REPORT OF THE AUDITOR GENERAL

ON THE ACCOUNTS OF THE

BOTSWANA GOVERNMENT

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014

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REPUBLIC OF BOTSWANA

Office of the Auditor General
Private Bag 0010
Gaborone
Botswana

.

16 January 2015

Honourable O K Matambo, MP
Minister of Finance and Development Planning
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 2014.

I have the honour to be, Sir,

P D Letebele
AUDITOR GENERAL

OFFICE OF THE AUDITOR GENERAL

VISION

To be the best performing supreme audit institution.

MISSION

Our mission is to promote accountability through quality audit in the public sector and assure the nation that public resources are applied for purposes intended.

VALUES

The following statements of values are to help guide the behaviour of all staff members of the Office of the Auditor General, both audit and support staff.

- *Timeliness*
- *Independence*
- *Integrity*
- *Professionalism*
- *Teamwork*
- *No Conflict of Interest*
- *Political Neutrality*
- *Transparency*

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REPORT OF THE AUDITOR GENERAL ON THE ACCOUNTS OF THE BOTSWANA GOVERNMENT FOR THE YEAR ENDED 31 MARCH 2014

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 31st March 2014 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 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 2014, 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 was transmitted to the Accountant General on 30 December 2014 for incorporation into these accounts, in readiness for tabling before the National Assembly, in terms of Section 42 (3) and (4) of the Act.

6. **Submission of the Report**

In terms of Section 19 (3) of the Public Audit Act (No 15 of 2012), 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, 9 months after the end of the financial year to which those accounts and statements relate, who shall cause them to be laid before the National Assembly.

I have not been able to meet this statutory deadline, as my report was completed and submitted to the Minister on 16 January 2015.

II GENERAL

7. **Public Accounts Committee**

The Public Accounts Committee met for its 52nd meeting in May 2014 to examine Accounting Officers on the activities of their Ministries and extra-Ministerial Departments during the financial year ended 31st March 2013; and to consider progress on matters raised in previous meetings of the Committee. The report of those examinations was printed and submitted to the House in accordance with the terms of the Standing Orders.

8. **Statutory Bodies and State Enterprises Committee**

The Committee last met in September 2012 to examine the accounts of the statutory bodies and state enterprises for their financial years ended 31st March 2011 or other similar dates, as appropriate. At the time of the dissolution of the 10th Parliament in August 2014, the Committee was yet to meet to consider the accounts for the financial years ended 31st March 2012 and March 2013.

9. **Currency**

The monetary values in this report are in the Pula currency, except where expressly indicated. The year-end balances in foreign currencies are translated to the Pula equivalents at the applicable middle-market rate as at 31st March 2014. For the Botswana Diplomatic Missions, a fixed exchange rate for each host country, as determined by the Ministry of Finance and Development Planning, has been used throughout the year, unless advised by the Ministry.

10. **International Organisation of Supreme Audit Institutions (INTOSAI)**

In September 2014, I attended a meeting of the Capacity Building Committee of the International Organisation of Supreme Audit Institutions in Lima, Peru. This is a Technical Committee which is responsible for building capabilities and professional capacities of Supreme Audit Institutions through training, technical assistance and development of advisory and consultancy services and promotion of best practices among member institutions.

The meeting which was attended by delegates from 25 member institutions and observers from the donor communities and other partners focused on the importance of capacity building among member institutions.

The meeting was briefed on the activities which had been undertaken during the year, and also took resolutions for the future line of action.

III STATEMENT OF ASSETS AND LIABILITIES

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

Imprests

The breakdown of the balance of imprests on the 31st March 2014 is as follows:

Travelling Imprests	16 490 449
Standing Imprests	252 548
District Imprests	41 124
	16 784 120

The matter of officers not retiring their travelling imprests on time continues to be a concern for the Public Accounts Committee as expressed in their previous meetings. In the year under review, out of the outstanding balance of P16 490 449 at year-end, a total of P2 601 745, (representing 16%), was non-moving, some going as far back as 2004/05 financial year. Out of the district imprests of P41 124, an amount of P33 194 (81%) was non-moving from as far back as 2004/05. Despite the concerns of the Committee over the years, the Accounting Officers still fail to exercise proper and decisive control over this administrative matter. The clear rule is that where officers fail to retire their travelling imprests, summary recovery is to be made from salaries of those concerned. The details of the non-moving travelling imprests are shown under the Ministerial Section of this report.

Standing Imprests

In the previous audit reports it had been suggested that the year-end Boards of Survey cash count teams appointed by the Ministry of Finance and Development Planning should include standing imprests held by the various departments of Government to validate the continued existence of those assets which are mostly held in cash. The need for these checks to be carried out has become all the more important in recent years because of the large amounts involved: as at 31st March 2014 the authorised standing imprests totalled P835 000, ranging from P400 to P400 000. While the Accounting Officer has always been agreeable to this suggestion, he has never appointed teams to carry out checks on these imprests. He has, however, given assurance to the Public Accounts Committee that this would be done for 2014/15 appointments.

IV CONSOLIDATED FUND

12. **Revenue Results**

The estimated revenue for the year was P46 973 457 460 and the actual collections were P50 907 705 827, resulting in a net of P3 934 248 367 over the estimates.

13. **Appropriation Act**

The sum appropriated from the Consolidated Fund by the Appropriation (2013/2014) Act (No 1 of 2013) for the year ended 31st March 2014 was P40 654 510 900.

14. **Supplementary Estimates**

During the year, two resolutions of the National Assembly approved supplementary provisions for the following Ministries in the amounts indicated:

(a) Financial Paper No. 1 of 2013/2014 – November 2013

State President	5 000 000
Finance and Development Planning	41 000 000
Education and Skills Development	644 273 110
Local Government and Rural Development	93 257 800
Foreign Affairs and International Cooperation	8 600 000
	782 130 910

(b) Financial Paper No. 2 of 2013/2014 – February 2014

Parliament	1 150 000
Administration of Justice	6 886 750
Defence, Justice and Security	10 000 000
	18 036 750

15. **Supplementary Appropriation Act**

The actual expenditures of the following Ministries exceeded the sums appropriated for the year under review, for which a supplementary appropriation would be required to cover the excess expenditures, in terms of Section 119 (4) of the Constitution, as follows:

Parliament	760 862
Finance and Development Planning	21 078 647
Education and Skills Development	705 466 118
Local Government and Rural Development	55 576 846
Health	30 037 555
Administration of Justice	5 936 877
Foreign Affairs and International Cooperation	1 472 299
Defence, Justice and Security	15 846 702
	836 175 906

V DEVELOPMENT FUND

16. **The Appropriation Act**

The Appropriation (2013/2014) Act (No 1 of 2013) authorised the Minister of Finance and Development Planning to issue a warrant for payment from the Development Fund in the sum of P10 908 099 850.

17. **Supplementary Estimates**

The Supplementary Estimates for the Development Fund were approved as follows:

Financial Paper No. 1 of 2013/2014 – November 2013

Agriculture	105 709 000
Trade and Industry	3 992 000
Minerals, Energy and Water Resources	1 100 000 000
	1 209 701 000

VI OTHER STATEMENTS

18. **Statement of Recurrent Expenditure – (Statement No. 3)**

(a) Warranted Provisions

The warranted provisions of the appropriated funds for Ministerial expenditures for the year under review was P30 566 620 256 and the actual expenditures totalled P30 395 687 547, leaving an unspent balance of P170 932 709, representing 0.2% of the warranted provisions. The details of the performance of each Ministry are set out under the Ministerial Section of this report.

The expenditure on statutory commitments relating to Public Debt, Pensions, Gratuities and Compensations, Specified Officers and Miscellaneous accounts was P4 968 354 298.

(b) Unauthorised Expenditures

The undernoted Ministries had incurred expenditures in excess of the authorised amounts to the extent indicated.

Ministry	Warranted Provision	Actual Expenditure	Unauthorised Expenditure
Education & Skills Dev.	8 589 585 478	8 630 619 138	41 033 660
Health	4 416 240 600	4 446 378 155	30 137 555
Defence, Justice & Security	3 735 350 570	3 741 197 272	5 846 702

(c) Sub-Warranted Funds

The sub-warrantholders of the undernoted Departments had overspent the funds subwarrented to them by their Accounting Officers to the extent shown:

Ministry/ Department	Sub-Warranted Provision	Actual Expenditure	Excess Expenditure
State President			
Broadcasting Services	129 867 365	136 009 379	6 142 014
DCEC	58 882 840	59 572 794	689 954
Education, Skills& Development			
DTEF	1 969 390 850	1 990 294 527	20 903 677
TSM	3 794 983 530	3 891 557 885	96 574 355
Pre &Primary	49 262 330	49 277 654	15 324
Health			
Clinical Services	3 154 066 907	3 219 767 312	65 700 405
Transport & Communications			
Information Technology	409 443 096	419 298 319	9 855 223
Defence, Justice& Security			
BDF	2 039 004 711	2 061 357 866	22 353 155

19. **<u>Statement of Investments and Loans made from Special Funds – (Statement No. 8)</u>**

The observations and comments arising from the audit of the Statement are noted below:

(a) Citizen Entrepreneur Mortgage Assistance Equity Fund

As stated in the previous report, the Fund Notarial Deed of Trust was dissolved by the Minister and the assets of the Fund transferred to Citizen Entrepreneurial Development Agency in February 2013. The figure of P55 450 766 representing the value of investments is old and out-dated, going back to 31st December 2006, and should not be reflected in this Statement.

(b) National Petroleum Levy Fund

The investment of P80 710 538 includes a fair valuation of unlisted shares at P3 464 352 which were converted from an original investment of P15 000 000 in irredeemable bonds in a foreign company with mining operations in Botswana, which has since been delisted from the Botswana Stock Exchange and has no operations in Botswana.

(c) National Road Safety Fund

The rate of interest applicable to the Botswana Building Society paid-up indefinite shares during the year of account was 4.15%, and not 5.6% as shown in the Statement.

(d) Prisons Rewards and Fines Fund

The rate of interest applicable to the Botswana Building Society paid-up indefinite shares during the year of account was 4.15%, and not 3%.

(e) Road Levy Collection Fund

The rate of interest applicable to the Botswana Building Society paid-up indefinite shares during the year of account was 4.15%, and not 5.6%.

(f) Police Rewards and Fines Fund

I have sought, but have not obtained, explanation from the Commissioner for the import of the negative balance of P15 810 designated under this Fund as "Loans and Other Net Assets". I understand that the making of loans from the Fund has been discontinued in favour of a more advantageous loan scheme.

(g) Public Debt Service Fund

(i) Botswana Development Corporation – P279 000 000

In his submission to the Public Accounts Committee, the Accounting Officer had clarified that the payment of this amount from the Public Debt Service Fund from as far back as 2009 was, in fact, not a loan but an equity contribution. In that event, an accounting adjustment would need to be made to correct the misclassification by reflecting the transaction correctly as Government asset in a commercial undertaking, under Statement No. 18.

(ii) Selebi Phikwe Town Council – P80 000

This loan has been fully repaid leaving a small overpaid balance of P310 which has been carried in the accounts since 2006. This balance should be appropriately adjusted and cleared from this Statement.

(iii) Francistown City Council - P911 000
Francistown City Council - P1 445 864
Francistown City Council - P583 418
Francistown City Council - P2 994 500

Out of the 11 outstanding loans with the Francistown City Council the annual instalments due on the above loans in the year under review were not paid.

(iv) Botswana Federation of Trade Unions – P2 960 000

In terms of the original loan agreements, with a 15-year grace period, the repayments will commence on in 2023 (not 2016 as stated in this Statement) and the final redemption due in 2028 (not 2023).

(v) Botswana Public Officers Medical Aid Scheme – P66 000 000

This is a 15-year loan to the Medical Aid Scheme, the repayments commencing 2013 and ending in December 2025. The instalments due in June and December 2013 were not paid during the year under review.

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

The observations and comments arising from the audit of the Special Funds for the year ended 31st March 2014 are made below under the respective Special Funds.

(a) National Petroleum Fund

The audit of the accounts of the Fund had resulted in the following observations which represented errors and omissions in the financial statements incorporated into the Annual Statements of Accounts. At the conclusion of the audit, I had submitted a draft management letter to the Fund Managers for their comments, but at the time of writing this report, I had not received those comments.

Income

(i) The figure of P103 758 926 representing receipts from oil companies, could not be verified in the absence of documents supporting the remittances which are mostly made through bank transfers. Documentary advance notification to the Fund would be useful to validate the credits appearing in the bank statements.

(ii) Interest earned did not include interest of P84 264 earned from call accounts during the year of account, nor was interest on the US Dollar denominated call account held by Stanbic Bank of Botswana.

Expenditure

(iii) The expenditure figure of P154 694 727 for slate payments is grossly overstated by inclusion of unrelated charges, such as insurance, consulting fees, fuel purchases, withholding tax and of the cost of establishment of mini-depots in Selibe-Phikwe, Francistown, Gaborone and Lone Tree.

(iv) The figure of impairment of investments in Diamonex should read P11 535 648 and not P5 839 388 shown in the Income Statement based on share valuation of P3 464 352.

(v) I am yet to obtain clarification for the rationale for the charge of P17 026 for safe custody services for the instruments of the Fund by the Fund Managers.

Balance Sheet

(vi) The initial investments in bonds of P15 000 000 in Diamonex had been converted into equity shares upon delisting of the company from Botswana Stock Exchange and these shares were valued at P3 464 352 as at 31st March 2014, representing a loss of P11 535 648 in this investment.

(vii) The notes to the financial statements make reference to a call account deposit of USD 645 761.14 (confirmed by Stanbic Bank as USD 647 044.36) which is to be used for future purchases of fuel. This investment is not reflected in the financial statements.

(b) Citizen Entrepreneur Mortgage Assistance Equity Fund

In terms of the dissolution of the Fund Notarial Deed of Trust by the Minister in February 2013 and transfer of Fund assets to the Citizen Entrepreneurial Development Agency, the repeat inclusion of the old accounts of the Fund for the year ended 31st December 2006 as the last submitted accounts by the Board of Trustees should have been omitted from these Statements in the year under review.

(c) Botswana Innovation Hub Fund

As reported in previous years, the Fund has been inactive since inception in 2010 with the start-up contribution from Government of P12 000 000.

The activities of the Hub have been and continue to be financed from the Development Fund.

(d) Tertiary Education Development Fund

In the year under review, there was only one payment of P300 000 000 from the Fund towards the construction costs of the academic hospital. I understand that this project whose completion was targeted for August 2013 was behind schedule, and was only 99% complete as at October 2014, recording a time over-run of well other 12 months.

(e) Sim's Bursary Fund

The Fund consists of accumulated funds from the estate of the late George Sim who had bequeathed the residue of his estate to Botswana Government, which was to be invested in safe and sure securities and interest thereon to be used to educate deserving Batswana students in the professions. In the year under review the interest earned from cash held by Accountant General was P21 854, which increased the value of the Fund to P455 441. There were no expenditures from the Fund in the year under review.

(f) National Disaster Relief Fund

The Fund established by Statutory Instruction No. 20 of 1996 to provide financial assistance to natural disaster victims through reconstruction and repairs to their shelters, rehabilitation of transport infrastructure and such other disaster related relief as the Minister may approve.

The audit of the accounts of the Fund for the year under review had indicated that a total expenditure of P24 027 473 had been incurred against total income of P8 931 306, leaving excess of expenditure over income of P15 096 167. The expenditure covered the following major areas.

(i) Provision of housing units for disaster victims in Bobonong, North East, Selibe Phikwe, North West and Sowa of a type similar to that provided for destitutes. The expenditure was

in line with the initial proposal from the Ministry of Local Government and Rural Development, who have no responsibility for disaster matters under this Fund, to build 481 units at a cost of P21 645 000.

(ii) Purchases of boats and trailers at a cost of P1 540 840. I have not been able to appreciate the relevance of this purchase to disaster affairs.

In my view, there is some doubt whether the Fund was the appropriate source of funding for these extensive expenditures, for which funds had not even been provided.

(g) Road Traffic Fines Fund

The audit of the Fund for the financial year ended 31st March 2014 gave rise to the following comments and observations.

Income

The sharing of traffic fines equally between the Consolidated Fund and the Fund despite comments in previous reports, had still not followed the terms of the Statutory Instruction No. 40 of 2001, which provides for quarterly remittances to the Fund and not half-yearly as currently done by the Administration of Justice. The method of sharing which includes all other fines in the revenue item, favoured the Fund to the detriment of the Consolidated Fund.

Expenditure

(i) In terms of the Fund Order, the funds of the Fund are to be used for the purchase and maintenance of traffic offences detective devices and for financing activities aimed at promoting road safety and curbing road traffic offences. However, because of the blurred line of division of road traffic and general duty Police functions, there has been the tendency, in my view, to meet normal recurrent expenditure budget items from the Fund, such as in the following instances, which would normally be provided for in the Recurrent Estimates of Expenditure.

- Vehicle purchases	31 637 688
- Workshops	77 612
- Sexual Assault Collection Kits	481 133
- Wages, Ipelegeng Workers	14 686 717
- Automated Fingerprints Identification System	6 906 752

(ii) In view of the abundance of funds in the Fund, which has been the subject of my comment, the Accounting Officer as in the past, had made an advance of P14 686 717 towards the payment of wages for Ipelegeng workers, pending availability of funds in the relevant vote of expenditure. In the event, only P5 390 689 was reimbursed during the year under review. I do not consider this a proper use of the Fund in terms of its purpose.

(h) Botswana Defence Force Rewards and Fines Fund

The accounting for the proceeds of hire of BDF aircraft has been clarified by the Ministry of Finance and Development Planning who ruled that those funds should accrue to the Consolidated Fund, not to this Fund. It was, however, noted that an amount of P628 110 realised from aircraft hire in the year under review had been credited to this Fund. Furthermore, an amount of P275 000 which was for aircraft charter as far back as December 2012 had not yet been paid and is neither reflected in these accounts nor as an outstanding debtor under Statement No. 19 as arrears of revenue.

(i) National Road Safety Fund

In the previous audit report it was pointed out that expenditures on renovations and similar works on refurbishment of the offices of the Department of Road Transport and Safety were not appropriate charges to the Fund, and that such expenditures should be financed from the recurrent budget in the normal way. In his written submission to the Public Accounts Committee, the Accounting Officer had omitted to comment on this observation. I am therefore not aware whether he had accepted this suggestion or not.

However, in the year under review, it was noted that a similar expenditure had been charged to the Fund for capital works carried out on the offices of the Department at Serowe, Tsabong, Kanye and Palapye to the tune of P1 315 027. The works included alteration of offices, cabling and electrification.

(j) Tourism Industry Training Levy Fund

Income

The figure of levy received of P14 641 927 has not been verified because of the reconciliation that needs to be done with the total of the levies received as detailed in the spreadsheet as P14 995 106.

Furthermore a review of the spreadsheet which lists all the licensed tourist enterprises detailing the monthly remittances of the levies collected and remitted has indicated many instances of the tourist enterprises, including the well-established ones with regular guests, not remitting on a regular basis for periods of 6 months or more. This has given rise to the impression that the monitoring and follow-up of these matters may not be adequate, with resultant possible losses of revenue to the Fund.

(k) Police Rewards and Fines Fund

Expenditure

The following expenditures have been charged to the Fund.

(i) Medical Expenses – P8 210

It has been explained and advised that the cost of medical treatment for injuries sustained by public officers in the course of duty is to be met from public funds, and not from the Fund.

(ii) Donation to Customary Courts – P1 785

This was the cost of 40 plastic chairs which were donated to the customary courts in Lehututu, Tshane, Lokgwabe and Hukuntsi during the 2016 Awareness Month commemoration. While the Commissioner has the discretion to donate to charity from the Fund in terms of the provisions of the Police Act relating to the operation of the Fund, I do not consider that customary courts, as Government offices, could be classified as deserving charities.

Loans – P15 810

I have not been able to obtain satisfactory explanation for the balance which appears as a liability in the Balance Sheet of the Fund.

(l) National Electrification Fund

In terms of the Fund Order (Statutory Instrument No 27 of 2010), establishing the Fund, the accounts of the Fund are to be audited by an independent auditor appointed with my approval and that of the Accounting Officer. The necessary approval has been given for a 3-year period up to 2016/17.

In last year's report, my predecessor had commented that the audited accounts had not been included in the Annual Statements of Accounts for the second year running. In both cases the reason was uncompleted audits at the time when the accounts should have been submitted for incorporation. In the year under review, the audited accounts were still not available for inclusion and I am concerned that this continued lack of submission of the audited accounts of the Fund does not afford the National Assembly the opportunity to appreciate the operations of the Fund. It is my hope that the Accounting Officer will make an effort to ensure that the audited accounts of the Fund are incorporated in the Annual Statements of Accounts in the relevant year of account for subsequent examination by the Public Accounts Committee.

21. **Statement of Unspent Deposits – (Statement No.12)**

In the previous audit report, attention was drawn to amounts in this Statement which represented unclaimed funds from donors who had undertaken to fund identified projects. In his submission to the Public Accounts Committee, the Accounting Officer had stated that consultations were on-going with the other stakeholders to facilitate submission of claims. However, my latest inquiries had indicated that not much progress had been made in this respect. As at 31st March 2014, claims were yet to be finalised in respect of the undernoted amounts.

Kuwait Fund for Arab Economic Development	96 641 866
United Nations High Commission for Refugees	476 470
IFAD Grant	952 702
European Development Fund	463 659
United Nations Development Programme	1 947 196
International Bank for Reconstruction and Development	146 804
International Bank for Reconstruction and Development	35 563 439
	136 192 136

22. **Statement of Loans Made from Public Revenues - (Statement No. 13)**

The loan agreements supporting the loans in this Statement could not be produced when requested as they were said to be unavailable: only one loan agreement for Botswana Development Corporation loan (P89 500 000) was produced. While most of these are old loans for which loan agreements may not be required for audit verification purposes on an annual basis, it is however expected that these agreements should be preserved as essential documents supporting these important long-term transactions of Government.

Botswana Meat Commission – P198 337 098

In his submission to the 51st meeting of the Public Accounts Committee on the accounts for the financial year 2011/2012, the Accounting Officer had stated that the Commission had not, so far, paid the instalments on this loan because of financial constraints that it had encountered, and that the final repayment date had been revised to 2014. In the year under review, the instalment due had not been paid, and I am not aware of the arrangements made relative to the final redemption date.

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

(a) Contractors' Retention Deposits

In the year under review, the year-end balance of these deposit accounts was P339 354 476, and a small debit balance of P29 751 from the previous year under the Ministry of Communications, Science and Technology, which should have been investigated and cleared. Although the Ministries had made efforts to submit the analyses of the year-end balances to the Accountant General, who in turn submitted copies to me, the standard of preparation of these analyses left much to be desired, in some cases, despite advices on the correct format of presentation in the past: the entire balances have to be analysed including the opening balances from previous years.

The analyses assist me and the Public Accounts Committee during their examinations of the Ministerial accounts to evaluate the true extent of these liabilities of Government due to contractors under the various Ministries.

(b) Deposits – Other

A review of the balances of these deposit accounts under the various Ministries had indicated instances of lack of proper monitoring of these accounts as evidenced by unadjusted/uncleared balances from previous years, dormant balances and other features as follows:

(i) The accounts carried debit balances totalling P39 387 699 representing overpayments and errors which have not been claimed or adjusted, notably, an amount of P30 455 434 under the Ministry of Local Government and Rural Development from previous years in respect of Poverty Eradication Initiative payments.

(ii) Debit balances in respect of payments for donor funded projects which had exceeded the amounts of the deposits, and the overpayments had not been claimed from the donors or adjusted to public funds.

(iii) Debit balances under the Withholding and Income Taxes accounts which represent accounting errors had not been investigated and cleared.

(iv) Balances of Withholding and Income Taxes which had not been remitted to Botswana Unified Revenue Service within the time prescribed by the Income Tax Act.

(v) Cumulative balances of unclaimed court deposits held by High Courts, Magistrate Courts, Customary Courts, arising from old balances not being transferred to revenue in accordance with the provisions of the Public Finance Management Act, inclusion of revenue receipts, such as rescission fees, etc.

(vi) The continued retention of the former Ministry of Works and Transport with Withholding and Income Tax balances is further illustration of little attention being paid to these accounts. The accounts of this Ministry should have been transferred to the appropriate ministry upon its closure and transfer of functions to other ministries.

Similar comments had been raised by my predecessor on these accounts, and I expect to see some improvements in these accounts in future.

24. **<u>Statement of Advance Accounts – (Statement No 15)</u>**

The balances of the advance accounts as at 31st March 2014 were P285 335 164 debits and P125 839 670 credits. Out of these, the bulk of P196 102 035 debits and P120 964 150 credits were under the Ministry of Education and Skills Development on which comment has already been made under the Ministerial Section of this report. Other aspects of these accounts to which attention is drawn are the following:

(a) The credits also included items which are essentially liability accounts which should have been classified under deposits, as in the case of an amount of P4 698 112 in respect of savings deposits held on behalf of police recruits under the Ministry of Defence, Justice and Security.

(b) As the Ministry of Works and Transport no longer exists, I consider that the balances of accounts of this Ministry should have been transferred to the Ministries to which the relevant Departments were assigned.

(c) As at 31st March 2014, a total of P35 370 561 of the advance accounts balances were dormant, some going as far back as

2004/05, or earlier. These are detailed under the respective Ministries under the Ministerial Section of this report.

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

The audit verification of the balances of cash and bank accounts as at 31st March 2014 had indicated that, as in the previous year, weaknesses related to lack of proper monitoring of these accounts had persisted in the year under review. There was very little or no periodic, or at least year-end, reconciliations of the various accounts with implications on the accuracy of the year-end totals, and the totality of the cash asset. The particulars of the audit findings are summarised below.

(a) The results of the Boards of Survey on cash held by Treasury Cashiers at year-end had not been aligned with the year-end balances of the general ledger accounts controlling the movement of cash held by the respective Treasury Cashiers, especially where there were significant discrepancies. The cases in point were, Gaborone Imprest Office, Mochudi, Kanye, Francistown, Serowe, Donga BDF, Maun, Charleshill and Shakawe.

(b) The balance of the Remittance Account, the main Government account, was P2 047 276 845 on the 31st March 2014. The year-end reconciliation of this balance with the bank statement balances had shown some unsatisfactory features, and was unhelpful in that a number of items were said to be under investigation including some unidentified credits going as far back as 2008.

Subsequent to the audit, old explanatory documents were produced for some reconciling items as below, which had been described simply as "will clear in 2014/2015", without further explanations of what they represented.

(i) Bank of Botswana debit voucher dated 15/03/2010 for the purchase of additional equity in De Beers SA from the sale of Anglo American Plc shares as per the Ministry of Finance and Development Planning Memo - P1 018 329 938.90 (USD150 000 000).

(ii) Bank of Botswana debit voucher dated 06/06/2012 for funds to Bank Gaborone as per FDP 6/13/54 III dated 06/06/2012 – P3 000 000.

(iii) Bank of Botswana debit voucher dated 05/10/2010 for funds to Standard Chartered Bank as per FDPC 2/8/14A III – P910 665.38.

(iv) Bank of Botswana debit voucher dated 17/14/2009 for funds to Barclays Bank as per reference 6/9/74 I dated 16/04/09 – P334 540.9.

(v) Bank of Botswana debit voucher dated 29/01/2012 for funds to Standard Chartered Bank for credit of Baisago University as per ACC.C. 47 dated 29/06/12 – P7 970 953.50.

(c) The other subsidiary bank accounts maintained by the Accountant General at Bank of Botswana had not all been reconciled.

(d) The balances of bank accounts operated by the Treasury Cashiers had not all been reconciled up-to-date. Some of these had been last reconciled on various dates ranging from 2010 to September 2013. When raised in the previous audit report this lapse was admitted by the Accounting Officer who gave assurance to the Public Accounts Committee that it had since been rectified.

(e) The reconciliations of cash-in-transit accounts from the Treasury Cashier included unexplained items involving large amounts of money which were simply referred to as "Data-take-on". Data-take-on is a code description for dormant balances which were adopted to facilitate the commencement of Government Accounting and Budgeting System (GABS) in 2004/05.

(f) The account which controls the transfers of funds to the Botswana Consulate in Johannesburg showed an improbable credit balance of P17 080 as at 31st March 2014 which had not been investigated and rectified.

(g) The accounts of revenue collections through the commercial banks by the use of Point-of-Sale facilities had not been reconciled in a number of cases, and the arrangement regarding the limits of cash had not been observed. In one case the balance that was not reconciled, reflected as held by the commercial bank was P2 372 078 against the agreed transfer limit of P10 000.

(h) As far back as May 2010, a Government deposit of P117 970 739 with Botswana Building Society was transferred to Botswana Privatisation Asset Holdings and no accounting action had been taken to clear this amount from the accounts. In his latest submission to the Public Accounts Committee, the Accounting Officer had stated that consultations were on-going with other stakeholders to clear the transaction. I am not aware of the reasons which impede the finalisation of this transaction.

(i) The general ledger balance of P636 654 917 under the Lome III Sysmin account had not been reconciled with the bank statement balance of P635 165 207 as at 31 March 2014.

In view of the foregoing, I am not able to certify the correctness of the cash asset as at 31 March 2014 appearing in this Statement and under Statement No. 1 of the Annual Statements.

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

The contingent liabilities of Government relate to Government guarantees on parastatal borrowings, public officers' borrowings under the motor vehicle/residential property loan schemes and undertakings to international financial institutions made by Government through Bank of Botswana. As at 31st March 2014 these liabilities totalled P6 831 096 595, including P6 280 937 651 in respect of Morupule B Power Station, broken down as follows:

Parastatal Borrowings	6 510 093 396
Public Officers' Borrowings	319 458 799
Non-Interest Bearing Notes	1 544 400
	6 831 096 595

While the Ministry of Finance and Development Planning continued to follow up recoveries from defaulters on public officer's borrowings, there are still significant amounts that remained outstanding; some of which are very old and non-moving as illustrated in the table below:

Non-Moving Defaulters Loans – 31st March 2014

Year	Residential Property	Motor Vehicles	Total
2004/05	167 052	286 911	453 963
2005/06	150 537	145 690	296 277
2006/07	1 244 477	988 163	2 232 640
2007/08	215 678	163 131	378 809
2008/09	194 347	216 306	410 653
2009/10	176 367	259 174	435 541
2010/11	41 543	23 348	64 891
2011/12	21 040	178 007	199 047

2012/13	50 724	139 014	189 738
2013/14	731 586	1 016 901	1 748 487
	2 993 351	3 416 645	6 409 996

It is my considered view that some of the cases, especially the very old ones, should be diligently assessed for recoverability and, as may be appropriate, considered for write-off, while other cases are vigorously pursued.

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

The audit verification of assets detailed in this Statement elicited the following observations.

(a) In the previous report, it had been stressed that the register maintained by the Accountant General for these assets should be updated at all times and used for the preparation of this Statement, without reliance being placed on assets confirmations from the institutions. The Accounting Officer had accepted this advice in his submission to the Public Accounts Committee. However, in the year under review, the use of confirmations had still been the basis of preparation of this Statement.

(b) The reconciliation statement of the Government Remittances Account at Bank of Botswana as at 31 March 2014 included a reconciling item of P1 018 329 938.90 (USD150 000 000) related to the purchase of shares in De Beers SA from proceeds of sale of Anglo American plc shares through Bank of Botswana debit voucher dated 15th March 2010. This transaction is not reflected in this Statement.

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

The collection of revenue debts due to Government had continued to present a challenge to the Ministries and Departments of Government: at year-end there were minimal or no collections made in many cases. Out of the opening balance of P432 563 352 at the beginning of the year, only a paltry P12 407 089, representing 3%, was collected during the year, while P1 718 190 was abandoned as uncollectible.

In his report for last year, my predecessor had expressed disquiet with the preponderance of overdue debts arising from the private usage of official telephones by public officers, which had remained unpaid for long periods of time. The concern was that these are administrative matters for which provisions are made in General Orders regarding their recoveries and should not form part of these debts.

In the year under review these and other accounts constituted numerous debts under which little or no collections had been received. The table below illustrates the position across all Ministries as at 31st March 2014.

Ministry	Balance 01/04/13	Collections 2013/14	Abandoned 2013/14	Balance* 31/03/14
Parliament				
Rent - Parliament Flats	12 500	-	-	12 500
State President				
Bond Defaulters	153 817	13 848	68 136	71 833
Telephones (0216)	40 055	12 152	-	27 903
Telephones (0219)	1 011	-	-	5 808
Telephones (0220)	7 346	-	-	10 354
Agriculture				
Sale of Bees & Honey	1 985	-	-	1 985
Sale of Live Animals	1 239 000	-	-	1 239 000
Education & Skills Development				
Telephones (0603)	6 107	1 098	5 009	3 684
Bond Fees	15 639	-	-	15 639
Telephones (0608)	12 889	548	-	12 341
School Fees	247 400	54 350	-	250 650
Trade & Industry				
Telephones (0703)	1 267	742	-	1 915
Telephones (0704)	7 500	3 585	-	3 916
Telephones (0706)	663	-	-	1 420
Company Reg. Fees	391 926 000	861 600	-	427 038 000
Telephones (0708)	15 600	4 045	-	11 555

Local Government & Rural Development

Court Fines	442 365	56 810	765	508 465

Minerals, Energy & Water Resources

Borehole Cleaning	106 549	-	-	106 549
Cons Water Accs.	20 647 614	5 760 262	-	14 887 353
Telephones (1003)	115 806	34 920	-	80 885
Mineral Royalties	1 963 687	649 870	-	1 313 817

Health

Various	299 407	-	-	299 407

Administration of Justice

Judicial & Subordinate Court Fines	929 410	-	-	929 410

Auditor General

Telephones (1401)	19 828	-	-	19 828

Foreign Affairs & International Cooperation

Telephones (1511)	127 159	41 096	-	86 063

Lands & Housing

Guest House Electricity	585	-	-	15 646
House Maintenance	4 689	-	-	18 160
Water Charges	3 071	-	-	7 151
Private Leased Houses	89 850		-	137 485
Pool Houses	1 954 444	268 460	-	1 900 317
State Land Farms	4 770 384	1 384 499	755 832	3 885 779

Lands & Housing

Sale of State Land	1 223 075	379 157	463 655	380 262

Industrial Court

Telephones	54 663	-	-	54 663

Youth, Sport and Culture				
Sundry Receipts	6 000	-	-	6 000
Transport & Communications				
Landing Fees	1 278 353	-	-	1 278 353

*Including current year arrears

29. Contigencies Fund – (Statement No 20)

The Contingencies Fund is established under Section 121 of the Constitution to cater for urgent and unforeseen need for expenditure for which no provision exists in the Estimates of Expenditures. In that event, the President authorises advances to be made from the Contingencies Fund to be subsequently cleared by a provision through the supplementary estimates.

In March 2014, His Excellency the President authorised an advance of P10 000 000 from the Fund to meet an unforeseen requirement for fuel under the Ministry of Transport and Communications. The advance was outstanding on the 31st March 2014.

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

While Government stockholding of unallocated stores is substantially reduced, the reconciliation of the value of these stocks as supplied by the Department of Supplies with the balance in the accounts of the Accountant General remains a challenge. As at 31st March 2014, the value reflected in this Statement was P2 237 573 while the accounts of the Accountant General showed a balance of P15 383 471, plus stock transfers balance of P20 000 000.

When this matter had been raised in the past, the Accounting Officer's comment had always differed from one year to the next, without the actual reconciliations ever being achieved. The latest comment to the Public Accounts Committee, which is the same as in the year before, was *"The reconciliations have been carried to investigate the discrepancy between Statement 15 and Statement 21"*.

Unless these reconciliations are carried out, the Public Accounts Committee would never be apprised of the true value of unallocated stores at year-end in any one year.

31. **<u>Statement of Losses of Public Monies and Stores – (Statement No. 22)</u>**

<u>TABLE A – LOSSES OF CASH</u>

<u>Reported During the Year Under Review</u>

In the year under review, losses of cash cases amounting to P1 584 614 had been reported to the Ministry of Finance and Development Planning involving 14 cases from 7 Ministries. As was commented on in the previous reports, there are considerable delays in reporting losses which occur in the Ministries. In the current submission the reported losses had occurred on various dates from 2002 through to December 2013. The likely effect of these delays is that any follow-ups and investigations would be ineffectual for lack of supporting evidence, resulting in write-offs.

However, as a measure to deal with this matter, the Accounting Officer, in his submission, had briefed the Public Accounts Committee that his Ministry had mounted training courses for officers in the line Ministries to sensitise them on the importance of reporting of losses and on other related matters.

<u>Reported in Previous Years</u>

The cumulative balance of outstanding loss cases from previous years was P4 413 097, giving a grand total of P5 997 711 as at 31st March 2014, including current year cases. Out of this latter amount, a total of P1 911 784 (32%) had been recovered so far, while P413 457 was written-off. A review of these losses had shown that some of the cases were very old, going back to the mid-1990s and the cases are still nowhere near being finalised, indicating extreme tardiness in the follow-up and finalisation of the losses. A glaring example is the case of P764 800 reported in 1999 under the Ministry of Local Government and Rural Development whose current status is reported as —" still reconciling figures with CID, Maun'' – 15 years after the case was reported. Other cases are reported as "under investigation", "referred to Attorney General", "investigations on-going" etc.

32. **<u>Accidents to Government Motor Vehicles – (Statement No 22C)</u>**

The Permanent Secretary, Ministry of Finance and Development Planning has submitted for publication in the Annual Statements of Accounts a report of motor vehicle accidents that were reported to him by the Department of Central Transport Organisation during the financial year ended 31st March 2014. According to this report, there were 323 cases of accidents with a damage cost of P5 548 228. Out of this amount, 232 cases were finalised with a total value of

P4 096 443 by surcharge and by write-off against public funds, leaving a balance of P1 451 786.

As it has always been contended by my predecessors, it is inconceivable that all these accidents would be attributable to government-driver negligence, without the involvement of a third-party motorist, from whom compensation may be recoverable. This information has been omitted in the past and is lacking in the current report. It is however pleasing to note that the Accounting Officer has conceded to this suggestion, through submission to the Public Accounts Committee, and has undertaken to consult other stakeholders, possibly the Attorney General, to facilitate provision of information relating to recoveries from third parties to complete the reporting of these cases in future.

With regard to the surcharges, the report indicates that a total of P5 324 641 including cases from previous years had been surcharged during the year under review on account of motor vehicle accidents. However a total of P3 757 053 was adjusted from this figure, leaving a balance of P1 567 588 as an outstanding amount across all Ministries under these accounts at year-end. While this is the case, the substantive accounts of the Accountant General show a total of P6 434 402 as outstanding as at 31st March 2014, out of which P1 334 182 was non-moving. I have addressed the Accounting Officer and sought this comment on this disparity.

VII MINISTERIAL ACCOUNTS

PARLIAMENT

33. **Warranted Provision**

The utilisation of funds warranted to the Parliament for the financial year ended 31st March 2014 is indicated below:

Department	Warranted Provision	Actual Expenditure	Over + Under - Expenditure	%
National Assembly	84 901 780	84 876 583	-25 197	-
Ntlo ya Dikgosi	6 383 070	6 019 129	-363 941	6
	91 284 850	90 895 715	-389 138	0.4

The performance of the Department in the year under review is consistent with those of the previous years, recording 99% budget utilisation compared to 97% in the previous year and 98% in the year before.

34. **Non-Moving Advances**

The year-end balances of advances accounts under Statements Nos 1 (Imprests) and 15 of the Annual Statements of the Accountant General included the following balances which were non-moving:

Surcharge - Damage to Government Vehicles	55 073
Imprest Recoveries	6 793\
Advances – Industrial Class	6 925
Advances – Grade D4 and Below	1 499
Overpayment of Salaries	7 328
Travelling Imprests	13 925
	91 543

35. **Arrears of Revenue**

The indebtedness to Government by 4 former Members of Parliament of relatively small amounts, totalling P12 500, on rental charges for occupation of Parliamentary flats after they ceased to be members of Parliament, has come up before the successive meetings of the Public Accounts Committee and to this day remains an item for progress reporting before the Committee. The individuals involved are well known persons who are in regular employment, or otherwise in receipt of income. In that light, I consider that the continued delay in getting these matters resolved is more a reflection of lack of decisive follow-up action by responsible officers rather than inability by these individuals to pay. These debts are now more than 5 years old, at least.

It is also of some concern that members were allowed to accumulate debts for utility charges which subsequently became difficult to collect. As at 31st March 2014 the outstanding amounts under these accounts totalled P105 196. In terms of the Accounting Officer's submission to the 52nd meeting of the Public Accounts Committee, some debts were being recovered by deductions from members' salaries while other members had been requested to settle their accounts. In the case of debtors who ceased to be members, more than 5 years previously, their cases had been referred to the Attorney General for legal action. However, in view of the small amounts involved, the Attorney General may not be inclined to pursue beyond the issue of the letters of demand, leaving no option but abandonment, which would result in a loss to Government.

In my view, all these are administrative matters for which there should be clearly laid down procedures for the settlement of members' accounts, and the course of timeous action to be followed where members fail to do so, to preclude the prospects of losses through abandonments.

STATE PRESIDENT

36. **Warranted Provision**

The utilization of funds warranted to the Ministry for the financial year ended 31st March 2014 is indicated below:

Department	Warranted Provision	Actual Expenditure	Over+ Under- Expenditure	%
State House	7 977 030	7783 963	-193 067	2
Office of the President	122 551 301	121 481 568	-1 069 733	1
DPSM	108 133 352	108 072 808	-60 544	0.05
Former President-QKJM	2 646 230	2 559 742	-86 488	3
NACA	41 674 410	40 116 251	-1 558 159	4
Former President-FGM	2 663 950	2 363 081	-300 869	11
Information Services	53 931 960	51 238 200	-2 693 760	5
Broadcasting Services	129 867 365	136 009 379	+6 142 014	5
Printing & Publishing Services	56 106 514	54 904 374	-1 202 140	2
NSO	14 025 987	13 611 289	- 414 698	3
DCEC	58 882 840	59 572 794	+689 954	1

DISS	248 501 050	247 858 405	-642 645	0.25
	846 961 990	845 571 854	-1 390 135	0.16

The Departments of the Ministry have spent the warranted funds well within the authorized provisions, except for the Department of Broadcasting Services which, for the second year running, has overspent its sub-warranted funds by a significant amount of P6 142 014, representing 5% of the sub-warranted provision.

37. Non-Moving Advances

The year-end balances of advances accounts under Statements Nos 1 (Imprests) and 15 of the Annual Statements of the Accountant General included the following balances which were non-moving:

Surcharge – Industrial Class	180
Surcharge – Damage to Government Vehicles	42 631
Surcharge – P & P – Payroll	888
Imprest Recoveries	4 398
Advances - P & P Grade D4 and Below	12 727
Loss of Cash	32 293
Overpayment of Salaries	43 333
Travelling Imprests	77 892
	214 342

38. Audit of the Accounts – Department of Government Printing and Publishing Services

An audit examination of the accounts of the Department of Government Printing & Publishing Services brought to light instances of weaknesses in the area of supplies management, which could lead to losses of supplies without detection or notice. Such instances included the following:

(a) There was no systematic recording of items of supplies in the appropriate supplies accounting records. Instances had been noted where various items of equipment which had been bought for use by the Department had not been recorded in the Supplies Ledger Cards, as the main recognized record for all Government supplies.

(b) Other instances related to various items of supplies which had been issued out to officers in short-term loans for official use, which had not been returned for long periods. These items included laptops, projector, step-ladder, tarpaulins and garden tools etc. In these circumstances, items on extended periods of loan could be converted to personal use, which would have to be replaced at an additional cost to Government.

MINISTRY OF FINANCE AND DEVELOPMENT PLANNING

39. **Warranted Provision**

The utilisation of funds warranted to the Ministry for the financial year ended 31st March 2014 is indicated below:

Department	Warranted Provision	Actual Expenditure	Over + Under _ Expenditure	%
Headquarters	480 993 350	473 965 000	-7 028 350	1.5
Accountant General	175 295 690	167 206 976	-8 088 714	5.0
Supplies	92 373 030	90 091 125	-2 281 905	2.5
Fin. Intelligence Agency	10 925 800	8 403 416	-2 522 384	23.0
	759 587 870	739 666 517	-19 921 353	3.00

The performance of the Ministry in this year is consistent with that of the previous year at 97% budget utilisation, compared to 98% in the previous year.

It is considered that the Department of Financial Intelligence Agency rather enjoys over-provision of funds with 23% of the provision unspent at year-end, compared to 17% in the previous year.

40. **Non-Moving Advances**

The year-end balances of advances accounts under Statements Nos 1 (Imprests) and 15 of the Annual Statements of the Accountant General included the following balances which were non-moving:

Surcharge – Damage to Government Vehicles	8 396*
Surcharge – P & P - Payroll	4 201
P & P – Emergency Advances	79 836
Imprest Recoveries	8 175
Advances – Industrial Class	4 526
Advances – Grade D4 and Below	10 628
Loss of Cash – Cash Shortages	67 999
Residential Property Loan Scheme	2 993 351
Motor Vehicle Loan Scheme	3 416 645
Overpayment of Salaries	191 757*
Travelling Imprests	62 644
	6 848 158

*It is to be noted that these balances include those for the former Departments of the Ministry, namely, Central Statistics Office and the Department of Customs and Excise, which had been established into statutory corporations a long time back.

41. **Provision of Security Services in Treasury Cashier Offices**

In the last report to the National Assembly, it was reported that the Accountant General had entered into an agreement with a contractor for the provision of security services in the 36 Treasury Cashier offices throughout the country for a 24-months period ending in March 2015, at a contract price of P1 696 149.50. The contract agreement had specifically stated that the services provided would include guarding and patrolling the premises. The then Auditor General had pointed out that this part of the agreement was not being honoured by provision of guard services, although, in his view, the provision of those services had been factored into the price by virtue of being in the contract.

On the other hand, the Accounting Officer, in his oral submission to the 52nd meeting of the Public Accounts Committee, had contended that from his own countrywide visits to the Treasury Cashier offices he had seen the guards on duty and was happy with the contract performance on this aspect. As the Committee could not reach a conclusion from the discussion, the Auditor General was requested to make further inquiries and report back to the Committee.

I have since followed up on this request and carried out further investigations into the matter through interviews with members of staff of the Office of the Accountant General and close perusal of the relevant documents. The officers of the Office of the Accountant General had confirmed that although the clause in question formed part of the signed agreement between the parties, it was not the intention that it would be a key deliverable: the main operative deliverable being the monitoring and maintenance of security alarm and time lock systems, mentioned in the "Invitation To Tender", issued by the Ministry of Finance and Development Planning. They explained that the mention in the contract agreement of the guard and patrol services was in error, and should have been deleted from the original standard draft.

Having considered the circumstances of this matter, my attitude is that the inclusion of non-operable clauses in a legally binding document was a grave error, as it would create confusion and misunderstanding, and detract from the enforceability of such a document in the event of a dispute. A gentlemen's agreement outside the terms of a signed contract is never advisable. It is in this context that I have not been able to appreciate the increase in price from the tender amount of P989 184 to the contract price of P1 696 149.50, despite my inquiries in this regard.

42. **Citizen Entrepreneur Mortgage Assistance Equity Fund**

Following inconclusive discussions by the Public Accounts Committee at its 52nd meeting of the Accounting Officer's submission on the above Fund, because of the unsatisfactory history of non-submission of audited accounts by the Board of Trustees, the Committee had requested my predecessor to carry out an investigation into the affairs of the Fund leading up to the transfer of assets to Citizen Entrepreneurial Development Agency in February 2013, and report back to the Committee. However, shortly thereafter, and independently of the Committee request, the Permanent Secretary, Ministry of Finance and Development Planning had also requested him to carry out a forensic audit into the operations of the Fund.

It is in the light of the above requests that I am collaborating with the Ministry of Finance and Development Planning to secure funds to engage an independent auditor to carry out a forensic audit as my Office is not sufficiently resourced to carry out this specialised investigation, and the results of this investigation will be communicated to the Committee in line with their request.

43. **Overpayment of Salaries – Department of Supply**

A review of the salaries of the staff of the Department of Supply revealed a number of cases of overpayment of salaries to officers on termination of service, amounting to P516 598, possibly more as some files could not be located. The overpayments had resulted from delays in the issuing of casualty returns, when officers had tendered their letter of resignation or retirement, who then continued to receive salaries for long periods after their final day of service.

Upon realisation of these overpayments, the Permanent Secretary, Ministry of Finance and Development Planning addressed letters to the officers concerned advising them of their indebtedness to Government, and requesting them to pay. Although partial recoveries had been made from leave pay, in some cases, these debts could not be recovered from terminal benefits because of restrictions placed on that course of action by the Pensions and Provident Fund Regulations, which prohibit cession or attachment of pension benefits. It then remains for the Ministry to make arrangements with the individuals concerned regarding the settlement of these debts.

At the time of writing this report, I am not aware of the extent of the recoveries made.

MINISTRY OF LABOUR AND HOME AFFAIRS

44. **Warranted Provision**

The utilisation of funds warranted to the Ministry for the financial year ended 31st March 2014 is indicated below:

Department	Warranted Provision	Actual Expenditure	Over + Under - Expenditure	%
Headquarters	89 108 599	88 538 595	-570 004	0.6
Immigration & Citizenship	129 410 100	128 285 801	-1 124 299	0.9
Labour & Social Security	40 981 590	40 266 351	-775 239	2.0
Gender Affairs	17 286 203	16 890 732	-395 471	2.3
Civil & National Registration	49 290 050	47 467 332	-1 822 718	3.7
National Internship	77 856 848	77 596 439	-260 409	0.3
	403 933 390	399 047 889	-4 885 501	1.2

In the year under review the Ministry expenditure totalled P399 047 889 out of the warranted provision of P403 933 390, recording a 99% warranted funds utilisation. This performance compares favourably with the previous year which was 97% of the funds warranted to the Ministry.

45. **Non-Moving Advances**

The year-end balances of advances accounts under Statements Nos 1 (Imprests) and 15 of the Annual Statements of the Accountant General included the following balances which were non-moving:

Surcharge – Damage to Government Vehicles	86 740
Imprest Recoveries	5 084
Advances – Industrial Class	2 000
Advances – P & P Grade D4 and Below	9 423
Overpayment of Salaries	23 193
Travelling Imprests	4 669
	131 109

MINISTRY OF AGRICULTURE

46. **Warranted Provision**

The utilisation of funds warranted to the Ministry for the financial year ended 31st March 2014 is indicated below:

Department	Warranted Provision	Actual Expenditure	Over + Under - Expenditure	%
Headquarters	225 645 976	218 277 331	-7 368 645	3
Crop Production & Forestry	178 768 570	175 335 003	-3 433 567	2
Agricultural Research	86 209 240	83 313 732	-2 895 508	3
Animal Production	95 059 071	92 983 083	-2 075 988	2
Agric. Business Promotion	29 380 672	27 648 707	-1 731 965	6
Veterinary Services	395 388 783	391 052 168	-4 336 615	1
Agric. Research Statistics	12 596 100	11 939 110	-656 990	5
	1 023 048 412	1 000 549 134	-22 499 278	2

The total expenditure for the Ministry for the year was P1 000 549 134 out of a warranted provision of P1 023 048 412, leaving an unspent balance of P22 499 278, representing 2% of the warranted provision. At departmental level, the utilisation of funds ranged from 94% to 99%. The Ministry performance compares favourably with that of the previous year at 99% funds utilisation.

47. **Non-Moving Advances**

The year-end balances of advances accounts under Statements Nos 1 (Imprests) and 15 of the Annual Statements of the Accountant General included the following balances which were non-moving:

Advances – Industrial class	(226)
Surcharge – Damage to Government Vehicles	57 015
Surcharge - P & P - Payroll	16 056
P & P – Emergency Advances	3 842
Imprest Recoveries	10 114
Advances – Industrial Class	2 100
Advances – P & P – Grade D4 and Below	7 721
Loss of Cash	24 990
Overpayment of Salaries	240 962
Travelling Imprests	40 438
	403 012

48. **Sale of Live Cattle to Zimbabwe**

In his written submission to the 52nd meeting of the Public Accounts Committee the Accounting Officer had stated that the balance of P1 239 000 was outstanding because the Zimbabwean authorities had said that they were financially constrained to settle this indebtedness. The Committee had urged him to follow-up the matter. At the time of writing this report, my inquiries had indicated that the matter had still not been resolved. I am not aware of any further efforts made or proposed to be made by the Accounting Officer to bring the matter to a conclusion.

49. **Audit Inspection – Foot & Mouth Disease, Francistown/Matsiloje**

An audit inspection carried out at the Francistown Foot and Mouth Disease area had revealed, among other things, that 7 294 gum poles valued at P138 586, had been destroyed by fire in March 2013. The poles had been temporarily kept in the stockyard in Francistown Veterinary Office pending transfer to Matsiloje Veterinary Camp. My enquiries had indicated that the incident had been reported to the Police. According to the Police abstract report the complete destruction of the gum poles had been facilitated by the overgrown grass in the stockyard which had caught fire from a nearby fire place.

Although the fire incident had occurred as far back as March 2013, I am not aware of any progress made in investigating this matter since the Accounting Officer's December 2013 response that he was awaiting the outcome of the Police investigation. Furthermore, there is no indication that the matter had been reported to the Ministry of Finance and Development Planning despite the considerable lapse of time since the incident.

It is of some concern that the premises in which valuable properties of Government would be kept were in such an unkempt state that they would result in losses of Government stores. It is probable that had the stockyard been kept in a clean and tidy state these assets would not have been destroyed.

MINISTRY OF EDUCATION AND SKILLS DEVELOPMENT

50. **Warranted Provision**

The utilisation of funds warranted to the Ministry for the financial year ended 31st March 2014 is indicated below:

Department	Warranted Provision	Actual Expenditure	Over + Under _ Expenditure	%
Headquarters	760 318 298	741 331 237	-18 987 061	2
Vocation Education & Training	462 303 500	440 270 187	-22 033 313	5
Tertiary Education Financing	1 969 390 850	1 990 294 527	+20 903 677	1
Out of School Education	78 268 180	77 225 053	-1 043 127	1
Curriculum Devt. & Evaluation	22 516 076	20 232 979	-2 283 097	10
Teaching Service Management	3 794 983 530	3 891 557 885	+96 5 74 355	3
Pre & Primary Education	49 262 330	49 277 654	+15 324	-
Secondary Education	1 141 604 986	1 120 324 996	-21 279 990	2
Teacher Training Development	262 757 590	256 640 529	-6 117 061	2
Technical Services	22 726 440	21 297 110	-1 429 330	6
Info. Comm.& Media Services	14 743 070	12 937 941	-1 805 129	12
Special Support Services	6 646 800	5 694 287	-952 513	14
Educ. Planning & Research	4 063 828	3 534 755	-529 073	13
	8 589 585 478	8 630 619 138	+41 033 660	-

From the original approved estimates of P7 925 153 020, the warranted provision for the Ministry was P8 589 585 478 while the actual expenditure was P8 630 619 138, resulting in an unauthorised expenditure of P41 033 660 over and above the supplementary approved funding of P644 273 110, under the Department of Teaching Service Management. Supplementary appropriation would be needed to rectify this situation.

The Departments which accounted for Ministerial over-expenditure were those of Tertiary Education Financing and of Teaching Service Management which had overspent the funds sub-warranted to them by the Accounting Officer.

51. **Non-Moving Advances**

The year-end balances of advances accounts under Statements Nos 1 (Imprests) and 15 of the Annual Statements of the Accountant General included the following balances which were non-moving:

Surcharges – Damage to Government Vehicles	71 553
P & P - Payroll	105 395
P & P - Emergency Advances	15 073
Imprest Recoveries	116 791

Advances – Industrial Class	30 964
Advances – Personal Computers	5 511
Advances – Grade D4 and Below	83 851
Loss of Cash	391 163
Bonded Students Recoveries	1 172 115
Grant Loan Scheme	18 458 791
Students Advance Loan Scheme	(2 067 128)
Overpayment of Salaries	904 883
Bond Training Liabilities	104 063
Travelling Imprests	622 767
	20 015 792

52. **Students Allowances Payable Account**

An audit attempt to validate the balances of accounts controlling the payment of allowances to Government - sponsored students in tertiary institutions in Botswana had proved futile. In the process it had become evident that these payments which were made through the agency of a local commercial bank were not monitored by periodic and regular reconciliations of the accounts to ensure that the monthly cash disbursements to the bank for this purpose were properly and comprehensively accounted for. As a result, the status of the year-end balances appearing in the Annual Statements of Accounts could not be explained or clarified. In view of the weaknesses and shortcomings in the management of these affairs, I have not been able to satisfy myself regarding the following matters, that

(a) the debits totalling P1 077 543 072 in the advance account used for the disbursements to the commercial bank truly represented the amounts payable to students in the year under review and that it had all been accounted for accordingly;

(b) the year-end balance of P74 158 710 in the same advance account represented the current undisbursed amounts due to the students and yet to be accounted for, or is just a cumulative balance which could not be attributed to identifiable beneficiaries; and

(c) the credit balance of P44 588 470 under the deposit suspense account controlling the disbursements to students was consistent with the true status of these transactions.

In view of the foregoing, I am concerned that despite the matter having been raised in previous reports and at the level of Public Accounts Committee, the large sums of money at the disposal of the

Ministry for the payment of students allowances are still not given the attention that the situation demands. As suggested last year, urgent steps need to be taken to bring these matters under proper control.

53. **Overpayment of Teacher's Salaries and Allowances**

An audit examination, on a test check basis, of salaries and allowances paid to teachers during the year under review revealed instances, in almost all cases sampled, of rampant overpayments of these benefits. From the sample selected the overpayments were calculated to a total of P4 177 065, implying that the actual figure is substantially much more than this. Ideally, one would have liked to have given a definitive figure on the overpayments but this was not possible because of time constraint and the enormity of numbers of teachers involved. The overpayments identified were traceable to causes which indicated extreme laxity applied to this important area of work; as in the following instances:

(a) Teachers on long-term training were paid full salaries after one year on training courses, instead of 50% of their salaries, as required by the rules.

(b) Teachers had continued to be paid training allowances after completion or termination of training courses. One outstanding and glaring example involved a teacher who absconded from a training course at the University of Botswana but had continued to be paid salary and allowance from August 2012 to March 2014, in the total amount of P219 091.

(c) Teachers who were not resident on campus were nevertheless paid both off-campus and living allowances.

(d) The implementation in July 2013, of the assimilation exercise to align teachers' salaries to levels of operation had given rise to errors which resulted in incorrect payments such as;

(i) Duplicate payments of salary arrears covering the period from August 2013 to December 2013.

(ii) Teachers on half–pay during implementation period were paid full-salary arrears.

(iii) Teachers on half-salary had been reverted to full pay as part of the assimilation exercise.

From the foregoing, it is evident that, while the totality of overpayments have to be ascertained and recovered, there is need to strengthen the administrative procedures to ensure that the financial affairs of the Ministry are in order in all respect.

54. **Students Advance Loan Scheme**

The situation of the above loan scheme carrying cumulative credit balances of significant amounts over the years without action being taken to clear them or satisfactory explanation offered has been the subject of comment in previous audit reports. It is therefore disheartening to note that the trend had continued unabated in the year under review with a year-end balance of P3 357 335 which distorted the totals under these accounts. Unless steps are taken to clarify this cumulative balance and definitive action taken to deal with it, it will forever continue in the accounts of the Ministry without purpose.

MINISTRY OF TRADE AND INDUSTRY

55. **Warranted Provision**

The utilisation of funds warranted to the Ministry for the financial year ended 31st March 2014 is indicated below:

Department	Warranted Provision	Actual Expenditure	Over + Under - Expenditure	%
Headquarters	721 845 859	719 169 133	-2 676 726	0.4
Cooperative Development	34 736 713	32 021 386	-2 715 327	9.0
Trade & Consumer Affairs	24 786 740	24 227 999	- 558 741	2.3
Industrial Affairs	14 377 423	13 907 856	-469 567	3.3
International Trade	13 579 116	12 911 090	-668 026	5.0
Registrar of Companies & IP	14 960 429	14 574 140	-386 289	2.6
	824 286 280	816 811 605	-7 474 675	1.0

In the year under review the approved estimates for the Ministry had substantially increased from P530 003 590 in the previous year to P824 286 280 in the year of account. The increase is accounted for by the increased subventions granted to the state-enterprises under the Ministry from P337 533 392 last year to P655 165 690 this year. These changes have resulted in the actual expenditure of P816 811 605, out of the warranted provision of P824 286 280, recording a 98% budget utilisation.

56. **<u>Non-Moving Advances</u>**

The year-end balances of advances accounts under Statements Nos 1 (Imprests) and 15 of the Annual Statements of the Accountant General included the following balances which were non-moving:

Advances – Industrial Class	(1 800)
Advances – P & P – Grade D4 and Below	1 165
Loss of Cash	13 322
Travelling Imprest	5 509
	18 196

57. **<u>Lease of Office Block without Proper Authority</u>**

A study of documentation relating to the lease of an office block by the Ministry in the Central Business District in Gaborone had indicated that such lease was not with the approval of the Public Procurement and Asset Disposal Board, in terms of the predetermined expenditure authority level.

As far back as 2011, the Ministry had determined that it was essential for the Ministry Headquarters and all of its 5 departments to be housed in one office block to reduce administrative costs, enhance operational efficiency and service delivery to its customers. To this end, the Ministry officers had set on a search for suitable accommodation, and identified an office block in the Central Business District, which was recommended to the Ministry of Lands and Housing, on the advice of the Ministerial Tender Committee, for rental and lease negotiations, in March 2011. However, in August 2011, even before the response of the Ministry of Lands and Housing was received, the Ministry withdrew its earlier recommendation in favour of another office block, still in the Central Business District, on the basis that the rental of the first block was high.

Finally, the lease was procured with the developer of the second office block, and lease agreement signed in December 2012 for a 5-year period ending in November 2017, at a monthly rental of P1 013 070, on the authority of approval of the Ministerial Tender Committee. However, as the total rental for the 5-year period amounted to P60 784 200, this was far beyond the expenditure threshold of P25 000 000 appropriate to the Committee.

When the matter came to the notice of the Public Procurement and Asset Disposal Board, the Board instituted an audit to determine the circumstances of this award. The Board audit found that in adjudicating over this tender, the Ministerial Tender Committee had failed in its duty to adhere to its expenditure limits and to advise the

Ministry, as the procuring entity, to refer the matter to the Public Procurement and Asset Disposal Board, as the appropriate level of approval for the expenditure involved.

This is yet another instance where public officers flagrantly disregard clearly laid down rules, resulting in public funds being spent without proper authorities even where large sums of money, calling for extreme care and diligence, are involved. This state of affairs continues to be a matter for concern by the Public Accounts Committee.

MINISTRY OF LOCAL GOVERNMENT AND RURAL DEVELOPMENT

58. **Warranted Provision**

The utilisation of funds warranted to the Ministry for the financial year ended 31st March 2014 is indicated below:

Department	Warranted Provision	Actual Expenditure	Over + Under - Expenditure	%
Headquarters	189 268 682	185 812 892	-3 455 790	2
Social Services	866 467 094	861 304 856	-5 162 238	1
Local Govt. Devt Planning	7 341 184	6 847 061	-494 123	8
Primary Health Care	24 259 030	22 246 437	-2 012 593	8
Local Govt. Finance & Proc.	3 107 282 005	3 085 366 008	-21 915 997	1
Local Govt. Service Mgmt.	24 121 719	20 992 099	-3 129 620	13
Tribal Administration	305 854 510	305 251 744	-602 766	-
Technical Services	9 038 940	8 125 879	-913 061	10
	4 533 633 164	4 495 946 976	-37 686 188	1

During the year under review, the Ministry had supplementary funding of P93 257 800 under the Department of Local Government Finance and Procurement for food supplies to yield the Ministry's total warranted provision of P4 533 633 164, out of which P4 495 946 976 of the funds was spent for the year. The unspent balance of the funds warranted to the Ministry was P37 686 188, representing 1%, compared to 2% in the previous year.

59. **Non-Moving Advances**

The year-end balances of advances accounts under Statemens Nos 1 (Imprests) and 15 of the Annual Statements of the Accountant General included the following balances which were non-moving:

Surcharge - Damage to Government Vehicles 75 299

P & P – Emergency Advances	10 859
Imprest Recoveries	21 396
Advances – Industrial Class	4 400
Advances – Grade D4 and Below	16 782
Loss of Cash	33 989
Overpayment of Salaries	121 116
Travelling Imprests	36 707
	320 548

60. **Nugatory Expenditure – Rental Payments**

According to a summary of the properties leased by the Ministry, it was indicated that premises had been leased in Lobatse for use by the Departments of Social Services and of District Administration for a 2-year period, commencing January 2011 and terminating in December 2012, at a monthly rental of P3 548 and P14 471, respectively.

At the end of lease period, the Departments had vacated the premises to relocate to the rent-free Civic Centre.

An audit of the accounts of the Ministry, in June 2014, had however, noted that the Ministry had continued to pay rental for these premises for the post- vacation period to the present time, that is to say, payments made up to July 2014 covering the period January 2013 to September 2014. The unwarranted and obviously erroneous payments during this period for the 2 Departments totalled P392 605. It is understood that an issue had also been raised by the lessor regarding renovation of the premises which required to be done at a contract cost of P385 336. While the Ministry was agreeable on this, at the time of the audit the renovation had not yet been performed. I consider this level of expenditure on renovations after a 2-year tenancy rather excessive. It is however conceivable that such costs would include cost of damages (such as possible acts of vandalism) that would have occurred during the period when the premises were not occupied while the keys were held by the Departments.

I am of the view that this prolonged period of over 21 months of retention of the premises was as unjustified as it was wasteful, which had resulted in substantial sums of money being paid for which Government did not derive any benefit. This, in my view, is a serious matter for concern.

61. **Arrears of Rental on Vacated Premises**

In another case, a Department of the Ministry had not paid lease rental for a long period of time for the premises which they had continued to retain after expiry of the lease period, resulting in substantial arrears of rentals and other costs.

The premises had been leased by the Department of Lands, initially, for use by the Department of Youth and Culture at the African Mall in Gaborone, Extension 2. The premises were subsequently shared with another Department of the Ministry. However, when the Department of Youth and Culture vacated, the other Department of the Ministry remained in occupation of the premises until December 2011, when they also vacated, albeit without formally handing over the premises to the owner. In the event, the owner held the Department responsible for the payment of rental for the period beyond the expiry date, and that period has been determined as January 2012 to December 2012. The outstanding arrears relative to this period has been calculated as P284 928 for rental, plus additional cost of renovations which has still to be resolved with the owner of the property.

In the sorry circumstances of the shortcomings connected with this lease, apart from the resultant nugatory expenditure, it was disheartening to realise that even as late as the latest date of my inquiries, in August 2014, these rental arrears had still not been paid. At this late stage, it is possible that the cost of renovations would include additional factors not connected with the use of the premises by the Department.

62. Compensation Payment – The Late Assistant Minister

The surviving spouse of the late Assistant Minister was paid gratuity in the amount of P278 005 accrued up to the date of death, in line with the provisions of the Ministers and National Assembly Gratuities and Pensions Act (Cap 2:04). In addition she was paid compensation in the amount of P993 408 under the terms set out under Ministers, the Speaker, Assistant Ministers, Deputy Speaker and Leader of Opposition (Functions, Pay and Privileges).

The relevant section relating to the payment of compensation under those conditions provides that death or injury should have resulted from causes related to the duty or position of the member or individual concerned. In other words, it is not sufficient to show that death of the member or individual occurred while he or she was still in his/her position, but there must be duty connection.

In this particular case, despite persistent inquiries with senior officers of the Ministry, I have not been able to obtain a clear explanation of the circumstances of death of the Assistant Minister which justified the payment of compensation, save a statement that clarification had been sought from the Office of the President and the National Assembly and that they had both agreed. Presumably, the agreement was to his own recommendation or suggestions as the Accounting Officer who would ultimately assume full responsibility for all aspects of the payment, including justifications, authorisations and final accountability. I was therefore unable to appreciate his apparent reluctance to own up responsibility for this payment, which was made from his Ministry funds.

In the circumstances of absence of clear explanation of the cause of death as aforesaid, I am not able to certify that the payment of compensation was a proper charge to public funds.

63. **Accounting for Social Security Advances – Department of Social Services**

The accounting and monitoring of the monthly cash advances to the BotswanaPost for the payment of social security allowances to the beneficiaries (Old Age Pensioners, World War II Veterans and Destitutes) was less than satisfactory, which resulted in the distortion of the year-end account balances. While the periodic returns of payments were made to the Department, the remittances of cheques representing undisbursed amounts did not form part of those returns, in accordance with the terms of the Service Level Agreement. For example, in the year under review, the cumulative monthly undisbursed amounts which totalled P27 986 776, were not remitted until February 2014 and July 2014 in the total amount of P23 140 098, leaving a balance of P4 846 678. The receipt of the remittance in the following financial year is then treated as a windfall and credited to the Sundries revenue account, instead of abating the expenditure under the relevant vote-of-charge in the year of account, as well as clearing the advance account. On this basis, a total of P19 653 730 was credited to Sundries revenue accounts in 2013/14 in respect of undisbursed remittances during 2012/13.

From the foregoing, it is clear that there is no proper monitoring of these accounts, involving large sums of money as they do, to ensure that financial controls and correct accounting are maintained and achieved. Furthermore, in my view, the retention by BotswanaPost of large sums of undisbursed amounts over long periods constitutes unauthorised interest-free loans outside the terms of the Service Level Agreement.

MINISTRY OF MINERALS, ENERGY AND WATER RESOURCES

64. **Warranted Provision**

Department	Warranted Provision	Actual Expenditure	Over + Under - Expenditure	%
Headquarters	164 407 546	157 973 586	-6 433 961	3.9
Geological Surveys	38 322 130	36 209 890	-2 112 240	5.51
Water Affairs	142 678 225	130 200 374	-12 477 850	8.75
Mines	14 450 449	13 310 709	-1 139 740	7.89
	359 858 350	337 694 560	-22 163 790	6.16

In the year under review the Ministry expenditure totalled P337 694 560 out of the warranted provision of P359 858 350, recording a 94% warranted funds utilisation. This performance compares favourably with the previous year's, which was at the same level at 94% of the funds warranted to the Ministry.

65. **Non-Moving Advances**

The year-end balances of advances accounts under Statements Nos 1 (Imprests) and 15 of the Annual Statements of the Accountant General included the following balances which were non-moving:

Surcharge – Industrial Class	215
Surcharge – Damage to Government Vehicles	204 345
Surcharge – P & P – Payroll	1 730
Imprest Recoveries	5 080
Advances – Industrial Class	2 662
Advances-Grade D4 and Below	5 493
Loss of Cash	129 895
Overpayment of Salaries	158 099
Travelling Imprests	22 138
	529 657

66. **Government Boreholes on Private Leases – Department of Water Affairs**

Government, through the Department of Water Affairs, owns a number of boreholes throughout the country, some of which, numbering about 350, are leased out to private farmers on a lease-or-purchase basis at concessionary prices. The leases are for 15 years at an initial annual rental of P3 480 with escalation at 10% for the first 4 years, and a flat rental thereafter, while the purchase prices were around P20 000 per unit.

An audit review of the operations of these leases had indicated that there was no comprehensive record which reflected the total number and location of the boreholes leased and the details of rental payments made. It was therefore not easy to assess the extent to which those leases were well managed, as well as the number and location of boreholes not on lease.

However, a scrutiny of the lease files and related records had revealed weaknesses of lack of follow-up on the management of the leases. There was also uncertainty on the completeness of information on files. The main weaknesses which were immediately identified were the following:

(a) There was a considerable amount of arrears of lease rentals covering a number of years, without evidence of follow-up of those arrears, and action taken against persistent defaulters.

(b) In the year under review, a total of P588 741 was collected under these accounts from a potential 169 farmers and against a possible estimate of P1 218 000, all calculations based on minimum rental of P3 480 per annum per leased unit.

(c) The arrears in this respect had not been submitted to the Accountant General for reporting through the Annual Statements of Accounts, as required by the Financial Instructions and Procedures.

(d) Instances had been noted where previous year's rental payments had been applied against purchase prices when the decisions to purchase were made by the farmers.

(e) Finally, in some cases the lease agreements had not been signed by the parties involved.

Unless and until public officers apply themselves diligently in the management of these assets, it can be expected that Government would continue to suffer losses in uncollected revenues and possibly loss of the assets themselves, in the absence of proper records for those assets.

MINISTRY OF HEALTH

67. **Warranted Provision**

The utilisation of funds warranted to the Ministry for the financial year ended 31st March 2014 is indicated below:

Department	Warranted Provision	Actual Expenditure	Over + Under - Expenditure	%
Headquarters	555 120 952	528 760 921	26 360 031	5
Policy, Planning & Eval.	27 182 165	27 108 003	- 74 162	0.3
Health Sector Relations	165 977 080	163 994 756	-1 982 324	1
Clinical Services	3 154 066 907	3 219 767 312	+65 700 406	2
Public Health	94 080 656	89 018 347	- 5 062 309	5
Aids Prevention & Care	415 621 650	414 707 222	-914 429	0.2
Health Inspectorate	4 191 190	3 021 592	-1 169 598	28
	4 416 240 600	4 446 378 155	+30 137 555	-

The Department of Clinical Services overspent the funds subwarranted to it to the tune of P65 700 406 which resulted in the whole Ministry funds being overspent by P30 137 555. The Ministry over-expenditure would require supplementary appropriation to ratify it. Although the Department of Health Inspectorate has a modest budget of P4 191 190, the actual requirements resulted in 72% utilisation, indicating possible over-provision of funds.

68. **Non-Moving Advances**

The year-end balances of advances accounts under Statements Nos 1 (Imprests) and 15 of the Annual Statements of the Accountant General included the following balances which were non-moving:

Surcharge - Damage to Government Vehicles	75 299
P & P - Emergency Advances	10 859
Imprest Recoveries	21 396
Advances – Industrial Class	4 400
Advances – P & P Grade D4 and Below	16 782
Loss of Cash	33 989
Overpayment of Salaries	121 116
Travelling Imprests	36 707
	301 348

69. **Arrears of Revenue**

The Ministry of Health has had a history of poor collection of revenue debts due to Government which has not shown any improvement, despite adverse audit comments in the past. The revenue debts in this respect related to patients fees, sale of drugs, dressings and vaccines and other fees and charges including administrative debts such as private telephone charges. The table below illustrates the performance of the Ministry over the last 5-year period in this regard. It is to be noted that for the financial year 2013/14, the Ministry had not submitted the returns of arrears of revenue for incorporation into the Annual Statements of Accounts of the Accountant General for information of the National Assembly of how the outstanding debts in the amount of P299 407 had been dealt with during the year of account.

Arrears of Revenue

Accounting Year	Opening Balance	Collections During the Year	Abandoned During the Year	Current Year Arrears	Closing Balance
2009/10	443 090	23 354	-	59 047	478 783
2010/11	478 783	27 111	275 987	105 629	280 584
2011/12	280 584	63 454	3 566	176 053	373 937*
2012/13	370 314*	64 855	8 456	10 770	299 407
2013/14	299 407	-	-	-	299 407

***Adjusted**

70. **Audit of Accounts - Princess Marina Hospital, Gaborone**

An audit of the accounts of the above hospital gave rise to a number of observations, the main ones of which were the following:

a) An internal investigation by the Ministry staff, in June 2013, had indicated that, at least, 6 employees of the hospital had fraudulently manipulated overtime claims which had resulted in erroneous payments, amounting to P41 144.25, being made to them. It is understood that the matter had been reported to the Directorate on Corruption and Economic Crime, and the officers interdicted from duty. At the time of writing this report, I am not aware of the results of the investigation by the Directorate nor of the recoveries made. I am yet to be advised whether the case had been reported to the Ministry of Finance and Development Planning, in terms of Financial Instructions and Procedures.

b) The hospital had entered into a contract with a company for the provision of security services to 8 clinics in the southern part of Gaborone for a period of 36 months at a contract price of P2 154 055.68, calculated at P59 834.88 per month. However, the total money paid to the company at the end of the 35 months had amounted to P6 926 237.72, which included an additional 13 clinics which were not part of the original tender. I had not been able to obtain confirmation that the approval of the Ministerial Tender Committee had been secured for the significant change in scope with the inclusion of the 13 clinics and the total amount paid.

c) In another case, a company was engaged to provide security services to the hospital, Kerekeng Flats, Health Centre and 8 clinics around Kweneng South East, in February 2011, for 36 months at a contract price of P1 578 622.08. The same company was awarded another contract in August 2011 for the provision of security services to unspecified health facilities at a contract price of P1 871 976.96, making a total of P3 450 599.04 with the first tender. During the audit, it was established that a total of P9 384 483.75 was paid to the company for the period of 35 months in respect of the 2 tenders. The circumstances of these payments in relation to the tender amounts could not be explained.

d) An industrial washing machine which had been bought in 2010 had never been brought into use because of some malfunction, and remains so to-date. I consider that the discussions between the supplier and the hospital management over the machine malfunction have taken far too long, and that they should have been brought to finality much earlier. It is common logic that the machine had been bought for a purpose and the benefit of that purpose is not being achieved.

e) A review of the records of the institutional houses for use by hospital staff had indicated outstanding rental arrears of P532 904 owed by 14 officers, with the oldest ones dating back to July 2004. These overdue arrears are a clear indication of lack of monitoring of these housing matters, as it is also understood that some of them have been sub-let, which negates the principle of institutional housing. Furthermore, these arrears have not been reported for inclusion in the Annual Statements of Accounts of the Accountant General.

f) A scrutiny of purchase orders and payment vouchers had revealed instances where established procurement procedures had been disregarded. For example, a follow-up on purchases of "Adult Nappies" had indicated purchases from an agent without premises, in one case, and from another supplier, also without premises, who was using a catalogue, in the other. In both cases the prices were four times higher than the price of the approved supplier.

I addressed the Accounting Officer in July 2014 for his comments on the above and other observations but at the time of writing this report I had not received those comments.

ADMINISTRATION OF JUSTICE

71. **Warranted Provision**

The utilisation of funds warranted to the Department for the financial year ended 31st March 2014 is indicated below:

Department	Warranted Provision	Actual Expenditure	Over + Under - Expenditure	%
Admin. of Justice	170 040 250	169 090 377	-949 873	0.6

The Department continued to record a satisfactory budget utilisation at 99% of the warranted provision which compared favourably with that of the previous year of 97% utilisation.

72. **Non-Moving Advances**

The year-end balances of advances accounts under Statements Nos 1 (Imprests) and 15 of the Annual Statements of the Accountant General included the following balances which were non-moving:

Surcharge - Damage to Government Vehicles	7 370
P & P - Emergency Advances	600
Imprest Recoveries	13 367
Advances – Industrial Class	2 836
Advances – P & P Grade D4 and Below	18 965

Loss of Cash	865
Overpayment of Salaries	49 807
Travelling Imprests	67 656
District Imprests	33 194
	194 659

73. **Arrears – Judicial and Subordinate Court Fines**

The accounts for the financial year ended 31st March 2010 had shown that as that date an amount of P929 410 outstanding and was in arrears in respect of Judicial and Subordinate Court Fines. Since that date, has not been any submission to the Accountant General, as required by Financial Instructions and Procedures, to indicate how this balance had been disposed of, if at all. Consequently, the amount is still reflected as outstanding in the year under review. The balance relates to Judicial and Subordinate Court Fines, and not Private Telephones Charges, as reflected in Statement No. 19 of the 31st March 2014.

74. **Use of Stamps for Payment of Fees**

In terms of Order No.2, rule 5 of the Rules of the High Court (Statutory Instrument No.1 of 2011) fees specified in the Second Schedule may be paid either by postage stamps or by cash, it being understood that such fees constitute revenue to Government and payable into the Consolidated Fund. A recent audit check at the High Court, Gaborone has, in fact, confirmed that the use of postage stamps is a regular feature at these courts.

It is my understanding that the use of postage stamps for the collection of revenue is a relic of the past, going back to the time when proceeds from sale of stamps accrued to Government through the former Department of Posts and Telegraphs, as a self-accounting department of Government. This arrangement has since been overtaken by events with the establishment of the Department as a commercial organisation and all stamps revenue wholly accruing to it, and not forming part of Government revenues.

In view of the foregoing, I am of the opinion that this rule needs to be reviewed to bring it into line with the current situation of recognition of Government revenues. I have drawn the attention of the Registrar to this viewpoint, and he indicated that he had taken up the matter with the relevant stakeholders.

75. **Appointment of Revenue Collector – Magistrate Court, Extension II, Gaborone**

The Magistrate Court in Extension II, Gaborone operates without an appointed revenue collector for the collection of fines and other payments imposed by the court. Consequently, no moneys are received in this Court. It was explained that whenever the accused persons are ordered to pay fines, other revenue receipts or any other payments made into Court, such as court deposits, those persons are requested to make those payments at any other Magistrate Court. Under this arrangement there are no records or accounts maintained for the monitoring of these financial transactions at this court. Upon further enquiries it was understood that the system of paying into any court, other than the trial court, applied to all other Magistrate Courts.

An audit attempt to assess the extent to which financial accountability was achieved at the Extension II Court without a revenue collector to do the necessary follow-ups was futile in the absence of any form of record or paper trail for these transactions. Unless steps are taken to regularise this situation, there is the risk of loss of revenue, as well as room for failure by the accused or defendants, as the case may be, to comply with the court orders, insofar as payments are concerned, without any system of detection.

76. **Sharing of Road Traffic Fines**

Section 6 of the Road Traffic Fines Fund Order (Statutory Instrument No. 40 of 2009) provides for the payment of road traffic fines into the Road Traffic Fines Fund, which shall be shared equally with Government by remittance to the Consolidated Fund on a quarterly basis. However, by virtue of these fines being intrinsically judicial fines they are initially paid in full into the Judicial and Subordinate Court Fines revenue account under the Department of Administration of Justice, who then assume responsibility for the sharing of the fines.

An audit scrutiny of the half-share of the fines accruing to the Fund in the year under review had, as in the past, indicated an inherent difficulty in disaggregating, for sharing purposes, the traffic fines from the rest of the fees and fines paid into the same revenue account. This has resulted in arbitrary sharing based on the balance standing to the credit of the revenue account at the time of sharing. This method of sharing has favoured the Fund against the Consolidated Fund, since inception of the Fund in 2009. For example, the half-share of traffic fines attributed to the Fund in the year under review was P31 679 867 (part paid in 2014/15) against the year-end balance of P31 693 760 in the revenue account. The half-share remaining in the revenue account under the Consolidated Fund cannot, under any circumstances, be equal to the half-share remitted to the Road Traffic Fund because of other fines which are paid into the account from other sources which are not shared.

This matter has been the subject of repeated comment in the past through the Commissioner of Police, as the recipient of the funds, but no decisive action had been taken to bring it under control with regard to the sharing of the proceeds of the road traffic fines, as well as sharing those proceeds on a quarterly, rather than half-yearly, basis, as required by the Fund Order.

ATTORNEY GENERAL'S CHAMBERS

77. **Warranted Provision**

The utilisation of funds warranted to the Attorney General's Chambers for the financial year ended 31st March 2014 is indicated below:

Department	Warranted Provision	Actual Expenditure	Over + Under - Expenditure	%
Attorney General	146 012 410	139 545 217	-6 467 193	4

The year-end unspent balance was P6 467 193, representing 4% of the warranted provision, recording satisfactory performance of 96% budget utilisation in the year under review which compares favourably to the last year's 93% budget utilisation

78. **Non-Moving Advances**

The year-end balances of advances accounts under Statements Nos 1 (Imprests) and 15 of the Annual Statements of the Accountant General included the following balances which were non-moving:

Surcharge – Damage to Government Vehicles	21 619
Imprest Recoveries	3 719
Advances – Industrial Class	250
Advances – P & P – Grade D4 and Below	8 448
Overpayment of Salaries	20 139
Travelling Imprests	(5 100)
	49 075

OFFICE OF THE AUDITOR GENERAL

79. **Warranted Provision**

The utilisation of funds warranted to the Office of the Auditor General for the financial year ended 31st March 2014 is indicated below:

Department	Warranted Provision	Actual Expenditure	Over + Under - Expenditure	%
Auditor General	46 676 920	43 885 177	-2 791 743	6

Although the Office has performed well in containing the expenditure within the budgetary provision with 94% utilisation, the two minor over-expenditure under the personal emoluments votes could have been averted by virement within the personal emoluments sub-head for greater accuracy of the final accounts.

80. **Non-Moving Advances**

The year-end balances of advances accounts under Statements Nos 1 (Imprests) and 15 of the Annual Statements of the Accountant General included the following balances which were non-moving:

Advances – Industrial Class	3 000
P & P – Grade D4 and Below	910
Overpayment of Salaries	3 081
Travelling Imprests	42 851
	49 842

81. **Arrears of Revenue – Telephones**

As stated by the Accountant General in the footnote under Statement No 19, there has been a regrettable oversight in the collation and collection of charges for the cost of private calls made by officers from official telephones over the last 3 years, in accordance with the requirements of General Orders. This has resulted in the accumulation of unascertained arrears of these calls and failure to collect arrears from previous years, hence the balance of P19 828 has been a carry-forward over the last 3 years. The actual revenue collected in the year under review was P1 946.

This state of affairs, admittedly, is unsatisfactory in the extreme, and steps would have to be taken to bring this matter under proper control.

MINISTRY OF FOREIGN AFFAIRS AND INTERNATIONAL COOPERATION

82. **Warranted Provision**

The utilisation of funds warranted to the Ministry for the financial year ended 31st March 2014 is indicated below:

Department	Warranted Provision	Actual Expenditure	Over + Under - Expenditure	%
Headquarters	66 010 210	65 473 563	-536 647	0.80
Washington	20 775 940	20 494 786	-281 154	1.40
New York	27 278 350	26 760 565	-517 785	2.00
London	25 024 916	24 744 544	-280 372	1.10
Lusaka	6 625 050	6 556 467	-68 583	1.00
Brussels	19 323 020	19 118 913	-204 107	1.10
Stockholm	16 334 570	16 263 008	-71 562	0.44
Harare	11 097 710	11 000 995	96 715	1.00
Windhoek	9 509 130	9 067 899	-441 231	4.64
Beijing	22 587 090	22 519 083	-68 007	0.30
Geneva	32 044 390	31 928 891	-115 499	0.36
Pretoria	12 896 240	12 532 906	-363 334	2.81
Johannesburg	9 973 000	9 847 913	-125 087	1.25
Tokyo	22 748 340	22 453 437	-294 903	1.30
Addis Ababa	11 991 540	11 754 949	-236 591	2.00
Nairobi	10 747 780	10 667 855	-79 925	0.74
Canberra	18 334 010	18 141 669	-192 341	1.05
New Delhi	16 176 070	15 974 309	-201 761	1.25
Abuja	21 658 700	20 565 914	-1 092 786	5.05
Brasilia	19 986 900	19 000 200	-986 700	5.00
Kuwait	7 305 150	6 659 290	-645 860	9.00
Maputo	12 916 724	12 689 972	-226 752	1.80
	421 344 830	414 217 129	-7 127 701	1.70

This is a great improvement over the previous year when a number of Missions had overspent their sub-warranted funds resulting in overall Ministerial warrant being overspent. The departmental expenditures are all within their budgets, with a year-end unspent balance of P7 127 701 at Ministry level, representing 1.70% of the warranted funds.

83. **Non-Moving Advances**

The year-end balances of advances accounts under Statements Nos 1 (Imprests) and 15 of the Annual Statements of the Accountant General included the following balances which were non-moving:

Imprest Recoveries	14 086
Advances – Industrial Class	250
Overpayment of Salaries	4 507
Travelling Imprests	11 575
	30 418

84. **Audit of Accounts at Botswana High Commission, Windhoek**

In July 2014, I addressed a number of observations which had arisen from the audit of the above diplomatic Mission to the Accounting Officer for his comments and responses. The main ones of these were the following:

(a) The officers of the Mission did not in all cases observe the terms of Financial Instructions and Procedures with regard to the proper acquittance of payment vouchers, with vouchers not supported by appropriate documentation and officers authorising payments in which they were beneficiaries.

(b) As far back as November 2013, the Mission had reported to Headquarters for investigation a suspected case of dishonesty by a locally recruited member of staff. The officer had admitted to using Mission funds to pay for her own municipality bills to the tune of P3 032, instead of paying the Mission bills. However, following her admission of wrong doing, I am not aware of any progress made on this matter by Headquarters, including any disciplinary action taken against the officer.

(c) An amount of P112 831 was received in March 2014 from the Medical Aid Scheme as refund of premiums for students who had completed their studies on various dates between June 2013 and February 2014. The delayed refunds are an indication of lack of proper monitoring of the medical aid contributions, and possibly other related transactions.

(d) The medical claims register had shown that a total of P39 260, covering the period from April to December 2013, had been submitted to the Medical Aid Fund for reimbursement of medical expenses incurred by staff members, but only P3 198 is recorded as having been received. This is however not reflected in the revenue accounts of the Mission in the accounts of the Accountant General.

(e) The Mission had issued to staff quantities of soft drinks that had expired on the basis that they signed documents indemnifying the Mission against any action that might arise from the consumption of such beverages. I have commented that such course of action was inadvisable, as it may be legally, at least morally, indefensible in the event of the drinks turning out to be injurious to the health of the officers or their families.

(f) Despite advices to the diplomatic Missions in the past, this Mission had continued to account for the payment of the refundable security deposits for the properties the Mission leased through the recurrent expenditure vote, instead of the advance accounts. The amount involved was P48 638 for 3 properties plus an unascertained amount for the fourth property. On the other hand, the security deposit account as submitted by Headquarters showed a balance of P24 380.

(g) It was noted that a schedule of unserviceable supplies in residences which included bedding, kitchen utensils, furniture, settees and others had been drawn up on the basis that those supplies were worn out through normal usage and were recommended for disposal by public auction sale. It was however, realised that some of the supplies had been sold to staff at negotiated prices and the amounts were deducted from salaries. I have requested for confirmation whether the terms of the Public Procurement and Asset Disposal Act had been complied with in this regard.

(h) A number of students who had been granted advances for the purchases of laptops, in terms of the sponsorship rules, as far back as 2013 had not repaid those loans nor deductions made from their allowances. This is an indication of lack of monitoring of these matters.

Despite the lapse of considerable time since my communication to the Accounting Officer, at the time of writing this report I had not received his response.

85. **Refundable Security Deposits**

In his successive reports, my predecessor had persistently drawn attention to the need for reconciliation of the refundable security deposits held by the lessors of the properties occupied by the Botswana diplomatic missions abroad to bring the general ledger balance in line with the actual records of the Missions. There had always been continual differences between the two accounts. In the year under review, the general ledger balance as at 31 March 2014 was P6 330 153, while the sum of the listing by individual Missions was P6 316 147, showing a difference of P14 006. The correctness of the total of the Ministry listing may also be open to doubt in view of the discrepancies revealed by our audit inspection of the Mission in Windhoek which indicated deposits of at least P48 638 in 3 properties against P24 380 which appears in the listing under this Mission.

It is of some concern that in the case of the Cape Town Consulate which was closed in September 2012 when all the properties were vacated, there is still a balance of P201 485 which remained unclaimed as at 31 March 2014.

INDEPENDENT ELECTORAL COMMISSION

86. **Warranted Provision**

The utilisation of funds warranted to the Commission for the financial year ended 31st March 2014 is indicated below:

Department	Warranted Provision	Actual Expenditure	Over + Under _ Expenditure	%
IEC	41 159 812	41 124 252	-35 560	0.09

As in the previous year, the Commission had performed satisfactorily in the use of funds warranted to it on a reduced budget from previous years.

87. **Non-Moving Advances**

The year-end balances of advances accounts under Statements Nos 1 (Imprests) and 15 of the Annual Statements of the Accountant General included the following balances which were non-moving:

Advances – P & P – Grade D4 and Below	(1 343)
Overpayment of Salaries	2 179
Travelling Imprests	2 748
	3 584

OFFICE OF THE OMBUDSMAN

88. **Warranted Provision**

The utilisation of funds warranted to the Office of the Ombudsman for the financial year ended 31st March 2014 is indicated below:

Department	Warranted Provision	Actual Expenditure	Over + Under - Expenditure	%
Ombudsman	15 848 360	15 569 000	-279 360	2

The expenditure for the Office for the year was P15 569 000, out of which P11 036 427 (70%) comprised personal emoluments and the balance making up other charges. The overall budget performance compares favourably with previous year at 98% of the warranted provision compared to 99% in the previous year.

89. **Non-Moving Advances**

The year-end balances of advances accounts under Statement No 15 of the Annual Statements of the Accountant General included the following balances which were non-moving:

Advances – P & P – Grade D4 and Below	(125)
Overpayment of Salaries	1 570
	1 445

MINISTRY OF LANDS AND HOUSING

90. **Warranted Provision**

The utilisation of funds warranted to the Ministry for the financial year ended 31st March 2014 is indicated below:

Department	Warranted Provision	Actual Expenditure	Over + Under _ Expenditure	%
Headquarters	419 254 689	413 287 665	-5 967 024	1
Housing	118 126 695	117 818 831	-307 864	-
Surveys & Mapping	33 681 382	32 228 564	-1 452 819	4
Town Regional Planning	21 775 712	21 441 806	-333 906	2
Lands	47 211 526	45 378 694	-1 832 832	4
Registrar of Deeds	10 802 466	9 714 687	-1 087 779	10
Technical Services	6 702 830	6 359 659	-343 171	5
	657 555 300	646 229 907	-11 099 829	2

The Ministry has had satisfactory performance in the utilisation of funds warranted for its expenditures at 98% utilisation, which is consistent with that of the previous year at 98% utilisation.

91. **Non-Moving Advances**

The year-end balances of advances accounts under Statements Nos 1 (Imprests) and 15 of the Annual Statements of the Accountant General included the following balances which were non-moving:

Surcharge – Damage to Government Vehicles	29 023
Advances – P & P Grade D4 and Below	577
Loss of Cash	69 020
Overpayment of Salaries	20 416
Training Bond Liability	92 101
Travelling Imprests	20 327
	231 464

MINISTRY OF ENVIRONMENT, WILDLIFE AND TOURISM

92. **Warranted Provision**

The utilisation of funds warranted to the Ministry for the financial year ended 31st March 2014 is indicated below:

Department	Warranted Provision	Actual Expenditure	Over + Under - Expenditure	%
Headquarters	117 795 541	116 257 514	-1 538 027	1
Wildlife & Nat. Parks	191 465 110	85 633 183	-5 831 927	3
Tourism	16 483 990	16 160 108	-323 882	2
Meteorological Services	47 960 220	46 644 246	-1 315 974	3
Sanitation & Pollution	28 251 170	27 624 167	-627 003	2
Forestry & Range Resources	82 099 364	76 375 634	-5 723 730	7
Environmental Affairs	16 608 213	16 485 642	-122 571	1
NMMAG*	22 898 692	22 572 030	-326 662	1
	523 562 300	507 752 523	-15 809 777	3

***National Museum, Monuments and Art Gallery**

The warranted provision for the Ministry was P523 562 300 with the expenditure turnout at P507 752 523, leaving unspent balance of P15 809 777, representing 3% of the warranted provision. This is consistent with expenditure pattern for the previous year at 95% and 94% in the year before.

93. **Non-Moving Advances**

The year-end balances of advances accounts under Statements Nos 1 (Imprests) and 15 of the Annual Statements of the Accountant General included the following balances which were non-moving:

Surcharge – Damage to Government Vehicles	56 892
Surcharge – P & P – Payroll	1 000
Imprest Recoveries	525
Advances – Industrial Class	581
Advances – P & P – Grade D4 and Below	20 522
Loss of Cash	13 996
Overpayment of Salaries	53 394
Training Bond Liabilities	114 259
Travelling Imprests	11 919
	273 088

INDUSTRIAL COURT

94. **Warranted Provision**

The utilisation of funds warranted to the Industrial Court for the financial year ended 31st March 2014 is indicated below:

Department	Warranted Provision	Actual Expenditure	Over + Under - Expenditure	%
Industrial Court	22 266 040	22 091 709	-174 331	0.8

The performance of the Industrial Court in this year is consistent with that of the previous year. The expenditure in this year amounted to P22 091 709 which accounted for 99% of the warranted funds, compared to P21 627 475, representing 96% funds in the previous year.

95. **Non-Moving Advances**

The year-end balances of advances accounts under Statement No 1 (Impresis) of the Annual Statements of the Accountant General included the following balances which were non-moving:

Travelling Imprests	7 913

MINISTRY OF YOUTH, SPORT AND CULTURE

96. **Warranted Provision**

The utilisation of funds warranted to the Ministry for the financial year ended 31st March 2014 is indicated below:

Department	Warranted Provision	Actual Expenditure	Over + Under - Expenditure	%
Headquarters	146 445 714	143 182 748	-3 262 967	2
National Library Services	35 129 456	34 270 842	-858 614	2
Sports & Recreation	43 904 970	41 511 009	-2 393 961	5
National Arch & Rec Serv	11 629 333	10 408 119	-1 221 214	11
Arts & Culture	67 842 303	59 655 219	-8 187 084	12
Youth	174 262 794	164 313 185	-9 949 609	6
	479 214 570	453 341 122	-25 873 448	5

The approved budget for the Ministry had a marked increase in the year under review from P277 373 670 last year to P479 214 570 this year, largely because of increased expenditure on youth programmes. The expenditure on these programmes was P21 864 508 last year and P105 458 003 this year. Overall the Ministry had a satisfactory budget performance at 95% utilisation, ranging between 88% and 98% at departmental levels.

97. **Non-Moving Advances**

The year-end balances of advances accounts under Statements Nos 1 (Imprests) and 15 of the Annual Statements of the Accountant General included the following balances which were non-moving:

Surcharge – Damage to Government Vehicles	8 415
P & P – Emergency Advances	1 126
Imprest Recoveries	13 980
Advances – Industrial Class	(404)
Overpayment of Salaries	26 009
Travelling Imprests	13 946
	63 072

98. **Lease of Office Block Without Proper Authority**

As a result of what appeared to have been improper lease of the office block occupied by the Ministry in the Central Business District in Gaborone, the Public Procurement and Asset Disposal Board instituted a tender audit to establish the circumstances of that tender, in terms of Section 52 (2) of the Public Procurement and Asset Disposal Board Act (Cap: 42:08).

The audit had established that having reached the decision to house all its 5 departments under one roof to achieve smooth coordination of its functions, the Ministry had, in August 2012, proceeded to issue an invitation to tender for the lease of an office block for a period of 5 years. The response to that invitation was only one bidder who had offered 3 rental options, ranging from P1 579 177 per month, at the top, which included the cost of partitioning, to P1 076 712, at the lowest, for an open plan flooring, all inclusive of Value Added Tax. Upon evaluation the Ministerial team had recommended the first option of P1 579 177 to the Ministerial Tender Committee. The Ministerial Tender Committee had, however, varied this recommendation in favour of the second option of P1 292 054 on the basis that the cost of partitioning was a one-off event which should not be spread over the entire lease period. Thus, the approval of the tender by the Ministerial Tender Committee was in the amount of P1 292 054 per month (inclusive of VAT), translating to P77 523 264 over the entire lease period.

Subsequent to the tender approval by the Ministerial Tender Committee, the Ministry requested the Ministry of Lands and Housing to engage the landlord in price negotiations and finalization of the lease agreement. Resulting from that, the lease was finally signed in June 2013 for a 5-year period, effective from January 2013 and terminating in December 2017 at a monthly rental of P1 208 763 (excluding VAT), translating to P81 228 890 (inclusive VAT) over 5 years.

In summation, from our point of view, the major points arising from the Board tender audit are-

(a) The lease amount involved over the entire period of the lease is far beyond the authority level of the Ministerial Tender Committee of P25 000 000, and therefore the award of the tender could not have been valid. This is a matter that should have been referred to the Public Procurement and Asset Disposal Board.

(b) The contracted amount of P81 228 890 (calculated inclusive of VAT), resulting from negotiations, is far in excess of the amount of P77 523 264 originally tendered by the bidder. The Ministry has therefore come off worse from those negotiations and the reasons for this are not clear to me.

(c) The date of signature on the lease agreement and of occupation of the premises of June 2013 is later than that of the commencement of the lease period of January 2013, that is to say, commencement of the rental period.

The enhanced rental payments from negotiations comparative to the bid amount is a clear indication of the laxity with which public officers handle their financial duties which, in this case, has resulted in loss of considerable sums of money. Unless and until public officers advert themselves diligently, the public revenue will continue to suffer losses through wasteful expenditures, and this is a matter for concern of this Office and of the Public Accounts Committee.

99. **<u>Purchase of Equipment for which there was no Requirement – Department of National Archives and Records Services</u>**

In 2008 (7 years to-date), the Department purchased equipment that, it turned out, they evidently had no requirement for. The equipment in question consisted of bar code readers and printers which had been purchased for P504 317 and had never been brought into use. It was necessary that the equipment be configured before it could be used, but this was never done as there was no in-house expertise nor was the supplier requested to do so as a condition of procurement. From audit inquiries and discussions with the officers of the Department it became evident that there were no immediate plans to bring this equipment into operation.

As matters stand, Government has not received value for this equipment through improved service delivery which was envisaged in the initial motivation for its purchase, and the expenditure on this purchase was virtually a waste. There are prospects, with advances in technology, of the equipment becoming obsolete in the course of time before use.

100. **<u>Youth Development Fund</u>**

The operation of the Fund had continued to present a challenge with regard to the monitoring of the repayment of loans made from the Fund. The Fund was plagued by high levels of arrears of repayment instalments as indicated by previous reports and audit findings from the accounts of the 3 regions selected for audit in the year under review. The results of these audits are summarised below.

In her submission to the Public Accounts Committee, the Accounting Officer had stated that she anticipated that there would be improvement in this area brought about by the restructuring of the Ministry and the establishment of the Monitoring and Evaluation

Office as well as the assistance to be sourced from the Local Enterprise Authority. The success of all these measures remains to be seen. It is hoped that these expected improvements would be realised sooner rather than later. In view of the unsatisfactory operation of the Fund, the whole scheme is likely to result in losses ultimately, and the objective of the Fund not achieved.

(a) Francistown

The information extracted from the records of the Francistown region of the loans extended to young entrepreneurs from the Youth Development Fund is given in the table below which shows that the loans are more in arrears than in actual collections. This is a clear indication that the manner of operation of the Fund is far from the ideal.

Year	Loan Amount	Collected	Arrears
2009/10	704 048	69 835	512 160
2010/11	1 435 182	87 160	506 484
2011/12	2 096 219	164 339	1 867 978
2012/13	1 519 479	27 058	1 223 645
2013/14	1 125 080	53 790	4 099
	6 880 007	402 182	4 114 366

(b) Mahalapye

The audit review of the accounts of this region relating to the operation of the Fund also showed an unsatisfactory position with high levels of arrears, as indicated below:

Constituency	Loan Amount	Collections	Arrears
Mahalapye East	2 168 345	46 090	832 372
Mahalapye West	1 688 232	106 657	720 272
Tswapong South	1 960 156	228 012	669 834
Shoshong	1 596 907	33 661	539 824

(c) Selibe Phikwe

The position of these loans in this region was also unsatisfactory. Out of the total loans of P1 682 015 extended to the young entrepreneurs, covering the period from 2009 to 2014, only P107 831 had been collected while P374 573 was in arrears. In addition to the high level of arrears, the scheme is also plagued by the spectre of failed projects. Altogether nine projects with a loan amount of P342 809 had collapsed with an outstanding amount of P320 192.

In terms of the conditions of the scheme, the assets for the collapsed projects have to be recouped and sold.

MINISTRY OF INFRASTRUCTURE, SCIENCE AND TECHNOLOGY

101. **Warranted Provision**

The utilisation of funds warranted to the Ministry for the financial year ended 31st March 2014 is indicated below:

Department	Warranted Provision	Actual Expenditure	Over + Under - Expenditure	%
Headquarters	140 740 129	135 979 091	- 4 761 038	3
DBES	351 105 741	323 125 966	-27 979 775	8
Research, Science & Tech.	7 334 009	5 958 796	-1 375 213	19
Radiation Protection	11 770 782	10 990 290	-780 491	7
	510 950 660	476 054 143	-34 896 517	7

The warranted provision for the Ministry of the year under review was P510 950 660, compared to P339 231 917 in the previous year, recording an increase of 51%. The significant increase is attributable to increase in subventions to state enterprises under the ambit of the Ministry, including to the Botswana Innovation Hub and to the cost of maintenance of Government facilities. The increase in the warranted provision for the Department of Research, Science and Technology to P7 334 009 from P5 982 618 last year has not been vindicated by expenditure for the year which remained at the same level as the previous year, resulting in a funds utilisation of 81% of the warranted provision.

102. **Non-Moving Advances**

The year-end balances of advances accounts under Statements Nos 1 (Imprests) and 15 of the Annual Statements of the Accountant General included the following balances which were non-moving:

Surcharge – Damage to Government Vehicles	15 419
Surcharge - P & P Payroll	6 759
P & P – Emergency Advances	1 259
Imprest Recoveries	35 012

Advances – Industrial class	9 574
Advances – P & P – Grade D4 and Below	6 513
Overpayment of Salaries	138 876
Training Bond Liability	1 829
Travelling Imprests	(5 109)
	210 132

In addition the following balances under the former Department of Architecture and Building Services of the former Ministry of Works and Transport, were outstanding on 31 March 2014, which would need to be cleared.

Surcharge – Industrial Class	1 638
Advances – Industrial Class	5 286
Imprest Recoveries	(235)
Overpayment of Salaries	1 634
Travelling Imprests	4 967
Loss of Cash	220
	13 510

MINISTRY OF TRANSPORT AND COMMUNICATIONS

103. **Warranted Provision**

The utilisation of funds warranted to the Ministry for the financial year ended 31st March 2014 is indicated below:

Department	Warranted Provision	Actual Expenditure	Over + Under - Expenditure	%
Headquarters	201 116 224	199 107 856	- 2 008 369	1
Road Transport & Safety	104 326 740	102 642 746	-1 683 994	2
CTO	721 966 708	713 424 713	-8 541 995	1
Telecoms & Postal Serv.	9 352 870	8 451 267	-901 603	10
Roads	502 012 211	479 375 882	-22 636 329	5
Information Technology	409 443 096	419 298 319	+9 855 223	2
	1 948 217 850	1 922 300 784	-25 917 066	1

The expenditure for the Ministry for the year was P1 922 300 784, out of the warranted funds of P1 948 217 850, leaving an unspent balance of P25 917 066, representing 1.33% of the warranted provision. While the rest of the departments had performed well in their expenditure levels, the Department of Information Technology has been in breach of the terms of the sub-warrant issued to it by the Accounting Officer with an unauthorised expenditure to the tune of P9 855 223.

104. **Non-Moving Advances**

The year-end balances of advances accounts under Statements Nos 1 (Imprests) and 15 of the Annual Statements of the Accountant General included the following balances which were non-moving:

Surcharge - Damage to Government Vehicles	112 532
Surcharge – P & P – Payroll	11 907
Imprest Recoveries	2 761
Advances – Industrial Class	6 429
Advances – P & P Grade D4 and Below	4 872
Loss of Cash	277 126
Overpayment of Salaries	61 229
Travelling Imprests	23 514
	500 370

In addition the following balances under the Departments of Roads and of Civil Aviation of the former Ministry of Works and Transport were outstanding on the 31st March 2014, which would need to be cleared.

Surcharge – Damage to Government Vehicles	9 825
Surcharge – P & P Payroll	5 184
P & P Emergency Advances	2 750
Imprests Recoveries	1 396
Advances – Industrial Class	11 850
	31 005

105. **Nugatory Expenditure Arising from Unpaid Invoices – Roads Department**

In September 2003, the consultant on the Dutlwe-Morwamosu road construction project instituted a lawsuit against the Roads Department for the recovery of invoice amounts totalling P596 202 which the Department had failed to pay for a period of close to 4 years. The 30-months project had initially been scheduled for completion by October 2008, but because of delays in accessing the quarry site the completion date had been revised to May 2009. However, the actual completion date had not been achieved until December 2009, with resultant cost increases. In this case, the consultants fees had gone up from P15 818 206 to P22 494 176.

When the latest invoices were submitted for payment there were no funds to meet these invoices. Attempts to obtain additional funds were not successful because of errors in the submission and lack of proper follow-up. The Public Procurement and Asset Disposal Board had also declined to grant retrospective approval for the payments. Ultimately, faced with the inordinate delays to settle the invoices the consultant took the matter to the High Court, in September 2013, which ruled in his favour and ordered the Department to pay the total amount owing together with interest thereon, collection fees and the plaintiff's costs of application, by October 2013. Disappointedly, the Department had still failed to honour the set date, and only did so after certain Government properties had been attached and advertised for public auction sale by the Deputy Sheriff, to avert that course of action.

The upshot of all this is that arising out of the court case on account of inexcusable delays in settling its contractual obligations, the Department had incurred unwarranted additional expenditures of considerable sums of money. The interest on invoice amounts was P389 934 plus collection commission of P74 074 and unspecified plaintiffs costs of action on attorney-own client scale.

My view is that in a proper project management system any agreement to time extensions and cost increases should be conditional upon appropriate approvals and authorities having been obtained, premised on availability of funds in line with the requirements of the laid down rules.

MINISTRY OF DEFENCE, JUSTICE AND SECURITY

106. **Warranted Provision**

The utilisation of funds warranted to the Ministry for the financial year ended 31st March 2014 is indicated below:

Department	Warranted Provision	Actual Expenditure	Over + Under - Expenditure	%
Headquarters	40 908 899	38 648 354	-2 260 545	6
BDF	2 039 004 711	2 061 357 866	+22 353 155	1
Police	1 366 560 693	1 361 471 339	-5 089 353	-
Prisons	288 876 268	279 736 677	-9 139 591	3
	3 735 350 570	3 741 214 237	+5 863 667	-

While the other Departments had performed well in incurring expenditures within their sub-warrants, the Botswana Defence Force had overspent its sub-warranted funds which resulted in an overall unauthorised expenditure for the Ministry to a total of P5 863 667, contrary to the terms of the Finance Warrant issued to the Accounting Officer. A supplementary appropriation would be required to rectify this unsatisfactory situation.

107. **Non-Moving Advances**

The year-end balances of advances accounts under Statements Nos 1 (Imprests) and 15 of the Annual Statements of the Accountant General included the following balances which were non-moving:

Surcharge - Damage to Government Vehicles	276 034
P & P - Emergency Advances	8 768
Advances – Industrial Class	1 706
Advances – Grade D4 and Below	115 977
Loss of Cash	58 711
Overpayment of Salaries	46 689
Travelling Imprests	85 245
	593 130

108. **Audit Inspection – Botswana Defence Force, Francistown**

An audit inspection was carried out at the BDF Garrison in Francistown, and a number of observations were raised, including the following:

(a) Towards the end of the previous year (2012/2013) there was an extensive use of credit facilities with suppliers, notably for purchases of fuel, gas and repairs of motor vehicles on the basis that there were no funds and that the invoices would be paid from funds of the new financial year. In this instance, a sample of requests for credit facilities totalling P5 095 537 had been noted. This arrangement is unsatisfactory as it is contrary to the letter and spirit of the budgetary process based on annual appropriations. The financial instructions require that commitments incurred in a financial year should be settled in that financial year.

(b) There were inordinate delays in the servicing of motor vehicles which had been sub-contracted to private garages for repairs. At the time of the audit inspection, a list of outstanding sub-contracted motor vehicles indicated periods ranging from one to twelve months for what appeared in some cases, to have been minor repairs, such as "front wheel noisy", "engine overheating" and "panel beating". These delays would, among other things, impact adversely on the efficiency of the Defence Force fleet utilisation.

(c) An array of medical and other equipment, including refrigerators, computers analysers, easy Q incubator, voitex mixers computers (viral load), etc. which had been installed at the Eastern Military Garrison Laboratory had not been accounted for in the appropriate stores records, nor been allocated Government serial numbers for identification purposes. There is therefore the risk of any of these items being lost or stolen without trace or identification.

At the time of writing this report, the Accounting Officer's comments on these, and other matters raised, had not been received despite the considerable lapse of time since my communication to her in April 2014.

109. **Audit Inspection – Botswana Defence Force, Thebephatshwa Air Base**

Arising from an audit inspection which was carried out at the above Air Base, a number of observations were brought to the attention of the Accounting Officer for her comments and action, as may be appropriate. She has since responded, and the following are some of the outstanding matters, with my comments thereon, which require further action or comment.

(a) A contractor who was awarded a tender for the service and repair of 28 stand-by power generators as far back as 2011, at a cost of P1 516 880, had failed to perform and was duly terminated. The claim by the Defence Force for liquidated and ascertained damages was disputed by the contractor who contended that both parties shared the blame. While this may be so, the claim in respect of the advance of P101 125 made to him, not in dispute, had also not been settled, over 3 years since the matter arose.

(b) The stadium and swimming pool which were completed in 1995 were in use for a short time after they had been handed over, and have not been in use since then. The Accounting Officer's explanation was that shortage of funds militated against [routine] maintenance of the facilities, and that she had planned on major maintenance works to bring the facilities into use in the current financial year. This is not satisfactory. The provision of recreational facilities, such as these, carries with it the implication that maintenance funds would be made available, to achieve the objective of those facilities.

(c) Previous audit reports had carried cases of uncompleted and abandoned projects in the Botswana Defence Force. In this instance, the Test Rig Room to accommodate the Generator Test Machine which was abandoned by the contractor as he reportedly encountered difficulties, is one such case. It was abandoned at estimated 70% completion stage.

(d) The construction of the spray booth was reportedly not completed to the required standard and had therefore not been used as intended. In this connection, it is to be stressed that these projects are constructed at considerable costs, and that if they cannot be brought into use the expenditure on them could be considered wasted, even as the purpose of the project as originally conceived is not achieved.

(e) An officer who resigned from service in July 2013 owed rent to the tune of P968. An amount of P379 was recovered leaving a balance of P589, which was to be recovered from terminal benefits. It is understood that the officer refused to sign the liabilities schedule, thus the matter remained unresolved, over a year after the officer resigned.

(f) The contractor who built the Air Base in the 1990's had left behind valuable materials on site and these have remained on the premises to-date. These materials included 3 000 steel pipes, some 20 tons of concrete stones, among others. The Accounting Officer's response to my inquiries was a statement that a decision would be made soon for their disposal, without indication of how, and whether the manner of disposal is likely to create a liability for the Defence Force, in the event of the contractor's comeback with a claim.

VIII LOCAL GOVERNMENT AUTHORITIES

110. I am required by the Acts governing local government authorities accounts of the councils and land boards to audit the Councils and the land boards. These authorities are required to prepare and submit their accounts to me by the 30 June each year, that is three months after the end of the financial year for which the accounts relate, for purposes of auditing.

For the financial year under review, the performance of Land Boards with regard to timely submission of the accounts was satisfactory in that they had all met the statutory requirements.

Regarding the Local Councils, only 10 out of 16 had, to-date, submitted their accounts for the financial year 2013/14, while the remaining 6 had only submitted the accounts up to 2012/13 financial year.

As I indicated in my previous reports, most of the local councils had submitted their accounts, albeit not all on time, but I have not been able to keep pace with the audits and still have substantial backlog to clear, dating back to 2010/11 accounts . Relative to accounts submissions, the progress of the audits remains a challenge and efforts have to be made to bring them up-to-date. The achievement of accountability and transparency through public accounts is dependent upon timely submission and resolution of the matters raised on those accounts.

The Local Authorities Public Accounts Committee continued to examine the Chief Executive Officers on the activities of their entities based on the audited accounts. The Committee sat in May 2014 and August 2014 to examine the Accounting Officers on the accounts that had been submitted to the Committee, although not all those were current.

IX PERFORMANCE AUDIT

111. In addition to the financial audits which I am required to undertake on the public accounts of the Government and Local Authorities (Councils), Land Boards and selected parastatals, I am also required by Section 7(2) of the Public Audit Act (No 15 of 2012) to conduct performance audits on these entities, to assess the extent to which value for money had been achieved in the use of resources at the disposal of officers of these entities. I am required to submit my reports on Central Government and parastatals audits to the appropriate Minister, 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 audits of Local Authorities, these are to be tabled to the Full Councils and Land Boards, in terms of Section 68 (11 and 12) of the Local Government Act No 18 of 2012 and Regulation 32 (5)(iii) of the Tribal Land Act, respectively.

The main objective of performance auditing is to ascertain whether organisational goals are being achieved in the most economic, efficient and effective way and to report those findings to management. It also promotes accountability and transparency. The audit assists management to streamline their work, based on identified operational gaps and suggested steps to be undertaken to improve efficiency and effectiveness of service delivery. It does not question the intentions and decisions of Government, but instead examines whether there are any shortcomings in the implementation of the laws and policies.

During the year under review, I completed 4 performance audits; one on the Department of Mines under Central Government and 3 on Local Authorities, as follows;

- Sand and Gravel Mining Operations by the Department of Mines.
- Maintenance of Council Buildings by the South East District Council.
- Efficient and Effective Procurement and Asset Disposal System – Lobatse Town Council.
- Efficient and Effective Procurement and Asset Disposal System – Kgalagadi District Council.

The following performance audit reports of the Local Authorities were tabled to the respective Full Councils, during the year under review:

- Efficient and Effective Procurement and Asset Disposal System by Lobatse Town Council.
- Efficient and Effective Procurement and Asset Disposal System by North West District Council.

The discussions of the Central Government performance audit reports commenced in September 2013, and it is hoped that this will continue into the future. Arrangements are yet to be made for the discussion of the Local Authorities reports by the Local Authorities Public Accounts Committee.

X PARASTATALS

112. With the exception of Botswana Railways, Botswana Postal Services, Botswana Telecommunications Corporation and Air Botswana which fall under the ambit of my audit, the accounts of the rest of statutory corporations and other public enterprises are audited by the independent auditors appointed by their Boards of Management under the terms of their governing statutes. However, by a long standing arrangement, the 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 of benefit to the Statutory Bodies and State Enterprises Committee during the examinations of the accounts of these organisations.

The succeeding paragraphs are observations and comments resulting from my audits and reviews of the accounts and reports of those bodies.

113. **Air Botswana**

The financial statements of the Air Botswana for the financial year ended 31 March 2014 were audited by Messrs PricewaterhouseCoopers, Certified Public Accountants, who were appointed by me in terms of Section 22 (2) of Air Botswana Act (No.4 of 1988).

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 as at 31 March 2014, 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).

The Airline had not complied with all the financial provisions of the Air Botswana Act, (Cap 74:07) which require its revenues to be sufficient to produce a reasonable rate of return.

2.2 Financial Results

The Airline's financial performance has deteriorated year-on-year as it recorded a loss of P99.99 million for the year under review, compared to P75.84 million (restated) in the previous year, and P47.12 million the year before. The revenue for the year under review, including a Government grant of P63.36 million, was P406.21 million, compared to P389.05 million (restated) in the previous year. Total expenditure was P506.21 million for the year under review compared to P464.89 million (restated) in the previous year.

2.3 Working Capital

The working capital position of the Airline as at 31 March 2014 showed current assets of P79.95 million and current liabilities of P206.78 million, resulting in a net current liabilities position of P126.84 million.

The going-concern status of the Airline is dependent on continued Government support.

3.0 Management Letter

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

3.1 Overpaid Gratuity

The auditors noted that an employee was overpaid gratuity by P23 592 due to incorrect calculations.

In response management noted the auditors' finding and stated that they would be more careful with similar cases in future, but they had not indicated what course of action they proposed to take for the recovery of the overpayment.

3.2 Prepayments

The auditors noted that an amount of P513 000 had been recorded as a prepayment even though the items ordered were received before the year-end. The auditors also noted that P2.50 million was erroneously posted to the year under review when the transaction occurred after year-end.

In response management noted the auditors' finding and stated that controls would be strengthened by ensuring that regular reviews were done. Management further stated that they would ensure that transactions were posted to the right period. The error was corrected.

3.3 Recording of Overhaul Costs

The auditors observed that the Airline had recorded a cost of P3.8 million relating to an engine sent for overhaul during the year but the repair/overhaul was only done and engine returned after year-end, which was contrary to International Accounting Standard No. 37 since a liability for the service provided arose after year-end.

In response, management noted the auditors' finding and stated that they would improve internal controls to ensure that correct accounting procedures were adhered to.

3.4 Property, Plant and Equipment

The auditors observed that:

a) Overhaul records were not maintained in detail to show costs, accumulated depreciation and utilisation of engines/aircrafts. The auditors observed that in the year under review, an ATR 72-500 aircraft was sold for which management did not write-off the unutilised overhaul costs of P1.5 million. No detailed records of unutilised overhaul costs were maintained.

b) The Airline's assets were not tagged for ease of identification.

c) The rotable listing did not have acquisition dates and the depreciation was calculated on the total rotable balance for the whole year without taking into account the actual date acquired. Depreciation in general was computed without taking into account available-for-use dates for all assets.

In response management stated that:

a) This had been an error that should have been picked up and that even though the workings were provided there was an omission to write off the engines.

b) A company had been engaged to assist with assets verification, bar coding and reconciliations, with a view to come up with assets management system by end of 2014/15 financial year.

c) The assets management system would address the auditors' observation on rotables and ensure adherence to International Accounting Standard 16.

3.5 Leave Days Recording

The auditors observed that the payroll system did not accurately record leave as it recorded leave based on the date when applied for, rather than when taken. This process would cause the leave records to be inaccurate and the leave liability provision may be misstated.

In response management indicated that the system vendor would be consulted to solve the anomaly.

3.6 Unutilised Tickets and Related Taxes

The auditors noted inconsistencies in computation of write-back of unutilised tickets and their related taxes at year-end. Management had written back the taxes based on the average number of months taken to utilise the ticket without being supported with a detailed list. The unutilised ticket liability list provided included only the base fare but left out the fuel surcharge and other taxes and the account consisted of unflown tickets that had not gone past one year, excluding tickets which were sold as non-refundable. The Airline did not match the taxes liability with the tickets not flown as at year-end. Therefore, there was a risk that the liability and the revenue may be misstated.

In response management stated that the ticketing data from the revenue accounting system was reconciled to the general ledger and a true unflown ticket liability was established and supported by a ticket listing. The difference between the general ledger balance and true ticket liability, which was mainly comprised of highly restricted expired tickets, was written back as sundry revenue. While the write-back was not supported by a detailed ticket list, the risk of over/understating liability and revenues were minimized by the reconciliation. The current system had some limitations with regard to generation of reports showing the split of taxes from inward interline billing for accounting purposes. Management was to negotiate with the system vendor with the view to enhance the system.

3.7 Landing Fees and Passenger Service Charges

The auditors noted that the Civil Aviation Authority of Botswana (CAAB) demanded from the Airline an additional P5.1 million for landing fees and passenger service charges mostly relating to the prior year. This arose since CAAB computed the fees based on the load sheets and the number of passengers on each flight without adjusting for transit passengers.

In response management stated that discussions were held with CAAB to resolve the issue of fees. Reconciliations would be done and agreed with CAAB before payments are made.

114. **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. The Organisation had sought and was granted an extension of time for the accounts of the year ended 31st March 2014. The draft accounts were submitted to me for audit in October 2014, and at the time of writing this report the audit had not been concluded because of the on-going work on the Fixed Assets Register with the consultant.

Notwithstanding the issue of the Fixed Assets Register in the present context, it has to be noted that it has been sometime since Botswana Railways had submitted their accounts for audit and subsequent discussion by the Statutory Bodies and State Enterprises Committee in the relevant year of account. These persistent delays are a matter for concern. I trust that the Organisation would make all efforts to bring this matter under control and be in line with the intention of the Act.

115. **Botswana Power Corporation**

The financial statements of the Botswana Power Corporation for the financial year ended 31 March 2014 were audited by Messrs Deloitte & Touché, Certified Public Accountants, 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 as at 31 March 2014, 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).

Emphasis of Matter

Without qualifying the opinion, the auditors drew attention to the following:

(a) Impairment of Morupule B Power Station

There were various matters relating to the Morupule B Power Station that were being addressed, and once rectification costs had been determined the total Morupule B project costs would be assessed for impairment as required by International Accounting Standards 36 – Impairment of Assets.

(b) Going-Concern

The Corporation had incurred an operating loss for the year of P1.37 billion (2013: P2.13 billion) before a tariff subsidy of P1.49 billion (2013: P871 million). The Corporation's current liabilities exceeded current assets by P2.30 billion (2013: P2.89 billion). The Board believed that the Corporation would continue to receive ongoing support from the Government.

(c) Contingent Liabilities

The Corporation was exposed to a number of quantified and unquantified claims by a contractor in relation to the implementation of Morupule B, which the Board and Management believed were less than the counter claims against the contractor.

(d) Other Legal and Regulatory Requirements

The Corporation had not met the requirements of Section 17 of the Botswana Power Corporation Act (Cap 74:01) which require it to produce a reasonable return on its assets.

2.2 Financial Results

The financial performance of the Corporation resulted in a profit of P114.05 million before impairment loss on Morupule A Power Station of P175.59 million, resulting in a net loss of P61.54 million. The profit arose from income of P4.256 billion and expenses of P4.142 billion. The income included a tariff subsidy grant of P1.49 billion, while in operating expenses is P600 million towards the reimbursement of emergency power purchases that the Corporation received from the Government.

2.3 Working Capital

The working capital position of the Corporation as at 31 March 2014 showed current assets of P1.35 billion and current liabilities of P3.65 billion, giving a net current liabilities position of P2.30 billion.

The going-concern status of the Corporation is dependent on continued Government support.

3.0 Management Letter

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

3.1 Capital Projects

The auditors noted a significant number of open projects with total costs incurred amounting to P106 million on which there had been no activity over the past 2 years, and there was no evidence of review and monitoring over them. These projects included:

- Real-time energy reconciliation metering
- Replacement of magnetic type prepaid meters
- Ripple control / hot water load control
- 11/0.4 KV transmission meter installation
- Numerous small projects with combined balance of P34 million

The auditors had established, from discussions with management and correspondence on the project files, that some of the projects were still on-going but on halt due to lack of funds. Therefore, the delays impacted on the activities of the Corporation as follows:

- Loss of economic benefits that would have been achieved had the projects been implemented on a timely basis.

- Depreciation not being charged in the correct accounting period for components of the projects that had been completed and in use.

- Some projects were obsolete and the costs accumulated in capital work-in-progress required to be written-off or impaired as the projects were no longer viable due to delayed completion.

In response management noted the auditors' finding and stated that work flows had been streamlined and integrated through automation. Projects implementation procedures were being enhanced in line with SAP module for project management to ensure accurate accounting for completion of projects. Management also indicated that there would be coordination throughout all business units as part of post implementation process for realisation of benefit of the system.

3.2 Consumer-Financed Projects

The auditors observed, as in previous years, weaknesses in the review, monitoring and maintenance of the consumer-financed projects (CFPs) information. Given that the Corporation was working on implementing a new project management system for use in managing CFPs, the auditors advised management to invest efforts in cleaning up and updating the current CFPs information before migrating to the new system to minimise risk of loading unresolved issues and not achieving full benefits. The auditors also noted that projects totalling P390 million, comprising of credit balances of P431 million and debit balances of P41 million, had no activity or movement over the past year. This could be indication that:

- There may have been activity on the project but the transactions were not correctly accounted for by the

Corporation, signifying weaknesses in the accounting and internal control system.

- There may be no activities on the projects, signifying delays by the Corporation in delivering projects to consumers.

- The projects were complete and needed to be reviewed and closed by the Corporation.

- Given that, in terms of the CFPs contract, variances up to 7.5% are for account of the Corporation, this could entail refunding or requesting additional payment and writing back/off any additional balances.

- A provision of P7 million was made for debit balances for which no analysis was available.

In response management stated that project implementation procedures and work instructions were being reviewed/enhanced in line with processes in SAP module for project management to ensure accurate accounting for completed projects.

3.3 Morupule B Project Costs

The auditors noted that various matters pertaining to the completion of Morupule B Project were not resolved and that Unit 2 had not been capitalised at 31 March 2014. Some of the issues were:

- Various deficiencies and areas requiring attention/resolution had been noted in the progress reports submitted by the Owner's Engineer.

- Implementation of the Morupule B Project was delayed and the Engineering, Procurement and Construction (EPC) contract allowed the Corporation to charge the contractor penalties for breach of contract, and vice versa. The contractor had submitted claims relating to events which had not been justified or quantified and for which the Corporation believed that the counter claims by the contractor, if successful, would not exceed its claims against the contractor.

- The consultants who were conducting operations and maintenance had also been engaged to perform a gap analysis, hence there may be additional costs to remedy the defects or to enhance the project, depending on the final decisions made for successfully completing the project. However, the claims had not been quantified (value) to support this.

- The Corporation had appointed consultants to conduct a root cause analysis for the Fluidized Bed Heat Exchangers failures and air duct vibration, cracking and high noise levels and bed ash chutes at the ash coolers.

The auditors pointed out that once the rectification costs had been determined, the total Morupule B costs, including additional costs incurred, would need to be assessed for impairment in terms of International Accounting Standard 36 – Impairment of Assets.

Management in response noted the auditors' observation and indicated that any additional cost to complete outstanding work at Morupule B would be handled in accordance with the Corporation's accounting policies and procedures and also in line with International Financial Reporting Standards.

3.4 Disputed Costs Charged by the Contractor

The auditors observed that the Corporation had been charged P114 million by a contractor, engaged in the Morupule B Power Station, for reimbursable expenses relating to the February 2012 to June 2013 period which the Corporation disputed as the contractor had agreed in April 2013 not to claim. There was no available correspondence from the Corporation to the contractor rejecting the invoice until during audit when a letter was drafted and sent to the contractor.

In response management acknowledged the auditors' finding and stated that the dispute had been premised on the fact that the contractor was initially contracted to carry out both construction work and operations and maintenance activities, and some of the costs claimed related to commissioning activities which had to be borne by the contractor.

3.5 Monitoring of Prepaid Metering Revenue Usage

The auditors observed that almost 99% of the domestic consumers and a portion of commercial consumers were on the prepaid platform which resulted in the Corporation realising benefits in collecting cash up-front as reduction in debtors balance led to reduced administration time and improved cash flow. However there were no spot checks performed and monitoring of power consumption to ensure that the Corporation did not suffer financial losses arising from increased risk of consumers by-passing meters. The auditors recommended that the Corporation should design procedures that would monitor the consumption against prepaid electricity bought to detect illegal power usage and also to conduct surveys to assist with evaluation of weak points in the system.

In response management noted the auditors' recommendation and stated that they had enforced implementation of procedures to mitigate the risk of loss of revenue associated with prepaid metering. Exception reports on low-buying and non-buying customers had started to be used to inform inspections and verifications. Reports from smart meters on tampering or attempts to open the meter would be used to investigate irregular purchases.

3.6 Valuation of Stock

The auditors noted instances of errors in the computation of weighted average cost of inventory as the SAP system did not re-compute the new unit cost when purchases were done. For instance, 6 units of stock item "Mini sub Without RMU" were purchased at ZAR115 134 per unit in April 2013 when the weighted average unit cost before the purchase was P125 841 which was not changed to P118 363, leading to a difference of P7 478 per unit. The auditors recommended that the Corporation should periodically review the inventory prices as generated by the SAP system for accuracy and reasonableness to ensure correct valuation of inventories.

In response management agreed with the auditors' recommendation.

3.7 Hire Purchase and NESC Receivables

The auditors noted that there had not been a significant movement in the National Electricity Standard Cost (NESC), Hire Purchase and Rural Collective Scheme debtors' balance since the prior year as 54%, or P176.48 million, of the total debtors were over 90 days old, signifying challenges in collection. The auditors urged management to increase their efforts to collect the long outstanding hire purchase debtors.

In response management agreed with the auditors' recommendation and stated that the collection of the scheme debtors was slow due to the inherent problems of the debt, such as in rural areas and where credit worthiness of the debtor had not been determined. Resources freed from billing and credit control would be focused on tracing and pursuing defaulters by attaching their properties and the on-going mapping and registration of plots by the Ministry of Lands and Housing would also assist in locating the debtors. Management further stated that due to the inherent risk mainly with Rural Collective Scheme debtors, Government had underwritten the debt.

3.8 <u>Recoverability of Trade Receivables</u>

The auditors observed that collection of domestic debtors had significantly improved due to installation of prepaid meters for domestic customers, whereas Government and commercial debtors were still very high as the balance over 90 days was P60.98 million out of P157.14 million (39%) for commercial debtors and P21.42 million out of P81.28 million (26%) for Government debtors. The auditors urged management to increase their efforts in collecting the long outstanding debtors.

In response management agreed with the auditors' recommendation and stated that the collection Blitz Campaign and Prepaid Meter blocking from purchasing were on-going. This led to reduction in debtor balances, except Government debtors which increased by 39% as they could not be disconnected due to the strategic nature of service they provide.

3.9 <u>Customer Accounts with Continuous Estimates</u>

The auditors observed that 1181 customers (Domestic 485, Government 317 and Commercial 379) were billed P13.59 million based on estimates for a continuous period of more than 12 months during the period under review. The Corporation's policy provides that customers should not be billed based on estimates for more than three billing periods without investigating the reasons and ensuring that actual meter readings were obtained and used to enhance the accuracy of the billings.

In response management stated that meter reading staff that had been redeployed to prepaid conversion project were available to focus on taking readings of the post-paid meters.

3.10 Accounting for Prepaid Meter Revenue

The auditors, given that a significant number of consumers were on prepaid metering system whose accounting for revenue earned had become complex, had advised management to perform analysis of prepaid revenue to evaluate buying pattern of customers to determine amount of revenue to be deferred at year-end in line with International Accounting Standards 18 - Revenue. This may also assist in determining illegal electricity connections for customers not buying electricity regularly.

In response management agreed with the auditors' finding and stated that they had requested the system supplier to develop a facility to cater for customer buying profiles to enable tariff planning and accurate accounting for deferred revenue.

3.11 Withholding Tax on the Interest on ICBC Loan

The auditors noted that the withholding tax on the interest on the Industrial Commercial Bank of China (ICBC) loan was incorrectly calculated, which resulted in the understatement of assets and liability to BURS by P278 641. The agreement with ICBC stipulated that interest was payable exclusive of withholding tax.

In response management acknowledged the error in not grossing up the withholding tax on ICBC loan interest for September 2013, resulting in understatement of tax liability and further stated that controls were put in place to ensure that a similar error did not recur in future.

3.12 Trade and Other Payables

a) Foreign Denominated Transactions and Payables

The auditors noted, as in the previous year, that several foreign denominated trade payables were recorded at the exchange rate ruling at the date of recording the liability and not the rate then prevailing at year-end, as per International Accounting Standard 21 - The Effects of Changes in Foreign Exchange Rates, and the Corporation's accounting policy. Also the monthly APR Energy and KSE Energy charges in the emergency power grant account denominated in US Dollars were translated and recorded using the exchange rate ruling as at the date of payment of the monthly invoices as opposed to the exchange rate ruling at the transaction dates. The error occurred from the beginning of the year up to September 2013.

Management in response acknowledged the auditors findings and stated that the error was corrected through reconciliation from October 2013.

b) Reconciliation of Supplier Accounts and Unrecorded Liability

The auditors noted, as was the case in the previous year, that some supplier accounts had not been reconciled at year-end. The reconciliation of the liability balances to supplier statements acts as a control that enhances the reliability of the liabilities reported.

Management in response acknowledged the auditors findings and stated that reconciliation was performed for suppliers who provided statements and that procedures would be put in place to address suppliers who fail to provide statements.

3.13 Consumer Deposits Refunds

The auditors noted that the Corporation had a current liability for consumer refunds amounting to P12 million which had been outstanding since April 2010 and were yet to be refunded to customers. Management could not provide the auditors with a list of the customers as they stated that it was a legacy balance from the old Harris system. There was therefore a risk that the account maybe made up of invalid amounts or could be misappropriated.

In response management stated that the account was for refunds actually processed but not collected by customers, and that since the accounts were closed at point of refunding the credit balance, the uncollected amount was only returned to the control account. Management would continue to monitor and review the account in order to take appropriate action to minimise exposure to misappropriation.

3.14 Morupule B Government Equity Balance

The auditors noted an instance where an amount of P646 368 was recorded as part of equity although it had not been paid through the African Development Bank. This highlighted weaknesses in controls around equity which exposed it to risk of material misstatement. The auditors advised management to perform regular checks and review amounts recorded in the equity accounts to ensure their validity and accuracy.

In response management agreed with the auditors' recommendation and stated that more supervisory controls would be enforced to minimise errors.

3.15 Payroll

a) Statutory Overtime Limit

The auditors noted that 23 employees had worked overtime ranging from 90 to 140 hours in a month, contrary to Section 95 (7) of the Employment Act which places a limit of 14 hours a week translating into 56 hours per month. They were paid a total of P198 048 for the overtime worked. This could expose the Corporation to litigation by employees and could be an indication of unnecessary, excessive or fraudulently claimed overtime. The auditors advised management to adhere to maximum overtime hours prescribed by legislation and should put controls in place to ensure that unnecessary overtime is not worked.

Management in response agreed with the auditors' recommendation and stated that a call had been logged with SAP support to configure the system to cap overtime to 14 hours per week in line with the Employment Act. Furthermore, overtime had been capped to 7% of the wage bill to deter business units from exceeding the approved overtime budget.

b) Employee Leave Days and Leave Pay Accrual

The auditors noted, as in the previous years, that the leave liability calculation was inaccurate due to untimely capturing of leave information from manual documents into SAP system. The auditors advised management to put in place a process to ensure that leave days in SAP were updated immediately an employee went on leave or accrued leave and consider automating leave approval and accrual processes.

Management in response agreed with the auditors' recommendation and stated that they had developed a training plan for line managers to capture leave directly on SAP system. A call had been logged with BISC to enhance the existing leave report and work was underway to fully automate leave process.

c) Accumulated Employee Leave Days

The auditors noted that several employees had accumulated leave days in excess of 90 days and that the Corporation had no policy to limit the number of leave days accumulated by employees over time. This practice exposed the Corporation to the following:

- Fraud – best practice requires key employees to take leave to mitigate likelihood of fraudulent or unethical activities that they might be engaged in.

- Large cash settlements to employees for leave days accumulated when terminating their contracts of employment.

The auditors pointed out that 6 employees had accumulated leave ranging between 94 to 144 days with a total leave liability of P630 725. The auditors advised management to consider limiting the number of leave days accumulated in line with the Employment Act and those that can be settled in cash on termination of employment.

Management in response acknowledged the auditors' recommendation and stated that the leave policy had been revised to allow employees to accumulate leave equivalent to 1 year cycle and with only a third of annual leave entitlement carried over while the excess is forfeited if not utilised.

3.16 Accounting for Wheeling Revenue

The auditors noted that the Corporation charged some power suppliers for transmitting power through its transmission lines. The accounting process entailed the Corporation accruing for the revenue by raising an invoice and crediting revenue and debiting accounts receivable. On receipt of the payment from the customer, it credits the wheeling revenue account and reverses the previous entries in revenue and accounts receivable. Therefore wheeling revenue was recognised gross of exchange gains/losses which was not consistent with International Accounting Standards (IAS) 18 – Revenue, which states that revenue should be recognised on an accrual basis and any exchange gains/losses realised on settlement of the invoices should be recognised as exchange gains/losses as per IAS 21 – The Effects of Changes in Foreign Exchange Rates.

In response management acknowledged the auditors' finding and stated that future payments would be correctly allocated to the debtor account as per the requirements of IAS 18 and 21.

116. **Water Utilities Corporation**

The financial statements of the Water Utilities Corporation for the financial year ended 31 March 2014 were audited by Messrs Deloitte & Touché, Certified Public Accountants, 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 2014, 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 25 of the Water Utilities Corporation Act (Cap 74:02).

Emphasis of Matter

Without qualifying their opinion, the auditors drew attention to note 4 of the financial statements which stated that title to the land and buildings acquired by the Corporation from the Department of Water Affairs and the Ministry of Local Government, 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.

2.2 Financial Results

In the year under review, the Corporation recorded a loss of P346.56 million, compared to P191.06 million (restated) in the previous year. Though revenue from operations increased from P790.78 million in the previous year to P948.06 million, representing 20%, total income declined from P1 031.13 million to P1 004.58 million. Expenditure increased from P1 222.19 million in the previous year to P1 351.14 million in the year under review, representing 10.6% increase.

2.3 Working Capital

The working capital position of the Corporation as at 31 March 2014 showed current assets of P478.38 million and current liabilities of P350.24 million, resulting in a net current assets position of P128.14 million.

3.0 Management Letter

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

3.1 Prior Year Matters

The auditors observed that significant control weaknesses identified in the previous year's audit remained unresolved. Preparation, review and approval of reconciliations of key control accounts were lagging behind indicating lack of supervision and monitoring over the implementation of key control activities.

3.2 Clearing of Data Migration Exceptions

The auditors observed that migration exceptions representing individual account balances not migrated from manual records or Edams to SAP for Phases 1 to V of the Water Sector Reforms amounted to P9.08 million as at 31 March 2014. The auditors also observed that these migration exceptions related to plots that had not been billed since migration, as they were not in SAP and manual billing for the respective villages was stopped at the time of migration. The auditors recommended that exceptions noted at the time of migration should be followed up and cleared as a matter of priority, and that billing processes be regularised on these accounts.

In response management stated that they would investigate the outstanding account balances in an effort to clear the balances by way of write-off where applicable by December 2014. Management pointed out that the Management Centres had since then submitted exception report items.

3.3 Reconciliation of Consumer Debtors

The auditors observed that a reconciliation of the consumer debtors balance between the general ledger and the debtors listing was not prepared as a matter of routine on a monthly basis. As at year end, there was an unreconciled difference of P3.18 million (2013: P2.14 million), with the balance per the customer debtors listing being more than the general ledger.

In response management noted the auditors' observation and undertook to explore the use of SAP standard report and also check the suitability of the newly developed Debtors Aged Analysis report in an effort to try to address the issue of variances between the two reports by 31 December 2014.

3.4 Consumer Deposits Listing

The auditors noted a difference of P2.38 million (P3.8 million: 2013) between the consumer deposits listing and the general ledger balances as at 31 March 2014, with the general ledger balance being greater.

In response management noted the auditors' observation and stated that discussions would be held with all concerned stakeholders to equip them on how the account should work with the view to have reduced the difference by 31 December 2014.

3.5 Non-Consumer Debtors

The auditors observed that the Non-Consumer debtor balance had increased from P3.7 million in the prior year to P8.1 million in the year under review, an indication that the debtors were not paying their accounts and were not being actively followed up for payment. The debtors were also not aged and a number of transactions were from the prior years, with some dating as far back as 1999. The auditors conceded the possibility of some of these balances being either invalid or irrecoverable.

In response management pointed out that a Sales and Distribution module had been developed in an effort to address the issue of non-consumer debtors. Management also pointed out that a debtors listing would be maintained and followed up regularly. Management would review and investigate the long outstanding items to bring the issue to a close and thereafter any unrecoverable amounts would be recommended for write-off by 31 December 2014.

3.6 Estimated Meter Readings

The auditors noted that a number of domestic customers had unusually high balances resulting from bills arrived at by way of estimation without any actual meter readings for periods going back to more than a year while the Corporation's policy is not to estimate consumption for more than three consecutive months.

In response management indicated that compliance with the policy would be enforced and plots would be disconnected where readings cannot be taken for a period of more than 3 months. Modern technology, such as sending emails or sms, would be used to increase efficiency of meter readings.

3.7 Uninvoiced Plots

The auditors noted a number of plots that had not been billed from year to year, which made recoverability of the amounts doubtful given the lapse in time and the high aggregate debt levels.

In response management indicated that work was ongoing to address the issue of backlogs of uninvoiced plots and monitoring would be done to avoid recurrence of the issue.

3.8 Delays in Billing

The auditors noted that the Corporation was still lagging behind with billing, as bills amounting to P13 million relating to the 2013-2014 financial year were processed in the financial year 2014-2015 because the ledger for the period under review had already been closed at the end of May 2014. Although the amount was accrued in the financial statements for the year ended 31 March 2014, the auditors pointed out that late billing would result in delayed payments with implications on the Corporation's cash flows.

In response management stated that the billing process would be enforced and closely monitored in order to abide by the cut-off dates.

3.9 Un-cleared Deposits

The auditors noted that unallocated payments appearing as reconciling items in the year-end bank reconciliation had not been receipted and credited to consumer accounts. These mainly related to online payments by consumers and some dated as far back as 2009/10 financial year. The auditors also noted that unallocated payments older than 3 months amounted to P26 million, with P9 million being over 12 months, compared to P4.8 million in the prior year.

In response management noted the auditors' comments and stated that they would ensure that reconciling items on the bank statements were cleared promptly and queries escalated on time. A task team had already been set-up to work with the banks to clear outstanding items and thereafter unresolved items would be recommended for write-off.

3.10 Payment of Bills Through BotswanaPost Network

The auditors observed that the Corporation had an arrangement with BotswanaPost in which customers would pay their bills at the post office and BotswanaPost would, in terms of the agreement, remit the collected funds to the Corporation within 2 weeks. However, the auditors noted amounts that had been outstanding for a period of more than 2 months.

In response management stated that procedures would be documented and implemented accordingly. Furthermore, a dedicated person would be identified to make follow-ups on payments such as those from BotswanaPost to ensure that amounts collected are remitted.

3.11 Disposal of Assets Acquired in Terms of Water Sector Reforms

The auditors observed that the disposal of 4 motor vehicles amounting to P150 500, acquired under the Water Sector Reforms, was not accounted for.

In response management agreed with the auditors and stated that similar occurrences would not arise in future.

3.12 Capitalisation of Work-in-Progress

The auditors noted that the work-in-progress report did not show the stage of completion of each project, resulting in some completed projects not being capitalised. The auditors noted that projects with a total cost of P120 052 304, with some dating as far back as 2012, were being recorded as work-in-progress although complete and the assets were being used by the Corporation, indicating lack of review and control. The auditors pointed out that in terms of International Accounting Standard

16, assets should be depreciated as soon as the Corporation starts to use them. The auditors, from their computations, estimated the depreciation for the year under review to have been potentially understated by P1.5 million due to non-capitalisation of the completed projects.

In response management stated that the work-in-progress projects would be reviewed to ascertain their completion stage and a report presented to management on a monthly basis effective from 31 October 2014.

3.13 Outstanding Title Deeds

The auditors, as in the previous year, noted that the Corporation owned a number of properties for which it had not obtained title deeds. This included items of property owned before implementation of the Water Sector Reforms and all property acquired in terms of the Water Sector Reforms. Management had informed the auditors that the process to obtain the title deeds had started even though it was slow due to the fact that some processes were outside their control.

In response management stated that follow-ups were being made with the relevant authorities to obtain the title deeds but the process was not as fast as they had anticipated.

3.14 Excessive Overtime Paid

The auditors noted instances where 7 shift employees had between December 2013 and March 2014 worked an additional 16 hours after the normal 8 hour shift (making 24 hour shift, which is absurd) and the extra hours worked were paid at double rate instead of time-and-half. This was contrary to the labour laws which prescribe that employees should only work overtime up to an equivalent of normal contracted hours.

Management in response stated that supervision and compliance with labour laws would be enforced.

3.15 Accumulated Leave in Excess of 60 Days

The auditors noted a total of 129 employees (138 in 2013) who had accumulated leave in excess of 60 days, one of them having accumulated as many as 143 days. This was an indication of long uninterrupted periods of service without taking leave which also increased the Corporation's liability for leave pay.

Management in response stated that the policy on leave would be enforced and that the system had been configured to forfeit excessive leave days earned by staff at any given point in time.

3.16 Long Outstanding Items in Other Payables and Accrual Accounts

The auditors noted 4 accrual accounts with long outstanding amounts totalling P3.58 million which should have been reconciled, reviewed or cleared as appropriate on a regular basis.

Management in response noted the auditors' comment and stated that the long outstanding items would be investigated and appropriate action taken, including recommendation for write-off by 31 December 2014.

3.17 Long Outstanding Amounts in Creditor Accounts

The auditors noted that creditors amounting to P2.24 million had been outstanding for over a year, with the largest amount being P465 758. This is an indication that the account was not regularly reviewed.

Management in response stated that the amounts would be investigated and corrective measures taken.

3.18 Submission of Revised VAT Returns

The auditors noted that the Corporation had overstated VAT output for February 2014 by P2.08 million and a revised return to correct the error had not been submitted to BURS by August 2014. The auditors indicated that if a long period elapsed before a revised return was submitted then BURS may not accept the adjustment, resulting in financial loss to the Corporation. In addition, the auditors noted that the column for zero sales on the VAT return was not completed.

Management in response noted the auditors' comment and stated that the matter was a direct posting to the Output VAT account which should not have been allowed by the system. The matter was being investigated.

3.19 Long Outstanding Unclaimed Death Benefits for Former Employees

The auditors noted that the Corporation had unclaimed death benefits dating as far back as March 2000, with the largest amount being P299 712 for March 2012. The intended beneficiaries may lose if the benefits are not disbursed on time.

Management in response noted the auditors' comments and stated that the amounts would be investigated and appropriate action taken.

3.20 Accounting for BPC Accrual

The auditors noted that the Corporation had a number of accounts with the Botswana Power Corporation that are linked to the power consumption at the Corporation's stations and their reconciliations contained reconciling items without valid supporting documents, some items dating as far back as 2010. Some electricity expenses shown on the statements were not accrued for in full.

Management in response stated that a dedicated person had been identified to deal with BPC accounts.

3.21 Non-Compliance with EIB Loan Agreement

The auditors noted that the Corporation's debt service ratio, as was the case in the previous year, was below 1.5:1 during the year under review, thereby contravening the terms of the European Investment Bank loans which require the debt service ratio to be above the 1.5:1. This breach could result in the loan being recalled.

Management in response stated that the Corporation was making losses and the situation was expected to continue as long as the tariffs were set below cost and that the quarterly loan repayments had been complied with. Management further stated that the loan was guaranteed by the Government.

117. **Botswana Meat Commission**

The financial statements of the Botswana Meat Commission for the financial year ended 31 December 2013 were audited by Messrs Deloitte & Touché, Certified Public Accountants, who were appointed by the Commission in terms of Section 20 (3) of the Botswana 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 consolidated and separate financial position of the Botswana Meat Commission as at 31 December 2013, 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.

Emphasis of Matter – Going-Concern

Without qualifying their opinion, the auditors drew attention to Notes 25 and 26 of the consolidated and separate financial statements, which indicated that although the Group and the Commission reported a net surplus for the year of P224 million and P184 million, respectively, the total liabilities of the Group and the Commission exceeded the total assets by P202 million and P307 million, respectively. These conditions indicated the existence of a material uncertainty that casts significant doubt on the Group's and Commission's ability to continue as a going-concern. The Board of Commissioners believed that the Group and the Commission would receive ongoing support from the Government and that a number of initiatives as disclosed in Note 25 of the consolidated and separate annual financial statements would be successfully implemented.

2.2 Financial Results

In the year under review, the Group and the Commission recorded a surplus of P25.76 million and P27.70 million, respectively, compared to a restated deficit of P324.12 million and P318.43 million, respectively, in the previous year. The surplus was before the gain on the revaluation of land and buildings of P271.37 million and P229.62 million for the Group and Commission, respectively. The total income for the Group was P1 116.13 million while expenditure was P1 090.37 million. The revenue for the Group increased from P766.92 million in the previous year to P1 020.58 million in the year under review, representing 33%, due to sale of meat and allied meat products. Other income for the year under review was P87.29 million, compared to losses of P12.44 million in the previous year, mainly due to P71 million received from Government for financing of the losses in Francistown abattoir. Cost of sales (comprising freight, storage & other selling expenses and livestock & meat costs) were P724.40 million (2012: P645.05 million) while production and administration costs were P320.87 million (2012: P359.63 million) in the year under review.

2.3 Working Capital

The working capital position of the Group as at 31 December 2013 showed current assets of P388.67 million and current liabilities of P386.27 million, resulting in a net current assets position of P2.40 million while that of the Commission showed current assets of P375.72 million and current liabilities of P425.81 million, resulting in a net current liabilities position of P50.09 million.

The current liabilities of the Commission included P58.08 million due to the group companies.

The going-concern status of the Group and the Commission was dependent on continued Government support, obtaining trade facilities and commercial loans from financial institutions.

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 observed that significant control weaknesses identified in the previous year's audit remained unresolved. These included amongst others, inadequate supervisory controls, write-off of unreconciled differences, invalid bank reconciling items, non-allocation of receipts from debtors to the respective debtors accounts, incorrect inventory valuation, non-review of useful lives and residual values of property, plant and equipment and non-submission of income tax returns for Mainline Carriers.

3.2 Inadequate Supervisory Controls

The auditors, as in the previous year, observed that personnel in the accounting department had been allocated various responsibilities which included reconciliation of key control accounts in the general ledger. However, certain reconciliations were neither being compiled nor followed-up by the supervisory accounting personnel. A number of significant audit adjustments had to be posted as part of the year-end finalisation process. This resulted in inefficiencies in the audit process and postponement of the reporting deadline. Incorrect decisions may be made based on incorrect management accounts if key control reconciliations are not performed on a regular basis.

Management in response indicated that the difference between the management accounts and annual financial statements was mainly due to:

- The accounting for subsidy received on account of Francistown previous year losses as reserves in the past instead of through the income statement as suggested by the auditors;

- The entries, due to revaluation of land and buildings by independent valuers, passed during audit;

- Changes in valuation of finished products and transport costs under direct cattle purchase affected the livestock and meat costs; and

- The longer than anticipated time taken on the reconciliations of BMC (UK) and related intercompany accounts which affected the GPS commission accruals, amounts due to/from subsidiaries, sales and trade receivables.

However, management would deploy an officer to the BMC (UK) office in May 2014 to take care of the finance and accounting function which was run from the Head Office in Lobatse.

3.3 <u>Inadequate Communication to Subsidiaries and Ineffective Reconciliation Process</u>

The auditors noted the following weaknesses in the communication and the process of reconciliation of balances between Head Office and subsidiaries:

- No group reporting policies communicated to subsidiaries, which may result in inconsistent accounting policies adopted across the Group;

- No formal reporting deadline for the subsidiaries to present their draft accounts to the Head Office, which may delay the consolidation process;

- No efficient process in place for timely reconciliation of the related party balances and transactions, which may expose the Commission to the risk of undetected fraud and errors; and

- Interdivisional balances between Lobatse, Maun and Francistown did not net off to zero in October 2013 at the time of interim audit but had an unresolved residual balance of P5.8 million which subsequently reduced to P308 065 at year-end.

Management in response stated that there was regular communication with BMC (UK) and Table Bay Cold Storage subsidiaries and that some of the companies were dormant with most transactions and decision-making done at Head Office. The balance relating to BMC Gmbh and Importers and Exporters had been carried from previous years and did not relate to 2013. Intercompany loans interest and related parties are accounted for on annual basis to make sure that it reconciles with balances from subsidiaries.

3.4 Invalid Bank Reconciling Items

The auditors, after review of the year-end bank reconciliation statements, noted the following:

- The October 2013 Standard Chartered Bank account reconciliation included reconciling items amounting to P2.33 million being September 2013 cheques which had been paid and cleared in the Bank.

- Invalid reconciling items relating to duplicated payments to suppliers of P2.60 million, payments to creditors of P3.23 million which had not been made, numerous unpresented cheques and unallocated receipts of more than 6 months, and an intercompany payment of P14.41 million wrongly debited to the bank account.

These exceptions were an indication that bank reconciliation statements were not being regularly reviewed in sufficient detail on a timely basis.

In response management indicated that reconciliations were done on monthly basis but the supervisors failed to review and analyse the unreconciled items. The introduction of the new system in 2013 of processing the kill and Direct Cattle Purchase payments through accounts payable resulted in reconciling items, but had identified the root cause of the problem and communicated to relevant people the correct process flow.

3.5 Non-Allocation of Receipts from Debtors to the Respective Debtor Accounts

The auditors noted that several receipts from various customers amounting to P4.8 million, some of which dated back to 2003, had not been allocated to the appropriate outstanding invoices at year-end. This resulted in misstatement of receivables and payables balances reported in the financial records, and could also lead to disputes and fraudulent sales may occur without detection.

Management in response indicated that every effort was made to reconcile the receipts to debtors but the volume of business and lack of information in the bank statements made it difficult to match receipts to invoices. Monthly reconciliations are done for Table Bay Cold Storage where most of the unallocated receipts arose.

3.6 Recoverability of Receivables

The auditors noted the following receivables whose recoverability was questionable:

- Feedlotters advances, long-outstanding advance gratuity paid to staff and unrecoverable debit balance in PAYE control account amounting to P651 360, P147 354 and P141 705, respectively, which were later written off by management.

- A receivable of P1.32 million from one of the feedlotters comprising P500 000 feed advance and P816 662 settled by the Commission to Stanbic Bank as guarantor following default by the feedlotter. Management had indicated to the auditors that a verbal agreement had been entered into with the feedlotter but had not obtained confirmation to support the accuracy and recoverability of the amounts.

Management in response indicated that the feedlot advances related to 2011 and were provided for in 2012, hence the write-off in 2013. PAYE and gratuity balances were made zero in 2011 and when actual transaction took place, the balance could not clear. The feedlotter had not performed to expectation which resulted in the indebtedness and demand notice being issued to recover the money.

3.7 Residual Values and Useful Lives of Property, Plant and Equipment

Auditors noted that the Commission did not perform a formal reassessment of the residual values and useful lives of its property, plant and equipment as per the requirements of International Accounting Standard (IAS) 16. Such non-compliance with the requirements of International Financial Reporting Standard (IFRS) may result in the misstatement of property, plant and equipment as reflected in the annual financial statements. The auditors also noted that assets currently in use and with an original aggregate cost of P78 million were held at nil book values. This underscores the fact that management was not robustly reconsidering the useful lives and residual values of all assets categories in the fixed assets register on an annual basis.

Management in response indicated that consultants were engaged in 2011/2012 financial year to value the Commission's assets but the plant could not be valued due to lack of information given its age and lack of technical expertise by the engaged consultant who failed to produce a report that substantiates the useful lives of the plant. A tender would be floated in the second quarter of 2014 to engage technical engineers with global knowledge or expertise.

3.8 Title Deeds Not Up-to-Date

The auditors noted that the Commission still had properties in its Lobatse fixed assets register that were still under the name "Bechuanaland Protectorate Abattoirs Limited". In addition, there were 19 plots in Francistown with an estimated fair value of P1.35 million for which the Commission did not hold title deeds. The Golf Club land in Lobatse had never been recognised as an asset in the Commission's books because of lack of title deed and clarity in respect of ownership of land.

In response management stated that the Commission was processing 90% of title deeds for the assets while the golf club title matter was with the Registrar of Deeds for processing.

Auditor General's Comment

Once more, this is a long outstanding matter. When is it expected to complete all these exercises?

3.9 Submission of Income Tax Returns – Mainline Carriers

The auditors noted that income tax computations for Mainline Carriers had not been performed for the past 6 years, and no SAT payments had been made to BURS for any tax liabilities for all the tax periods. The Commission had also not submitted income tax returns to BURS for the respective periods.

In response management stated that Deloitte was engaged to carry out the audit of Mainline Carriers since 2006 and would file the tax returns once the audit is completed.

3.10 Inappropriate User Access on Food Chain

The auditors noted violation of segregation of duties in the following instances relating to user access on Food Chain system for Lobatse, Table Bay and UK:

- In Lobatse, a GPS consultant based in Cape Town had been granted administrator user role that allowed him the same access as the Senior Accountants on Lobatse Food Chain to perform accounting and inventory related transactions.

- All users on Food Chain in Lobatse, Table Bay and UK had the ability to make sales contracts and shipping instructions which should only be restricted to the Marketing Department and GPS.

- In UK, all users on Food Chain system had access to post supplementary invoices which should be solely restricted to accounting personnel and also one of the directors of GPS had been granted privileged access through assignment of group administration which had never been logged into.

Management in response stated that the above would be addressed through review of user access and restricting access based on job function.

118. **Botswana Agricultural Marketing Board**

The financial statements of the Botswana Agricultural Marketing Board for the financial year ended 31 March 2014 were audited by Messrs Ernst & Young, Certified Public Accountants, 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 2014, 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 (Chapter 74:06)

2.2 Financial Results

The Board recorded a profit of P4.13 million in the year under review, compared to P2.09 million in the previous year. Income from sale of goods and management fees on Strategic Grain Reserves increased from P178.82 million in the prior year to P212.90 million in the year under review, while expenditure increased from P176.73 million in the previous period to P208.77 million in the year under review.

2.3 Working Capital

As at 31 March 2014, the working capital position of the Board showed current assets of P171.90 million and current liabilities of P121.85 million, resulting in a net current asset position of P50.05 million.

2.4 Dividends

The Board had proposed a dividend of P1.03 million to Government for the accounts of 2013/14 financial year while the dividend of P522 894 in respect of the accounts of the 2012/13 financial year had not yet been paid to Government as at 31 March 2014. According to explanation from the Board the payment was made in July 2014, that is 15 months after the year the dividend relates.

The dividend of P285 743 in respect of the 2011/12 financial year was confirmed to have been paid in December 2012, although this is not reflected in the accounts of the Accountant General. In both confirmations, the amounts were gross of the withholding tax.

3.0 Management Letter

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

3.1 Damaged Stock

The auditors noted during the March 2014 stock count that the following stock items were identified as rotten, or expired, but had been included in the stock at year-end:

Quantity	Description
24	50 kg Millet Grain
3	50 kg Nutri Layer Mash
11	5 kg Millet Meal
33	5 kg Pannar 8816
3	50 kg Sasol Urea

The above had an effect of overstating the stock figures.

In response management stated that at the time of the stock count, the disposal of stock items was being considered by the Disposal Committee.

3.2 Differences in Selling Prices

The auditors noted that the selling price was not stated in some manual invoices and there were differences in invoice amounts between the manual invoices and the system invoices. The auditors further pointed out that this made possible the risk of controls in the sales module being overridden and could lead to fraud or revenue misstated. For example, in one instance the manual invoice was P293.20 and the system invoice was P269.65.

In response management stated that they would ensure that all manual sales were checked against the system invoices after capturing by June 2014. Furthermore, in case there was need for price alterations, the matter would be referred to the IT department at the Head Office.

3.3 Fixed Assets

a) Tagging of Fixed Assets

The auditors observed that all non-current assets at the Maun Branch were not tagged, hence it was not easy to trace the items to physical location. This could easily result in the assets being misappropriated.

In response management agreed with the auditors' observation and stated that the assets would be tagged by codes as per the register by mid-September 2014.

b) System Fixed Assets Codes

The auditors observed that the assets codes in the system did not match to any physical asset. This made it not easy to track the assets through their useful lives and also the records may not be accurate.

In response management agreed with the auditors' observation and stated that the assets would be tagged by codes as per the register by mid-September 2014.

3.4 Goods Received Notes

The auditors observed in the 25 items tested that the Goods Received Notes (GRNs) were only signed by the seller instead of being signed by both the Stock Controller and the seller as evidence of a purchase agreement. As a result, errors such as goods delivered being less than the order or being of poor quality, may remain undetected, resulting in possibility of fraud.

In response management stated that the template that was used at the time of audit did not accommodate the signatures of both parties but had been redesigned and would be used at the beginning of 2014/15 financial year. Management further stated that before the template was redesigned they had been relying on the grading report as it was signed by both parties and attached to the GRN.

3.5 Withholding Tax

The auditors noted 2 instances where the Board should have withheld tax. These are:

a) An external contractor was paid for actuarial services without the 10% withholding tax.

b) The Board constructed a salt shelter for P65 000 in Gaborone West during the year under review but there was no evidence that the 3% tax on contractors' fees were withheld.

This may subject the Board to being charged penalties for non-compliance by the Botswana Unified Revenue Services.

In response management indicated that they would ensure compliance with tax regulations by June 2014. A tax health check would be conducted during 2015/16 financial year.

3.6 Leave Provision

The auditors noted that their calculations of leave provision differed with those of the Board due to:

a) Incorrect opening balances as the prior year closing balance did not agree with the closing balance per the leave cards.

b) Incorrect closing balance on the leave card since the leave days taken by individuals were not updated on the leave card.

c) The leave days on the leave card were not calculated correctly.

This implies that incorrect information was used to calculate the provision which resulted in an incorrect amount reflected in the financial statements.

In response management indicated that the maintenance of leave records is centralised and its accuracy is dependent on timely submission of information from branches, but these were sometimes submitted late. Management has sensitised branch personnel on the need to forward leave information within 24 hours of being approved.

3.7 CAPEX Tender

The auditors observed when reviewing recently awarded contracts that no performance bond with the local bank was provided by the contractor within the stipulated period of 14 days in line with Section 11.6 of the Tender Policy. Therefore, the tender procedures may be flawed and the award may be made to a wrong candidate.

In response management stated that the performance bond was delayed by the bank's application process. In future the appointed contractor would be advised to apply for the performance bond well on time.

3.8 Government Subsidy

The auditors observed that the Board was inadequately prepared to implement the guidelines of Integrated Support Programme for Arable Agriculture Development (ISPAAD) on the subsidy of fertilizer, herbicides and seed for farmers since there was a backlog in recording of sales in the Board's records and submission of claims to the district offices of the Department of Crop Production. Furthermore, subsidy sales may not be complete since management could not provide a reconciliation of the same. It was also noted that a farmer had not signed an invoice amounting to P67 341 in January 2014 for the purchase of Ominia 20:7:3 as required by ISPAAD guidelines. The auditors pointed out that without preparation of reconciliations to assess completeness of subsidy sales, the stock losses on the affected subsidy stocks would be borne by the Board instead of the Department of Crop Production and that opportunity for fraud was created.

In response management committed to order stocks earlier, by August, and had engaged the Ministry of Agriculture to obtain inputs requirements for the year. Controls would be put in place and monitored to facilitate reconciliation of subsidy sales.

3.9 Property, Plant and Equipment

The auditors observed that even as the impairment policy of the Board states that assets would be assessed every 4 years for impairment, the last assessment was conducted in 2010 and some assets were not in good working condition. There were noticeable instances where some assets located at Maun, Francistown and Selibe-Phikwe branches, comprising of guard house, motor vehicle, printers and office chairs valued at

P167 686, were either not located or were in poor working condition. The auditors pointed out that this may lead to assets being overstated or misappropriated.

In response management noted the auditors' finding and stated that assets would be revalued during 2014/15 financial year.

3.10 <u>Strategic Grain Reserve</u>

a) <u>Bank Signatories</u>

The auditors noted from the Stanbic Bank confirmations that an employee who had resigned was reflected as an authorised signatory. The auditors' discussion with management indicated that no letter was issued to notify the Bank on the changes. The auditors pointed out the possibility of collusion by employees who had left and thereby process transactions without the Board's knowledge.

In response management indicated that this was an oversight and they would ensure that all signatories who had resigned from the Board are deleted.

b) <u>Management Oversight on SGR Accounts</u>

The auditors noted, when reviewing the records of the Strategic Grain Reserve (SGR), a potential lack of management oversight on the records since:

- A number of significant adjustments processed after year-end when they should have been done during the year.
- There was no evidence of review in the form of a sign-off on the records.
- There were delays in clearing creditors account balances arising from exchange gains or losses.

The above may lead to fraud and errors to go undetected and also non-compliance to the contract between SGR and the Board.

In response management indicated that they performed monthly reviews as well as review in its meetings. They would also ensure that SGR accounts were signed-off and reconciled timeously.

c) <u>Compliance with Agency Agreement</u>

The auditors noted the following matters in connection with the agency agreement between the SGR and the Board:

- Stock holding levels in terms of Clause 5 were not satisfied as at year-end for sorghum, maize and cowpeas/beans. There was no written evidence or formal communication between SGR and the Board on reasons for the quantities not having been maintained.
- The minimum stock levels were not adhered to by the Board for maize and beans in terms of Clause 7.
- It seems the Board was not paying mark-up of 5% for rotated stocks and the payments were not made within 30 days of the statement in terms of Clause 7. The Board owed SGR over P98 million accumulated over a number of years and this raised doubts on its recoverability.
- The Board was not paying interest on the amounts owed to SGR.
- Recharges between SGR and the Board were made regularly in terms of Clause 9 and 13 and these could have assisted in reducing the debtor balances.
- The Board could not provide the auditors with documented evidence for invoicing SGR at P18.41 instead of P24.53 for sorghum in the silos.

The auditors recommended that management review the contents of the agreement and comply with it.

In response management stated that:

- Stock levels for maize and beans had not been maintained due to the shortage of quantities produced nation-wide.
- The contract with SGR stipulated that the expected quantities to be maintained should be produced locally, and the Board would not meet such targets once they are not met at national level.

- The Board had been reducing the debt to SGR but not at a rate that could clear it. However, the Board holds stocks and debtors that could be converted to cash to clear the debt.
- With the bumper harvest being expected, they would ensure that the debt to SGR is cleared and stocks levels maintained as per the contract by 2015/16 financial year.

119. **Botswana National Productivity Centre**

The financial statements of the Botswana National Productivity Centre for the financial year ended 31 March 2014 were audited by Messrs PricewaterhouseCoopers, Certified Public Accountants, who were appointed by the Board of Directors in terms of Section 16 (2) of 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 2014, and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

Emphasis of Matter

The auditors drew attention to the fact that the Centre's current liabilities exceeded the total assets by P598 627, hence rendering its ability to continue as a going-concern dependent on continued financial support of the Government.

2.2 Financial Results

The financial operations of the Centre for the financial year ended 31 March 2014 resulted in a deficit of P8.03 million, compared to P12.45 million in the previous year. Income declined from P37.30 million in the previous year to P35.86 million in the year under review. Government grant was P28.04 million, representing 78% of the total income. On the other hand, administrative expenses totalled P43.89 million compared to P49.75 million in the previous year, out of which P32.69 million was staff costs (74.50%).

2.3 Working Capital

The working capital position of the Centre as at 31 March 2014 showed current assets of P8.32 million and current liabilities of P15.77 million, giving a net current liabilities position of P7.45 million.

The current liabilities included deferred grant and provisions for leave pay and gratuity totalling P13.75 million. Trade and other payables make up the balance of P2.02 million.

3.0 Management Letter

The auditors had issued a management letter and the single issue raised dealt with matters of accounting procedure and internal control which was appropriately addressed by management, hence it did not merit mention in this report.

120. **Botswana Postal Services**

The financial statements of the Botswana Postal Services are to be submitted to me, within 4 months or such extended time after the financial year-end as the Minister may direct, in terms of Section 21(2) and (3) of the Botswana Postal Services Act, (Cap 72:01). The Organisation had sought and was granted an extension of time for the accounts of the year ended 31st March 2014. The draft accounts were submitted to me for audit in June 2014 and at the time of writing this report they were yet to be signed by the Board pending finalisation of issues affecting the going-concern status of the Organisation following persistent losses in recent years.

In terms of the draft accounts, the loss in the year under review was P33.85 million, in the previous year was P76.29 million and in the year before was P3.57 million.

121. **Botswana Telecommunications Corporation**

The financial statements of the Botswana Telecommunications Corporation Limited are submitted by Messrs Ernst & Young, Certified Public Accountants, who were appointed by me in terms of Section 20 (2) of the Botswana Telecommunications Corporations Act (Cap 72:02).

The audit is to be conducted within 4 months of the financial year-end or such extended time as the Minister may direct. At the time of writing this report, the audited financial statements for the year ended 31 March 2014 were yet to be signed by the Board after finalisation of separation of the assets between the former Botswana Telecommunications Corporation and the associated entities.

122. **<u>Botswana Housing Corporation</u>**

The financial statements of the Botswana Housing Corporation for the financial year ended 31 March 2014 were audited by Messrs PricewaterhouseCoopers, Certified Public Accountants, who were appointed as auditors by the Corporation in terms of Section 24(3) of Botswana Housing Corporation Act, (Cap 74:03).

2.0 <u>Accounts</u>

2.1 <u>Audit Opinion</u>

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 2014, and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

2.2 <u>Financial Results</u>

During the financial year under review, the Corporation recorded a surplus of P16.26 million compared to P37.56 million (restated) in the previous year, representing 56% decrease. The revenue had declined from P467.00 million (restated) in the prior year to P300.45 million in the year under review, due in part to a decrease (65%) in sales of housing inventories from P263.47 million (restated) in the previous year to P91.45 million in the year under review.

2.3 <u>Working Capital</u>

The working capital position of the Corporation as at 31 March 2014 showed currents assets of P1.32 billion and current liabilities of P684.91 million, which resulted in a net current assets position of P635.09 million.

2.4 <u>Dividends</u>

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 now accumulated to P80.82 million as at 31 March 2014, including a proposed dividend of P8.73 million in respect of 2013/14 financial year.

3.0 Management Letter

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

3.1 Properties Title Deeds

The auditors noted, as in the previous year, a number of properties included in inventory and investment properties where the Corporation did not hold the title deeds. The carrying value of such properties as of 31 March 2014 was approximately P54.8 million. The auditors established from their discussions with management that the Corporation had continued its efforts towards obtaining these title deeds, and that there had not been any disputes/litigation challenging the Corporation's ownership of these properties. Accordingly, management believed that this was an administrative issue, which could successfully be remedied in the future.

Comment

As this observation had been made in the past, and there does not appear to be any dispute over the matters, but it is not clear why steps are not taken to regularise the situation by obtaining these important documents of title on properties.

3.2 Title Transfers for Sale of Properties to Government

The auditors observed, as in the previous year, significant delays in titles being transferred on sale of properties to Government and its related entities. Management had explained that such delays were caused by administrative lapses by other counter party government entities. The auditors had not noted any incidents where the Corporation had borne risks or enjoyed rewards of such properties sold to Government.

Comment

I consider that even in this case as well, matters should be speeded up to bring them to a conclusion.

123. **Botswana Savings Bank**

The financial statements of the Botswana Savings Bank for the financial year ended 31 March 2014 were audited by Messrs KPMG, Certified Public Accountants, who were appointed by the Board in terms of Section 4 (1) of the Botswana Savings Bank Act, (Cap 46:04).

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements presented fairly, in all material respects, the financial position of Botswana Savings Bank as at 31 March 2014, 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, 1992.

2.2 Financial Results

The financial operations of the Bank for the year ended 31 March 2014 showed a decreased profit for the year of P12.84 million, compared to P19.92 million in the previous year. The expenditure for the year under review increased from P111.01 million in the previous year to P137.77 million, representing 24% increase. The income for the year under review increased from P130.93 million in the previous year to P150.55 million, representing 15% increase.

2.3 Working Capital

The working capital position of the Bank as at 31 March 2014 showed current assets of P580.07 million and current liabilities of P31.32 million, resulting in a net current assets position of P548.75 million.

2.4 Dividends

During the year, the Bank paid P4.98 million to Government as dividends relating to the accounts of 2012/13. The Bank had proposed a dividend of P3.21 million to Government in respect of the 2013/14 financial year.

3.0 Management Letter

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

3.1 Accrued Interest on Savings Accounts

Although the accrued interest on savings accounts was paid in full at year-end, the auditors observed that the accrued interest ledger accounts for the Ordinary savings and Sesigo savings as at 31 March 2014 showed un-cleared accrued interest of P47 409 and P620 621, respectively. In addition, there were differences between accrued interest as per the general ledger and actual interest paid out per detailed account listing which may expose the Bank to financial losses as a result of irregularities relating to system computation of interest expense.

In response, management indicated that in the new system, interest accrual is processed daily hence any accounts closed during the month would attract interest up to the last day before closure, hence the issue would not arise in future.

3.2 Back-Dated Transactions

The auditors observed instances where 10 transactions were recorded on the banking system with value dates assigned to these transactions going back to prior financial years, which is contrary to the Bank's policy on recovery of transactions.

Management noted the anomaly raised by the auditors and stated that measures had been put in place to control and manage backdated transaction processing. Management further explained that the process of backdating can only go as far back as the 1st April of the current financial year and that system controls had been put in place to deter any backdating to the prior year. In case there should be a need to pay interest for prior year, manual entries would be raised for sanction by the Directors or the Managing Director.

3.3 Suspense Accounts

The auditors noted 13 instances of suspense accounts in Bankers Realm for which no reconciliation or evidence of monitoring was apparent.

In response management indicated that all suspense accounts had been assigned to responsible custodians at supervisory and management levels, to monitor all transactions processed into the accounts and their subsequent reversal on weekly basis. Management would also report the status of these accounts to Finance & Audit Committee on a regular basis.

3.4 Overdrawn Balances

The auditors noted that although the Bank did not offer overdraft facilities, some of the savings accounts were overdrawn at the reporting date. This exposed the Bank to the risk of losses through irrecoverable overdrawn funds.

In response, management indicated that initiatives undertaken such as data clean-up exercise (P1.45 million) and write-offs (P396 855), reduced the overdrawn balances from P2.1 million in March 2013 to P200 000 as at 31 March 2014. The Bank had noticed that most of the overdrawn balances were caused by non-deduction of bank charges and hence in future would engage BotswanaPost to make deductions for bank charges before honouring any withdrawals.

124. **Botswana Tourism Organisation**

The financial statements of the Botswana Tourism Organisation for the financial year ended 31 March 2014 were audited by Deloitte & Touché, Certified Public Accountants, who were appointed by the Board in terms of Section 22 (2) of the Botswana Tourism Organisation Act, 2009 (Cap 42:10).

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 Tourism Organisation as at 31 March 2014, 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 Tourism Organisation Act, 2009.

2.2 Financial Results

In the year under review, the Organisation recorded a deficit of P6.25 million, compared to a deficit of P19.26

million in the previous year. The reduction in deficit can be attributed to increase in Government grants from P65.55 million to P83.58 million representing 27.6%. The income for the year was P85.50 million made up of Government subventions of P83.58 million as the main source and the balance of P1.92 million derived from sundry income. The major areas of expenditure covered staff expenses, local and overseas promotions for a total of P91.76 million, recording an increase of 4.7% over last year's expenditure.

2.3 Working Capital

The working capital position of the Organisation as at 31 March 2014 showed current assets of P21.95 million and current liabilities of P19.64 million, giving a net current assets position of P2.31 million.

3.0 Management Issues

The following is one of the matters raised by the auditors and the response of the management thereto:

3.1 Non- Compliance with International Accounting Standard (IAS 16)

The auditors observed that the Organisation had not complied with the requirements of IAS 16 – Property, Plant and Equipment. From discussions with management it was evident that the useful lives and residual values of assets were not reviewed on an annual basis and that depreciation was then calculated based on the revalued amounts.

In response management noted the auditors finding and undertook to engage a professional valuer during 2014/15 financial year to assist with the review of the useful lives of all assets. The assets that were fully depreciated with zero useful lives were computers and vehicles which were earmarked for disposal.

125. **Botswana National Sports Council**

The financial statements of the Botswana National Sports Council (Council) for the financial year ended 31 December 2013 were audited by Messrs Grant Thornton, Certified Public Accountants, who were appointed by the Council in terms of Section 15 (3) of the Botswana National Sports Council Act (Cap 60:01).

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The annual financial statements presented fairly, in all material respects, the financial position of Botswana National Sports Council as at 31 December 2013, 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 financial year under review, the Council recorded a surplus of P5.84 million, compared to P24.27 million in the previous year. The decrease in surplus was mainly due to the reduction in Government grant from P83.79 million in the previous year to P69.71 million in the year under review. The funds distributed to affiliates and associates increased from P32.86 million in the previous year to P41.32 million in the year under review. The accounts indicate that in the year under review, property revaluation which included the National Stadium and the Athletes' Village realised a valuation of P393.84 million.

2.3 Working Capital

The working capital position of the Council as at 31 December 2013 showed current assets of P1.48 million and current liabilities of P9.07 million, resulting in a net current liabilities position of P7.59 million.

The adverse liquidity position of the Council, which is a continuation of the past years, is a cause for concern and its going-concern status is dependent on the Government providing financial support.

3.0 Management Letter

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

3.1 Authorisation of Expenses

The auditors noted that the affiliate expenses which had exceeded the budgeted amounts had not been authorized and that the Council did not have policies and procedures in place to address these issues. The lack of policy and procedures carries with it the risk of misuse of funds.

In response management indicated that the Council had installed the ACCPAC Funds Availability Module that would update all the commitments made on every expenditure vote against its allocated budget. Management further stated that the module had been programmed in a way that any budget allocation that reaches zero balance would automatically lock itself and only the CEO and the Finance Manager could do a virement of funds from one vote to another after consultation with management.

Comment

The management response is too general and does not deal with the specific instances raised by the auditors where budget had been exceeded.

3.2 Authorisation of Bad Debts Written-off During the Year

The auditors observed that there was no authorisation of bad debts that were written off during the year, citing a bad debt amounting to P444 006.85 from Supreme Council for Sport in Africa (SCSA) which was written-off during the year under review. The auditors pointed out that non-authorisation of bad debts write-offs could lead to control weaknesses, thereby increasing the risk of fraud and error.

In response management noted the auditors' observation and indicated that a policy on authorisation levels in terms of how much could be written off by management and that which should be taken for approval by the Board would be developed.

3.3 Revenue Completeness

The auditors noted that whenever there was need to cancel an invoice after raising it, a credit note was not posted but rather the invoice was deleted. They also pointed out that deletion of invoices raised increases the risk of fraud and errors thereby making it difficult to determine revenue completeness.

In response management noted the auditors finding and committed to ensuring that proper procedures were followed when reversing transactions.

126. **Botswana Bureau of Standards**

The financial statements of the Botswana Bureau of Standards for the financial year ended 31 March 2014 were audited by Messrs PricewaterhouseCoopers, Certified Public Accountants, 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 2014, 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 Bureau recorded a loss of P10.00 million, compared to P54.76 million reported in the previous year. Income increased from P35.01 million in the previous year to P87.74 million in the year under review, an increase of 150.6%, mainly comprising Government grant which significantly increased from P23.69 million in the previous year to P76.67 million in the year under review. Expenditure increased from P89.77 million in the previous year to P97.74 million in the year under review, an increase of 8.9%.

2.3 Working Capital

The working capital position of the Bureau as at 31 March 2014 showed current assets of P15.25 million and current liabilities of P17.25 million, giving a net current liabilities position of P2.00 million.

The current liabilities include a provision of P11.27 million towards employees' gratuity, leave pay and performance based reward system (PBRS). The Bureau is obligated to pay their employees the PBRS up to a maximum of 5% of the gross annual salary.

3.0 Management letter

The following was one of the matters raised by the auditors and the management response thereto:

3.1 Fixed Asset Register

The auditors noted that the total accumulated depreciation of property, plant and equipment in the register differed with that in the ledger accounts by P1.4 million. The auditors recommended that a responsible officer should review the information in the fixed assets register to ensure the accuracy of the information shown in the financial statements.

In response management noted the auditors' finding and stated that at the time of audit the assets register and the general ledger had been reconciled but adjustments had not been completed.

127. **Botswana Examinations Council**

The financial statements of the Botswana Examinations Council for the financial year ended 31 March 2014 were audited by Messrs PricewaterhouseCoopers, Certified Public Accountants, 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 present fairly, in all material respects, the financial position of the Botswana Examinations Council as at 31 March 2014, 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 20 of the Botswana Examinations Council Act, 2002.

2.2 Financial Results

During the financial year under review, the Council recorded a deficit of P98.46 million, compared to a surplus of P11.00 million in the previous year. The deficit was mainly due to a reduction in Government subvention from P195.08 million in the previous year to P121.58 million (92% of the

Council's income) in the year under review, representing 38%; a reduction in finance income from P7.99 million to P1.73 million, an increase in expenses from P207.29 million to P237.94 million.

2.3 Working Capital

The working capital position of the Council as at 31 March 2014 showed currents assets of P18.54 million and current liabilities of P43.50 million, which resulted in a net current liabilities position of P24.97 million.

The current liabilities included gratuity and leave pay provision of P7.26 million and deferred revenue of P5.06 million in relation to restructuring and alignment to the Botswana Qualifications Authority.

3.0 Management Letter

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

3.1 Markers' and Moderators' Fees

The auditors noted that the Examination Administration database did not have complete information on the markers and moderators and that the payments to markers and moderators were made on the basis of number of scripts marked or moderated. However, the auditors noted that for certain markers and moderators, information on the number of scripts marked or moderated by each examiner was not available in the database which led to the Council calculating PAYE relating to markers and moderators using manual records. The auditors pointed out that this situation may lead to duplication of payments or payments of incorrect amounts hence management should ensure that information relating to markers and moderators is accurate and complete.

In response management acknowledged the auditors observations and pointed out that the Examination Personnel Payments system which was developed in 2012 could not be used in the 2013 examinations as it had not been fully tested. Management gave assurance that the system had since been tested and would be used in the December 2014 JCE and BGCSE examinations scripts payments. Management also explained that the system is designed in such a way that it ensures that all the necessary information needed has to be available before a payment is processed. For payments done outside the system, management would continue to carry out manual PAYE computations but with increased the level of checking and verification to ensure that the manual computations are correct.

3.2 Overpayment to Examiners

The auditors noted instance where one payment batch to the examiners had been duplicated which was subsequently accounted for as receivable.

In response management stated that the error was a technical glitch when the internet transfer was activated twice when the payment report failed to indicate that payment was already processed. Management had since recovered some of the funds leaving out P5 546.34 for one examiner who was written a letter and the Council would engage lawyers if he would not have settled the amount by end of 2014/15 financial year.

3.3 Physical Verification of Assets

The auditors noted that fixed assets were not physically verified and reconciled to the fixed assets register and that the register was not updated with assets returned to the Government. This may result in errors and malpractices which may not be detected.

In response management stated that they would come up with a process of verifying the assets and also be included in the internal audit plan.

128. **Public Enterprises Evaluation and Privatisation Agency**

The financial statements of the Public Enterprises Evaluation and Privatisation Agency for the financial year ended 31 March 2014 were audited by Messrs PricewaterhouseCoopers, Certified Public Accountants, who were appointed by the Board, in accordance with Clause 14.1 of the Agency's Articles of Association as read with Section 191 of the Companies Act (Cap 42:01).

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 Public Enterprises Evaluation and Privatisation Agency as at 31 March 2014, 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 Agency recorded a surplus of P2.15 million, compared to P1.25 million in the previous year. Income rose from P29.55 million in the previous year to P38.71 million in the current year, while expenditure increased from P28.29 million in the previous year to P36.56 million in the year under review.

The Government grant, which constitutes the only source of income, increased from P29.45 million in the previous year to P38.28 million in the year under review.

2.3 Working Capital

The working capital position of the Agency as at 31 March 2014 showed current assets of P20.32 million and current liabilities of P22.28 million, giving a net current liabilities position of P1.96 million.

The current liabilities include a balance of grants amounting to P18.17 million deposited with the Agency for privatisation projects of the identified state enterprises and other related matters.

3.0 Management Letter

The following was one of the matters raised by the auditors and the management response thereto:

3.1 Disposal of Assets

The auditors observed that, when moving to new premises during the year, the Agency had no use for the leasehold improvements costing P130 742 which were left behind at the previous premises. The redundant assets were not removed from the fixed assets register.

In response management indicated that they had proposed to the new tenants to buy the redundant assets. The assets would be disposed-of once negotiations are concluded and the fixed assets register would be adjusted accordingly.

129. Motor Vehicle Accident Fund

The financial statements of the Motor Vehicle Accident Fund (Fund) for the financial year ended 31 December 2013 were audited by Messrs KPMG, Certified Public Accountants, who were appointed by the Board in terms of Section 18 (2) of the Motor Vehicles 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 2013, 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 Fund for the year ended 31 December 2013 showed an increase in surplus for the year from P130.04 million in the previous year to P142.92 million in the current year. The surplus for the year arose from operating income of P330.51 million and share of profit from associates of P1.99 million on one hand, and expenses of P189.58 million, on the other. Furthermore, other comprehensive income (net) substantially increased from P128.32 million in the previous year to P280.27 million in the current year mainly due to net fair value gains on available-for-sale investments. Therefore the Fund recorded total comprehensive income of P423.19 million during the year under review, compared to P258.36 million in the previous year.

2.3 Working Capital

As at 31 December 2013, the working capital position of the Fund showed current assets of P802.42 million and current liabilities of P183.65 million resulting in a net current asset position of P618.77 million.

3.0 Management Letter

The following was one of the matters raised by the auditors and the management response thereto:

3.1 Interest on Trust Liabilities

The auditors observed that interest on trust liabilities was calculated manually on excel spreadsheet. The medical claims as at 31 December 2013 were incorrectly calculated as they had used the October balances as opening balances for December 2013 instead of those for November 2013. On this basis, the interest expense was understated by an amount of P710 319.

Management in response indicated that SAP system upgrade was implemented in the third quarter of 2013 which enabled the configuration on the interest split enhancements to be carried out. The automation process for the line interest calculation was carried out during the last quarter of 2013. However, there were some system challenges which resulted in the decision to continue computing the interest calculation using excel spreadsheets. The implementation partner has been engaged to assist with the challenges encountered during the automation and this would be concluded by June 2014.

130. **Botswana Qualifications Authority**

The Botswana Qualifications Authority (formerly the Botswana Training Authority) is established to provide for and maintain a national credit and qualifications framework and to coordinate the education, training and skills development quality assurance system.

The financial statements of the Botswana Qualifications Authority for the financial year ended 31 March 2014 were audited by Messrs Deloitte & Touché, Certified Public Accountants, who were appointed by the Board in terms of Section 23 (2) of 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 2014, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

The Authority did not comply with Section 25 (1) of the Botswana Qualifications Authority Act, No. 24 of 2013 which requires the Board to submit to the Minister of Education and Skills Development, within a period of six months after the end of the financial year or within such longer period as the Minister may approve, a comprehensive report on its operations during such year together with the auditor's report and the audited accounts published in such manner as the Minister may specify.

2.2 Financial Position

In the year under review, the Authority recorded a deficit of P5.91 million, compared to a surplus of P11.64 million in the previous year. Income declined from P27.58 million in the previous year to P20.00 million in the year under review, representing 27.5% decrease, mainly due to a decline of Government grant from P22.67 to P13.89 million. Expenditure increased from P47.20 million in the previous year to P49.31 million in the year under review, an increase of 4.5%.

2.3 Working Capital

The working capital position of the Authority as at 31 March 2014 showed current assets of P33.84 million and current liabilities of P27.19 million, giving a net current assets position of P6.65 million.

3.0 Management Letter

The auditors had raised matters in the management letter of accounting nature which were of interest to management only, and did not merit mention in this report.

131. **<u>Human Resource Development Council</u>**

The financial statements of the Human Resource Development Council for the financial year ended 31 March 2014 were audited by Messrs Ernst & Young, Certified Public Accountants, who were appointed by the Board in terms of Section 23 (2) of the Human Resource Development Council Act, No. 17 of 2013.

The Human Resource Development Council (formerly Tertiary Education Council) was established through the Human Resource Development Council Act, 2013 to provide for the promotion and funding of workplace training, human resource development planning and funding of tertiary education institutions.

2.0 <u>Accounts</u>

2.1 <u>Audit Opinion</u>

In the opinion of the auditors:

The financial statements presented fairly, in all material respects, the financial position of the Human Resource Development Council as at 31 March 2014, 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 Human Resource Development Act of 2013.

2.2 <u>Financial Results</u>

The Council recorded surplus of P767 653 in the year under review, compared to a deficit of P105 404 in the previous year. The revenue for the year under review was P42.08 million, of which P36.52 million was Government grant, while the expenditure was P41.31 million.

2.3 <u>Working Capital</u>

The working capital position of the Council as at 31 March 2014 showed current assets of P29.27 million and current liabilities of P26.71 million, resulting in a net current assets position of P2.56 million.

3.0 Management Letter

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

3.1 Delays in Imprest Retirement

The auditors noted instances where officers had not retired their imprests within the time stipulated in the Council's rules.

Management in response acknowledged the auditors' observation and stated that it would ensure that all policies and procedures are complied with at all times. A memo would be issued to all staff to remind them of their obligation to retire imprest in the stipulated time-frame, failing which the full amount would be deducted from their salaries.

3.2 Outstanding Former Staff Debtor Balances

The auditors noted that one former employee of teAIDS who left in 2013 owing the Council P39 249.95, had not paid by June 2014 and there was neither an agreed repayment plan in place nor the debt handed over to the Council's lawyers to assist with collection. It was also noted that another outstanding balance of P63 374.61 relating to a former employee who left the Tertiary Education Council in 2011, and though having been handed over to the lawyers for collection, had not been recovered as at March 2014.

Management in response acknowledged the auditors' observation and stated that the debt would be forwarded to the lawyers for collection.

4.0 Human Resource Development Advisory Council

The Human Resource Development Advisory Council (HRDAC) was established by a Presidential Directive (CAB 19 (B) 2009) in July 2009 to drive the implementation of the National Human Resource Development Strategy. The budget of the HRDAC during the financial year under review was administered by the Council and P13.30 million was used to meet operating expenses while an amount of P8.89 million, representing unutilised funds, was held by the Council as at 31 March 2014.

132. **<u>Non-Bank Financial Institutions Regulatory Authority</u>**

The financial statements of the Non-Bank Financial Institutions Regulatory Authority for the financial year ended 31 March 2014 were audited by Messrs Ernst & Young, Certified Public Accountants, who were appointed by the Board in terms of Section 33 (1) of the Non-Bank Financial Institutions Regulatory Act of 2006.

2.0 <u>Accounts</u>

2.1 <u>Audit Opinion</u>

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 2014, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and in the manner required by the Non-Bank Financial Institutions Regulatory Authority Act, 2006.

2.2 <u>Financial Results</u>

In the year under review, the Authority recorded a deficit of P1.31 million, compared to a surplus of P15.97 million in the previous year. Income declined from P46.51 million in the previous year to P41.48 million in the year under review, a decline of 10.8%, mainly comprising supervisory levies which significantly declined from P43.17 million in the previous year to P28.29 million in the year under review. Expenditure increased from P30.54 million in the previous year to P42.79 million in the year under review, an increase of 40% mainly attributable to staff and training costs.

2.3 <u>Working Capital</u>

The working capital position of the Authority as at 31 March 2014 showed current assets of P50.37 million and current liabilities of P7.33 million, giving a net current assets position of P43.04 million.

3.0 <u>Management Letter</u>

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

3.1 Statutory Instrument No. 42 of 2013

The auditors noted instances of potential non-compliance with Sections 4 and 5 of the Statutory Instrument No. 42 of 2013 as the majority of the supervisory levies were received after 30 April 2013 and 31 October 2013 without the Authority charging interest on the long outstanding balances. The non-charging of interest on long outstanding balances may create a perception that the Authority does not charge interest for delayed payments of levies.

In response management acknowledged the auditors' observation and indicated that the supervisory levies were gazetted on 24 April 2013 which was after the billing date, hence it would not have been prudent to charge the interest for the delay not occasioned by the regulated entities. However, there were some entities that were not charged penalties for late payment due to absence of a functionality to charge interest in the current accounting package. An envisaged ERP system would have an in-built functionality to permit calculation of interest, while in the meantime a spreadsheet based system has been developed as a stop-gap measure.

3.2 Long Outstanding Levy Amounts

The auditors observed that not all receipts from the regulated entities had been satisfactorily matched and allocated since the deposits did not have sufficient reference details to facilitate tracing. The unallocated receipt account had a balance of P176 911 at the end of the year under review, compared to P324 879 last year. The long outstanding supervisory levy balances amounted to P1.73 million as at 31 March 2014, compared to P1.87 million in the previous year and some of the entities had not communicated with the Authority to confirm their operational status.

In response, management stated that despite the measures put in place the Authority continued to experience challenges in addressing the unallocated receipts primarily as a result of de-registration or discontinuation rate of the regulated entities. Nevertheless, there had been an improvement as the balance reduced from P324 870 at 31 March 2013 to P176 911 at 31 March 2014 and also the bankers have rolled out a new system that would address some of the challenges. In an effort to step up collections the Authority issued demand letters to defaulting companies during January to March 2014 resulting in P2 million out of P3.9 million being recovered. However, the raising of penalty interest on overdue debts would not be prudent since most of the entities could not be easily traced and this would be ultimately written off.

133. **National Development Bank**

The financial statements of the National Development Bank are to be audited by an auditor appointed by the Minister in accordance with the provisions of Section 19 (2) of the National Development Bank Act (Cap 74:05).

In August 2014, I addressed a communication to the Chief Executive Officer requesting for the submission of the audited accounts and report of the Bank for the year ended 31 March 2014 for my review, in line with the existing arrangement. At the time of writing this report, I had not received those accounts and reports.

I have therefore not been able to include my comments on the accounts of the Bank for the year under review in this report.

134. **Botswana International University of Science and Technology**

The financial statements of the Botswana International University of Science and Technology are to be audited by an auditor appointed by the University Council in terms Section 19(1) of the Botswana International University of Science and Technology Act, (Cap 57:05).

In August 2014, I addressed a communication to the Vice-Chancellor requesting him to submit the audited accounts and reports of the University for the year ended 31 March 2014 for my review, in line with the existing arrangement. At the time of writing this report, I had not received those accounts and reports.

I have therefore not been able to include my comments on the accounts of the University for the year under review in this report.

135. **Botswana Institute of Chartered Accountants**

The financial statements of the Botswana Institute of Chartered Accountants for the financial year ended 31 December 2013 were audited by V K Verma & Associates, Certified Public Accountants, who were appointed by the Council 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 present fairly, in all material respects, the financial position of the Botswana Institute of Chartered Accountants as at 31 December 2013 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 53 (9) of the Accountants Act, 2010.

2.2 Financial Results

In the year under review, the Institute recorded a surplus of P1.47 million, compared to P0.66 million recorded in the previous year. The surplus resulted from income of P14.93 million and expenses of P13.33 million. Significant variations were in Government grants, which was P5.33 million compared to P2.95 million in the previous year, while other notable increases in expenses were in administration, public relations, and training and professional development.

2.3 Working Capital

The working capital position of the Institute as at 31 December 2013 showed current assets of P3.36 million and current liabilities of P4.29 million, resulting in a net current liabilities position of P0.93 million.

The current liabilities of P4.29 million included deferred income in the form of advance payments for subscriptions of P1.88 million.

3.0 Management Letter

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

3.1 VAT Returns

The auditors noted some errors in the VAT submissions. For example, VAT for August and September 2013 were overstated by P29 350 due to errors in calculations.

The auditors had also noted inconsistences with respect to the claims of VAT on food invoices, in one case the VAT was claimed on invoices of P13 152.09, whereas for the invoices of P57 154 VAT was not claimed.

In response, management agreed with the auditors' finding and stated that VAT returns were being streamlined to rectify the errors. The VAT reporting processes were being looked into to ensure that the errors would not occur.

3.2 Debtors

The auditors noted that out of the seminar debtors of P66 708, only one debtor was willing to pay while the rest of the debtors of P41 000 had not responded to the request for payment.

In response management indicated that letters would be written to debtors stating that if payment is not received by the Institute, action would be taken against them.

136. **Local Enterprise Authority**

The financial statements of the Local Enterprise Authority for the financial year ended 31 March 2014 were audited by Messrs PricewaterhouseCoopers, Certified Public Accountants, 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 2014, 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 Authority recorded a surplus of P3.27 million for the year under review, compared to a deficit of P59.00 million in the previous year. Income (mainly comprising Government grants of P141.00 million) significantly increased from P85.76 million in the previous year to P145.66 million in the current year, while expenditure reduced from P144.76 million in the previous year to P142.39 million in the year under review.

2.3 Working Capital

The working capital position of the Authority as at 31 March 2014 showed current assets of P21.90 million and current liabilities of P20.79 million, resulting in a net current assets position of P1.11 million.

3.0 Management Letter

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

3.1 Fraud During the Year

The auditors observed that during the year management uncovered three instances of fraud involving the following:

a) Abuse of super user rights by a senior manager who overrode the payroll function to stop his bank and study loans deductions for the month of December 2013. The concerned individual resigned upon being put on suspension pending disciplinary hearing. It would be appreciated if the exposure of the Authority on both the bank and study loans were indicated and action taken to recover from the officer who resigned.

b) Collusion of one of the drivers in Gantsi with a petrol attendant to defraud the Authority as fuel that was never supplied was paid for. The individual was dismissed and was being pursued by the Authority to recover the loss. It has not been indicated how much money was involved and progress made in recovering the same.

c) Short banking of receipts from customers by an accountant in the Gaborone Branch. The officer resigned when the fraud was discovered and the case has been lodged with the police. The fraud could have long been detected had the branch manager properly reviewed the reconciliations. The branch management failed to avail to the auditors the receipts and the bank deposit slips pertaining to fraud as they were said to be misplaced. Here again, the amounts involved were not disclosed and also the progress made to recover the amounts not banked is not stated.

The auditors noted that the Authority was exposed to fraudulent behaviours due to non-strict adherence to set controls. Also the non-safeguarding of evidence and exhibits diminished the ability of the Authority to secure a successful recovery of losses and conviction. The controls put in place seemed to have been designed to detect fraud rather than prevent it.

In response management indicated that the LEA Internal Audit department conducted an investigation on the matters raised and the findings were communicated to the Audit Committee and the LEA Board. Management also stated that the LEA policies on controls were robust as they were able to detect elements of fraud timeously. The super user rights had been reviewed to consider whether staff could be given rights that allow them to view without amending the payroll in order to mitigate against any possibility of management override or abuse.

3.2 Imprest Retirement

The auditors had noted that the Authority had recorded unretired travelling imprests of P573 881 which had been building up thus suggesting that there was a break down in control over the granting and settlement of imprests. This weakness in controls left the Authority exposed to losses.

In response management had noted the auditors' observation and stated that it would ensure that all imprests are retired timeously and are administered in line with the existing Policies.

3.3 Tax on Staff Loans

The auditors noted that staff were given interest-free loans and yet no tax benefit was charged when computing Pay-As-You-Earn. This may expose the Authority to financial penalties.

In response management noted the auditors' finding and stated that it would ensure that there is compliance with the tax regulations at all times.

137. **University of Botswana**

The financial statements of the University of Botswana for the financial year ended 31 March 2014 were audited by Messrs PricewaterhouseCoopers, Certified Public Accountants, who were appointed by the Council in terms of the University of Botswana Act, 2008 (Cap 57:01).

In response to my request for the University to submit its audited accounts and reports for my review, I was furnished with draft accounts as the process of their approval by the Council had not been concluded at the time of writing this report.

2.0 Accounts

2.1 Audit Opinion

The auditors had not yet issued their opinion on the University's accounts for the year ended 31 March 2014 pending approval of the same by the Council.

2.2 Financial Results

In the year under review, based on the draft accounts, the University recorded a deficit of P303.00 million, compared to P102.89 million in the previous year. The income of the University for the year was P996.55 million while the expenditure was P1 299.55 million which resulted in a deficit of P303 million. The main items of income and expenditure comprised the following:

	P(million)
Government Subvention	308.21
Tuition and other Student Fees	427.01
Finance Income	82.86
Staff Costs	790.06
Other Operating Expenses	375.62

This year's deficit represents a significant increase from that of the previous year of P102.89 million.

2.3 Working Capital

The working capital position of the University as at 31 March 2014 showed current assets of P1 276.42 million and current liabilities of P354.14 million, giving a net current assets position of P922.28 million.

3.0 Management Letter

The University had not provided me with a management letter at the time of writing this report as they informed me that the auditors had not issued it pending finalisation of the accounts by the Council.

138. **Competition Authority**

The financial statements of the Competition Authority for the financial year ended 31 March 2014 were audited by Messrs Ernst & Young, Certified Public Accountants, 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 Competition Authority as at 31 March 2014, 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 2014 showed a deficit of P1.31 million, compared to a surplus of P3.36 million in the previous year. The total income increased from P24.67 million in the previous year to P27.16 million in the year under review, while the total expenditure increased from P21.31 million in the previous year to P28.48 million in the year under review. The Authority is mainly funded through Government subvention which was P25.35 million (93% of the total income) in the year under review.

2.3 Working Capital

The working capital position of the Authority as at 31 March 2014 showed current assets of P7.70 million and current liabilities of P4.40 million, resulting in a net current assets position of P3.30 million.

3.0 Management Letter

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

3.1 Value Added Tax (VAT)

The auditors noted that the Authority had registered for VAT in April 2012 and on 20 August 2014 submitted an application for deregistration to the Botswana Unified Revenue Services (BURS). BURS then cancelled the Authority's VAT registration effective from 15 May 2014. The VAT returns to the value of P680 308 for the periods May 2013 to February 2014 had not been assessed by BURS at August 2014, thereby exposing it to risk of not being recovered. The VAT returns submitted to BURS for the period up to May 2013 were not computed based on the apportionment ratio as guidance was not provided by BURS despite requests for clarification submitted.

In response management noted the auditors' finding and indicated that BURS was approached regarding the apportionment ratio but it advised the Authority to deregister for VAT effective May 2014.

3.2 Late Submission of PAYE

The auditors observed that the Authority submitted PAYE for the month of November 2013 on 20th December 2013 which was outside the 15th of the following month stipulated by legislation.

In response management noted the auditors' observation and indicated that the Authority would ensure that PAYE transfers to BURS strictly adhere to the statutory timelines.

3.3 Refund of the Security Deposit

The auditors noted that the Authority had paid P212 150 as security deposit in respect of a lease agreement for Plot 50664 at Fairgrounds which commenced on 1st September 2013 and terminated on 31st October 2013. The security deposit had not been refunded at August 2014.

In response management indicated that the Authority continued to engage with the former landlord for payment of the security deposit and had now engaged its legal department to explore legal routes available to recover the security deposit.

139. **Civil Aviation Authority of Botswana**

The Board of the Civil Aviation Authority of Botswana appointed me the auditor on 13th June 2013 in terms of Section 37 (1) of the Civil Aviation Act (Cap 71:04) for a 4-year period commencing with the audit of the accounts of the financial year ended 31 March 2013 and ending in March 2016.

The accounts for the financial year ended 31 March 2013 were not submitted to me for audit until November 2014, that is 20 months after financial year-end. As this period is outside that prescribed by Section 37 (1) of the Civil Aviation Act (Cap 31), which stipulates 4 months, the approval of the Minister had been obtained for the extension. At the time of writing this report, the audit was ongoing and the process is planned to be concluded by February 2015. The accounts for the year ended 31 March 2014 are already late for submission for audit in terms of the Act.

It is hoped that efforts would be made to bring all matters of these accounts up-to-date as this situation has persisted since inception of the Authority in 2009.

140. **Public Procurement and Asset Disposal Board**

The financial statements of the Public Procurement and Asset Disposal Board for the year ended 31 March 2014 were audited by Messrs Deloitte, Certified Public Accountants, 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 2014, 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 surplus of P7.81 million in the year under review, compared to P5.02 million (restated) in the previous year. Income, mainly comprising of Government grant of P42.38 million increased from P39.64 million in the previous year to P50.03 million in the year under review, while expenditure increased from P34.62 million in the previous year to P42.22 million in the year under review.

2.3 Working Capital

The working capital position of the Board as at 31 March 2014 showed current assets of P24.58 million and current liabilities of P9.73 million, giving a net current assets position of P14.85 million.

3.0 Management Letter

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

3.1 Board of Directors' Structure

The auditors observed that the Board of Directors is chaired by the Executive Chairperson who is also the Chief Executive Officer of the Board, implying an ineffective Board structure as suggested by King III. A unitary Board structure should comprise executive, non-executive and independent non-executive members and also the Board should be chaired by an independent non-executive director. The direct responsibility of the Board is focused on the approval of adequate policies, the subsequent oversight over the implementation of such policies and fostering the required culture at the executive level. The management on the other hand bears responsibility for the design and implementation of effective policies.

In response management noted the auditors' finding and stated that the Finance and Audit Committee would continue to engage all key stakeholders on the issue of separation of the roles of the Executive Chairperson from those of the Chief Executive Officer.

3.2 Reconciliation of Collections through BotswanaPost

The auditors observed that the Board had a contract with the BotswanaPost to collect its fees from customers using the Integrated Project Management System (IPMS) and remit the collections on monthly basis.

The reconciliation of information in the IPMS with expected collections from BotswanaPost for various customer fees was not prepared on monthly basis to ensure that up-to-date and accurate fees were remitted and received.

In response management noted the auditors' finding and undertook to do reconciliations on monthly-basis.

3.3 PPADB's Value Added Tax (VAT) Registration Status

The auditors noted that the Board's revenue exceeded the Botswana Unified Revenue Services (BURS) P500 000 threshold for VAT registration. Even though PPADB had submitted an application for VAT registration with BURS, it had not been registered at year-end.

In response management indicated that registration with BURS would be pursued and would ensure that it is concluded during 2014/15 financial year.

141. **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 2014 were audited by Messrs Deloitte & Touché, Certified Public Accountants, who were appointed by the Board in terms of Section 191 of the Companies Act (Cap 42:01).

The Botswana Institute for Technology Research and Innovation was established to conduct needs based research and development in focused areas of national interest and deliver high standard technology solutions that maximize the beneficiation of local resources through both institutional and collaborative programmes.

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 2014 and of its financial performance and its cash flows for the nine months then ended, in accordance with International Financial Reporting Standards.

2.2 Financial Results

The Institute recorded a surplus of P8.01 million during the year under review. Income, mainly from the Government grant of P14.97 million, was P15.01 million while expenditure was P7.00 million.

The amount of the surplus in relation to the Government grant indicated that the subvention was rather generous and needs to be reviewed to a more appropriate level in line with requirements.

2.3 Working Capital

The working capital position of the Institute as at 31 March 2014 showed currents assets of P20.04 million and current liabilities of P0.95 million, which resulted in a net current assets position of P19.09 million.

3.0 Management Letter

I understand from my discussions with management that the auditors had not issued a management letter because there were no significant matters that warranted to be brought to the attention of management.

142. **Botswana Privatisation Asset Holdings**

The financial statements of the Botswana Privatisation Asset Holdings for the financial year ended 31 March 2014 were audited by Grant Thornton, Certified Public Accountants, who were appointed by the Board in terms of Section 191 of the Companies Act (Cap 42:01).

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 Privatisation Asset Holdings as at 31 March 2014, 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 showed a profit of P10.88 million, compared to P13.03 million in the previous year, a decline of 17%. Income (largely dividends from Botswana Building Society) declined from P14.30 million in the previous year to P13.98 million in the current year, while expenditure increased from P1.27 million in the previous year to P3.11 million in the year under review.

2.3 Working Capital

The working capital position of the Company as at 31 March 2014 showed current assets of P1.12 million and current liabilities of P2.97 million, resulting in a net current liabilities position of P1.85 million.

The current liabilities include P1.96 million dividend due to Government in relation to the pre-transfer period (31 March 2011) which was not recognised as a liability at the time of the transfer.

3.0 Management Letter

The following was one of the matters raised by the auditors and the management response thereto:

3.1 Deduction of Withholding Tax on Dividends Paid

The auditors observed that Other Receivables included P1.05 million withholding tax deductions on current year dividends paid by the Botswana Building Society to the Botswana Unified Revenue Services (BURS). Although management had followed up BURS for a refund, there was no written response from BURS, hence a provision was made on the whole amount. Notwithstanding the provision, management was urged to continue following up the BURS to recover the amount of withholding tax.

At the time of writing this report, the management had not finalised their comments on audit observation. I am not therefore aware of progress made in the recovery of the withholding tax from the Botswana Unified Revenue Services.

143. **Botswana College of Agriculture**

The financial statements of the Botswana College of Agriculture for the financial year ended 31 March 2014 were audited by Messrs Deloitte and Touchè, Certified Public Accountants, who were appointed by the Governing Council in terms of Section 8 (2) of the Botswana College of Agriculture Act,(Cap 57:02).

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 College as at 31 March 2014, 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 College recorded a surplus of P10.23 million, compared to P217 353 in the previous year. Income increased from P137.10 million in the previous year to P163.11 million in the current year, while expenditure increased from P136.89 million in the previous year to P152.89 million in the current year.

Income for the year mainly comprised of Government subvention of P104.21 million, tuition fees of P44.18 million and other income of P14.42 million.

2.3 Working Capital

The working capital position of the College as at 31 March 2014 showed current assets of P33.89 million and current liabilities of P34.51 million, giving a net current liabilities position of P616 759. The current liabilities included unutilised development and project funds of P9.26 million and P2.44 million, respectively.

3.0 Management Letter

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

3.1 Land without Title Deeds

The auditors noted that the College was still in the process of obtaining title deeds for some portions of the land valued at P50.6 million on which it is located, currently registered in the name of the Government of Botswana. Even though management had followed up the matter, the response from the Department of Lands was not forthcoming.

In response management undertook to escalate the issue to the Permanent Secretary in the Ministry of Agriculture by December 2014.

3.2 Staff Imprests

The auditors observed that staff imprest account balances totalling P20 900 were outstanding going as far back as November 2013, which was contrary to the College's policy that they should be accounted for by staff on return from trips, failing which they are deducted from the next pay cheque.

In response management indicated that the outstanding staff imprests had some queries and that in future such queries would be addressed on time.

144. **Botswana Investment and Trade Centre**

The financial statements of the Botswana Investment and Trade Centre for the financial year ended 31 March 2014 were audited by Messrs PricewaterhouseCoopers, Certified Public Accountants, 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 financial statements presented fairly, in all material respects, the financial position of the Botswana Investment and Trade Centre as at 31 March 2014, 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 19 of the Botswana Investment and Trade Centre Act, 2011.

2.2 Financial Results

In the year under review, the Centre recorded a surplus of P16.26 million (before P1.32 million gain on revaluation of land and buildings), compared to a deficit of P33.57 million in the previous year. The surplus for the year under review resulted from income of P108.21 million and expenditure of P91.95 million. The income comprised Government grant (P82.63 million), fair value gain on investment properties (P13.92 million), rental income

(P8.65 million), Global Expo income (P1.54 million), finance income (P1.12 million) and other income (P345 821). Expenditure largely related to staff costs (P36.23 million), administrative expenses (P28.29 million), public relations expenses (P13.31 million), Global Expo expenses (P6.76 million) and Export promotion expenses (P2.16 million).

2.3 Working Capital

The working capital position of the Centre as at 31 March 2014 showed current assets of P44.06 million and current liabilities of P12.69 million, giving a net current assets position of P31.37 million.

3.0 Management Letter

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

3.1 Communication Within BITC and With Tenants

The auditors observed instances where revisions made to the lease agreements had not been included by way of an addendum. There were many instances where developments relating to the tenants were not properly communicated which resulted in those revisions not being captured in the lease agreements. This situation may expose the Centre to financial loss.

In response management noted the auditors' recommendation and stated that a task team comprising finance, property and legal divisions was in place to deal with property issues. Property management had been outsourced to a private property management company.

3.2 Interest on Late Settlement of Lease Rentals

The auditors noted that the Centre had not invoiced tenants with interest for delayed settlements despite there being a clause in the lease agreement for factory shells that provided for charging of interest on delayed settlements. In addition to the loss of income, this may create a wrong perception on the Centre regarding its policies on invoking terms and conditions of the tenancy agreement.

In response management agreed with the auditors' observation but stated that the reason for giving out factory shells at subsidised rentals was to maintain a competitive edge in attracting investors to Botswana. After considering the business implication of charging interest on top of rental charges, management decided not to implement the provisions of the agreement. Furthermore, management would make the necessary arrangements to revise the agreement by removing the provision on charging interest on late payments.

3.3 Backdating of Invoices

The auditors noted instances where invoices had been backdated and issued to tenants. For example, invoices raised in March for February rentals had been dated February in the accounting system. The auditors recommended that necessary measures should be taken to ensure that transactions are not backdated.

In response management acknowledged the auditors' recommendation and stated that the practice would be discontinued.

3.4 Ratification for Split Purchases

The auditors observed that approvals for individual purchases which were obtained based on the respective individual purchase values and the Centre did not have a policy for obtaining ratification on the total amount of various purchases made from the same company throughout the financial year.

In response management noted the auditors' observation and stated that they believed that various purchases from one supplier only arose for mutual exclusive projects which cannot normally be aggregated. All purchases were subjected to the correct approval authority, based on the limits.

3.5 Updating of Bank Records

The auditors observed that some employees who were no longer employed by the Centre continued as authorised signatories in the banking records. For example, 2 employees who left the Centre on 31 July 2012 were not removed from the list of authorised signatories by Stanbic Bank.

In response management stated that the Bank was notified well in time but did not execute the instruction on time. Numerous follow-ups were made to close the matter.

3.6 Cancelled Cheques in Bank Reconciliation

The auditors noted 2 instances where cancelled cheques amounting to P618 307, with one dated 29 January 2014 and the other dated 20 February 2014, were listed as unpresented cheques in the FNB reconciliation statement.

In response management acknowledged the auditors' finding and stated that monthly reconciliations were being conducted.

3.7 Procurement Procedures

The auditors noted an instance where a vendor selection was not approved in line with the existing approval levels. Total expenses for Rural Branding carried out in two phases amounting to P2.33 million had required approval from the Board Tender Committee in line with existing approval limits. However, the Centre obtained separate approvals for the 2 payments made of P1.45 million and P885 286 from the Board Tender Committee and Management Tender Committee, respectively, while the entire amount required a Board Tender Committee's approval. The auditors pointed out that procurement approval levels were set to ensure that commitments entered into by the Centre were supported with appropriate authority or approval.

In response management agreed with the auditors' finding and stated that they considered the Phases I and II as separate projects when seeking approval.

3.8 Maintenance of Regional Bank Accounts in ACCPAC

The auditors noted that the Centre did not maintain cash book accounts for regional bank accounts and the transactions were captured through journal entries into the account maintained in the general ledger. Even though the Centre had a multicurrency module in ACCPAC, the period-end revaluations were also performed outside ACCPAC using excel-based cashbooks maintained in the respective transaction currency. This situation may result in errors and misstatements.

In response management acknowledged the auditors' recommendation and stated that they would assess the benefits of mitigating the risk against the cost to be incurred.

3.9 PAYE Payments to India

The auditors noted that the Centre had continued to pay the Government of India PAYE tax on behalf of employees in India Branch in accordance with laws applicable in India. Given that Botswana and India had signed a double tax treaty, the Centre had continued to recognise the payments, which amounted to P940 043 at year-end, as receivable.

In response management agreed with the auditors' observation and stated that they had held meetings with Botswana Unified Revenue Services to expedite the matter whose process was lengthy as it involved two countries.

145. **Botswana Vaccine Institute Limited**

The financial statements of the Botswana Vaccine Institute Limited for the financial year ended 31 December 2013 were audited by Messrs PricewaterhouseCoopers, Certified Public Accountants, who were appointed by the Board in terms of Section 191 of the Companies Act (Cap 42:01).

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 Vaccine Institute Limited as at 31 December 2013, and its financial performance and its cash flows for the year ended, in accordance with International Financial Reporting Standards.

2.2 Financial Results

The Institute recorded a loss of P10.50 million during the year under review, compared to a profit of P4.87 million in the previous year. The income increased from P93.14 million in the previous year to P95.19 million in the year under review, while expenditure increased from P87.75 million in the previous year to P105.69 million in the year under review.

The Institute realised a gain of P53.40 million on revaluation of property, plant and equipment in the year under review.

2.3 Working Capital

The working capital position of the Institute as at 31 December 2013 showed current assets of P85.15 million and current liabilities of P68.70 million, resulting in a net current assets position of P16.45 million.

3.0 Management Letter

The following were some of the matters raised by the auditors:

3.1 Inventory Management

The auditors observed that the Institute used various raw materials in manufacturing vaccines, which were mostly purchased from Merial and were to be used within the specified expiry date or the agreed extended date by the technical team, whichever fell later. It was observed that raw materials amounting to P587 110 had expired and hence provided for the full amount as management concluded that the stock was not usable.

3.2 Debtors Management

The auditors noted that as at 31 December 2013, P4 923 897 (2012: P4 195 289) was outstanding for more than 90 days, representing 27% of the total debtors while other debtors amounting to P209 411 (2012: P156 851) had been outstanding for more than a year, indicating that there had been no improvements in the status of debtors compared to prior year.

Comment

The continued lack of monitoring of debtor accounts has implications on the company cash flows and with the risk of bad debts.

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

The financial statements of the Botswana Institute for Development Policy Analysis for the financial year ended 31 March 2014 were audited by Messrs KPMG, Certified Public Accountants, who were appointed by the by the Trustees in terms of the Deed of Trust (MA 16/95).

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements gave a true and fair view of the financial position of the Botswana Institute for Development Policy Analysis as at 31 March 2014, 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 Institute recorded a surplus of P3.06 million, compared to P1.17 million in the previous year. The income remained constant at P22.84 million, compared to P22.29 million in the previous year, while expenditure showed a similar trend by declining from P21.12 million in the previous year to P19.78 million in the year under review.

The Government grant, which is the main source of income, increased from P17.12 million in the previous year to P18.11 million in the current year. The Institute also generates revenue from its operations and investments.

2.3 Working Capital

The working capital position of the Institute as at 31 March 2014 showed current assets of P14.47 million and current liabilities of P6.72 million, which resulted in a net current assets position of P7.75 million.

3.0 Management Letter

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

3.1 Related Party Agreements

The auditors observed that the service agreement between the Institute and the Vision 2016 Council expired in 2009 and had not been renewed. There was also no signed agreement between the Institute and the Technical Assistant Project at the Ministry of Finance and Development Planning. Disputes between the 2 parties arising from provision of services may not be easily resolved due to lack of formally documented terms of reference.

Management responded by stating that it had been agreed that the Vision 2016 Council would prepare the contract for discussion with the Institute but such a contract had not been presented. Management could not locate the Technical Assistant Project contract drawn in 1995, but a revised one would be drawn for discussion and signing with the Ministry.

3.2 Gratuity Payments

The auditors observed that a former employee was overpaid gratuity by P3 317 when he left the Institute during the year.

Management in response stated that the individual was written a letter requesting for a refund. The Institute was in the process of automating gratuity calculations in the payroll system to avoid similar errors in future.

147. **National Food Technology Research Centre**

The financial statements of the National Food Technology Research Centre for the financial year ended 31 March 2014 were audited by RSM Gurugroup, Certified Public Accountants, who were appointed by the Board in terms of Section 191 of the Companies Act (Cap 42:01).

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 National Food Technology Research Centre as at 31 March 2014, 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 Centre recorded a surplus of P2.76 million, compared to a deficit of P2.10 million in the previous year. Income increased from P22.85 million in the previous year to P24.11 million in the year under review, while expenditure declined from P24.95 million in the previous year to P21.36 million in the year under review. The income for the year comprised of Government grant of P22.81 million, sale of goods and services of P499 383, other income of P548 628 and investment income of P249 755. The decline of the employee costs from P17.51 million in the previous year to P15.52 million was mainly due to the restructuring exercise.

2.3 Working Capital

The working capital position of the Centre as at 31 March 2014 showed current assets of P19.02 million and current liabilities of P15.89 million, giving a net current assets position of P3.13 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 Register

The auditors, as in the previous year, observed that:

- The Centre had fully depreciated assets which were still in use and there had been no efforts made to revise their useful lives and residual values.
- The fixed assets register had not been updated to include current year additions; and
- Accumulated depreciation had not been adjusted for some of the assets that were disposed of.

Management in response stated that a consultant had been engaged to assist with the procedures for revaluation of fully depreciated assets and the process was ongoing.

3.2 Filing of Statutory Documents

The auditors observed that the Centre had not filed a return reflecting appointments and resignations of directors that took place during the year, as required by the Companies Act. The omission may result in fines and penalties being imposed on the Centre.

Management in response acknowledged that there was a delay in updating the Centre's records at the Registrar of Companies since some directors who had resigned delayed in submitting documents required for updating of the records which were subsequently corrected.

148. **<u>Botswana Development Corporation Limited</u>**

The financial statements of the Botswana Development Corporation Limited for the financial year ended 30 June 2013 were audited by Messrs Deloitte & Touché, Certified Public Accountants, who were appointed by the Board in terms of Section 191 of the Companies Act (Cap 42:01).

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 2013, 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.

Emphasis of Matter

The auditors drew attention to the fact that the carrying value of the Company's investment in Fengyue Glass Manufacturing (Botswana) (Propriety) Limited of P511 million, an associated company accounted for by the equity method, was assessed as fully impaired. The impairment indicators existed at the end of 2012 and 2011 financial years, hence the restatements of comparative figures which show losses.

2.2 Financial Results

In the year under review, the Group recorded a profit of P107.09 million, compared to a restated loss of P35.80 million in the previous year, while the Corporation recorded a loss of P68.03 million, compared to a loss of P122.59 million in the previous year. The revenue for the Group increased from P274.42 million in the previous year to P317.93 million in the year under review, representing 15.9% increase, whereas the revenue for the Corporation declined from P104.15 million in the previous year to P101.74 in the year under review, representing 2.3% decline.

The operating revenues for the year under review for the Group and the Corporation comprised the following:

	Group P' Million	Corporation P' Million
Trade Income	216.56	101.74
Rental Income	101.38	-
Finance Income	23.04	37.34
Other Operating Income	17.62	12.51
Share of Profits of Associates	71.81	-

2.3 Working Capital

The working capital position of the Group as at 30 June 2013 showed current assets of P417.76 million and current liabilities of P412.12 million, resulting in a net current assets position of P5.65 million. The Corporation showed current assets of P179.84 million and current liabilities of P573.61 million, resulting in a net current liabilities position of P393.77 million.

Current liabilities of the Corporation include P289.05 million due to related parties.

3.0 Management Letter

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

3.1 Prior Year Matters

The auditors noted that the following issues raised in the prior period had still not been resolved:

- Accounting for the Investment Property in Phakalane Property Development (Proprietary) Limited for consolidation purposes
- Loss making subsidiaries were still making losses
- Missing share certificates
- Lack of access profiles review on MDA Property Systems.

3.2 Fixed Assets Register

The auditors noted that development costs relating mainly to an old decommissioned Lotus IT system and some other systems purchased at P4.59 million between July 2000 and December

2006 and with net book value of P229 616 as at 30 June 2013, had not been removed from the fixed assets register.

In response management agreed with the auditors' finding and stated that the assets had now been removed from the fixed assets register.

3.3 Interest on Intercompany Loans

The auditors noted the following in 3 related party loan transactions with a closing balance of P225.82 million:

- No formal loan agreements;
- Interest calculation was based on a rate of 6% which was not assessed periodically against market interest rates; and
- No movement in the loan balances in the year under review and the loans had been outstanding for more than 12 months.

In response management noted the auditors' observation and stated that:

- Arrangements would be made to have formal loan agreements in place.

- The interest rate of 6% was based on the market rates at the time when decision to pay interest to the property companies was made. However, the interest rate would be revised periodically to be in line with prevailing market rates until the loans have been fully paid.

- The initial intention was to settle the loans in one payment hence the absence of loan repayment schedules. The Commercial Holdings' loan has since been fully repaid, leaving only those of Botswana Hotel Holdings and Residential Holdings.

3.4 Preference Share Certificates

The auditors observed that the Corporation did not have share certificates in 4 companies in which it held a combined total of 9 640 977 preference shares, hence the validity of the value of the investment or ownership may not be established.

In response management agreed with the auditors' observation and stated that action had been taken, since a share certificate had been issued for one company while it was in progress for the remaining three.

3.5 Loans Management System Access Profiles Review

The auditors observed absence of procedures for reviewing user access profiles on the loans management system, hence users could have access privileges beyond those necessary to perform their assigned duties. This may vitiate the segregation of duties and ultimately compromise critical financial data in the system.

In response management agreed with the auditors' observation and stated that an access matrix had been drafted and user rights would be reviewed bi-annually.

3.6 Bank Signatories

The auditors observed that 3 officers who left the Corporation between November 2012 and January 2013 were not immediately removed as authorised signatories even though a resolution for their removal was made in March 2013. The bank had not been notified to update the authorised signatories.

In response management accepted the auditors' observation to update the bank with the authorised signatories as soon as the person is no longer under their employ.

149. Botswana Stock Exchange

The financial statements of the Botswana Stock Exchange (Exchange) for the financial year ended 31 December 2013 were audited by Messrs KPMG, Certified Public Accountants, who were appointed by the Stock Exchange Committee in terms of Section 41 (2) of the Botswana Stock Exchange Act, 1994 (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 Botswana Stock Exchange at 31 December 2013 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 financial year under review, the Group and the Exchange recorded profits of P14.86 million and P10.41 million respectively, compared to P13.45 million and P11.19 million, respectively, in the previous year. The Group profit for the year of P14.86 million is a result of income of P35.23 million (which comprises mainly of revenue of P24.46 million and Government subvention of P9.29 million) on one hand, and administration expenses of P20.36 million, on the other.

2.3 Working Capital

The working capital position of the Group as at 31 December 2013 showed currents assets of P38.51 million and current liabilities of P5.23 million, which resulted in a net current asset position of P33.28 million.

3.0 Management Letter

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

3.1 System User Creation

The auditors noted that requests for access to systems by new Exchange staff were done via email without stating the role or menus that the user should be granted access to. The auditors further highlighted that users may be granted access privileges that were not required for their duties and confidentiality of information stored may be compromised. There was an instance where a driver/messenger was granted access profile to the finance department folder when his duties did not require him to view or work on such a folder.

In response management stated that the Exchange was in the process of finalising and implementing IT Policies, Processes and Procedures and also that the final draft would be presented to the Audit Sub-Committee at a meeting to be held on 15 April 2014. Management further stated that subsequently the approval for implementation of the IT Policies would be sought from the Main Committee at a Meeting to be held on 25 April 2014. As part of the IT Policies, management indicated that the Exchange would develop and periodically update a user privilege matrix, which would keep track of the IT resources and services that each user has access to.

3.2 Information Security Awareness

The auditors noted that new IT users were not inducted on the use of IT resources and the risks associated with the use thereof which may compromise integrity and confidentiality of the Exchange information.

In response management stated that the Exchange had resolved to introduce an induction program for all new employees to deal with the information security and use of IT infrastructure, resources and services. Implementation would be after approval of the IT policies by the Main Committee on 25 April 2014.

150. **Botswana Communications Regulatory Authority**

The financial statements of the Botswana Communications Regulatory Authority for the financial year ended 31 March 2014 were audited by Messrs Grant Thornton, Certified Public Accountants, who were appointed by the Board in terms of Section 26 (2) of the Communications Regulatory Act, (No 19 of 2012).

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements presented fairly, in all material respects, the financial position of the Authority as at 31 March 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, and the requirements of the Communications Regulatory Act, 2012.

2.2 Financial Results

The Authority recorded a surplus of P48.11 million for the year under review, compared to P40.58 million in the previous year. Income increased from P123.23 million in the previous year to P144.40 million in the year under review, while operating expenses increased from P83.16 million in the previous year to P96.28 million in the year under review.

2.3 Working Capital

As at 31 March 2014, the working capital position of the Authority showed current assets of P251.10 million and current liabilities of P63.10 million, resulting in a net current asset position of P188.00 million.

2.4 Dividends

The Authority paid P10.14 million as dividends relating to the accounts of 2012/13 financial year and proposed a dividend of P12.03 million to Government in respect of the accounts of 2013/14. The amount recorded by the Accountant General as receipt in the year under review, was P7 916 294.

3.0 Management Letter

The following is one of the matters raised by the auditors and the management response thereto:

3.1 Penalties on Delay in Submission of Turnover Fees - Telecom Operators

The auditors observed that there were considerable delays by one of the telecom operators in the submission of their returns during the year and no interest or penalties were levied by the Authority.

In response, management indicated that the Authority would develop the guidelines for charging penalties.

151. **Citizen Enterpreneurial Development Agency**

The Citizen Enterpreneurial Development Agency is a Government-owned company limited by guarantee established under the Companies Act. By arrangement, the Agency is 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 request for the audited accounts and reports, I received communication from the Agency informing me that the accounts were not ready for submission.

152. **Botswana Accountancy College**

The Botswana Accountancy College is a company limited by guarantee established under the Companies Act, to provide tuition in a range of internationally recognised business programs.

In response to my request for the audited accounts and reports I received communication from the College to the effect that the accounts were not ready for submission for review purposes.

153. **Botswana Unified Revenue Services**

The Botswana Unified Revenue Services is 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 2014, I addressed communication to the Director General requesting him to submit the audited accounts and reports of the Organisation for the year ended 31 March 2014, for my review, in line with the existing arrangement. These accounts and reports have not been received at the time of writing this report.

154. **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 2014 were audited by Messrs Grant Thornton, Certified Public Accountants, 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).

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 College of Distance and Open Learning as at 31 March 2014, 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 financial year under review, the College recorded a deficit of P4.73 million, compared to P11.99 million in the previous year. Income had increased from P68.33 million in the previous year to P92.47 million in the year under review, representing 35%, while expenditure increased from P80.32 million in the previous year to P97.20 million in the year under review, representing 21%. Income for the year comprised mainly of Government grants of P76.42 million and revenue from student applications and tuition fees of P14 million.

2.3 Working Capital

The working capital position of the College as at 31 March 2014 showed currents assets of P6.24 million and current liabilities of P23.65 million, which resulted in a net current liabilities position of P17.41 million.

The current liabilities included deferred revenue of P9.29 million and staff related accruals of P5.28 million.

3.0 Management Letter

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

3.1 Maintenance of Tutor Contracts

The auditors noted from a sample of 25 tutors that 7 tutor employment contracts could not be availed. The auditors highlighted that in the absence of a contract, parties are not liable to the breach of the agreement. This practise may give room for fraud as ghost tutors could be added to the list of payments since no one may question their inclusion.

In response Management noted the auditors' observations and committed to undertake an exercise that would confirm existence and maintenance of tutor contracts, and institute adequate filing processes and systems for contracts at all Regional Centres by January 2015.

3.2 Fraudulent Payments to Tutors

The auditors observed that 2 tutors did not appear on the list of approved tutor payments as provided by the Kang Regional Manager. It transpired that approved time sheets of employees selected for testing were not approved by the Kang Regional Manager and such people were not employed by the College. It was further noted that the approved list used by the Finance team differed from the approved list given by the Kang Regional Manager for the month of November 2013. There were alterations of approved payments schedule and forging of signatures on the payment schedule. The auditors also noted inadequate controls in Finance department to detect indicators of irregularities such as duplicate payments and non-deduction of taxes for some of the taxable balances.

In response Management pointed out that an exercise was carried out that determined that there was possible fraudulent activity at Kang. The matter had been reported to the Police and appropriate administrative action was considered. Management also committed to looking at ways to improve controls on tutor payments to prevent conceivable errors such as duplication of payments and fraud. Management had since requested that timesheets accompany the allowance schedule from the Regions before payments are processed and that payment schedules be sent directly by the Regional Managers.

3.3 Late Remittance of Withholding Tax

The auditors observed that withholding tax for PAYE relating to tutors was on a number of occasions remitted late to the Botswana Unified Revenue Services (BURS) for periods ranging from 2 to 82 days after the mandatory due dates. It was also noted that staff PAYE of P736 468.81 for March 2013 had still not been remitted to BURS at the time of audit.

In response management stated that payment to BURS was made late as the College experienced liquidity problems as funds for tutor payments were exhausted between August and December 2013. The remittance for March was processed on time but got delayed at the bank due to a system error.

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

The financial statements of the Botswana Fibre Networks (Proprietary) Limited for the financial year ended 31 March 2014 were audited by Messrs KPMG, Certified Public Accountants, who were appointed by the Board in terms of Section 191 of the Companies Act (Cap 42:01).

The Botswana Fibre Networks (Proprietary) Limited was set up as part of the assets separation of the Botswana Telecommunications

Corporation to provide wholesale national and international telecommunication infrastructure services.

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 (Proprietary) Limited as at 31 March 2014, and its financial performance and its cash flows for the 18 month period then ended, in accordance with International Financial Reporting Standards.

2.2 Financial Results

During the financial year under review the Company recorded a loss of P41.01 million, resulting from income of P42.18 million against expenditure of P83.18 million. The income included revenue from operations of P41.62 million, other income of P57 702 and finance income of P502 658 while expenditure comprised of cost of sales of P5.12 million, operating expenses of P77.92 million and finance costs of P142 353.

Trading with customers is reported to have only begun in the last quarter of the year under review.

2.3 Working Capital

The working capital position of the Company as at 31 March 2014 showed currents assets of P86.33 million and current liabilities of P68.19 million, which resulted in a net current assets position of P18.14 million.

3.0 Management Letter

The auditors issued a management letter and the issues raised were of interest to management only and did not merit mention in this report.

156. **Statistics Botswana**

The financial statements of the Statistics Botswana for the financial year ended 31 March 2014 were audited by Messrs Grant Thornton, Certified Public Accountants, who were appointed by the Board in terms of Section 24 (2) of the Statistics Act, 2009.

The Statistics Botswana was established to develop and manage official statistics 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 Statistics Botswana as at 31 March 2014, and its financial performance and its cash flows for the period 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 period under review, the Statistics Botswana recorded a surplus of P6.13 million resulting from income of P84.59 million against expenditure of P78.46 million. Income included Government grants of P83.01 million, subventions from donors of P1.55 million, other income of P18 941 and finance income of P5 153; while expenditure comprised operating expenses of P13.51 million, employee costs of P58.55 million and travel expenses of P6.40 million.

2.3 Working Capital

The working capital position of the Statistics Botswana as at 31 March 2014 showed currents assets of P37.00 million and current liabilities of P31.54 million, which resulted in a net current assets position of P5.46 million.

3.0 Management Letter

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

3.1 Property, Plant and Equipment

The auditors noted that the assets received by way of take-over from Central Statistics Office still had the numbers allocated previously. The register had new asset numbers given by the valuer but were not affixed on the assets. The auditors pointed out that the effective control over property, plant and equipment and physical control over the assets may not be achieved in the absence of proper records with unique identification numbers.

In response management stated that the valuation was in progress at the time of audit and the assets numbers had been allocated. The labelling process would be done by the end of the 2014/15 financial year.

3.2 Temporary Staff

The auditors noted that P898 439 was paid during the year to temporary staff and there was no monthly payroll schedule for the temporary staff hired in each month. The auditors pointed out that errors and irregularities in payroll costs may not be detected or corrected on time, which may result in opportunities for fraud and misappropriations.

In response management stated that a manual schedule was being used and a separate account for temporary employees would be opened in the system.

3.3 Financial Reporting Module

The auditors observed the following with regard to IT systems for the financial reporting module:

- Security policy had not been finalised and approved by the Board;
- Employees were not required to endorse acceptance of the IT security policies when joining Statistics Botswana;
- User access rights had not been fully set up and documented;
- Updates and IT administration of users was being performed by the Procurement Manager;
- There was no monitoring of access rights and their breaches;
- There was no documented programme maintenance plan in place; and
- There seemed to be lack of support from the software provider and also lack of training on the usage of the

software, hence staff were not fully aware of some functions of the software.

The auditors pointed out that undocumented controls may easily be overridden and were less effective in detecting errors.

In response management noted the auditors' observations and stated that IT policies and structures were at approval stage, transfer of IT roles would be implemented accordingly and a system implementation audit would be carried out for the financial reporting module.

157. **Vision 2016 Council**

The financial statements of the Vision 2016 Council for the financial year ended 31 March 2014 were audited by Messrs KPMG, Certified Public Accountants, who were appointed by the Botswana Institute of Development Policy Analysis in their capacity as administrators.

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 Vision 2016 Council as at 31 March 2014, and of its financial performance and its cash flows for the year then ended, in accordance with the International Financial Reporting Standards.

2.2 Financial Results

The Council recorded a surplus of P958 213 during the year under review, compared to a deficit of P597 897 in the previous year. This surplus resulted from income of P7.86 million (Government Grant of P7.08) and an expenditure of P6.91 million.

2.3 Working Capital

The working capital position of the Council as at 31 March 2014 showed current assets of P8.35 million and current liabilities of P1.17 million, which resulted in a net current assets position of P7.18 million.

3.0 Management Letter

The following was one of the matters raised by the auditors and the response of management thereto:

3.1 Related Party Agreements

The auditors observed that the service agreement between the Council and the Botswana Institute for Development Policy Analysis (BIDPA) had expired in 2009 but had not been renewed.

In response management stated that there was a provision for BIDPA to provide financial, IT and administrative services until a substantive agreement was signed with an identified service provider.

3.2 Accrual of Gratuity and Leave

The auditors observed that gratuity and leave provisions for 2 former temporary employees were not accrued for at year-end while the payment was made on 25 April 2014.

In response management noted the auditors' observation and stated that the two employees were hired on temporary basis for a year and that their contracts did not specify the benefits due at the end of their contracts. The employees were paid both leave and severance pay in line with the Employment Act.

XII CONCLUSION

158. I would like to thank the staff of the Office of all grades for the work that they had carried out, which greatly assisted in the production of this report. I would also like to thank the Accountant General and her staff for the ready assistance that they have accorded to my staff in the performance of their assignments.

I also wish to acknowledge the cooperation of the Permanent Secretaries and Heads of Departments and their staff during the audits of the Ministerial accounts; and the Chief Executive Officers of parastatals that are under the remit of my office.

The assistance given by all concerned has gone a long way in enabling me to produce this report in the discharge of my functions under the Public Audit Act (Cap 54:02).

I would be remiss not to thank the Government Printer and her staff for the speedy printing of this report, which enabled me to table it before the House within the time limit imposed by the Act.

16 January 2016

P.D. Letebele
AUDITOR GENERAL