly acquired assets would be tagged and loaded in the system by March 2018, after training had been done.

### 3.4 Fully Depreciated Assets

The auditors noted, as in the previous year, a number of fully depreciated assets in the fixed assets register for the following categories, to determine whether they were in use or needed to be de-recognised, indicating non-compliance with International Accounting Standard 16 – Property, Plant and Equipment which requires a review of useful lives of assets on a regular basis:

- Motor Vehicles – P3.6 million
- Rotables – P3.7 million
- Furniture and Equipment – P21.0 million

In response management noted the auditors' finding and stated that they had completed the review of motor vehicles but had experienced challenges with furniture and equipment, and rotables which would be resolved by 31 March 2018.

## 116. Banyana Limited

The financial statements of Banyana Limited for the financial year ended 30 June 2016 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 financial statements presented fairly, in all material respects, the financial position of Banyana Limited at 30 June 2016, 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 financial year under review, Banyana Limited recorded a loss of P3.06 million, compared to P298 468 in the previous year.

In 2014 Government, through the Ministry of Agriculture, resolved to restructure Banyana farms by moving from cattle ranching to leasing out the farms to farmers. Subsequent to year-end, the remaining cattle and horses valued at P120 340 as well as other assets were to be disposed of and farm workers retrenched in order to concentrate on managing the leased portions of the farm.

In line with the restructuring, the expenses reduced by 33% from P11.18 million in the previous year to P7.49 million during the year under review, while income on the other hand declined by 59% from P10.88 million to P4.42 million during the same period.

## 2.3 Working Capital

The working capital position of Banyana Limited showed current assets of P5.72 million and current liabilities of P4.36 million, resulting in a net current assets position of P1.36 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.

## 117. Botswana Accountancy College

The financial statements of the Botswana Accountancy College for the financial year ended 31 March 2017 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 presented fairly, in all material respects, the financial position of the Botswana Accountancy College as at 31 March 2017, and 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 College recorded a deficit of P21.13 million before a revaluation gain in land and buildings of P32.67 million, compared to a deficit of P34.16 million recorded in the previous year. The improvement in results was attributable to an 11% increase in tuition fees from undergraduate programmes from P84.40 million in the previous year to P94.02 million in the year under review.

Income increased by 30% from P147.95 million in the previous year to P191.72 million in the year under review, while expenditure on the other hand marginally declined from P182.11 million to P180.20 million, during the same period.

The College had accumulated losses to P8.15 million at year-end and its liabilities exceeded assets, an indication that the College may have difficulties in meeting its obligations as they fall due. However, management was confident that the College would be able to secure adequate finance to continue operations in the foreseeable future.

### 2.3 Working Capital

The working capital position of the College as at 31 March 2017 showed current assets of P46.23 million and current liabilities of P70.32 million, resulting in a net current liabilities position of P24.09 million.

Current liabilities included pre-paid tuition and hostel revenue of P31.47 million, unutilised Government grants of P2.2 million and provisions for gratuities and leave pay of P8.32 million.

### 3.0 Management Letter

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

#### 3.1 Duplicate Payments

The auditors noted an invoice amounting to P445 984 that had been paid twice and that the supplier had not refunded the College by end of July 2017. Therefore, lack of proper control procedures expose the College to possible risk of loss of funds due to either error or irregularity.

In response management noted the auditors' finding and stated that they had put a process in place to ensure that invoice processing was done per procedure.

#### Auditor General's Comment

Management has not stated what action they would take to recover the overpayment.

#### 3.2 Unrecovered Staff Loans

The auditors noted that no recoveries had been made from 31 officers for staff loans amounting to P242 824 that had been outstanding since March 2016 or earlier. Most of the officers were in the payroll while others had left the College either during the year or in the previous year(s).

In response management noted the auditors' finding and stated that they had engaged a resource to make follow-ups with the concerned staff and former employees to recover the debts. Furthermore, they would request staff to authorize deductions from their salaries.

#### 3.3 Unidentified Deposits

The auditors noted a significant increase in the balance of unidentified deposits from P633 172 recorded in the previous year to P1 191 585 during the year under review.

In response management stated that they were continuously engaging with the bank for the records to be updated. Measures were put in place for customers to be notified of the reference to be used when making deposits into the College's bank account

and students are required to get financial clearance on completion of programmes.

### 3.4 Long Outstanding Debtors

The auditors noted that debtors amounting to P24.91 million in respect of government, corporate and self-sponsored students were outstanding for more than 90 days at year-end, compared to P19.40 million in the previous year.

The outstanding debtors were as follows:

<u>Category</u>	<u>2017</u>		<u>2016</u>	
	<u>P'Million</u>	<u>%</u>	<u>P'Million</u>	<u>%</u>
Government Departments	8.54	34	6.98	36
Corporate Entities	1.66	7	1.51	8
MSc Programmes	2.93	12	4.78	25
Self-sponsored Students	<u>11.68</u>	<u>47</u>	<u>6.13</u>	<u>31</u>
	<u>24.81</u>	<u>100</u>	<u>19.40</u>	<u>100</u>

The auditors also noted that the amounts outstanding from self-sponsored students for more than 90 days had increased significantly in the year under review compared to the prior year, and this was indicative of inadequate monitoring over debtors. In addition, there were numerous self-sponsored students with small outstanding amounts for which management could not adequately explain why they had remained uncollected for a long time.

In response management stated that a resource had been engaged to actively follow-up on the debtors with assistance from the bank to identify deposits. Included in the receivables over 90 days is P6.20 million which related to self-sponsored post graduate students.

### 3.5 Accumulated Leave Days

The auditors noted that some employees had accumulated leave balance in excess of the 40 days limit set by the College's policy, with the highest leave balance being 117 days.

In response management stated that leave plans were put in place and that effective from April 2017, the system was automated to forfeit excess leave at the completion of a cycle. They further stated that leave was being managed for 4



employees who had declined the pay-out plan in 2015 but opted to go on leave.

118. **Botswana Accountancy Oversight Authority**

The financial statements of the Botswana Accountancy Oversight Authority for the financial year ended 31 December 2016 were audited by Deloitte & Touché, Certified Auditors, who were appointed by the Board in terms of the Financial Reporting Act, 2010.

The Botswana Accountancy Oversight Authority is an independent oversight body of the accounting and auditing profession established to regulate the reporting of financial matters of public interest entities and the corporate sector.

2.0 Accounts

2.1 Audit Opinion

In the opinions of the auditors:

The financial statements presented fairly, in all material respects, the financial position of the Botswana Accountancy Oversight Authority as at 31 December 2016, 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 the Authority showed a surplus of P437 600 for the year under review, compared to P1.41 million in the previous year. Income increased by 12% from P13.80 million in the previous year to P15.44 million during the year under review, while expenditure increased by 21% to P15.00 million, compared to P12.39 million during the same period.

The Authority is funded by Government grants, and in the year under review the grant was P12.88 million, making 83% of total income, compared to P13.20 million in the previous year. Another significant source was revenue from provision of services which amounted to P2.36 million during the year under review.

2.3 Working Capital

As at 31 December 2016, the working capital position of the Authority showed current assets of P8.91 million and current

liabilities of P5.29 million, giving rise to a net current assets position of P3.62 million.

### 3.0 Management Letter

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

## 119. **Botswana Agricultural Marketing Board**

The financial statements of the Botswana Agricultural Marketing Board for the financial year ended 31 March 2017 were audited by Messrs Ernst and Young, Certified Auditors, who were appointed by the Board in terms of Section 16 (3) of the Botswana Agricultural Marketing Board Act, (Cap 74:06).

### 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 Botswana Agricultural Marketing Board as at 31 March 2017, and 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

During the year under review, the Board recorded a profit of P19.96 million, compared to P34.04 million in the previous year.

Income increased by 30% from P346.97 million during the previous year to P449.82 million during the year under review, while expenditure increased by 37% from P312.94 million to P429.86 million during the same period.

The increases in expenditure were mainly due to:

- Staff costs increasing from P18.66 million to P43.05 million due to retrenchment packages and increase in staff after

the take-over of the Livestock Advisory Centres from Government.

- Bad debts increasing from P3.89 million to P10.74 million.
- Advertising costs of P3.98 million in relation to publicising services previously provided by Livestock Advisory Centres.

### 2.3 Dividends

Dividends of P7.16 million relating to previous years had not been paid to Government, while no dividend was proposed for the year under review.

### 2.4 Working Capital

The working capital position of the Board as at 31 March 2017 showed current assets of P331.98 million and current liabilities of P256.96 million, resulting in a net current assets position of P75.02 million.

### 3.0 Management Letter

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

#### 3.1 Long Outstanding Debtors

The auditors noted that the debts amounting to P115.9 million, mainly due from Government entities, were outstanding for more than 120 days. This resulted in management taking up more bank overdrafts and loans to ease the Board's cash flow problems which resulted in finance costs increasing from P5.49 million in the previous year to P13.68 million in the year under review. The auditors urged management to review the policy for receivables from Government and consider charging interest on long outstanding balances.

In response management agreed with the auditors' finding and stated that they would have to enter into transactions with Government on a commercial basis and charge interest and penalties as well as taking legal action where payments are not made on time.

#### 3.2 Fully Depreciated Assets

The auditors noted numerous fully-depreciated assets in the fixed assets register which indicated that the assets useful lives were

not correctly assessed in terms of the provisions of International Accounting Standard 16.

In response management indicated that they would undertake an independent asset valuation before the 31<sup>st</sup> March 2018 to ensure that all assets are properly valued.

### 3.3 Strategic Grain Reserve

The auditors noted that:

- Stock holding level for maize was not met at year-end as it was nil when the contract required a minimum of 5 000mt. Inventory should be available in case it is needed by Government.
- P910 273 due from the Board at year-end was outstanding at the time of audit when the Agency agreement required that payment for stock be made within 30 days.

In response management indicated that:

- Strategic Grain Reserve (SGR) funds had been depleted and Government had been informed that they need to provide P235 million in order to keep the stock at required levels but they had indicated that they did not have funds.
- The Board would ensure that the balance owed to SGR was settled by setting it off against receivables from SGR.

## 120. Botswana Bureau of Standards

The financial statements of the Botswana Bureau of Standards for the financial year ended 31 March 2017 were audited by Messrs PricewaterhouseCoopers, Certified Auditors, who were appointed by the Council in terms of Section 8 (2) of the Standards Act, (Cap. 43:07).

### 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 Botswana Bureau of Standards as at 31 March 2017, and 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 the Bureau for the year ended 31 March 2017 recorded a loss of P831 108, compared to a profit of P4.65 million in the previous year. The decline in performance was due to a decrease in Government grant from P78.53 million in the previous year to P71.91 million in the year under review.

Expenditure declined by 1% from P85.76 million in the previous year to P84.49 million in the year under review, while income decreased by 8% from P90.41 million to P83.66 million during the same period.

The Bureau is funded by Government grants, and in the year under review the grant was P71.91 million, representing 86% of total income. Other income was P9.16 million from sale of services and standards, P2.09 million rental income, P94 355 finance income and P403 097 sundry income.

## 2.3 Working Capital

As at 31 March 2017, the working capital position of the Bureau showed current assets of P10.13 million and current liabilities of P11.44 million, resulting in a net current liabilities position of P1.31 million.

The current liabilities included P6.92 million provisions for employees' gratuities and leave pay.

## 3.0 Management Letter

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

### 121. **Botswana College of Distance and Open Learning**

The financial statements of the Botswana College of Distance and Open Learning for the financial year ended 31 March 2017 were audited by Messrs Grant Thornton, Certified Auditors, who were appointed by the Board in terms of Section 2 (1) of the Botswana College of Distance and Open Learning Act, (Cap 57:03).

The transformation of the College into a university, namely the Botswana Open University, was approved by Parliament in July 2017.

## 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 Botswana College of Distance and Open Learning as at 31 March 2017, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and in a manner required by the Botswana College of Distance and Open Learning Act, (Cap 57:03).

### 2.2 Financial Results

In the year under review, the College recorded a deficit of P7.16 million, compared to P3.69 million in the previous year. Expenditure increased by 3% from P104.07 million in the previous year to P107.40 million in the year under review, while income on the other hand slightly declined from P100.44 million to P100.25 million during the same period.

The College is funded by Government grants, and in the year under review the grant was P74.68 million, making 75% of total income, compared to P77.34 million in the previous year. The College also collects revenue from student tuition fees, which was P24.08 million in the year under review compared to P19.71 million in the previous year.

The College has over time accumulated losses which stood at P22.55 million as at 31<sup>st</sup> March 2017 and its current liabilities exceeded current assets by P22.86 million. Therefore, the College's ability to continue as a going concern is dependent on the Government's continued financial support.

### 2.3 Working Capital

The working capital position of the College as at 31 March 2017 showed current assets of P10.88 million and current liabilities of P33.74 million, giving a net current liabilities position of P22.86 million.

The current liabilities include deferred tuition fees of P4.20 million, unutilised project funds of P1.61 million and staff accruals of P12.09 million. This leaves a balance of P4.96 million owed to external creditors.

### 3.0 Management Letter

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

## 122. **Botswana Communications Regulatory Authority**

The financial statements of the Botswana Communications Regulatory Authority for the financial year ended 31 March 2017 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 annual financial statements presented fairly, in all material respects, the financial position of the Botswana Communications Regulatory Authority as at 31 March 2017, and of its consolidated and separate financial performance and its consolidated and separated cash flows for the year then ended, in accordance with International Financial Reporting Standards and in a manner required by Section 26 (3) of the Communications Regulatory Authority Act, 2012.

#### 2.2 Financial Results

In the financial year under review, the Group and the Authority recorded a surplus of P50.81 million and P12.37 million, compared to P43.59 million and P11.40 million, respectively, in the previous year.

Total income for the Group declined by 5% from P177.02 million in the previous year to P168.69 million in the year under review, while total expenditure declined by 12% from P133.43 million to P117.88 million during the same period. Income for the Authority declined by 6% from P132.08 million in the previous year to P124.48 million in the year under review, while expenditure declined by 7% from P120.68 million to P112.11 million during the same period. Significant declines in income were recorded in

telecommunications and postal fees, while in expenditure were in consulting and professional fees and project expenses.

### 2.3 Working Capital

The working capital position of the Group as at 31 March 2017 showed current assets of P376.86 million and current liabilities of P17.50 million, which resulted in a net current assets position of P359.36 million, while that of the Authority showed current assets of P200.52 million and current liabilities of P29.87 million, resulting in a net current assets position of P170.65 million.

Included in the current liabilities of the Authority is P12.37 million current year surplus allocated for transfer to the Group's reserves as Universal Access and Service Fund in terms of Section 29 (3) of the Communications Regulatory Authority Act, 2012.

### 3.0 Management Letter

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

## 123. Botswana Couriers & Logistics Limited

The Botswana Couriers & Logistics Limited is a Government-owned company limited by guarantee established under the Companies Act to provide courier, freight and logistical services.

In terms of the existing arrangement with all statutory bodies and state enterprises, the Company is required to submit its annual audited accounts to me for review and inclusion of the review results in my report to the National Assembly, for the benefit of the Honourable Members.

In response to my September 2017 request for submission of the audited accounts and reports, I received communication from the Chief Executive Officer informing me that the accounts for the financial year ended 31 March 2017 were not ready for submission as the audit was still in progress. I have, therefore not been able to review the audited accounts of the Company.



## 124. Botswana Development Corporation Limited

The financial statements of the Botswana Development Corporation Limited for the financial year ended 30 June 2016 were audited by Messrs Deloitte & Touché, 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 presented fairly, in all material respects, the consolidated and separate financial position of the Botswana Development Corporation Limited as at 30 June 2016, and 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

In the year under review, the Group recorded a profit of P106.84 million, compared to P404.20 million in the previous year, while the Corporation recorded a profit of P238.34 million, compared to P276.46 million in the previous year.

The profit from operations for the Group declined from P208.86 million in the previous year to P68.62 million during the year under review mainly due to a decline in income from share of profits of associates which was P29.56 million in the year under review, compared to P102.45 million in the previous year and an increase in administration costs from P90.56 million to P154.82 million during the same period. On the other hand, the operating profit for the Corporation increased from P89.40 million to P208.24 million mainly due to an increase of P67.80 million in income from trade and a decrease of P40.06 million in other operating expenses.

#### 2.3 Working Capital

As at 30 June 2016, the working capital position of the Group showed a total current assets of P953.18 million and total current liabilities of P522.75 million, resulting in a net current assets position of P430.43 million. The Corporation had current assets of P429.41 million and current liabilities of P378.42 million, resulting in a net current assets position of P50.99 million.

Current liabilities of the Corporation included P22.47 million due to related parties.

### 3.0 Management Letter

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

#### 3.1 Valuation of Land and Buildings

The auditors observed significant prior year adjustments, with cumulative effect of P90 million, due to revaluation of land and buildings in line with Group accounting policies made for the first time by Lobatse Clay Works, Can Manufacturers, Coast to Coast, Kwena Concrete and Lion Park Amusement. They recommended that the Group reporting policies should be implemented by all subsidiaries and associates in a timely manner.

In response management indicated that the Board approved a new Group policy during the year and it was being implemented.

#### 3.2 Group Tax Planning

The auditors observed, as in the previous year, that the members of the Group may utilise other members' tax losses in each financial year but there was no formal Group tax planning strategy to efficiently utilise the losses. Numerous errors were also noted in the income tax, deferred tax and capital gains tax computations.

In response management noted the auditors finding and stated that they would engage with external auditors of the subsidiaries to appreciate their situation. A consultant had been contracted to undertake a 6-month tax capacity building programme.

#### 3.3 Group Reporting

The auditors noted, as in the previous year, the following weaknesses in the communication and process of reconciliation of balances between the Corporation, its subsidiaries and associates.

- No formal monthly financial information is reported to the Corporation by some subsidiaries and associates, which does not allow the Corporation to perform timely analysis of the performance of some of its investments.

- No process in place for timely reconciliation of the related party balances and transactions.
- Financial information not obtained on a regular basis, which prevents the Corporation to reliably estimate the investment impairment allowance throughout the year.

In response management noted the auditors' findings and committed to making continuous improvements as well as highlighting that they receive financial information of material subsidiaries quarterly for purposes of tracking investment performance.

## 125. Botswana Examinations Council

The financial statements of the Botswana Examinations Council for the financial year ended 31 March 2017 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 presented fairly, in all material respects, the financial position of the Botswana Examinations Council at 31 March 2017, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and in a manner required by Section 20 of the Botswana Examinations Council Act, (No. 11 of 2002).

#### 2.2 Financial Results

During the financial year under review, the Council recorded a deficit of P6.16 million, compared to P2.80 million in the previous year. The main contributor to the deficit for the year was an increase by P10.97 million (or 9%) in administrative expenses from P124.34 million in the previous year to P135.32 million in the year under review, largely due to increases in legal fees and salaries from P2.76 million to P6.16 million and P91.11 million to P98.78 million, respectively.

Expenditure increased by 4% from P271.16 million in the previous year to P281.32 million during the year under review, while

income increased by 3% from P268.36 million to P275.16 million during the same period.

The Council is funded by Government grants. Over the last 4 years there has been an increase in the Government grants as follows:

<u>Year</u>	<u>P'million</u>
2014	12.68
2015	220.15
2016	252.40
2017	260.54

### 2.3 Working Capital

The working capital position of the Council as at 31 March 2017 showed current assets of P30.13 million and current liabilities of P55.01 million, which resulted in a net current liabilities position of P24.88 million.

The current liabilities included provisions for gratuities and leave pay of P19.47 million and unspent Government grants (capital) of P4.47 million.

### 3.0 Management Letter

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

#### 3.1 Submission and Payment of Pay-As-You-Earn (PAYE)

The auditors noted, as in the previous year, that the PAYE returns were on 5 instances made late. For instance, PAYE returns for November 2016, December 2016, January 2017, February 2017 and March 2017 were submitted on 9 May 2017. The Council may incur penalties and interest levied by the Botswana Unified Revenue Service (BURS) for non-compliance with the Income Tax Act.

In response management stated that they were aware of the risks and that BURS had been made aware of the financial situation of the Council. However, they expected the situation to improve during 2017/18 financial year.

### Auditor General's Comment

The Council is under obligation to submit returns and remit any taxes deducted from payments to BURS within 15 days after the end of the month in which deductions were made.

#### 3.2 Property, Plant and Equipment

The auditors noted that no depreciation was recognised in respect of the three items of office equipment contrary to the requirements of International Financial Reporting Standard 16 which require that assets be depreciated in accordance with their expected economic useful lives.

In response management stated that they would secure funds to carry out revaluation process for fully depreciated assets that were still in use to make sure that they are properly accounted for as per IAS 16.

#### 126. **Botswana Fibre Networks (Proprietary) Limited**

The financial statements of the Botswana Fibre Networks Limited for the financial year ended 31 March 2017 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 financial statements presented fairly, in all material respects, the financial position of the Botswana Fibre Networks Limited as at 31 March 2017, and 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 company recorded a loss of P21.27 million, compared to a profit of P21.40 million reported in the previous year.

Expenditure increased from P256.98 million in the previous year to P348.71 million in the year under review, representing 36%, while

income increased from P278.38 million to P327.44 million, representing 18%, during the same period.

The company received a Government grant of P92.34 million during the year under review, compared to P84.33 million in the previous year.

### 2.3 Working Capital

The working capital position of the company as at 31 March 2017 showed current assets of P245.37 million and current liabilities of P116.05 million, resulting in a net current assets position of P129.32 million.

Current liabilities decreased from P278.65 million in the previous financial year to P116.05 million in the year under review, due to transfer/payment of liabilities of P158.68 million for Government Data Network project, the company managed on behalf of the Government in the previous year.

### 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 – Reassessment of Useful Life

The auditors noted that the useful lives and residual values of property, plant and equipment were not assessed annually in line with International Accounting Standard 16. They also noted that there was no control over monitoring of fixed assets existence and accounting for them accurately in the fixed assets register.

In response management agreed with auditors' finding and stated that they had engaged a contractor following assets separation between BTCL and BoFiNet to undertake asset verification exercise which was completed in December 2016. With this exercise completed, management indicated that it would be possible to fully comply with the requirements of IAS 16, which requires that residual values and reassessment of property, plant and equipment be carried out annually.

### 3.2 Representation to Management Tender and Project Steering Committees

The auditors observed that all the executive members of the company (corporate services, technical, project management office, strategy and business development) were involved in all committees, especially the management tender committee and the project steering committee. This had resulted in the same personnel approving tenders at the management tender committee as well as approving projects in the project steering committee which creates conflict of interest and is also against corporate governance principles.

In response management noted the auditors' observation and indicated that they would review the current management structure and would make the necessary improvements.

## 127. Botswana Geoscience Institute

The financial statements of the Botswana Geoscience Institute for the financial year ended 31 March 2017 were audited by Messrs Mazars, Certified Auditors, who were appointed by the Board in terms of the Botswana Geoscience Institute Act, 2014.

The Botswana Geoscience Institute started operations on 1<sup>st</sup> April 2016 as a statutory body formed as a result of transformation of the former Department of Geological Surveys. It is responsible for research in the field of geosciences, providing specialised geoscientific services and promoting the search for, and exploration of any minerals in Botswana.

### 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 Geoscience Institute as at 31 March 2017, and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and in a manner required by the Botswana Geoscience Institute Act, 2014.

## 2.2 Financial Results

For the financial year ended 31 March 2017, the Institute recorded a surplus of P115 884 from Income of P17.39 million and expenditure of P17.27 million.

The Institute is funded by Government grants, and in the year under review the grant was P17.22 million, representing 99% of total income.

## 2.3 Working Capital

The working capital position of the Institute as at 31 March 2017 showed current assets of P22.15 million and current liabilities of P22.03 million, giving a net current assets position of P115 883.

Included in the current liabilities is P20.27 million of unutilised Government grants.

## 3.0 Management Letter

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

### 3.1 Ownership of Assets

The Institute had land and buildings and motor vehicles valued at P230.29 million and P6.19 million, respectively, whose ownership had not yet been legally transferred to the Institute from Government.

In response management noted the auditors' observation and stated that work was in progress to expeditiously complete the transfer of assets.

## 128. Botswana Housing Corporation

The financial statements of the Botswana Housing Corporation for the financial year ended 31 March 2017 were audited by Messrs KPMG, Certified Auditors, who were appointed as auditors 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 presented fairly, in all material respects, the financial position of the Botswana Housing Corporation as at 31 March 2017, and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and in a manner required by Section 24 (4) of the Botswana Housing Corporation Act, (Cap 74:03).

### 2.2 Financial Results

During the financial year under review, the Corporation recorded a surplus of P48.50 million, compared to P27.96 million in the previous year, representing an increase of 73%.

Income reduced by P114.55 million, representing 16% reduction, from P702.10 million in the previous year to P587.54 million in the year under review, while expenditure also declined by P135.10 million, representing 20% reduction, from P674.14 million to P539.04 million during the same period.

Sales of housing inventories and rental income declined by P78.85 million (or 24%) and P5.55 million (or 3%), respectively, while professional fees increased by P2.71 million (or 10%) during the year under review.

Significant reductions in expenditure were noted in cost of housing inventories which went down by P63.86 million and employee costs which went down by P49.40 million due to retrenchment of 77 employees.

### 2.3 Dividends

In line with the Government directive of 2009 not to be paid dividends in cash by the Corporation, but in affordable housing units, the dividends had accumulated to P80.82 million as at 31 March 2015 pending direction from Government. Government has since directed that the accumulated dividend be paid to Government at the rate of P20.21 million a year starting from 2015/16 financial year.

During the year under review, the Corporation paid a dividend of P27.20 million (P6.99 million in respect of the financial year 2015/2016 and P20.21 million of the accumulated dividend paid in equal instalments in June 2016 and March 2017).

There were no dividends proposed for the accounts of 2016/17.

#### 2.4 Working Capital

As at 31 March 2017, the working capital position of the Corporation showed current assets of P1 940.67 million and current liabilities of P1 054.29 million, which resulted in a net current assets position of P886.38 million.

Current assets included cash of P1 682.95 million, of which P800.90 million related to housing projects of Government entities.

#### 3.0 Management Letter

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

##### 3.1 Memorandum of Sale Agreements

The auditors noted that memorandum of sale agreements were not signed in respect of properties sold during the year to the Botswana Defence Force and the Ministry of Basic Education.

In response management stated that Government insisted on sale agreements being prepared for all properties purchased. Given that the agreements take long at the Attorney General's Chambers, the sales were concluded before agreements were signed, hence offer letters form the basis upon which payments were made. However, management undertook to continue engaging Government on the issue of delay in the signing of sale agreements as they caused delays in title registration.

##### 3.2 Housing Inventory on Interim Lease

The auditors observed that some housing inventory units costing P17.90 million had been on interim lease to the Office of the President since 2011 even though the Corporation's prescribed maximum interim lease period is six months. The arrangement was that the units would be purchased once the identified defects on the buildings had been fixed and inspection reports

issued. Though this had been done, the interim lease agreement was renewed during the year.

In response management indicated that there was a delay in attending to the defects at Mophane estate. Now that the defects had been remedied, the client had been invited for final inspection in order to conclude the sale.

### 3.3 Contractual Agreements

The auditors indicated that professional fees charged to some Government entities in respect of projects undertaken by the Corporation on behalf of Government were not supported by formally signed agreements. Some of the cases included Botswana Defence Force, Department of Lands and Tsabong Land Board which were charged professional fees amounting to P9.35 million, P2.29 million and P1.25 million, respectively.

In response management stated that the Corporation would ensure that clients have contracts in place. Status was as follows for the above cited entities:

- BDF – A draft agreement had been submitted to the entity which in turn submitted it to the Public Procurement and Asset Disposal Board for approval.
- Department of Lands – A draft agreement would after discussion be submitted by 31 July 2017.
- Tsabong Land Board – As this was a new client, a draft agreement would be discussed and submitted by 31 July 2017

### 3.4 Useful Lives and Residual Values of Assets

The auditors observed that residual values, depreciation rates and useful lives applied to items of property, plant and equipment and investment properties were not assessed annually as required by International Accounting Standard 16. Therefore, fully depreciated assets and still in use were included in the fixed assets register at year-end.

In response management stated that all assets with nil net book value would be revalued post year-end.

### 3.5 Long Outstanding Clearing Transactions

The auditors noted a clearing account with transactions which had been outstanding for more than 12 months at year-end.

These needed to be investigated and resolved in a timely manner.

In response management noted the auditors' finding and stated that a review of old transactions would be done in order for irrecoverable amounts to be proposed for write off by the Board by March 2018.

### 3.6 Long Outstanding Receivable Balances

The auditors noted long outstanding balances included in receivables at year-end whose recoverability was doubtful. Furthermore, there were no indications that the Corporation had actively followed up on the balances and had engaged lawyers or debt collectors to assist with the collection of these balances. These included:



In response management stated that the car loans and housing loans related to former employees and efforts had been made in the past to collect the amounts but without success, while TPS balances related to repossessed TPS houses. These balances were very old and not recoverable, hence would be recommended for write off.

### 3.7 Bank Signatories

The auditors observed that two former employees of the Corporation were confirmed as authorised signatories by Barclays Bank of Botswana Limited.

In response management stated that they would make follow ups with the Bank to address the matter.

## 129. Botswana Innovation Hub Limited

The financial statements of the Botswana Innovation Hub Limited for the financial year ended 31 March 2017 were audited by Messrs Grant Thornton, Certified Auditors, who were appointed by the Board.

The Botswana Innovation Hub Limited was incorporated under the Companies Act in February 2010 as a private company limited by guarantee, wholly owned by Government to develop and operate a science and technology park to diversify the economy and transform Botswana towards a knowledge based economy.

## 2.0 Accounts

### 2.1 Audit Opinion

In the opinion of the auditors:

The annual financial statements presented fairly, in all material respects, the consolidated and separate financial position of the Botswana Innovation Hub as at 31 March 2017, and 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

In the year under review, the Group recorded a loss of P12.25 million, compared to a profit of P8.43 million in the previous year, while the Company recorded a loss of P655 224, compared to a profit of P12.23 million during the same period. The deterioration in financial performance was mainly attributable to:

- A decline of P6.90 (from P44.41 million to P37.51 million) in Government grant.
- Increases of P5.10 million (from P19.97 million to P25.07 million) in staff costs.
- Introduction of Innovation Price for Africa during the year under review, P1.18 million.
- In addition for the Group, there was a fair value loss of P6.04 million (from P170 000 to P6.04 million) on investment property.

The Government grant is the main source of income for the Company, making 90% of total income during the year under review. Other major sources of income for the Company were administration and management fees of P3.75 million while that of the Group was finance income of P2.68 million.

Expenditure for the Group increased by P11.95 million or 29% from P40.72 million in the previous year to P52.67 million during the year under review, while income on the other hand declined

by P8.73 million or 18% from P49.15 million to P40.42 million during the same period.

Expenditure for the Company increased by P7.20 million or 21% from P35.01 million in the previous year to P42.22 million during the year under review, while income on the other hand declined by P5.68 million or 12% from P47.24 million to P41.56 million during the same period.

### 2.3 Working Capital

The working capital position of the Group as at 31 March 2017 showed total current assets of P110.55 million and total current liabilities of P91.52 million, giving a net current assets position of P19.04 million, while that of the Company showed current assets of P26.68 million and current liabilities of P10.59 million, resulting in a net current assets position of P16.09 million.

### 3.0 Management Letter

The following were some of the matters raised and the management responses thereto:

#### 3.1 Breach of Contract by the Lessee on Sale of Plot

The auditors noted that the Company had not collected the balance of P3.15 million due from Concerotel Botswana for the sale of a plot, Lot 74915, and that the transfer of the plot had not been concluded. A deposit of P2 million was paid following the signing of a lease agreement on 17 June 2014 which stipulated that payment be made within 120 days.

In response management stated that a considerable amount of time was taken to transfer the plot leased by Concerotel Botswana into their name as the payment was delayed by the need to re-survey and subdivide the main plot into several plots and substantial time taken by Concerotel Botswana to arrange for a financier to guarantee their payment. All the hurdles have now been overcome and the plot had been transferred to Concerotel Botswana and the Company was expecting payment before the end of October 2017.

#### 3.2 Pricing Policy

The auditors noted that the Pricing Policy did not prescribe the range of departure from the market values and approval levels of the same by an appropriate authority. However, there was

provision in the Policy for reduced consideration arising out of bulk sale or where the company demonstrated the ability to create employment or technology transfer in innovation.

In response management stated that the Company was in liaison with industry experts regarding the matter and would use their recommendations and common industry norms to accordingly revise the Policy.

### 3.3 Assets with Nil Carrying Value

The auditors noted fixed assets (IT Equipment, Leasehold Improvements, Motor Vehicles and Furniture & Fixtures) totalling P2.06 million in the fixed assets register with a nil net book value. These assets were still being used by the Company, hence economic benefits were still being derived from them and also they did not have residual values. This was a breach of the requirements of International Accounting Standard 16 that depreciable amount of an asset be allocated on a systematic basis over its useful life and that useful lives and residual values be reviewed at least at each year-end.

In response management noted the auditors' recommendations and stated that they would obtain independent valuations for fully depreciated assets to ascertain their useful lives and residual values during the financial year 2017/18 in line with the Company's Fixed Assets Policy and Procedures. Furthermore, most of the nil net book value assets related to leasehold improvements on premises which had since been removed from the assets register. It was a challenge to obtain valuations and useful lives for most IT equipment due to rapid technological advancements.

## 130. **Botswana Institute for Development Policy Analysis**

The financial statements of the Botswana Institute for Development Policy Analysis for the financial year ended 31 March 2017 were audited by Messrs KPMG, 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 presented fairly, in all material respects, the financial position of the Botswana Institute for Development Policy Analysis as at 31 March 2017, 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 Institute recorded a surplus of P4.48 million, compared to P2.77 million in the previous year. Income increased by P3.73 million (15%) from P24.11 million in the previous year to P27.84 million in the year under review, while expenditure increased by P2.02 million (9%) from P21.34 million to P23.36 million during the same period.

The Institute is funded by Government grants, and in the year under review the grant was P19.35 million, representing 70% of total income, compared to P18.47 million in the previous year. The Institute also generated revenue from the sale of services (P7.61 million) and investments (P679 561).

## 2.3 Working Capital

As at 31 March 2017, the working capital position of the Institute showed current assets of P27.84 million and current liabilities of P10.07 million, resulting in a net current assets position of P17.76 million.

Current liabilities included P4.73 million provisions for gratuities and leave pay, P2 694 project funds and P152 787 Vision 2036 funds.

## 3.0 Management Letter

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

### 131. **Botswana Institute for Technology Research and Innovation**

The financial statements of the Botswana Institute for Technology Research and Innovation for the financial year ended 31 March 2017 were audited by Messrs Deloitte & Touché, Certified Auditors, who were appointed by the Board.



## 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 Botswana Institute for Technology Research and Innovation as at 31 March 2017 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 Institute recorded a deficit of P2.97 million during the year under review, compared to P4.22 million in the previous year.

Expenditure increased from P68.18 million in the previous year to P92.72 million in the year under review, representing 36% increase, mainly attributable to increase in staff costs. Income increased from P63.96 million to P89.75 million during the same period, representing 40% increase.

The Institute is funded by Government grants and in the year under review, the grant was P88.18 million, representing 98% of total income, compared to P62.79 million in the previous year.

### 2.3 Working Capital

The working capital position of the Institute as at 31 March 2017 showed current assets of P71.96 million and current liabilities of P70.71 million, which resulted in a net current assets position of P1.25 million.

Current liabilities included P7.72 million provisions for leave pay and gratuities and P58.04 million project funds.

## 3.0 Management Letter

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

## 132. Botswana Institute of Chartered Accountants

The financial statements of the Botswana Institute of Chartered Accountants for the financial year ended 31 December 2016 were audited by Messrs Goel & Associates, Certified Auditors, who were appointed by the 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 presented fairly, in all material respects, the financial position of the Botswana Institute of Chartered Accountants as at 31 December 2016, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and in a manner required by the Accountants Act, 2010.

#### 2.2 Financial Results

The financial operations of the Institute for the year ended 31 December 2016 showed a deficit of P1.17 million, compared to a surplus of P1.39 million in the previous year. Expenditure increased from P16.85 million in the previous year to P20.55 million in the year under review, representing 22% increase, while income increased from P18.24 million to P19.38 million, representing 6% increase, during the same period.

The relatively small increase in income was due to the decline of 25% (P1.55 Million) in Government grant from P6.25 million in the previous year to P4.70 million in the year under review, hence the deficit.

#### 2.3 Working Capital

As at 31 December 2016, the working capital position of the Institute showed current assets of P11.17 million and current liabilities of P7.54 million, resulting in a net current assets position of P3.63 million.

### 3.0 Management Letter

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

### 3.1 Loss of Revenue from Government Subvention

The auditors noted that the Institute received a Government subvention of P4.55 million during the year against the approved budget of P6.07 million, due to the Institute's delay in submitting a claim for the funds. This resulted in significant loss of revenue and the Institute incurring a deficit.

In response management noted the auditors' finding and indicated that through a process of diarized reminders and submission of claims a month before the subsequent quarter commences, they had ensured that a similar situation does not recur.

### 3.2 Non-Compliance with Section 26 of the VAT Act

The auditors noted that the Institute was not in compliance with the provisions of Section 26 of the VAT Act, since it failed on four occasions to submit VAT returns within the stipulated timeframe. The delay was 3 months for the December 2015 – January 2016 and the August – September 2016 periods and 1 month for the February – March 2016 and the October – November 2016 periods. This resulted in late penalties of P171 393 being charged by BURS during the financial year.

In response management noted the auditors' finding and stated that the delays in submitting VAT returns were caused by manual re-processing of VAT on invoices when the Institute experienced technical challenges which resulted in the loss of data. Management committed to submit VAT returns on time in future.

### 3.3 AAT Subvention

The auditors noted a significant decline in revenue from AAT over the last 4 years as follows:

<u>Year</u>	<u>Revenue</u>
2013	2 152 408
2014	2 305 973
2015	1 620 717
2016	1 118 539

Reduction in this revenue stream also contributed significantly towards the Institute's losses for the year as it recovered only P1.12 million against the P2.5 million budgeted revenue from AAT.

In response management stated that they had noted the decrease in revenue year-on-year and engaged with AAT and the Department of Tertiary Education Financing. Management also indicated that the numbers that were sponsored in previous years had reduced significantly due to financial constraints experienced by Government.

#### 3.4 Property, Plant and Equipment (Repeat Finding)

The auditors noted that the fixed asset module maintained in Sage Evolution was not integrated with the Sage Pastel Ledger, resulting in manual entries being made to reconcile the two systems. They also noted that the fixed asset module was set to depreciate assets in the month following the date of purchase and not when the asset was available for use as intended by management and required by the International Accounting Standard 16. They also noted that the Institute did not have a capitalization policy, hence there was lack of guidance on assets eligible for capitalization and those to be expensed.

In response management noted the auditors' finding and stated that the integration of systems would be considered in 2018 due to financial constraints and that they would liaise with Pastel consultants to ensure that the fixed asset module was aligned to the requirements of IAS 16. They also committed to develop a capitalization policy to ascertain the capitalization threshold.

### 133. Botswana International University of Science and Technology

The annual financial statements of the Botswana International University of Science and Technology for the financial year ended 31 March 2017 were audited by Messrs Mazars, Certified Auditors, who were appointed as auditors by the University Council in terms 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 opinions of the Auditors:

The annual financial statements presented fairly, in all material respects, the financial position of the Botswana International University of Science and Technology as at 31 March 2017, and its financial performance and its cash flows for the year then

ended, in accordance with International Financial Reporting Standards and in a manner required by the Botswana International University of Science and Technology Act, (Cap 57:05).

## 2.2 Financial Results

The financial operations of the University showed a surplus of P46.75 million for the year under review, compared to P100 151 reported in the previous year. Income increased by 28% from P369.43 million in the previous year to P474.54 million in the year under review, while expenditure on the other hand increased by 15% from P369.33 million to P427.79 million during the same period.

The income comprised of the following:

	2017		2016	
	<u>P' Million</u>	<u>%</u>	<u>P' Million</u>	<u>%</u>
Government Grant	372.50	78.5	298.86	80.9
Tuition Fees	66.89	14.1	58.98	16.0
Other Income	32.88	6.9	10.41	2.8
Finance Income	<u>2.26</u>	<u>0.5</u>	<u>1.17</u>	<u>0.3</u>
	474.53	100.0	369.42	100.0

Expenditure comprised of the following:

Staff Costs	242.13	204.21
Operating Expenses	<u>185.66</u>	<u>165.12</u>
	427.79	369.33

## 2.3 Working Capital

As at 31 March 2017, the working capital position of the University showed current assets of P90.27 million and current liabilities of P101.11 million, resulting in a net current liabilities position of P10.83 million.

Current liabilities included provisions for gratuities and leave pay of P45.29 million and deferred income of P11.33 million.

## 3.0 Management Letter

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

### 3.1 Tagging and Risk of Asset Obsolescence

The auditors noted that the University had lots of equipment still in boxes and not yet tagged. Although some of the equipment could not be opened due to warranty reasons, some of it was lying idle in the University premises and was running the risk of being obsolete.

In response management stated that the equipment could not be taken out of boxes as the building in which it was to be housed needed some modifications which were expected to be completed by December 2017. The guarantees on the equipment start after commissioning. However, the assets were in the register and the boxes were tagged. Furthermore, management stated that they had now put in place a process which ensures that assets procured would be ready for use on delivery.

### 3.2 Private Student Tuition Fees

The auditors noted that there was no clear system to record what the private students had already paid and what they owed the University. The amounts recorded in the ledger represented only the payments that the students had made and there was no system to track who had paid.

In response management stated that the University was in the process of introducing a student management system which was expected to be fully implemented by November 2018. In the meantime, the manual student registration information kept by Registry Services would be used to bill students and records would be reconciled to the class lists and test results to ensure completeness of student registration information used for billing.

## 134. Botswana Investment and Trade Centre

The financial statements of the Botswana Investment and Trade Centre for the financial year ended 31 March 2017 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 as at 31 March 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards and in a manner required by Section 19 of the Botswana Investment and Trade Centre Act, 2011.

### 2.2 Financial Results

In the year under review, the Centre recorded a deficit of P20.78 million, compared to a surplus of P16.39 in the previous year. The deficit is largely attributable to fair value losses in investment property of P 27.4 million and a decrease in revenue due to P15.42 million reduction in Government grant from P113.16 million in the previous year to P97.74 million in the year under review.

Expenditure increased from P120.18 million in the previous year to P139.39 million in the year under review, representing 16% increase, while income on the other hand declined from P136.57 million to P118.61 million, representing 13% decline, during the same period.

### 2.3 Working Capital

The working capital position of the Centre as at 31 March 2017 showed current assets of P103.65 million and current liabilities of P52.03 million, giving a net current assets position of P51.62 million.

Current liabilities included P30.04 million payable to Special Economic Zone Authority and P11.44 million staff accruals.

## 3.0 Management Letter

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

### 3.1 Long Outstanding Debtor Balances

The auditors noted that debtors outstanding for over 90 days amounted to P1.10 million, representing 60% of the total debtors (P1.81 million) and that P1.34 million was provided as doubtful debts as at the year-end. The Centre may incur costs in the process of recovering debts, given the length of time the balances had been outstanding.

In response management noted the auditors' finding and stated that they had engaged legal expertise to assist in the recovery of the debts. A recommendation to write off bad debts amounting to P1.02 million was made to the Board as at year-end.

### 3.2 Review of Useful Lives and Residual Values of Property, Plant and Equipment

The auditors noted that management had not performed a review of useful lives and residual values of property, plant and equipment at the end of the financial year, as required by International Accounting Standard 16.

In response management noted the auditors' finding and stated that a review of useful lives of assets in the register was conducted in March 2012 and another one was scheduled for March 2018.

### 3.3 Late Payment of PAYE for Temporary Employees

The auditors noted that PAYE was deducted every month when paying temporary employees but the amounts deducted were not remitted to Botswana Unified Revenue Service (BURS). The amount had accumulated to P21 924 as at year-end. Penalties may be imposed by BURS for late payment.

In response management noted the auditors' finding and stated that an annual end-of-year tax reconciliation was conducted to ensure completeness and accuracy of tax records. They undertook to ensure that third party payments were paid and released on time.

## 135. Botswana Meat Commission

The financial statements of the Botswana Meat Commission for the financial year ended 31 December 2016 were audited by Messrs Ernst & Young, Certified Auditors, who were appointed by the Commission in



terms of Section 20 (3) of the Botswana Meat Commission Act, (Cap 74:04).

## 2.0 Accounts

### 2.1 Audit Opinion

In the opinion of the Auditors:

The consolidated and separate financial statements presented fairly, in all material respects, the financial position of the Botswana Meat Commission Group as at 31 December 2016, and 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 Meat Commission Act, (Cap 74:04), and for such internal control as the Commissioners determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Other Legal and Regulatory Requirements:

The Commission had not complied with the financial provisions of Section 17 of the Botswana Meat Commission Act, (Cap 74:04) which requires that, taking one year with another, its revenues should be sufficient to enable the Commission to meet the outgoings properly chargeable to the revenue account.

### 2.2 Financial Results

In the year under review, the Group and the Commission recorded a deficit of P222.52 million and P204.05 million, compared to a surplus of P334.09 million and P327.77 million, respectively, reported in the previous year.

The expenditure for the Group declined by 9% from P1 538.04 million in the previous year to P1 405.89 million in the year under review, while income declined by 36% from P1 872.13 million to P1 183.36 million during the same period.

The expenditure for the Commission declined by 11% from P1 522.94 million in the previous year to P1 360.42 million in the year under review, while income declined by 38% from P1 850.71 million to P1 156.38 million during the same period.

The ability of the Commission to continue as a going-concern is dependent on continued Government support as it had

accumulated deficit of P770.12 million during the year under review, compared to P535.11 million in the previous year.

### 2.3 Working Capital

The working capital position of the Group as at 31 December 2016 showed total current assets of P226.00 million and total current liabilities of P247.46 million, giving a net current liabilities position of P21.46 million, while that of the Commission showed current assets of P242.92 million and current liabilities of P305.49 million, resulting in a net current liabilities position of P62.57 million.

Included in current liabilities is:

	<u>Group</u> P'million	<u>Commission</u> P'million
Payroll Accruals	14.66	14.13
Amounts due to Group Companies	-	63.38

### 3.0 Management Letter

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

#### 3.1 Dormant Subsidiaries

The auditors noted that the current Group structure included a number of dormant entities which gave rise to associated costs as they required production of statutory accounts and tax returns. Therefore a review is necessary to determine whether or not to liquidate them.

In response management stated that the process of review had been done since 2012 and some of the dormant subsidiaries were closed from 15 to the current 8. Furthermore, the Commission was working on restructuring.

#### 3.2 Plans to Adopt New Accounting Standards

The auditors noted that the Commission had no documented plans to implement and execute new International Financial Reporting Standards 15 – (Revenue Recognition from contracts with customers) and 9 – (Financial Instruments - Recognition and Measurement).

These Standards would change the way the Commission measures and recognises revenue and present financial instruments and would also expand the disclosure requirements.

In response management noted the auditors' finding and stated that they had taken a decision to seek expert advice to perform a comprehensive assessment to identify the effect of the new Standards on the Group's business and financial reporting.

### 3.3 Estimation of the Francistown Losses

The auditors noted that historically the Commission had been claiming the losses incurred by the Francistown plant from Government based on preliminary results, which were significantly revised during audit. The methodology for computing the losses had not been formalised in any document and had also not been formally agreed with Government, thereby exposing the Commission to the risk of costs to be claimed being rejected.

In response management indicated that the matter had been followed-up at the highest level with the Ministry of Agricultural Development and Food Security and that due to the Ministry's financial constraints, the funds were not yet released.

### 3.4 Approval of Payments Made to Subsidiaries

The auditors noted that the Commission did not have adequate or sufficient evidence of review and approval of payments for management fees and expenses from BMC UK by a senior officer to ensure that correct amounts were paid. This may result in over/under payment to the subsidiary and also create an opportunity for possible activities of malpractice.

In response management indicated that management fees were pre-set at the time of the budget and approved by the Board, hence they considered this to be sufficient as the amount did not change every month once it had been approved. Management also indicated that a nominal ledger with all supporting documents for all expenses was reviewed every month by the management accountant.

### 3.5 Double Payments to Farmers

The auditors noted that the Commission had double paid farmers in the Bank Gaborone cattle purchase account to the extent of

P524 756. Therefore, the Commission was exposed to risk of irregular transactions passing undetected.

In response management stated that an error of duplicated information was identified and efforts had been made to recover the amounts except for one farmer where a legal process was adopted to recover the outstanding amount. The outstanding amounts stood at P359 178 and a control mechanism had been applied to recheck data before making payments.

### 3.6 BotswanaPost Account

The auditors noted a balance of P7.29 million in the BotswanaPost clearing account which was indicated as being nil by confirmation from BotswanaPost.

In response management stated that the balance was confirmed by BotswanaPost in 2015 but subsequently disputed in 2016. Despite numerous meetings held with BotswanaPost, the matter was not concluded and the Commission was contemplating taking a legal action to recover the amount.

### 3.7 Standing Days of Cattle in Feedlots

The auditors noted that 1 235 animals had been in feedlots for more than 90 days, which exposed the Commission to loss of profit since standing fees and feeding costs were incurred for each animal on a daily basis.

In response management noted the auditors' observation and indicated that there were challenges where the animals were not moving due to external factors that affected traceability and that an improvement had been noticed in 2016 as the standing days of more than 90 days had mostly reduced.

### 3.8 Useful Lives of Property, Plant and Equipment

The auditors noted that the Commission had fully depreciated assets (furniture and equipment, computer equipment and motor vehicles) in the fixed assets register which were still in use. This was contrary to the requirements of International Accounting Standard 16 that the review of residual values and useful lives of assets be done at least at each year-end.

In response management noted the auditors' finding and stated that useful lives would be reviewed on an annual basis.

## 136. Botswana National Productivity Centre

The financial statements of the Botswana National Productivity Centre for the financial year ended 31 March 2017 were audited by Messrs Deloitte & 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:

The financial statements presented fairly, in all material respects, the financial position of the Botswana National Productivity Centre as at 31 March 2017, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and in a manner required by Section 16 (3) of the Botswana National Productivity Act, (No. 19 of 1993).

Emphasis of Matter:

Without qualifying their opinion, the auditors drew attention to note 17 of the financial statements which states that the Centre was in the process of obtaining title deed for the Government property (land and buildings) that it used since inception.

#### 2.2 Financial Results

During the financial year under review, the Centre recorded a surplus of P3.92 million, compared to P3.98 million in the previous year. Income declined by 1% from P51.26 million in the previous year to P50.71 million in the year under review, while expenditure declined by 1% from P47.27 million to P46.79 million during the same period.

The Centre is funded by Government grants, and in the year under review the grant was P42.87 million, compared to P43.20 million in the previous year, constituting 85% of total income. Other notable income of P6.77 million was from sale of services, which was P479 216 lower than the previous year.

### 2.3 Working Capital

The working capital position of the Centre as at 31 March 2017 showed current assets of P20.73 million and current liabilities of P12.95 million, resulting in a net current assets position of P7.78 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 only of interest to management, hence did not merit mention in this report.

## 137. **Botswana National Sports Commission**

The financial statements of the Botswana National Sports Commission for the financial year ended 31 March 2017 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 presented fairly, in all material respects, the financial position of the Botswana National Sport Commission as at 31 March 2017, and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and in a manner required by the Botswana National Sports Commission Act, 2014.

#### 2.2 Financial Results

During the financial year under review, the Commission recorded a deficit of P34.22 million, compared to P4.19 million in the previous year. Income declined by 42% from P138.30 million in the previous year to P80.89 million in the year under review due to a reduction of P53.94 million in Government grant. Expenditure declined by 19% from P142.49 million to P115.10 million during the same period as the P27.23 million in 2016 towards All Africa and Botswana Games was a once-off expense.

The Commission is funded by Government grants, and during the year under review the grant was P73.89 million, representing 91% of total income, compared to P127.83 million in the previous year, while other income was derived from, among others, stadium fees, advertising and Debswana Re Ba Bona Ha income.

An amount of P32.90 million was distributed to 40 affiliates and associates, with allocations ranging from P29 495 (lowest) to P8.87 million (highest). The Botswana Football Association received the highest amount of P8.87 million followed by the Botswana National Olympic Committee which received P6.25 million.

Additionally, an amount of P12.87 million was used to fund special projects such as Elite Scholarship Fund, IWG Women and Sport, African Union Sports Council Region 5 Games, Re Ba Bona Ha, Sports Development, Sports Awards, Women and Sport Botswana, Zebra Athletes Fund and others.

The Commission had been incurring losses over the past years which had accumulated to P48.70 million as at 31 March 2017 and its current assets exceeded current liabilities by P11.68 million. Therefore, the Commission's ability to continue as a going-concern is dependent on the Government's continued financial support.

### 2.3 Working Capital

The working capital position of the Commission as at 31 March 2017 showed current assets of P8.18 million and current liabilities P19.86 million, resulting in a net current liabilities position of P11.68 million.

Included in the current liabilities is provisions for gratuities and leave pay of P2.87 million.

### 3.0 Management Letter

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

#### 3.1 Status of Prior Year Matters

The auditors noted that 5 of the 10 matters reported in the previous year had not been dealt with by management and therefore there is uncertainty whether these have been resolved. These were:

- Documentation of IT Security Policies and Procedures  
There were no written formal security policies and procedures that had been established and communicated for the Commission's IT environment.
- Authorisation of Expenses  
The affiliate expenses which had exceeded the budgeted amounts were not authorised by a senior official.
- Long Outstanding Creditors Balance  
The entity had a long outstanding balance to affiliates amounting to P552 113. The amounts relates to fees for the junior teams which were not paid as per Government directive.
- Excessive Unused Leave Days for Employees  
Some employees had more than 80 days leave entitlement at the end of the financial year. The total accrual as at 31 March 2016 was P1.23 million. Some employees had been accruing the leave days for more than 3 years.
- Non-Renewal of Mascom Lease  
The lease with Mascom expired in November 2015 and the auditors were not furnished with a new one. Mascom continued to occupy the premises and paid the rental obligations based on the prior lease agreement.

### 3.2 Over Expenditure on BOT50 Activities

The auditors noted that during the year under review, the Commission was tasked by the Ministry of Youth Empowerment, Sport and Culture Development to facilitate payments to stakeholders on behalf of the BOT50 Celebrations Committee. In the process, the Commission overspent by P611 540 on those activities and now they were being disputed by the Ministry on the grounds that the amount was not appropriately approved. Therefore, the recoverability of this amount was doubtful, hence had been provided for possible impairment. This matter indicates that the Commission acted outside its mandate in that BOT50 Celebrations did not fall within its functions nor were they related to sports. Deviations from the mandate should be supported by appropriate approval of the Board and the activities should then be executed in line with an approved budget.

In response management stated that the Board met with the Ministry to discuss the issue of getting instructions outside their mandate and it was agreed that going forward the Commission should not accept such instructions.



## Auditor General's Comment

Management has not indicated whether the Ministry would pay the amount owed.

### 138. **Botswana Oil Limited**

The financial statements of the Botswana Oil Limited for the financial year ended 31 March 2017 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 presented fairly, in all material respects, the financial position of the Botswana Oil Limited as at 31 March 2017, and 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 the company showed a loss of P33.45 million for the year under review, compared to a profit of P12.25 million recorded in the previous year. The cost of sales increased by P69.30 million (38%) from P181.30 million in the previous year, to P250.60 million, for the year under review, while the sale of petroleum products was P250.39 million, resulting in operating loss of P210 000.

Expenditure increased by P79.56 million or 35% from P227.40 million in the previous year to P306.96 million in the year under review, while income increased by P33.86 million or 14% from P239.65 million to P273.51 million during the same period.

The company had accumulated losses of P18.20 million as at 31 March 2017 and its current liabilities exceeded current assets by P36.96 million. Therefore, the company's ability to continue as a going concern is dependent on the Government's continued financial support. During the year under review, the company utilised inventory from the Government's strategic reserves and obtained advances to manage projects on behalf of

Government. Subsequent to year-end, Cabinet wrote-off 20 million litres of fuel advanced to the company in order to ease its financial obligations. A further decision was taken by Government to write off P20 million loan facility provided to the company. These two loans would be converted into equity. Cabinet also approved the long-term capitalisation of the company through the introduction of a security of supply margin of 17.5 thebe per litre on regulated petroleum products, excluding paraffin, over a 5-year period.

### 2.3 Working Capital

As at 31 March 2017, the working capital position of the company showed current assets of P177.31 million and current liabilities of P214.27 million, giving a net current liabilities position of P36.96 million.

Included in current liabilities is P3.74 million provisions for gratuities and severance pay and P54.83 million unutilised Government grants for specific projects (procurement of strategic reserve stocks, Francistown Expansion project and Tank Conversion project).

### 3.0 Management Letter

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

#### 3.1 Product Loan from Government

The auditors noted that the company was allowed to withdraw from Government reserves a product loan to the extent of 20 million litres to commence operations. The loan was treated as a non-financial asset to be settled by delivery of fuel back to the Government reserves. At the end of the previous year, the balance of quantities drawn by the company from the reserve was 24.6 million litres, which was higher than the quantities agreed. The loan terms exposed the company to fluctuations arising from market prices, hence management held discussions with the Department of Energy to eliminate the impact of the fluctuations to the income statement. This resulted in the product loan and hedging agreements being effected though not signed by year-end. Despite this, during the year management continued to revalue the inventory and drew on Government reserves and after making repayment of 15.8 million litres valued at P83 million to prevent the rising fuel prices impacting on the

company results, the outstanding obligation at year-end was 11.6 million litres valued at P64.40 million.

In response management concurred with the auditors observation.

### 3.2 Management of Government Infrastructure

The auditors noted, as in the previous year, that the 'Bulk Petroleum Infrastructure and Product Management Agreement' stipulated that the company shall manage, operate and maintain the petroleum infrastructure. Though management had confirmed that the company owned the assets, these had not been coded, valued and input in the SAP system.

In response management stated that the assets had been loaded into SAP system and that the Department of Energy was in the process of sourcing services for verification, identification and valuation of assets.

### 3.3 Register of Contracts

The auditors noted that management maintained a register of contracts in MS-word but the system of recording had not been designed such that it would ensure completeness and integrity of the register. This exposed the company to the risk of financial loss arising from claims due to non-performance of contracts or expired contracts not renewed on time.

In response management noted the auditors' observation and stated that they would consider use of appropriate software to effectively manage contracts.

### 3.4 Determination of Useful Lives and Residual Values

The auditors noted that management had confirmed that they had performed an assessment of useful lives on an annual basis and that such remained valid. Management had also confirmed that they had assessed the residual values of assets at the end of their useful lives and had determined them to be zero. Motor vehicles were depreciated over four years after which they would be sold and replaced with new ones. The vehicles would after such a period generate a residual value which would likely be significant, hence the approach followed by management may not be appropriate as in future the fixed assets register would likely contain fully depreciated assets though in use.

In response management stated that they had drafted a fixed assets policy containing a provision for periodic assessments of residual values for consideration by the Board.

139. **Botswana Postal Services Limited**

The financial statements of the Botswana Postal Services Limited for the financial year ended 31 March 2017 were audited by me, having been appointed by the Board.

2.0 Accounts

2.1 Audit Opinion

In my opinion:

The financial statements presented fairly, in all material respects, the financial position of the Botswana Postal Services as at 31 March 2017, 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 Post recorded a loss of P13.00 million before a revaluation gain on property, plant and equipment of P43.81 million, compared to P27.48 million in the previous year.

Expenditure increased by 5% from P504.76 million in the previous year to P530.17 million in the year under review, while income increased by 8% from P477.29 million to P517.17 million during the same period.

The revenue for the Post increased by 7% from P428.72 million in the previous year to P457.77 million in the year under review, while the cost of sales on the other hand increased by 16% from P336.07 million to P389.69 million during the same period. Administrative and other operating expenses declined by 8% from P136.25 million in the previous year to P125.45 million in the year under review. This resulted in an operating loss of P11.60 million during the year under review, compared to an operating profit of P4.49 million in the previous year.

The increase in cost of sales is mainly attributable to increases in:

	2017 <u>P'Million</u>	2016 <u>P'Million</u>	Increase <u>P'Million</u>	%
Electricity Purchases	210.90	178.20	32.70	18
Airtime Expenses	42.76	38.02	4.74	12
Mail Conveyance Costs	31.59	29.20	2.39	8
Mail Bags & Other Consumables	4.09	2.82	1.27	45
Advertisement & Promotion	5.27	3.97	1.30	33
Salaries	63.15	51.26	11.89	23

Other income included a P38.07 million (2016:P40 million) recovery under Universal Service Obligation for provision of postal services on non-commercially viable terms and conditions.

Since 2009 the Post had accumulated losses of P126.49 million at the end of the year under review and its current liabilities exceeded its current assets by P43.16 million, its going-concern status is dependent on continued financial support from Government.

### 2.3 Working Capital

As at 31 March 2017, the working capital position of the Post showed current assets of P185.97 million and current liabilities of P229.13 million, resulting in a net current liabilities position of P43.16 million.

Current liabilities included P7.95 million provisions for gratuities and leave pay.

### 3.0 Management Letter

The following were some of the matters I had raised and the management responses thereto:

#### 3.1 Fixed Assets Identification (ID)

The analysis of the assets register and valuation report revealed that there were differences between the asset IDs in the assets register and corresponding asset IDs in the valuation report. Conflicting asset IDs may make it difficult to monitor, identify and classify assets.

In response management noted my finding and indicated that corrective action would be taken to ensure that the asset ID in

the register matches with the asset ID in the valuation report by September 2017.

### 3.2 Intangible Assets - Useful Lives

The Post had intangible assets that were in use and were expected to provide future economic flows, although had a nil value or were fully amortised, contrary to International Accounting Standard 38 and the Botswana Postal Services Limited Policy on the Review of Amortisation Period. This possibly understated the intangible assets when taking into consideration that they were still in use, an indication that they had some economic life to generate return.

In response management stated that they were in the process of procuring an end-to-end system that would replace the fully amortized software. This was envisaged to go live during 2017/18 financial year. Therefore, management after assessing the impact of such an exercise decided not to revise the economic useful life of the software as it would be discontinued within a year.

## 140. Botswana Power Corporation

The financial statements of the Botswana Power Corporation for the financial year ended 31 March 2017 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 presented fairly, in all material respects, the financial position of the Botswana Power Corporation at 31 March 2017, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and in a manner required by the Botswana Power Corporation Act, (Cap 74:01).

## Other Legal and Regulatory Requirements

As set out in Note 42 of the financial statements, the Corporation had not met the requirements of Section 17 of the Botswana Power Corporation Act, (Cap 74:01) which requires the Corporation to conduct its affairs on commercial lines so as to produce a net operating income by which a reasonable return can be measured. The Corporation incurred an operating loss of P1.44 billion (2016: P1.99 billion) before a tariff subsidy of P1.67 billion (2016: P2.32 billion).

## 2.2 Financial Results

In the year under review, the Corporation recorded a loss of P140.25 million, compared to P99.61million recorded in the previous year.

Expenditure for the year under review was P5.04 billion, compared to P5.82 billion in the previous year, representing a 13% decline, while income on the other hand declined by 15% from P5.72 billion to P4.89 billion during the same period.

The income comprised:

	2017 <u>P'million</u>	2016 <u>P'million</u>
Sale of Electricity	2 768.85	2 857.16
Other Income	138.60	103.54
Tariff Subsidy and Emergency Power Grant	1 667.50	2 321.36
Interest Income	6.94	20.07
Net Exchange Gain	274.01	0.00
Income Tax (Deferred)	39.10	0.00
Fair Value Gain on Cross Currency and Interest Rate Swap	<u>0.00</u>	<u>413.97</u>
	<u>4 895.00</u>	<u>5 716.10</u>

The expenditure comprised:

Generation, Transmission and Distribution Expenses	3 811.27	4 405.35
Administration and Other Expenses	535.32	549.24
Finance Costs	249.53	191.29
Fair Value Loss on Cross Currency and Interest Rate Swap	439.12	0.00
Net Exchange Losses	<u>0.00</u>	<u>669.84</u>
	<u>5 035.24</u>	<u>5 815.72</u>

The Corporation had made losses for the past 9 years as follows:

<u>Year</u>	<u>P' Million</u>
2017	140.25
2016	99.61
2015	274.91
2014	61.53
2013	385.37
2012	1 652.54
2011	796.62
2010	1 227.63
2009	133.62

The Corporation had accumulated losses of P4.82 billion and its current liabilities exceeded its current assets by P2.96 billion at the end of the year under review, hence rendering its going-concern status dependent on continued financial support from Government.

### 2.3 Working Capital

The working capital position of the Corporation as at 31 March 2017 showed current assets of P1.31 billion and current liabilities of P4.27 billion, which resulted in a net current liabilities position of P2.96 billion.

Current liabilities included, P1.18 billion Consumer Financed Projects, P133.55 million National Electricity Standard Cost Levy, P21.33 million pre-paid electricity sales, P52.32 million payroll related accruals and P75.02 million Government advance for North West and Rakola Transmission project.

### 3.0 Management Letter

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

#### 3.1 Estimated Meter Readings for Long Consecutive Periods

The auditors noted instances where post-paid meter readings for Government institutions were recorded based on estimated usage for periods up to 40 months contrary to the Corporation's policy that actual meter reading shall take place at least every 6 months. Prolonged periods result in incorrect billing and misstatement of revenue.



In response management noted the auditors' finding and stated that long consecutive estimates were due to accounts whose metres could not be located but without proof that the metering point had been disconnected. Management further stated that they would institute investigations in order to take appropriate action and also put in place controls, including the use of GPRS to easily locate metres.

### 3.2 Submission of NESC Recovery Claims

The auditors noted instances of substantial delays in submission of claims relating to National Electricity Standard Cost (NESC). Therefore, opportunity may be lost to recover the cost and disputes may also arise.

In response management stated that they were working on improving the NESC processes and also enhancing the SAP system to speed up submission of claims in order to easily identify completed projects which are ready to be claimed.

### 3.3 Capital Work-in-Progress

The auditors noted that the capital work-in-progress (CWIP) balance included some projects valued at P17.2 million which did not have any movement during the year.

In response management noted the auditors' finding and stated that they would fully implement the project system for monitoring of capital expenditure.

### 3.4 Remedial Works of Morupule B Power Station

The auditors noted that Morupule B Power Station had not operated to full capacity after commissioning due to defects in construction and equipment of the four generating units and that an amendment agreement entered into with the contractors in August 2016 outlined the scope and approach of defects remediation. It was expected that these remedial works would run for four years followed by a two-year defect notification period. Final accounts, liquidation damages for the delay in completion and claim for time extension, etc. were yet to be settled between the parties. However, management believed that contractor's claims would not exceed the Corporation's liquidated damages claims and these claims would be quantified and agreed upon satisfactory fulfilment of the defect remediation work as per the amendment agreement.

### 3.5 Divestment of Morupule B Power Station

The auditors noted that in 2016, Government took a decision in principle to sell Morupule B Power plant after the liability period. However, the 24 months liability period which was initially scheduled to end in June 2016 was extended for the contractor to make good on the outstanding defects, some of which were impacting on the reliability or availability of the power plant. In July 2017, an invitation to tender was issued to the original contractor, China National Electric Equipment Corporation (CNEEC), as it was viewed to be best placed to mitigate the risk which may arise as a result of the complexity and other issues attached to the project. Although Government had expressed its intention to dispose the plant during 2016 and initiated tendering process subsequent to the year under review, there was no concrete evidence at the year-end date that the sale would take place and be concluded within a period of twelve months after year-end as it remained subject to negotiation with prospective buyers and other stakeholders and a comprehensive evaluation process. The Corporation was to follow up the Industrial and Commercial Bank of China (ICBC) regarding the settlement of the loan, including any termination amounts related to the hedge facility and to determine liquidated damages and consequential losses related to the late delivery and poor performance of the Morupule B Power Station.

#### 141. Botswana Privatisation Asset Holdings

The financial statements of the Botswana Privatisation Asset Holdings for the financial year ended 31 March 2017 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 financial statements presented fairly, in all material respects, the financial position of the Botswana Privatisation Asset Holdings as at 31 March 2017, and 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 Company recorded a profit of P15.02 million, compared to P11.20 million in the previous year, an increase of 34%.

The main source of income was a dividend of P12.28 million from the investment with Botswana Building Society, compared to P12.61 million in the previous year. Other income was P4.10 million grant from Government for the purchase of Botswana Telecommunications Corporation Limited shares, P1.20 million gain on financial assets and P28 886 finance income. Expenditure on the other hand was P2.59 million covering, among others, management fees of P700 054, market-maker role fees of P634 667 and legal fees of P193 127.

## 2.3 Working Capital

The working capital position of the Company as at 31 March 2017 showed current assets of P26.17 million and current liabilities of P2.09 million, resulting in a net current assets position of P24.08 million.

The current liabilities included the balance of P1.90 million received from Government through the Public Enterprises Evaluation and Privatisation Agency for the Company to play the role of market-maker in the purchase of Botswana Telecommunications Corporation Limited shares. There were no repayment terms for this payment.

## 3.0 Management Letter

The auditors indicated that they did not issue a management letter as there were no significant control deficiencies identified.

## 142. Botswana Qualifications Authority

The financial statements of the Botswana Qualifications Authority for the financial year ended 31 March 2017 were audited by Messrs PricewaterhouseCoopers, Certified Auditors, who were appointed as auditors 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 the Botswana Qualifications Authority as at 31 March 2017, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and in a manner required by Section 23 (3) of the Botswana Qualifications Authority Act, 2013.

### 2.2 Financial Results

The Authority recorded a deficit of P3.60 million for the year under review, compared to a surplus of P7.20 million before a revaluation gain on property, plant and equipment of P5.20 million in the previous year.

Expenditure increased by P13.31 million (representing 20%) from P66.12 million in the previous year to P79.43 million in the year under review, while income on the other hand increased by P2.50 million (representing 3%) from P73.32 million to P75.82 million during the same period. Significant increase in expenditure were noted in staff costs, which increased by P8.66 million (representing 19% increase) from P45.45 million to P54.11 million during the same period.

The main sources of income for the year came from:

- Government subvention of P35.98 million, which had declined from P38.42 million in the previous year.
- Contribution from the Human Resource Development Fund of P28.11 million, being 10% of the Fund revenue to support quality assurance activities.
- Project funds of P7.42 million (P6.31 million – National Credit and Qualification Framework and P1.11 million – BOTA office).
- Registration fees of P3.62 million.

### 2.3 Working Capital

The working capital position of the Authority as at 31 March 2017 showed current assets of P36.91 million and current liabilities of

P25.99 million, giving a net current assets position of P10.92 million.

Included in current liabilities is P20.56 million provisions for gratuities and leave pay.

### 3.0 Management Letter

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

#### 3.1 Coding of Fixed Assets

The auditors indicated, as in the previous year, that some of the assets were not coded, which may make it not easy to identify assets in the register during their verification and consequently may not detect malpractices and errors.

In response management stated that delay in tagging assets was due to implementation of the fixed assets module late in the financial year, but they undertook to tag the assets in August 2017.

#### 3.2 Compliance with Procurement Procedures

The auditors observed an instance where the Authority did not comply with the Authority's procurement procedures when procuring as the purchase of a motor vehicle for use by the Deputy Chief Executive Officer was not subjected to a tender process.

In response management acknowledged the auditors' observation and stated that as the Board had approved the package which included the motor vehicle, the officer had a choice of selecting a vehicle which was within the approved limit.

#### 3.3 Home Internet Benefit

The auditors indicated that internet service was provided to the Authority's staff at their private homes but the benefit was not considered when calculating monthly income tax (PAYE) charge. This led to incorrect computation of PAYE and remittance to the Botswana Unified Revenue Service (BURS).

In response management undertook to ensure that employees are correctly taxed and that the deducted taxes are remitted to BURS.

#### 3.4 Long Outstanding Debtor Balances

The auditors noted that the majority of the debtors had been outstanding for more than 120 days, hence necessitating institution of proper follow-up procedures to recover the debts.

In response management stated that they had resolved to recommend these debts to be written off as they considered them to be irrecoverable.

#### 3.5 Approval of Overtime Hours

The auditors noted, as in the previous year, that contrary to the Authority's Human Resources policy, which requires that overtime worked is approved beforehand, there were instances where overtime claims were approved after overtime had been worked.

In response management agreed with the auditors' observation and undertook to ensure that procedures on overtime approval were followed.

### 143. Botswana Railways

In terms of Section 21 of the Botswana Railways Act, (Cap 70:01), the Organisation is required to submit to me the accounts for audit within 4 months of the end of the financial year, or such extended time as the Minister may direct.

Over the years the Organisation has not submitted the accounts on time so that the audited accounts would be ready within the 4 months prescribed by the Act, as such an extension of the time had always been sought. It is my honest belief that the Organisation should bring this matter under control.

In my previous reports, I had stated that there was considerable delay by the Organisation in submitting responses to my audit findings for the accounts of the financial year ended 31 March 2015.

The accounts for the financial year ended 31 March 2016 were only submitted to me for audit in October 2016, which was 3 months late, while those of 31 March 2017 were submitted to me in June 2017, which

was within the statutory time limit. Though many months behind statutory time limit, the audits of 31 March 2016 and 2017 accounts are still on-going pending finalisation of that for the 31 March 2015 accounts.

This has therefore denied the Parliamentary Committee on Statutory Bodies and State Enterprises the opportunity to examine the accounts of Botswana Railways on a current basis, that this has been going on for some time is a matter for concern to me and to the Committee.

#### 144. **Botswana Savings Bank**

The financial statements of the Botswana Savings Bank for the financial year ended 31 March 2017 were audited by Messrs PricewaterhouseCoopers, Certified Auditors, who were appointed by the Board in terms of Section 4 (1) of the Botswana Savings Bank Act, (Cap 56:03).

The Bank was in a process to transform from a statutory bank to a commercial bank as per the BSB Transition Act, 2012. It would be renamed "Botswana Savings Bank Limited" once it has been converted to a public company and fully licensed by the Bank of Botswana.

##### 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 Botswana Savings Bank as at 31 March 2017, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and in a manner required by the Botswana Savings Bank Act, (Cap 56:03).

##### 2.2 Financial Results

The financial operations of the Bank for the year ended 31 March 2017 showed a profit for the year of P15.51 million, compared to P12.78 million (restated) in the previous year. Income increased from P180.50 million (restated) in the previous year to P194.84 million in the year under review, representing 8% increase, while expenditure on the other hand increased from P1167.72 million

(restated) to P179.33 million, representing 7% increase, during the same period.

Interest income increased by 10% while fee and commission income declined by 20%. Interest expense declined by 8% while impairment loss on financial assets and administrative expenses increased by 32% and 36%, respectively.

### 2.3 Dividends

The Bank paid P3.98 million to Government as dividends in respect of the 2015/16 financial year. The Bank did not propose a dividend to Government in respect of the 2016/17 financial year due to restatement of the prior year errors which resulted in reduction of the opening retained earnings reserves.

### 2.4 Working Capital

The working capital position of the Bank as at 31 March 2017 showed current assets of P460.16 million and current liabilities of P515.12 million, resulting in a net current liabilities position of P54.96 million.

### 3.0 Management Letter

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

#### 3.1 Controls Over Dormant Accounts

The auditors indicated that the deposits accounts details were published in the Gazette only once a year on 31<sup>st</sup> March and not at the point when they had been dormant for 5 years as required by Section 18 of the Botswana Saving Act, (Cap 56:03). In addition, some of the dormant deposits accounts were not included in the list of published accounts in the Gazette. Furthermore, there were instances where accounts stopped earning interest one year before the 5-year period which was contrary to the provisions of the Act as it requires that interest be earned up to the fifth year.

In response management noted the auditors' finding and pointed out that they were working on putting in place an automated process to flag dormant accounts on monthly basis. This was also expected to automatically disable the account from earning interest after the fifth year of inactivity.



### 3.2 Physical Verification of Assets

The auditors noted that the Bank did not perform physical verification of assets and that there was no process in place to confirm existence of the assets in the fixed assets register.

In response management noted the auditors' observation and stated that the Bank was in a process of engaging the services of a company to undertake a comprehensive verification and tagging of all assets in the third quarter of 2017.

### 3.3 Reconciliation of Suspense Account Balances

The auditors noted that monthly reconciliation and ageing analysis were not prepared for suspense accounts. This may hinder timely identification and remediation of old outstanding balances and may result in financial loss.

In response management stated that they were in the process of setting up a reconciliation unit to develop robust processes, procedures and guidelines to ensure daily reconciliation and proper ageing analysis of all suspense accounts effective from September 2017.

### 3.4 Internal Control Reports from BotswanaPost

The auditors noted that reconciliation of balances and transactions between the Bank and BotswanaPost were performed and signed off monthly. However, deposits collected at the post offices and not transferred to the Bank would only come to light upon query by customers as the transactions are not online with the post offices. Internal control and internal audit reports on the banking activities performed by BotswanaPost branches were not obtained by the Bank.

In response management noted the auditors' observation and stated that they were liaising with BotswanaPost to obtain internal control and internal audit reports on periodic basis. The matter would be taken up with the joint Technical Consultative Committee between the two entities before it is escalated to the Chief Executive Officers' level.

### 3.5 Compliance with Credit Policy on General Provision of Loans

The auditors indicated that the Bank did not provide for general and specific impairment provision for loans in line with the requirements of the International Accounting Standard 39 as

stated by the Bank's Credit Policy. This may result in financial loss and misstatement of financial statements.

In response management stated that they had noted the error and had started to make provisions for both general and specific impairments on a monthly basis in line with the Bank's Credit Policy.

### 3.6 Deceased Depositors

The auditors noted old deposit balances relating to deceased depositors which were not paid to persons specified by the District Commissioner, as required by Section 16 of the Botswana Savings Bank Act, (56:03).

In response management noted the auditors' finding and indicated that they would develop and implement a new process that ensures that all received death claims were expeditiously processed, as required by the Act. They would also ensure that the transactions are properly and accurately accounted for in the accounting records of the Bank.

## 145. **Botswana Stock Exchange**

The financial statements of the Botswana Stock Exchange for the financial year ended 31 December 2016 were audited by Messrs KPMG, 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 financial statements presented fairly, in all material respects, the consolidated and separate financial position of the Botswana Stock Exchange as at 31 December 2016, 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

In the year under review, the Group and the Stock Exchange recorded profits of P8.41 million and P5.87 million, respectively, compared to P16.29 million and P8.11 million, respectively in the previous year.

The decline in Group profit arose mainly due to a decrease in Government grant and miscellaneous fees which resulted in income dropping from P39.44 million in the previous year to P34.13 million in the year under review, while expenditure increased from P26.29 million to P28.51 million during the same period.

## 2.3 Working Capital

The working capital position of the Group as at 31 December 2016 showed total current assets of P84.68 million and total current liabilities of P6.92 million, giving a net current assets position of P77.77 million. The current assets of the Stock Exchange were P58.15 million while the current liabilities were P6.67 million, giving a net current assets position of P51.49 million.

## 3.0 Management Letter

The following were the 3 matters raised by the auditors and the management responses thereto:

### 3.1 Provision for Doubtful Debts

The auditors observed that the Stock Exchange issued a letter of demand for payment through its legal advisors in relation to a balance of P205 160 which had been outstanding for more than 120 days. A full provision of this amount had not been made thus misstating receivables by P205 160.

Management in response stated that they assessed debtors for impairment regularly and that the amounts passed on to a debt collector could still be recovered as the process was still on-going. They would continue to assess the debtors for possible impairment and take the necessary action thereof.

### 3.2 User Access Rules

The auditors noted that two users accessed the VIP application through one account although they had different roles within the organisation. This setup may result in non-enforcement of

segregation of duty within the system and it being difficult to achieve accountability between the two users.

Management in response stated that the structure of the finance and administration department is very lean and that they had created separate accounts on the system for the two users with similar rights and roles in the VIP system to ensure continuity of work in the absence of the Finance Manager.

### 3.3 IT Penetration Test

Auditors observed that there was no evidence that IT penetration test was done for the year under review which may result with the Group not having complete knowledge of any underlying vulnerabilities that may open it to an internal and/or external cyber-attack. This may freeze operations and cause reputational damage to the Stock Exchange.

In response management stated that the Stock Exchange had implemented Intrusion Detection and Intrusion Prevention systems in its infrastructure to minimize the likelihood of cyber-attacks. They intend to conduct the penetration test in the following financial year.

#### 146. **Botswana Telecommunications Corporation Limited**

The Botswana Telecommunications Corporation Limited is a Government-owned company limited by guarantee established under the Companies Act. Following the sale of 462 million shares by Government and subsequent listing of the Corporation on the Botswana Stock Exchange, Government shareholding remained at 56%.

In August 2017, I addressed a communication to the Chief Executive Officer requesting for the submission of the annual report of the Corporation for the financial year ended 31 March 2017 for my review, in line with the existing arrangement. However, at the time of writing this report I had not received a response to my request for submission of the annual report. I have therefore not been able to include my comments on the accounts of the Corporation for the year under review in this report.

147. **Botswana Tourism Organisation**

In August 2017, I addressed a communication to the Chief Executive Officer requesting for the submission of the audited accounts and report of the Botswana Tourism Organisation for the financial year ended 31 March 2017 for my review, in line with the existing arrangement.

In response I received his communication stating that the accounts of the financial year ended 31 March 2017 were not ready for submission as the audit had not been concluded. I have therefore not been able to include my comments on the accounts of the Organisation for the year under review in this report.

In terms of Section 22 (2) of the Botswana Tourism Organisation Act (Cap 42:10) the accounts should be submitted for audit within 3 months after the end of the financial year. To the extent that the audit had still not been concluded, and the reports required by the Act not submitted to the Minister 10 months after the end of the financial year, the requirements of the Act had not been complied with.

148. **Botswana Trade Commission**

The financial statements of the Botswana Trade Commission for the financial year ended 31 March 2017 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.

The Botswana Trade Commission is a statutory body formed to regulate import and export of goods in Botswana. The Commission commenced its operations in February 2016.

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 Trade Commission as at 31 March 2017, and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

## 2.2 Financial Results

The Commission recorded a surplus of P55 560 for the year under review, compared to P44 456 in the previous year. Income increased from P2.31 million in the previous year to P9.19 million in the year under review, while expenditure increased from P2.26 million to P9.13 million during the same period.

The Commission is funded by Government grants, and in the year under review the grant was P9.14 million, compared to P2.31 million in the previous year.

## 2.3 Working Capital

As at 31 March 2017, the working capital position of the Commission showed current assets of P2.49 million and current liabilities of P2.08 million, resulting in a net current assets position of P414 767.

## 3.0 Management Letter

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

### 149. Botswana Unified Revenue Service

The Botswana Unified Revenue Service was established under the Botswana Unified Revenue Service Act, (Cap 53:03) to assess and collect taxes on behalf of Government. In terms of the Act the audited accounts must be submitted to the Minister within six months of the end of the year to which they relate, who shall cause them to be laid before the National Assembly.

In August 2017, I addressed communication to the Director General requesting him to submit the audited accounts and reports of the Unified Revenue Service for the year ended 31<sup>st</sup> March 2017, for my review, in line with the existing arrangement.

In response I received communication informing me that the accounts of the financial year ended 31 March 2017 were not ready for submission as the audit had not been concluded. I have therefore not been able to include my comments on the accounts of the Unified Revenue Service for the year under review in this report.

150. **Botswana University of Agriculture and Natural Resources**

The financial statements of the Botswana University of Agriculture and Natural Resources for the financial year ended 31 March 2017 were audited by Messrs PricewaterhouseCoopers, 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 annual financial statements presented fairly, in all material respects, the financial position of the Botswana University of Agriculture and Natural Resources as at 31 March 2017, and 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 University recorded a deficit of P8.30 million, compared to P10.27 million in the previous year. Expenditure increased by 2% from P173.15 million in the previous year to P175.88 million in the year under review, while income increased by 3% from P162.78 million to P167.58 million during the same period.

The income comprised the following:

<u>Revenue Item</u>	2017		2016	
	<u>Amount</u> (P'Million)	<u>%</u>	<u>Amount</u> (P'Million)	<u>%</u>
Government Grant	112.80	67.3	108.24	66.5
Tuition Fees and Other Student Income	49.37	29.5	50.76	31.2
Finance Income	0.15	0.1	0.16	0.1
Other Income	<u>5.26</u>	<u>3.1</u>	<u>3.62</u>	<u>2.2</u>
	<u>167.58</u>	<u>100.0</u>	<u>162.78</u>	<u>100.0</u>

The University had accumulated deficit of P18.49 million as at 31 March 2017 and its current liabilities exceeded current assets by P20.26 million, an indication that its ability to continue as a going-concern is dependent on Government's continued financial support.

### 2.3 Working Capital

As at 31 March 2017, the working capital position of the University showed current assets of P43.64 million and current liabilities P63.90 million, resulting in a net current liabilities position of P20.26 million.

Current liabilities included unutilised development and project funds of P22.60 million, accrued employee benefits of P27.63 million and prepaid tuition and residence fees of P8.75 million.

### 3.0 Management Letter

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

#### 3.1 Fully Depreciated Assets Still in Use

The auditors noted, as in the previous year, that there were a number of assets which were fully depreciated but still in use, an indication that useful lives were not determined based on economic lives of assets. Therefore, depreciation may be misstated and thereby have an impact on the carrying values of the assets.

In response, management agreed with the auditors' finding and stated that a review had started with the identification of fully depreciated assets to determine whether they were still in use. Management further stated that the review of the useful lives of computer software had been completed in November 2017 while for the rest of the assets it would be completed by March 2018.

#### 3.2 Land Without Title Deeds

The auditors noted, as in the previous year, that management was still in the process of obtaining title deeds for some portion of land valued at P35.10 million on which the University is located, currently registered in the name of the Government of Botswana.

In response management noted the auditors' finding and stated that the Governing Council was consulted in June 2017 for advice and that the matter would be discussed with the Department of Agricultural Research in November 2017.



### 3.3 Staff Debtors

The auditors noted, as in the previous year, long outstanding receivable balances from staff members who had resigned from the University. The absence of adequate follow-up procedures to recover overdue staff loans could result in financial losses to the University.

In response management stated that initiatives suggested by the auditors were put in place and that a decision had been taken to fully provide for the debts and then follow them up through a legal process.

#### Auditor General's Comment

It is over 12 months since the last reporting and the matter has still not been referred for legal action, which suggests tardiness in dealing with this issue which could result in loss of funds with the passage of time.

## 151. **Botswana Vaccine Institute Limited**

The financial statements of the Botswana Vaccine Institute for the financial year ended 31 December 2016 were audited by 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 presented fairly, in all material respects, the financial position of the Botswana Vaccine Institute Limited as at 31 December 2016, 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 financial year under review, the Institute recorded a profit of P114.78 million, compared to P15.81 million in the previous year. The significant improvement in results was attributable to decline of P21.08 million or 21% in cost of sales (due to economies of scale from full utilisation of the plant),

increases of P12.59 million or 8% in revenue (largely sales of vaccines) and the P72.84 million revaluation gain on property, plant and equipment.

Income increased from P163.68 million in the previous year to P248.90 million in the year under review, representing a 52% increase, while expenditure on the other hand declined from P147.87 million to P134.12 million during the same period, representing a 9% decline.

Income of the Institute was derived from sale of vaccines (P165.20 million), freight (P5.37 million), interest (P4.45 million) and other income (P1.04 million).

### 2.3 Working Capital

As at 31 December 2016, the working capital position of the Institute showed current assets of P291.62 million and current liabilities of P32.57 million, giving a net current assets position of P259.05 million.

### 3.0 Management Letter

The following were some of the matters raised by the auditors:

#### 3.1 Debtors Management

The auditors noted that the Institute's debtors had increased significantly due to increased sales level and delayed settlements by customers. The debtors balance as at 31 December 2016 was P67.82 million, compared to P53.47 million in 2015, representing an increase of 27%.

Pro-longed delays in settling debts from delivery date may result in difficulties with working capital management. Therefore, management was urged to assess the pricing policies on continuous basis to factor delays in settlement experienced in the industry.

#### 3.2 Invoicing Process

The auditors noted that due to the peculiar needs of the industry, the terms and conditions of customers are individually negotiated to take into account many considerations and unique circumstances when recognizing revenue. The nature of these contracts does not lend itself to automation, thereby require manual intervention in determining when the risks and

rewards are transferred for each transaction to recognize the related revenue in terms of International Accounting Standard 18. The auditors noted that the sales of P2.40 million made to the Ministry of Agriculture during the year were initially not recorded in the ledger and also that sales of P1.36 million made in 2015 had been erroneously omitted in that year and were included in the 2016 revenue. The auditors and management resolved that the amount was not material to the financial statements to necessitate the re-statement of prior year amounts.

The auditors noted that the full functionality of the invoicing system (Customer Relations Management) was not fully utilised as it was not linked to the shipments and finance functions and export sales invoices were raised manually. Therefore, there is need to generate exception reports monthly on invoices not converted to sale transactions and make the necessary follow-ups.

152. **Citizen Entrepreneurial Development Agency**

The Citizen Entrepreneurial Development Agency is a Government-owned company limited by guarantee established under the Companies Act.

In terms of the existing arrangement with all statutory bodies and state enterprises, the Agency is required to submit its annual audited accounts to me for review and inclusion of the review results in my report to the National Assembly, for the benefit of the Honourable Members.

In response I received his communication stating that the accounts for the financial year ended 31 March 2017 were not ready for submission as the audit had not been concluded. I have, therefore not been able to review the audited accounts of the Agency.

153. **Civil Aviation Authority of Botswana**

In August 2017, I addressed a communication to the Chief Executive Officer requesting for the submission of the audited accounts and report of the Civil Aviation Authority of Botswana for the financial year ended 31 March 2017 for my review, in line with the existing arrangement.

In response I received his communication informing me that the accounts for the financial year ended 31 March 2017 were not ready

for submission as the audit had not been concluded. I have therefore not been able to include my comments on the accounts of the Authority for the year under review in this report.

In terms of Section 37 (1) of the Civil Aviation Act, (Cap 71:01), the accounts should be submitted for audit within 4 months after the end of the financial year. To the extent that the audit had still not been concluded, and the reports required by the Act not submitted to the Minister 10 months after the end of the financial year, the requirements of the Act had not been complied with.

As indicated in my previous report, the Authority has not been able to submit the accounts on time for the audit to be carried out and concluded in the relevant year of account, as envisaged by the Act. Consequently, this has denied the National Assembly the opportunity to examine the accounts of the Authority on a current basis.

#### 154. **Companies and Intellectual Property Authority**

The financial statements of the Companies and Intellectual Property Authority for the financial year ended 31 March 2017 were audited by Messrs PricewaterhouseCoopers, Certified Auditors, who were appointed by the Board in terms of Section 32 (1) of the Companies and Intellectual Property Act, (Cap 42:13).

##### 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 Companies and Intellectual Property Authority as at 31 March 2017, and its financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards.

##### 2.2 Financial Results

In the financial year under review, the Authority recorded a deficit of P4.54 million, compared to a surplus of P2.52 million in the previous year. The expenditure was P38.64 million, while income was P34.11 million for the year under review. One of the contributing factors for the deficit was the increase in operating expenses by P9.18 million or 31%, mainly attributable to increase

in staff costs, while income on the other hand increased by P2.19 million, representing 7%.

The Authority is funded by Government grants, and for the year under review the grant was P30.95 million, representing 91% of the total income.

### 2.3 Working Capital

The working capital position of the Authority as at 31 March 2017 showed current assets of P10.53 million and current liabilities of P4.63 million, resulting in a net current assets position of P 5.9 million.

### 3.0 Management Letter

The auditors issued a management letter and the issues raised related to Information Technology general controls which of interest only to management and hence did not merit mention in this report.

## 155. **Competition Authority**

The financial statements of the Competition Authority for the financial year ended 31 March 2017 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 2017, and 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 2017 showed a surplus of P3.32 million, compared to a deficit of P1.16 million recorded in the previous year. Income

increased by 35.8% from P23.55 million in the previous year to P31.99 million in the year under review, mainly driven by increases in Government grant and merger fees. Expenditure increased by 16% from P24.71 million to P28.67 million during the same period, mainly driven by increases in staff costs and administration expenses.

The Authority is funded by Government grants, and in the year under review the grant was P28.21 million, making 88% of the total income. Other notable income of P3.22 million came from merger fees.

### 2.3 Working Capital

As at 31 March 2017, the working capital position of the Authority showed current assets of P3.57 million and current liabilities of P2.23 million, resulting in a net current assets position of P1.34 million.

### 3.0 Management Letter

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

#### 3.1 Tax Exposure on Staff Benefits

The auditors observed that the Authority offered interest-free staff advances repayable over a period of 6 months and the benefit arising from the deemed interest was not taxed as required by the Income Tax Act. Hence the Authority may be exposed to the risk of tax penalties being charged for non-compliance.

In response management stated that an advice had been sought from the Botswana Unified Revenue Service and the response was awaited on the same.

#### 3.2 Staff Debtors

The auditors noted that the former Finance Manager had an advance of P85 857 outstanding and there was a risk that the amount may not be recovered.

In response management stated that the debt related to 2017/18 financial year and the former Finance Manager had undertaken to repay the outstanding amount from September 2017.

### 3.3 Estimation of Useful Lives of Assets (Property and Equipment)

The auditors observed that the fixed assets register included assets (furniture and fittings, computer equipment and motor vehicles) which were fully depreciated but still in use. Furthermore, the assets useful lives and residual value reviews undertaken by management were not formally documented along with the details of the process followed. This indicated non-compliance to the requirements of International Accounting Standard 16.

In response management stated that the Authority reviews the residual values and useful life of assets annually and that there was no change in furniture and computer equipment. The Authority utilises the furniture and computer equipment until the end of its useful life when replaced with new ones. The disposal value of such assets were negligible and hence there was no need to change useful lives and residual values. Management also indicated that the Authority reviews the residual values and useful lives of vehicles annually as 25% of original cost on the basis of past discounted disposal values.

#### Auditor General's Comment

The auditors had made a similar comment not only in the previous year, but in the year before on lack of compliance with the International Accounting Standard 16 on the reviews of the useful lives of fixed assets. It is hoped that steps will be taken so that agreement is reached on this matter.

## 156. **Gambling Authority**

The financial statements of the Gambling Authority for the financial year ended 31 March 2017 were audited by Messrs PricewaterhouseCoopers, Certified Auditors, who were appointed by the Board in terms of the Gambling Act, 2012.

The Gambling Authority was established by the Gambling Act, 2012 to licence and regulate all gambling activities in Botswana.

### 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 Gambling Authority as at 31 March 2017, and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and in a manner required by Section 30 (3) of the Gambling Act, 2012.

## 2.2 Financial Results

The financial operations of the Authority for the year under review showed a surplus of P414 833, compared to P5 734 in the previous year. Income increased by P13.61 million (112%) from P12.20 million in the previous year to P25.68 million in the year under review, while expenditure increased by P13.20 million (108%) from P12.20 million to P25.40 million during the same period.

The Authority is funded by Government grants, and in the year under review the grant was P24.64 million, representing 95% of total income, compared to P12.20 million in the previous year. Other sources of income were application fees of P100 000, gambling machines of P615 250, license fees of P261 000, investment income of P131 532 and sundry income of P62 298.

## 2.3 Working Capital

The working capital position of the Authority as at 31 March 2017 showed current assets of P32.56 million and current liabilities of P31.35 million, resulting in a net current assets position of P1.21 million.

Current liabilities comprised P2.74 million provisions for gratuities and leave pay and P28.61 million fees and levies held by the Authority pending establishment of a fund in terms Section 134 of the Gambling Act, 2012.

## 3.0 Management Letter

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

### 3.1 Establishment of Levy Fund

The auditors noted that a levy fund had not yet been established by the Minister in terms of Section 134 of the Gambling Act, 2012 into which all levies imposed were to be paid for the general



benefit of the gambling industry in Botswana. The money collected by the Authority was still in its custody.

In response management noted the auditors' finding and stated that they had written to the Ministry of Investment, Trade and Industry requesting the Minister to establish the fund. Follow-up on the matter would be made with the Ministry.

### 3.2 Penalties and Fines for Late and Non Payment of Monthly Levies

The auditors noted that the Authority did not, in some instances, impose penalties for levies paid outside the 10 days after the expiry of the month in respect of which the levy is payable as prescribed by Section 108 of the Gambling Regulations. The Authority has the power to impose a two percent penalty on the outstanding licence fee for each week during which the licence levy remain outstanding. An operator who had not paid the Responsible Gambling Levy for months of April, May and June 2016 was not charged a fine as per Section 50 of the Gambling Act.

In response management noted the auditors' observation and stated that they had started imposing penalties and fines in line with the Gambling Act and the Gambling Regulations for late and non-payment of the gambling licence levies.

## 157. Human Resource Development Council

The financial statements of the Human Resource Development Council for the financial year ended 31 March 2017 were audited by Messrs PricewaterhouseCoopers, Certified Auditors, who were appointed by the Board in terms of Section 23 (2) of the Human Resource Development Council, (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 the Human Resource Development Council at 31 March 2017, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and in a manner

required by Section 23 (2) of the Human Resources Development Council Act, (No.17 of 2013).

## 2.2 Financial Results

During the financial year under review, the Council recorded a surplus of P4.14 million, compared to P17.12 million in the previous year. The decline in performance was mainly attributable to increase in staff costs of P12.78 million due to increase in establishment.

Income increased from P80.99 million in the previous year to P83.79 million during the year under review, while expenditure increased from P63.88 million to P79.65 million during the same period.

The revenue of the Council for the year under review was P76.80 million, of which P48.69 million was a Government grant and P28.11 million was HRDF administration fees.

## 2.3 Working Capital

The working capital position of the Council as at 31 March 2017 showed current assets of P63.59 million and current liabilities of P31.83 million, which resulted in a net current assets position of P31.76 million.

Current liabilities included P14.09 million provisions for gratuities and leave pay and P11.19 million of unutilised grants which may be used for other Council's operational activities upon approval by the Board. The unutilised grants were:

	<u>P'million</u>
HRDC Capital Grant	8.37
HRDC Research Grant	1.31
Recurrent Grant – Sector Committees	1.50

## 3.0 Management Letter

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

### 3.1 Property, Plant and Equipment

The auditors observed that some assets were not coded, which made it difficult to trace them to the fixed assets register. Hence

it may be difficult to monitor the assets as they may be misplaced, misused or misappropriated without trace.

In response management noted the auditors' finding and stated that they were in a process of tagging and also carrying out an audit of all assets to ensure that they were all tagged.

## 158. Local Enterprise Authority

The financial statements of the Local Enterprise Authority for the financial year ended 31 March 2017 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 presented fairly, in all material respects, the financial position of the Local Enterprise Authority as at 31 March 2017 and 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 the Authority for the year ended 31 March 2017 showed a surplus for the year of P8.44 million, compared to a deficit of P9.61 million in the previous year. Income declined by 3% from P161.94 million in the previous year to P156.37 million in the year under review, while expenditure declined by 14% from P171.56 million to P147.93 million during the same period. Significant reductions in expenditure were noted in the following main areas:

	<u>P'million</u>
• Amortisation of Intangible Assets	5.80
• Annual Licence Fees	4.19
• Business Travel, Accommodation and Allowances	1.88
• Computer Expenses	5.40
• Consultancy Fees	1.86

The Authority is funded by Government grants, and for the year under review the grant was P151.38 million, compared to P154.27 million in the previous year.

### 2.3 Working Capital

As at 31 March 2017, the working capital position of the Authority showed current assets of P44.81 million and current liabilities of P56.01 million, resulting in a net current liabilities position of P11.20 million.

Current liabilities included deferred capital grants (for purchase of property, plant and equipment) of P5.49 million, deferred revenue grants (advanced for working capital) of P23.09 million and payroll accruals of P19.76 million.

### 3.0 Management Letter

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

#### 3.1 Staff Advances

The auditors noted that no Pay-As-You-Earn (PAYE) had been calculated and paid to Botswana Unified Revenue Service (BURS) in respect of interest-free advances/loans granted to staff of the Authority. Hence, the Authority may incur financial losses due to penalties and interest levied by BURS. The auditors also noted that the repayment of staff advances was not actively followed-up, resulting in unrecovered balances carried forward from the prior financial year. Staff advances listing included balances due from former employees of the Authority. Therefore, the Authority may suffer financial losses as staff advances were not recovered on time and may result in being written-off as bad debts.

In response management noted the auditors finding and stated that monthly reconciliation and review of staff loans were now performed and differences identified were resolved. However, there were long outstanding amounts which date back to 2010 and have been recommended for write-off.

#### 3.2 Clearing Account Items

The auditors noted some items which had been outstanding for more than 12 months without being cleared in the financial

statements. The delay in recovering these amounts may lead to losses through write-offs.

In response management noted the auditors' finding and stated that reconciling items were investigated and those deemed uncollectable had been proposed for write-off, and further stated that the outstanding items were followed-up and referred to the legal services where recoveries could not be made.

### 3.3 Travel Imprest

The auditors noted outstanding amounts totalling P126 488 in the travel imprest account which were not retired during the year in line with the Authority's Human Resource Policy. The Policy requires employees to submit supporting documentation for amounts advanced in terms of travel costs within a period of seven working days of their return, failing which the amount is to be deducted from the employees' salaries in the following month.

In response management noted the auditors' finding and stated that monthly reconciliations were carried out. Imprests not retired were deducted from employees' salaries. However, most of the outstanding balances were for staff who had resigned from the Authority in previous years dating back to 2010. Imprests retired were in the past accounted for as income instead of clearing the officers' imprest accounts and these had since been proposed for write-off.

### 3.4 Useful Lives of Assets

The auditors noted that residual values, depreciation rates and useful lives applied to items of property, plant and equipment were not assessed annually as required by International Accounting Standard 16. Consequently, fully depreciated assets (computer equipment, furniture and fittings, office equipment and 98 vehicles) and still in use were included in the fixed assets register.

In response management noted the auditors' finding and stated that the Authority would re-assess the reasonableness of the useful lives of the assets on an annual basis to ensure that residual values and depreciation rates were in line with expected economic lives of the assets.

### 3.5 Credit Policy

The auditors noted the following:

- Over 96% of the accounts receivable balances were outstanding for periods exceeding 365 days from the invoice dates.
- Confirmation letters from clients indicated that certain balances included in the debtors listing at the reporting date were settled in prior years.

Given the length of time the debts had been outstanding, the Authority may suffer financial losses due to ineffective credit risk monitoring and errors and irregularities may not be detected.

In response management noted the auditor's observation and stated that the receivables that had long been outstanding were recommended for write-off.

#### 159. **Minerals Development Company Botswana Limited**

The Minerals Development Company Botswana Limited is a Government-owned company limited by guarantee established under the Companies Act.

In August 2017, I addressed a communication to the Chief Executive Officer requesting for the submission of the audited accounts and report of the Minerals Development Company Botswana Limited for the financial year ended 31 March 2017 for my review, in line with the existing arrangement with all the parastatals.

In response I received his communication informing me that the accounts for the financial year ended 31 March 2017 were not ready for submission as the audit had not been concluded. I have therefore not been able to include my comments on the accounts of the Company for the year under review in this report.

#### 160. **Motor Vehicle Accident Fund**

The financial statements of the Motor Vehicle Accident Fund for the financial year ended 31 December 2016 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 presented fairly, in all material respects, the financial position of the Motor Vehicle Accident Fund as at 31 December 2016, and 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 the Fund for the year ended 31 December 2016 recorded a deficit of P260.62 million, compared to a surplus P275.57 million in the previous year. The deterioration in results was mainly attributable to foreign exchange loss of P61.54 million in the year under review, compared to a gain of P202.43 million in the previous year and increase in claims provision from P148.86 million to P239.53 million during the same period.

Expenditure increased by 43% or P126.21 million from P294.86 million in the previous year to P421.07 million during the year under review, while income on the other hand plummeted by 72% or P409.99 million from P570.43 million to P160.45 million during the same period.

The primary source of income for the Fund, being levy on fuel, was P50.18 million, which was a slight increase from the P49.59 million recorded in the previous year. Other significant items of income were derived from investment income of P155.17 million and third party cover of P10.04 million.

### 2.3 Working Capital

As at 31 December 2016, the working capital position of the Fund showed current assets of P808.74 million and current liabilities of P312.97 million, resulting in a net current assets position of P495.77 million.

## 3.0 Management Letter

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

### 3.1 Reversal of Write-Backs

The auditors noted that the Fund had during the year under review embarked on an exercise to review inactive claims vendor accounts to be written back. Consequently, a balance of P29.70 million was identified to be written back to the claims expense but it was noted that the process of identification and estimation of accounts to be written back could not be relied upon. Therefore, the proposed write-backs were not processed pending re-performance of the assessment in the ensuing financial year.

In response management indicated that they were committed to mapping and optimising the write-back process which was envisaged to be completed in 2017. They further indicated that the Fund was in the process of developing and implementing a Case Management System by the end of 2017 which was expected to assist in claims management, including the write-back exercise.

### 3.2 Vendor Accounts

The auditors noted several vendor accounts having been overpaid to the extent of P1.3 million without supporting explanation.

In response management indicated that a Letter of Guarantee to service providers would now be made when funds are available to cover the treatment planned. Where funds are not available, an explanation would be provided immediately. Furthermore, the envisaged configuration in the Case Management System would not allow for the issuance of letter of guarantee unless there are enough funds in the vendor account to cover the treatment planned.

### 3.3 Rental Income

The auditors noted that the Fund had a receivable balance of P2.4 million, representing 65% of rental income for which they were not furnished with evidence supporting the recoverability of the balance.

In response management accepted that the recoverability of rent receivable had been slow and that they had engaged attorneys to assist with the recovery process in addition to their in-house recovery process. The tenants would now not be allowed to accumulate more than 2 months of rent arrears.



## 161. National Development Bank

The financial statements of the National Development Bank for the financial year ended 31 March 2017 were audited by PricewaterhouseCoopers, Certified Auditors, who were appointed by the Board in terms of Section 19 (2) of the National Development Bank Act, (Cap 74:05).

### 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 the National Development Bank as at 31 March 2017, 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 the Bank for the year ended 31 March 2017 showed an increase in the loss for the year from P21.22 million in the previous year to P169.90 million in the year under review. The loss for the year is attributable mainly to increased impairment on loans to customers from P59.87 million in the previous year to P184.72 million in the year under review and a decline in interest income from P222.14 million to P186.05 million during the same period.

During the year under review, expenditure increased by 15% from P250.11 million in the previous year to P361.59 million in the year under review, while income on the other hand declined by 16% from P228.89 million to P191.69 million during the same period.

#### 2.3 Working Capital

As at 31 March 2017, the working capital position of the Bank showed current assets of P871.65 million and current liabilities of P305.08 million, resulting in a net current assets position of P566.57 million.

### 3.0 Management Letter

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

#### 3.1 Useful Lives of Assets

The auditors observed that there were fully depreciated assets still in use and in good condition which could still be used for a longer period of time. The useful lives of these assets should be re-assessed and accordingly revised to provide a reasonable period of use. The auditors also noted that assets were not coded.

In response management indicated that the Bank had already engaged a service provider to assist with the valuation of assets and determination of their useful lives, and tagging of fixed assets. The project was expected to commence by the second week of July 2017.

#### 3.2 Loans with Credit Balances

The auditors noted, as in the previous year, loans with credit balances which needed to be periodically reviewed and reconciled.

In response management stated that the process of analysing and clearing of credit balances started in April 2017 and was targeted to be completed by 31 October 2017.

#### 3.3 Loan Account Closure Process

The auditors noted, as in the previous year, that no formal document was filed in the customer files upon account closure as evidence that all the necessary procedures had been followed before closing an account and that the account closure was approved by a senior officer. An account was closed in the system by cancelling the deductions from the customer.

In response management acknowledged the auditors' finding and stated that an account closure process was already being worked on for completion by end of July 2017.

## 162. National Food Technology Research Centre

The financial statements of the National Food Technology Research Centre for the financial year ended 31 March 2017 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 annual financial statements presented fairly, in all material respects, the financial position of the National Food Technology Research Centre as at 31 March 2017, and 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 the Centre for the year ended 31 March 2017 showed a loss of P567 766, compared to P4.41 million in the previous year. The improvement in results was due to significantly higher increase in Government grant compared to the increase in expenditure. Expenditure increased by P4.23 million or 12% from P34.04 million in the previous year to P38.27 million in the year under review, while income increased by P8.08 million or 27% from P29.63 million to P37.70 million during the same period.

The financial operations of the Group for the year ended 31 March 2017 showed a loss of P2.71 million arising from expenditure of P42.27 million and income of P39.56 million.

The Company is funded by Government grants, and in the year under review the grant was P36.39 million, making up 97% of total income, compared to P28.56 million in the previous year.

In the year under review, work was still on-going to merge the Centre with the Department of Agricultural Research and the National Veterinary Laboratory to form the National Agricultural Research and Development Institute. The Board of Directors had been appointed to facilitate the formation of the Institute.

Subsequent to year-end, the Board of the Centre approved a Government's decision to privatise its wholly owned commercial subsidiary, the Naftec Investments Limited (trading as National Agro Processing).

### 2.3 Working Capital

The working capital position of the Group as at 31 March 2017 showed current assets of P12.68 million and current liabilities of P15.56 million, resulting in a net current liabilities position of P2.89 million.

The working capital position of the Company as at 31 March 2017 showed current assets of P15.42 million and current liabilities of P15.08 million, resulting in a net current assets position of P336 468.

Included in the current liabilities is deferred capital grants of P11.66 million for the Group and Company and provisions for gratuities and leave pay of P3.02 million for Group and P2.60 million for Company.

### 3.0 Management Letter

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

#### 3.1 Controls Over Advance Against Gratuities

The auditors noted that the Centre's employees were given advances against their accrued gratuity balances and in some cases the advances given were more than what was due to employees. In one case it was noted that upon calculation of the final dues of an employee after termination of services there was a balance due from the employee, hence exposure to default risk.

In response management stated that the gratuity advance in question was erroneously calculated due to uncertainty on whether to use the new salary structure or the old one. However, at the end the employee was paid the correct amount after netting-off the initial amount against payment. Management emphasised that correct calculations of what is owing to all contract employees as at year end were now being made.

## 163. Non-Bank Financial Institutions Regulatory Authority

The financial statements of the Non-Bank Financial Institutions Regulatory Authority for the financial year ended 31 March 2017 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 financial statements presented fairly, in all material respects, the financial position of the Non-Bank Financial Institutions Regulatory Authority as at 31 March 2017, and 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 ending 31 March 2017, the Authority recorded a deficit of P320 242, compared to P13.42 million in the prior year. One of the contributing factors to the decrease in the deficit was the increase in revenue by P13.49 million from the previous year.

Expenditure was constant at P65.77 million during the year under review, compared to P65.38 million in the previous year, while income on the other hand was P65.45 million, compared to 51.96 million during the same period.

Income comprised of:

	<u>P'million</u>
• Supervisory Levies	39.19
• Government Grants	23.47
• Other Income	2.42
• Finance Income	0.37

#### 2.3 Working Capital

The working capital position of the Authority as at 31 March 2017 showed current assets of P17.75 million and current liabilities of P5.82 million, giving a net current assets position of P11.93 million.

### 3.0 Management Letter

The auditors issued a management letter and the issues raised were of accounting and control matters which were of interest only to management, hence did not warrant mention in this report.

## 164. Okavango Diamond Company Limited

The financial statements of the Okavango Diamond Company Limited for the financial year ended 31 March 2017 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 presented fairly, in all material respects, the financial position of the Okavango Diamond Company Limited as at 31 March 2017 and 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 the Company showed a profit of USD39.45 million for the year under review, compared to USD9.20 million in the previous year. Income more than doubled (increase of USD300.12 million) from USD285.16 million in the previous year to USD585.28 million in the year under review, while expenditure increased by USD269.87 million (representing 98%) from USD275.96 million to USD545.83 million during the same period.

The accounts of the Company are maintained in US Dollars because the major activities of purchases and sales are transacted in this currency.

### 2.3 Working Capital

As at 31 March 2017, the working capital position of the Company showed current assets of USD73.06 million and current liabilities of USD3.34 million, resulting in a net current assets position of USD69.72 million.

### 3.0 Management Letter

The auditors issued a report to management and only highlighted a single item of control deficiency of a housekeeping nature relating to the reconciliation of the number of employees used in the computation of leave accrual to the underlying payroll records to ensure that there were no duplicate accruals recognised, alternatively, no employee details were excluded from the computation.

## 165. **Public Enterprises Evaluation and Privatisation Agency**

The financial statements of the Public Enterprises Evaluation and Privatisation Agency for the financial year ended 31 March 2017 were audited by Messrs Grant Thornton, Certified Auditors, who were appointed by the Board in accordance with Clause 14.1 of the Agency's Articles of Association.

### 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 Public Enterprises Evaluation and Privatisation Agency as at 31 March 2017, 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 Agency recorded a deficit of P8.49 million, compared to P366 227 in the previous year. The deterioration in the results is attributable to a decline in Government grant from P51.56 million in the previous year to P25.67 million in the year under review. The Government grant is the main source of income for the Agency.

Expenditure declined by P17.70 or 34% from P52.01 million in the previous year to P34.31 million in the year under review, while income declined by P25.81 million or 50% from P51.64 million to P25.83 million during the same period.

### 2.3 Working Capital

As at 31 March 2017, the working capital position of the Agency showed current assets of P10.30 million and current liabilities of P10.64 million, resulting in a net current liabilities position of P336 337.

Included in current liabilities are provisions for gratuities and leave pay of P1.17 million and a balance of grants amounting to P9.08 million deposited with the Agency for privatisation projects of the identified state enterprises and other related matters.

### 3.0 Management Letter

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

#### 3.1 Disaster Recovery Plan and System Change over Process

The auditors noted that IT backup and restore testing to validate IT capabilities for disaster recovery for the Agency was not regularly done. They further noted that the system change over process during server migration was not properly controlled since appropriate back-up of information was not done before migration and there was no reconciliation of information moved from the old server to new one. This resulted in the loss of critical data during server migration process.

In response management noted the auditors' finding and stated that they would ensure that proper change over processes were followed as per IT policy and that regular backups were carried out.

#### 3.2 Lack of Segregation of Duties in the Finance Department

The auditors noted that although the Agency had a provision of staff complement of four in the Finance function, it had been operating with only two employees for the entire duration of the financial period. This compromised internal controls as segregation of duties was limited and thereby exposing the Agency to risk of errors and malpractices going undetected.



In response management noted the auditors' findings and stated that recruitment for the vacant positions was delayed by the restructuring and migration process. The recruitment of the Corporate Services Director was to be concluded by February 2018.

### 3.3 Filing of Annual Returns

The auditors noted that the Agency did not file its annual returns with the Registrar of Companies as required by Section 217 of the Companies Act, (Cap 42:01). This resulted in the Agency incurring penalties amounting to P17 100 for the failure to file returns from 2001 to 2016.

In response management stated that they had engaged a Secretary to file the returns and bring them up-to-date.

### 3.4 Property, Plant & Equipment

The auditors observed that the Agency did not estimate residual values for all categories of its items of property, plant and equipment. Furthermore, the residual values and useful lives of property, plant and equipment were not reviewed at least at each financial year-end as required by International Accounting Standard (IAS) 16. This resulted in the Agency carrying some of its assets which were still in use at nil amount.

In response management acknowledged the auditors' finding and stated that the property mentioned was over 10 years old and that it had been fully depreciated. They further stated that as per IAS 16, the fixed assets concerned would be adjusted to P1 so that they carry value in the register.

#### Auditor General's Comment

The proposed treatment by management would not address issue of compliance to IAS 16 since assets would not be depreciated to match economic value with their use.

### 3.5 BSB/BotswanaPost Acquisition Study

The auditors noted that the contract on the acquisition study undertaken for the Botswana Savings Bank and BotswanaPost transaction was behind schedule. The stated date of commencement of the study was to be no later than 8<sup>th</sup> August 2016 and be completed in twelve weeks subject to an extension of four weeks. The project was still ongoing at the time of audit

and management said that stakeholders delayed in providing information as well as lots of 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 any 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.

## 166. **Public Procurement and Asset Disposal Board**

The financial statements of the Public Procurement and Asset Disposal Board for the financial year ended 31 March 2017 were audited by Messrs Deloitte & Touché, 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 the Public Procurement and Asset Disposal Board for the year ended 31 March 2017, and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

#### 2.2 Financial Results

The Board recorded a deficit of P540 837 for the year under review, compared to P14.49 million in the previous year. The reduction in deficit for the year was due to increase in income by P12.67 million, mainly as a result of 37% increase in Government grant, while expenditure declined by P1.27 million.

The income comprised of the following:

	2017	2016
	<u>P' Million</u>	<u>P' Million</u>
Government Grant	56.98	41.56
Other Income	16.40	18.78
Interest Income	<u>0.53</u>	<u>0.90</u>
	73.91	61.24

Expenditure comprised of the following:

Staff Costs	46.96	43.97
Administrative Expenses	<u>27.49</u>	<u>31.76</u>
	74.45	75.72

### 2.3 Working Capital

As at 31 March 2017, the working capital position of the Board showed current assets of P33.28 million and current liabilities of P20.49 million, resulting in a net current assets position of P12.79 million.

Current liabilities included unspent project funds of P7.90 million relating to Integrated Procurement Management System which the Ministry of Finance and Economic Development transferred to the Board during the year.

### 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.

## 167. SPEDU

The financial statements of SPEDU for the financial year ended 31 March 2017 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 presented fairly, in all material respects, the financial position of SPEDU as at 31 March 2017, and its financial performance and its cash flows for the year ended, in accordance with International Financial Reporting Standards.

## 2.2 Financial Results

During the year under review, SPEDU recorded a loss of P458 690, compared to a profit of P815 050 reported in the previous year. The decline in financial performance is attributable to a relatively higher growth in expenditure compared to income.

Expenditure increased from P16.13 million in the previous period to P27.47 million in the year under review, representing 70% increase. Significant increases were noted in travel and subsistence expenses of P2.60 million, branding and strategy expenses of P3.55 million and staff costs of P1.41 million. Income increased by 59% from P16.94 million to P27.01 million during the same period.

The Company is funded by Government grants, and in the year under review the grant was P26.96 million, compared to P16.81 million in the previous year, representing 60% increase. Other income amounted to P56 365.

## 2.3 Working Capital

The working capital position of SPEDU as at 31<sup>st</sup> March 2017 showed current assets of P4.56 million and current liabilities of P5.14 million, resulting in a net current liabilities position of P582 120.

Current liabilities included P3.45 million provisions for gratuities and leave pay.

## 3.0 Management Letter

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

### 3.1 Unique Numbering of Fixed Assets Register

The auditors noted that some assets were not coded and this made it difficult to trace them to and from the fixed assets register.

In response management stated that verification of assets was regularly performed by the Procurement Department and that SPEDU was implementing an ICT system which would, among other things, include automation of the assets register which was expected to be completed in September 2017.

### 3.2 Rented Houses for Staff

The auditors noted some leased houses designated for staff which were being paid for although not occupied. Total rentals paid during the year for the vacant houses amounted to P143 836.

In response management stated that the houses were leased in an effort to avail them to staff as and when they were recruited. However the houses have since been occupied while another lease for a vacant house was terminated in April 2017. A house which was previously occupied by the Director Strategy was now occupied by Botswana Investment and Trade Centre's staff seconded and assigned to SPEDU for the region's revitalisation strategy.

## 168. Statistics Botswana

The financial statements of Statistics Botswana for the financial year ended 31 March 2017 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 presented fairly, in all material respects, the financial position of Statistics Botswana as at 31 March 2017, and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and in a manner required by Section 24 (3) of the Statistics Act, 2009.

#### 2.2 Financial Results

During the year under review, Statistics Botswana recorded a deficit of P10.02 million, compared to P42 192 in the previous

year. Expenditure increased by 18% from P129.65 million in the previous year to P153.25 million in the year under review, while income increased by 11% from P129.61 million to P143.23 million during the same period.

Major increases were noted in the following items of expenditure:

	<u>2017</u> <u>(P'million)</u>	<u>2016</u> <u>(P'million)</u>
Consulting Fees	4.43	1.15
Employee Costs	91.65	79.41
Legal Settlement	4.23	-
Motor Vehicle Expenses	5.43	3.49
Office Expenses	1.61	0.56
Printing and Stationery	2.59	1.12
Telephone and Fax	2.23	0.80

Statistics Botswana is funded by Government grants, and in the year under review the grant was P142.30 million, compared to P128.92 million in the previous year.

Statistics Botswana has, for the third year running, recorded a deficit which led to accumulated deficit of P9.06 million and its current liabilities exceeded current assets by P23.25 million. This unfavourable performance requires Government to provide financial support to safeguard the going-concern status of Statistics Botswana.

### 2.3 Working Capital

As at 31 March 2017, the working capital position of Statistics Botswana showed current assets of P44.02 million and current liabilities of P67.27 million, resulting in a net current liabilities position of P23.25 million.

Current liabilities included provisions for gratuities and leave pay of P8.33 million and unutilised project funds of P51.94 million.

### 3.0 Management Letter

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

### 3.1 Fixed Assets Identification

The auditors indicated that some assets were not coded, which made it difficult to trace and monitor them. Hence, assets may be misplaced, misused or even stolen without the organisation being aware.

In response management noted the auditors' finding and stated that during the year under review, they focussed on ensuring that all assets were captured into the fixed asset register. The issue of traceability of all assets in the register would be attended to by December 2017.

### 3.2 Submission of Pay As You Earn (PAYE) for Temporary Staff

The auditors observed that PAYE tax returns were not submitted to the Botswana Unified Revenue Service (BURS) for temporary staff members even though deductions were made on the individuals' salaries. This practice, which contravened the Income Tax Act by the organisation, had been ongoing for over a number of years and may lead to it being charged penalties or suffering reputational damage.

In response management noted the auditors' finding and stated that deductions were regularly made but remittances were not passed on to BURS on time. Management further indicated that the reconciliations of PAYE would be done on a monthly basis by end of September 2017.

## 169. University of Botswana

The financial statements of the University of Botswana for the financial year ended 31 March 2017 were audited by Messrs PricewaterhouseCoopers, Certified Auditors, who were appointed by the by the Council in terms of the University of Botswana Act, (Cap 57:01).

### 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 University of Botswana as at 31 March 2017, and 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 University recorded a deficit of P302.04 million, compared to P624.76 million in the previous year.

Expenditure declined by 21% from P1 990.04 million in the previous year to P1 579.85 million in the year under review, while income declined by 6% from P1 365.28 million to P1 277.82 million, during the same period.

The main items of income and expenditure comprised the following:

	2017 <u>P'Million</u>	2016 <u>P'Million</u>	Change %
<u>Income</u>			
Government Subvention	775.14	793.96	-2
Tuition and Other Students Fees	381.75	409.53	-7
Finance Income	28.12	53.68	-48
Deferred Income	82.74	92.40	-10
<u>Expenditure</u>			
Staff Costs	1 149.12	1 134.86	1
Other Operating Expenses	346.10	762.79	-55
Designated Project Costs	82.74	92.40	-10

The University has, for the fifth year running, recorded a deficit which led to accumulated deficit of P323.51 million. Revenue from tuition and other students fees has, over the last 4 years declined as the student numbers dropped by 30% from 18 176 in 2014 to 12 813 in 2017 due to some courses not being funded by Government.

This unfavourable performance requires Government to provide financial support to safeguard the going-concern status of the University.

## 2.3 Working Capital

As at 31 March 2017, the working capital position of the University showed current assets of P894.75 million and current liabilities of P774.09 million, resulting in a net current assets position of P120.66 million.



Current liabilities included:

	<u>P' Million</u>
Deferred Students Fees Revenue	63.47
Ministry of Health Hospital and Residence Funds	374.61
Ministry of Health UPenn Funds	48.57
Provisions for Gratuities and Leave Pay	199.19

The University wrote off P423.66 million worth of invoices owed by the Department of Tertiary Education Financing for tuition and other fees relating to sponsored students from the previous year.

### 3.0 Management Letter

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

#### 3.1 Rental Income

The auditors noted, as in the previous year, that some persons/tenants were using the University property without fees being collected from them and that monthly rental fees were not clearly spelt in the agreements.

In response management stated that there was no lease agreement with one tenant, Barclays Bank, since 2013 and that their lease agreement was awaiting signing.

#### 3.2 Staff Debtors

The auditors noted, as in the previous year, long outstanding receivable balances from former employees who had resigned from the University. The absence of effective recovery procedures may result in financial losses to the University.

In response management stated that the outstanding balances related to guaranteed loans that the University used to provide to staff and had been handed over to the legal services for follow-up.

#### 3.3 Maintenance of Assets Register

The auditors observed that land and buildings were not reflected on the assets register.

In response management indicated that they were working with consultants to migrate all land and buildings into the assets register.

#### 3.4 Annual Assessment of Useful Lives and Residual Values of Assets

The auditors indicated that management did not assess the useful lives and residual values of assets on annual basis as required by paragraph 51 of International Accounting Standard 16.

In response management indicated that subsequent to the issue being raised by the auditors, they assessed the useful lives and residual values and considered them to be appropriate.

### 170. Vision 2016 Council

The draft financial statements of the Vision 2016 Council for the 8-month period ended 30 November 2016 were audited by Messrs KPMG, Certified Auditors, who were appointed by the Council.

The audit was completed in February 2017 after the dissolution of both the Council and the Secretariat in November 2016 and December 2016, respectively. As the Council had been disbanded, upon completion of the audit the draft audited accounts were submitted to the Ministry for Presidential Affairs, Governance and Public Administration. This could therefore not be discussed to resolve matters raised by the auditors.

#### 2.0 Accounts

##### 2.1 Draft Audit Opinion

In the opinion of the auditors:

The draft financial statements presented fairly, in all material respects, the financial position of the Vision 2016 Council as at 30 November 2016, and of its financial performance and its cash flows for the period then ended, in accordance with International Financial Reporting Standards.

##### 2.2 Financial Results

The Council recorded a surplus of P2.54 million during the 8-month period under review from income of P12.48 million and expenditure of P9.94 million.

The Council was funded by Government grants, and during the year under review, the grant was P11.07 million, making 89% of the total income. Other notable income included funding of P1.26 million from the Ministry of Youth Empowerment, Sport and Culture Development for the roving torch, replica torches and staff overtime expenses.

### 2.3 Working Capital

The working capital position of Council as at 30 November 2016 showed current assets of P420 853 and current liabilities of P428 052, resulting in a net current liabilities position of P7 199.

Current liabilities included payroll accruals of P53 391.

### 3.0 Management Letter

The auditors had issued a combined management letter for the financial year ended 31 March 2016 and the 8-month period ended 30 November 2016, but had no management comments as results of audit could not be discussed since the Secretariat and the Council had been dissolved. The following were the matters raised by the auditors:

#### 3.1 Gratuity Provision

The auditors noted that gratuity provision for the month of March 2016 amounting to P144 792 was recorded twice as provision and as an accrual. They also noted that gratuities and leave pay provisions were understated by P282 954 for the financial year ended 31<sup>st</sup> March 2016 and by P53 391 for the period ended 30<sup>th</sup> November 2016.

#### 3.2 Deferred Lease

The auditors indicated that rental costs incurred under operating lease agreement for premises with fixed annual escalation clauses which were not recognised on a straight line basis in accordance with requirements of International Accounting Standard 17 – Leases. This applied to both the financial year ended 31 March 2016 and 8-month period ended 30 November 2016.

### 3.3 Fixed Assets Register

The auditors observed that the fixed assets register was not reconciled to the general ledger as they identified a difference of P715 377 for the financial year ended 31 March 2016 as the depreciation charge for the year was not updated in the general ledger.

### 3.4 Disposal of Assets

The auditors noted that assets with a net book value of P24 828 which were disposed of during the period ended 30 November 2016 were recorded as having been transferred to the Office of the President. This understated the capital grants and the disposal was not accounted for in terms of International Accounting Standard 16.

### 3.5 Late Submission of PAYE

The auditors observed that PAYE for the month of July 2016 was paid late to the Botswana Unified Revenue Service (BURS) on 7 September 2016 which may attract fines and penalties from BURS.

### 3.6 Capitalisation of Expenses

The auditors indicated that expenses amounting to P150 000 incurred during the financial year ended 31 March 2016 relating to the removal of partitions at the previous premises were recorded as furniture and fittings additions instead of being expensed. This overstated assets and was not in line with the requirements of the International Financial Reporting Standards.

### 3.7 Rental Deposit

The auditors noted that rental deposit amounting to P35 000 relating to the lease of the new premises were expensed as rentals instead of being treated as an advance in line with the requirements of the International Financial Reporting Standards.

### 3.8 Capital Grants

The auditors noted that grant receipts for capital expenditure were not processed to the capital grant accounts in the general ledger, resulting in an audit adjustment of P292 397 for the financial year ended 31 March 2016 and P29 089 for the period ended 30 November 2016. They further noted that the utilised

capital grant income amortisation for the year was not recorded in the ledger, resulting in a difference of P715 377 for the financial year ended 31 March 2016 and P425 000 for the period ended 30 November 2016.

### 3.9 Accruals

The auditors indicated that prior year accruals recorded for the financial year ended 31 March 2016 amounting to P276 953 were not cleared upon payment of suppliers, resulting in this balance appearing as a liability at year-end. Expenses amounting to P58 384 were incurred but not recorded as a liability for the financial year ended 31 March 2016.

### 3.10 Bank Reconciliations

The auditors noted the following:

- The petty cash balance per ledger was not reconciling to the petty cash certificate at the reporting dates (year ended 31 March 2016 and period ended 30 November 2016).
- Expenses amounting to P116 749 were paid but not recorded in the ledgers.
- Expenses amounting to P392 979 were recorded twice in the cash book and expenses ledger but not corrected in the ledgers.
- The cash book for call and fixed deposit accounts at Banc ABC for the period ending 31 March 2016 were not being updated with transfers which were made for money invested into fixed deposits and money that was received upon maturity of fixed deposits, resulting in an adjustment of P1.53 million.

### 3.11 Investments

The auditors indicated that investment balances in the ledger were not reconciled to investee deal notes or confirmations on a regular basis, resulting in an audit difference of P108 143 for the financial year ended 31 March 2016 due to investments not being credited to the Investments ledger to reduce the investments balance during the year.

### 3.12 Other Income

The auditors noted that an amount of P1.29 million for the financial year ended 31 March 2016 relating to other income from the Ministry of Youth Empowerment, Sport and Culture Development was misposted to salaries and promotion and advertising expenses. A re-imbusement of fuel deposit for a filling station amounting to P25 000 was misposted to donations during the financial year ended 31 March 2016.

## 171. Water Utilities Corporation

The financial statements of the Water Utilities Corporation for the financial year ended 31 March 2017 were audited by Deloitte & Touché, Certified Auditors, who were appointed by the Board in terms of Section 25 (2) of the Water Utilities Corporation Act, (Cap 74:02).

### 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 Water Utilities Corporation as at 31 March 2017, and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and in a manner required by the Water Utilities Corporation Act, (Cap 74:02).

#### Emphasis of Matter

Without qualifying their opinion, the auditors drew attention to the following matters:

- The Corporation had incurred a loss for the year of P137.39 million (2016: P266.37 million before taking into account the tariff subsidy grant from Government of P388 million) and that, as indicated under Note 27 of the financial statements, the Government had committed to provide on-going financial support in future to sustain the Corporation.
- Note 5 of the financial statements stated that the title to the land and buildings acquired by the Corporation from the Department of Water Affairs and the Ministry of Local

Government and Rural Development, under the Water Sector Reforms Project, had not yet been transferred to the Corporation. The Corporation anticipated that the title to the assets would be transferred in time.

- The Corporation had not complied with Section 19 of the Water Utilities Corporation Act, (Cap 74:02) which requires the Corporation to conduct its affairs on sound commercial lines and to produce a net operating income by which a reasonable return can be measured. The Corporation incurred an operating loss of P96.38 million (2016: P242.21 million before taking into account P388.00 million tariff subsidy grant from Government).

#### Auditor General's Comment

The perennial issue of title on properties which had not been transferred to the Corporation had continued to be the subject of comment by the auditors. It is honestly expected that action would be taken to complete the exercise as soon as possible in line with the assurances which were made in the past.

## 2.2 Financial Results

In the year under review, the Corporation recorded a loss of P137.39 million, compared to a profit of P121.63 million in the previous year. Income declined by P309.64 million from P1 736.97 million in the previous year to P1 4227.33 in the year under review. There was no tariff subsidy grant provided by Government as was the case in the previous year. Expenditure on the other hand declined by P50.62 million (3%) during the same period, mainly due to the P71.82 million (8%) reduction in water treatment and distribution expenses.

The income comprised:

	<u>2017</u> <u>P' Million</u>	<u>2016</u> <u>P' Million</u>
Revenue	1 405.78	1 307.27
Revenue Grant	0.00	388.00
Finance Income	3.79	20.71
Other Income	17.57	18.75
Gain on Defined Benefit Plan	<u>0.19</u>	<u>2.23</u>
	1 427.33	1 736.96

The expenditure comprised:

Water Treatment & Distrib. Expenses	789.95	861.77
Administration and Other Expenses	492.97	465.29
Finance Cost	<u>44.99</u>	<u>47.10</u>
	1 327.91	1 374.16

### 2.3 Working Capital

As at 31 March 2017, the working capital position of the Corporation showed current assets of P661.48 million and current liabilities of P483.59 million, resulting in a net current assets position of P177.89 million.

### 3.0 Management Letter

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

#### 3.1 Prior Year Matters

The auditors noted, as in the previous years, that the Corporation was lagging behind in resolving audit matters raised in previous years, resulting in loss of control and management of activities within the Corporation. They had listed these matters, numbering 42, which had not been resolved, some of which are repeated below.

#### 3.2 Delays in Billing

The auditors had observed that the Corporation was still lagging behind with billing, as bills amounting to P3.83 million relating to the 2016/2017 financial year were processed in the financial year 2017/2018 because the ledger for the period under review had already been closed at the end of May 2017. The auditors emphasised that late billing resulted in delayed payments by customers and also impacts negatively on the Corporation's cash flows. The auditors further noted inaccuracies in billing at several management centres which necessitated an adjustment of P22.50 million in the financial statements, hence foregoing time to perform an effective review of unusual and missed billings.

In response management noted the auditors' finding and stated that they would put in place a mechanism that ensures accountability and responsibility for billing and related processes



to safeguard completeness and accuracy of billing by November 2017.

### 3.3 Un-Invoiced Plots

The auditors had pointed out that a number of plots had not been billed, which made recoverability of the outstanding amounts doubtful given the lapse in time and the high aggregate debt levels. The total estimated revenue in the year under review due to customers not being invoiced was P36.01 million (2016: P15.76 million).

In response management noted the auditors' finding and indicated that a mechanism that ensures accountability and responsibility for billing and related processes would be put in place to ensure completeness and accuracy of billing.

### 3.4 Reconciliation of Consumer Debtors

The auditors had noted that there was an unreconciled difference of P2.46 million (2016: P2.80 million) between the customer debtors listing and the general ledger, an indication that the reconciliation was not a monthly routine.

In response management stated that the differences had been reduced during the year and that they would endeavour to work on the differences.

### 3.5 Non-Consumer Debtors

The auditors had noted that the non-consumer debtors balance grew from P13.43 million in the previous year to P20.65 million at the end of the year under review, which was an indication that debtors were not being actively followed up for payment. These debtors were not aged and a number of transactions were from the prior years, with some dating as far back as 1999. The auditors considered that some of these balances were invalid or irrecoverable.

In response management stated that non-consumer debtors dating back to a period between 1999 to 2012 had been written-off and that they would explore other avenues to come up with a report for non-consumer debtors.

### 3.6 Clearing of Data Migration Exceptions

The auditors noted that Maun migration exceptions had not been resolved which meant that the customers had not been billed for both potable water and wastewater since December 2015. Of the 2061 migration exceptions from the prior year, only 841 were attended to and successfully resolved in the period under review. The migration exceptions were the individual account balances which were not migrated from manual records or Edams to SAP during the implementation of the Water Sector Reforms or plots that had not been billed since migration.

In response management noted the auditors' finding and stated that a team would be set up in Maun to close the matter within 3 months.

### 3.7 Motor Vehicle Register

The auditors noted instances where motor vehicles in the fixed assets register had been disposed of and also that motor vehicles in use were not in the fixed assets register. It was also noted that reconciliations between the fleet register and the fixed assets register were not being prepared, which may make it difficult to detect incidences of misappropriation.

In response management noted the auditors' finding and stated that a reconciliation would be done as a matter of urgency and a procedure would be developed to provide guidance in ensuring completeness of records.

### 3.8 Assessment of Useful Lives - Property, Plant and Equipment

The auditors noted that the depreciation period for some assets were shorter than their useful lives since fully depreciated assets valued at P118 million by year-end, were still in use. This was not in line with the requirements of International Accounting Standard 16 that depreciation charge be aligned to the useful life of an asset to match it with the economic benefit derived from its use.

In response management stated that re-assessment of useful lives and valuation of assets would be performed.

### 3.9 Property Ownership

The auditors noted that the Corporation had a number of properties it owned for which it was yet to obtain title deeds for

items of property owned before and after the Water Sector Reforms. Though management had indicated that the Corporation had started the processes to ensure that these are obtained, the progress was slow.

In response management stated that the process of getting title deeds was continuous and that they were being assisted by the Ministry.

### 3.10 Bank Reconciliations

The auditors noted that the bank reconciliation statements still carried long outstanding items from the prior periods relating to unknown/unidentified deposits, unpresented cheques, payments made but not applied to supplier accounts, unmatched daily receipts and outstanding deposits. These amounted to P24.63 million, of which P23.08 million were over 12 months old and dating as far back as 2009/2010 financial year-end.

In response management noted the auditors' finding and stated that a task team was set-up and were also being assisted by the banks to clear the long outstanding items.

### 3.11 Non-Compliance with EIB Loan Agreement

The auditors noted contravention of the terms of the European Investment Bank (EIB) loans as the Corporation's debt service ratio was below 1.5:1, instead of being above, during the year under review. This breach could result in the loan being recalled and since it was unlikely that the Corporation would comply with the ratio in the immediate future, therefore the total loan balance of P42.32 million was classified as current borrowings in compliance with International Accounting Standard 1.

In response management stated that EIB was not amenable to revising the contract clause and that there was no indication that the loan would be recalled. Furthermore, the Corporation had never defaulted on the instalments.

### 3.12 Record Keeping at Maun Management Centre

The auditors noted that records to support amounts receipted manually were not properly kept as supporting schedules for receipts amounting to P7.3 million were not available during audit.

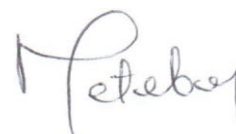
In response management stated that the Corporation would explore other records management approaches to improve the situation and also conduct refresher trainings to emphasise the importance of records management.

## XII CONCLUSION

172. I would like to express my sincere appreciation to all officers, notably the Accountant General and her staff, the Accounting Officers of all Ministries and Extra-Ministerial Departments and their staff and Heads of Parastatals and their staff, who have contributed in the production of this report in the discharge of my statutory functions under the Constitution.

I would also like to extend my gratitude to the Government Printer who, as always, has assisted with the speedy printing of the report.

2 March 2018



Pulane D. Letebele  
**AUDITOR GENERAL**