PULA

REPUBLIC OF BOTSWANA

REPORT OF THE AUDITOR GENERAL

ON THE ACCOUNTS

OF THE BOTSWANA GOVERNMENT

FOR THE FINANCIAL YEAR ENDED

31ST MARCH 2020

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REPUBLIC OF BOTSWANA

Office of the Auditor General
Private Bag 0010
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Botswana

OFFICE OF THE AUDITOR GENERAL

20 October 2021

Honourable Ms Peggy O Serame, MP
Minister of Finance and Economic Development
Private Bag 008
GABORONE

Dear Madam,

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 2020.

I have the honour to be, Madam,

Pulane D. Letebele
AUDITOR GENERAL

OFFICE OF THE AUDITOR GENERAL

VISION

To be a world-class supreme audit institution.

MISSION

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

VALUES

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

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

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REPORT OF THE AUDITOR GENERAL ON THE ACCOUNTS OF THE BOTSWANA GOVERNMENT FOR THE YEAR ENDED 31 MARCH 2020

I BACKGROUND

1. The Auditor General of Botswana is appointed according to Section 116 of the Constitution of the Republic and draws her mandate from Section 124. The Public Audit Act empowers the Auditor General to conduct the following types of audits;

- Compliance audit
- Financial audit
- Performance audit
- Audit of Performance Information
- Specialised audit
- IT audit
- Forensic Investigations

The core business of the Office of the Auditor General is to provide an audit service to Government Ministries and Departments, Local Authorities and Land Boards and selected parastatals and thereafter submit the findings to Parliament, Councils and Boards respectively. The Auditor General's Annual Report is the main output of the Office and is a reflection of cumulative efforts over the year.

2. **Staffing**

The Office has a staff compliment of two hundred and fifty-one (251), out of which one hundred and eighty-nine (189) are audit positions. Of the one hundred and eighty-nine, twenty-three (23) are vacant. There are seventy (70) Corporate Services positions, five (5) of which are vacant.

Following the finalisation of the deployment structure in March 2017 the Office has been on an unprecedented recruitment drive, which has seen staff establishment increase from 201 in 2017 to 251 in 2019. However, due to a freeze on recruitment there were no further increases in the establishment in the years 2020 and 2021.

3. **Gender**

One hundred and sixty-two (162) out of a total of two hundred and fifty-one (251) officers or 64.5% are female.

4. **Qualification**

The Office of the Auditor General is equipped with well-qualified staff to deliver the Office mandate competently. Out of one hundred and eighty-nine (189) auditors, one hundred and sixty (160) hold first degree or better. This represents 85%. Twenty (20) translating to 11% hold a Diploma in Accounting and Business Studies or equivalent. Three (3) hold a Certificate in Accounting and Business Studies or equivalent, representing 1%. One auditor holds a qualification lower than certificate.

5. **Achievements**

Some key milestones attained during the year under review include;

Two new divisions, Policy, Research and Development and the Specialised Audit were also established. These structural changes have strategically positioned the Office to efficiently and effectively deliver on its mandate.

In April 2019, an automated audit management software {TeamMate}, was upgraded to include analytics. This was followed by training for audit staff in August 2019. However, due to prohibitive maintenance costs the Office is migrating to AFROSAI-e SAI Enhancement Audit Tool (ASEAT).

Notwithstanding travel restrictions due to COVID-19 pandemic and associated protocols, which limited access to clients, the Office managed to complete 64% of the planned audits. This is in addition to some unplanned audits, amongst them, audit of Emergency COVID 19 procurements. It is my wish to increase the number of outstation audits as most of the Ministries are now decentralized.

6. **Challenges**

(a) Staff shortages

In the recent past, the Office has experienced an increased demand for audit service particularly in the areas of financial, investigative and performance audits. In line with the strategic intent of being responsive and staying relevant to stakeholders needs, these requests had been taken on board, overstretching the already limited resources and negatively impacting turnaround times. The manpower rationalisation exercise had recommended for the creation of a 112 new audit positions. Only half of these positions (56) have been filled. Successive requests to fill the remaining positions have not been successful due to a freeze on recruitment. As a result, audit coverage has not increased as planned.

(b) Impact of COVID-19

The role of the Auditor General is to build confidence and public trust in the way public resources are utilised. In the context of COVID-19 pandemic response, emergency procurements demanded strategic agility on the part of the Auditor General to pay closer scrutiny due to increased risk of abuse of public resources. The Office has had to divert resources from regular audit assignments to follow this shift in audit focus and emphasis. To this end, a dedicated team was set up to focus on audit of COVID-19 procurements. There is need for additional capacity to carry out more of these audits and ideally in real time.

(c) Decreasing Budget

The Office travels extensively in pursuit of the budget trail both in ministry headquarters and at outstation offices. This requires significant resources and human capital. In the financial year 2018/2019 the warranted provision for internal travel vote was Six Million Nine Hundred and Thirty-Five Thousand Four Hundred and Fifty Pula (P6 935 450). This declined to Six Million Seven Hundred and Fifty-Five Pula (P6 755 450) in the financial year 2019/2020. This declined has proved to be a limiting factor to the audit coverage.

II INTRODUCTION

7. **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.

8. **<u>Scope of Public Accounts</u>**

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.

9. **<u>Extent of Audits</u>**

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.

10. **<u>Submission of Accounts</u>**

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

11. **Auditor General's Certificate**

The examination of the Annual Statements of Accounts of Botswana Government for the year ended 31 March 2020, which had been submitted to me in terms of Section 42 (2) of the Public Finance Management Act has been completed and my certificate thereon dated 28 May 2021 was transmitted to the Accountant General in terms of Section 42 (3) of the Act.

12. **Submission of the Report**

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

13. **Outstation Inspections**

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

III GENERAL

14. **Public Accounts Committee**

Standing Order 105.3 of the National Assembly provides that the Public Accounts Committee, a Standing Committee of the House, shall, after the end of each financial year, examine the accounts prepared and signed by the Accountant General and the accounts of the Special Funds. The Committee examined the accounts for the financial year 2018/2019 in accordance with this requirement from July to September 2020. It is expected that the examination for the accounts of the financial year 2019/2020 will be undertaken during the 2021 calendar year.

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

The Parliamentary Committee on Statutory Bodies and State Enterprises met from 23 November to 16 December 2020 to examine the Chief Executive Officers of selected parastatal organisations on the performance and activities of their entities, in terms of Standing Order 110 of the National Assembly.

16. **Currency**

The monetary values in this report are in the Pula currency, unless otherwise expressly indicated. The year-end balances in foreign currencies were translated to the Pula equivalents at the applicable middle-market rate as at 31 March 2020. For the Botswana Diplomatic Missions accounts, a fixed exchange rate for each host country, as determined by the Ministry of Finance and Economic Development, has been used throughout the year, unless otherwise advised by the Ministry.

IV STATEMENT OF ASSETS AND LIABILITIES

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

Imprests

The balance of outstanding imprests on the 31 March 2020 held by public officers in connection with their official functions totalled P19 581 894, classified as follows-

Travelling Imprests	19 082 923
District Imprests	18 699
Standing Imprests	481 272
	19 581 894

The imprest amount includes the credit balances of P101 543 being travelling imprest under the Industrial Court, which I consider should have been investigated and cleared. Out of the above balances, an amount of P18 699 in respect of District Imprests was non-moving. As stated in my previous report the facility of district imprests no longer exists, and therefore the long outstanding balance of P18 699 under the Administration of Justice should not feature among these accounts.

I have in the past suggested that the standing imprests, especially those of larger amounts, should form part of the year-end Boards of Survey cash checks operated by the Ministry of Finance and Economic Development. My suggestion in this regard had not been heeded, but I consider that the need for this to be done still exists as a control measure over the use of these facilities.

V CONSOLIDATED FUND

18. **Revenue Results**

The estimated revenue for the year was P66 078 680 000, and the actual collections were P58 663 042 919, resulting in a net of P7 417 136 300 under the estimate.

19. **Appropriation Act**

The sum appropriated from the Consolidated Fund by the Appropriation (2019/2020) Act No. 1 of 2019 for the financial year ending 31 March 2020 was P63 235 555 176.

20. **Supplementary Estimates**

The National Assembly approved supplementary provisions totalling P131 342 550 to Ministry of Finance and Economic Development, being replenishment for Agricultural Credit Guarantee Scheme, as stated in the Supplementary Estimates - Financial Paper No.1 of 2019/2020- August 2019:

A further sum of P1 101 100 200 was appropriated by the Supplementary Estimate – Financial Paper No 2 to meet expenditure incurred during the financial year-ended on 31 March 2020, for the following Ministries:

Presidential Affairs and Public Administration	12 447 940
Basic Education	71 234 580
Local Government and Rural Development	260 014 920
Defence Justice and Security	757 402 760
Total	P1 101 100 200

VI DEVELOPMENT FUND

21. **Appropriation Act**

The Minister of Finance and Economic Development issued a warrant of P17 033 995 030, from the Development Fund for the year ending 31 March 2020. The actual expenditure was P13 644 309 450 equating to 80 % of the approved budget.

22. **Supplementary Estimates**

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

a) Financial Paper No.1 of 2019/2020 – August 2019

Ministry of Agriculture Development and Food Security	54 000 000
Botswana Meat Commission Support	135 000 000
	189 000 000

VII OTHER STATEMENTS

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

This statement is a detailed summary of expenditure by Ministry/Department.

The Warranted Provision was P71 736 633 706 and the Actual Expenditure was P71 258 198 229, leaving an unspent balance of P478 435 477 (0.67%) of the Warranted Provisions.

A sum of P172 380 163 was overspent from the Warranted Provisions by the following Ministries, contrary to Section 118 (1) of the Constitution which states that "**no money shall be withdrawn from the Consolidated fund except to meet expenditure that is charged upon the Fund by the Constitution or by an Act of Parliament……**"

Ministry	Expenditure Over Warranted Provision
Agriculture Development & Food Security	16 947 285
Basic Education	112 933 757
Health and Wellness	24 959 332
Administration of Justice	6 695 639
Land Management, Water and Sanitation	721 317
Defence, Justice and Security	10 122 833
Total	172 380 163

The expenditure of statutory commitments relating to Public Debts; Pensions; Gratuities & Compensations, Specified Officers and Miscellaneous totalled P7 062 922 611 as compared to P8 096 784 462 in the previous year.

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

The statement shows special funds in Financial Institutions, Fund Management Entities as well as loans to Local Authorities, Public Enterprises and Statutory Bodies.

(a) Statements of Investment and Loans

The audit of the Statement of Investments and Loans made from Special Funds for the financial year ended 31 March 2020 gave rise to the following observations:

The statement had a balance of P3 545 275 748, being investments and loans, the breakdown of which is shown below:

Investment as per ASA submission	P3 463 470 124
Loan & other net assets as per ASA submission	P 81 805 624
Total	P3 545 275 748

(b) Public Debt Service Fund

The fund had a balance of P2 264 403 306 as at 31 March 2020 which included an amount of P160 000 000 loaned to Botswana Meat Commission in August 2019, the repayment of which was to be made within a period of twelve (12) months starting from the month following the disbursement of the loan. At the time of audit, the commission was in arrears to the tune of P95 880 379 as shown below:

Due Date	Principal Repayment	Interest	Sub-Total
27/09/2019	13 030 530.42	666 666.67	13 697 197.09
27/10/2019	13 084 824.30	612 372.79	13 697 197.09
27/11/2019	13 139 344.40	557 852.69	13 697 197.09
27/12/2019	13 194 091.67	503 105.42	13 697 197.09
27/01/2020	13 249 067.05	448 130.04	13 697 197.09
27/02/2020	13 304 271.49	392 925.59	13 697 197.09
27/03/2020	13 359 705.96	337 491.13	13 697 197.09
Total	92 361 835.29	3 518 544.29	95 880 379.62

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

Special fund refers to any fund of public revenues established by the law for some specific purpose. It can be any trust fund held by the Government and any fund created by the Minister while exercising his powers (Section 38 (1) Public Finance Management (PFM) Act 17 of 2011).

The audit of the accounts of Special Funds for the financial year ended 31 March 2020 under various Ministries gave rise to the following observations**:**

(a) Public Debt Service Fund (PDSF)

The purpose of the Fund is to receive and safeguard money made available to it or earned by it, which is to be utilized to meet, in whole or in part, future payment of debt charges to be made by the Government.

The audit of the accounts of Public Debt Service Fund observed that the fund had investment total balance of P2 264 403 306 as at 31 March 2020 and the following findings had been noted:

- Botswana Meat Commission (BMC)

  An amount of P160 000 000 was loaned to Botswana Meat Commission in August 2019, the loan repayment was supposed to be made within a period of twelve (12) months starting from the month following the disbursement of the loan. At the time of audit, the commission was in arrears to the tune of P95 880 379.61.

- Botswana Postal Services (BPS)

  In my previous report for the year ended 31 March 2019, I reported that BPS had outstanding arrears of P22 551 261 on a loan of P140 000 000 and for the year under review, the arrears had accumulated to P33 585 435.26.

(b) Guardians Fund

The Fund consists of all moneys received by the Master under the Act or any other law or in pursuance of an order of court or accepted by the Master in the trust for any known or unknown person. Whenever any such money is received by the Master he shall forthwith transmit that money to the Accountant General who shall open in the books of the Guardians Fund an account with the person to whom or the estate to which that money belongs.

The balances for depositors' accounts and General Ledger as at 31 March 2020 were P515 900 7512 and P520 150 052 respectively, resulting in a difference of P4 249 300. This difference was made of P616 599 for Gaborone/Lobatse and P3 632 701 for Francistown. A conclusive reason for the cause of the difference between the two books of accounts could not be given.

The review of records revealed that interest was accrued to beneficiaries' capital as and when the deposits were made to the accounts contrary to Chapter 31:01- 103 of the Administration of Estates Act which states that "Interest shall be allowed on the principal from the first day of the month following that which the money has been so received." Moreover, interest was capitalized on monthly balances not on the remaining balance, as at 31 March as stated by the Act.

(c) Covid-19 (Corona Virus)-Relief Fund

The purpose of the Fund is to respond to the economic and social impact of the COVID-19 pandemic through provision of relief funding for the control, prevention and treatment of the disease and after effects.

An interim audit of the accounts of the Covid-19 Relief Fund for the period April to August 2020 was carried out and it was observed that the Fund had income of P2 452 893 668, being receipts from other Special Funds and donations from public and other entities. The expenditure was P1 577 989 677 leaving a balance of P874 903 991 as at 31 August 2020.

The Fund did not have many transactions for the period ended 31 March 2020 as it was newly created. It had a balance of P875 693 715 made of transfers from other special funds of P875 000 000 and donations amounting to P693 715.

(d) Cattle Export Levy Fund

The Fund is used for the general benefit of the livestock industry in Botswana.

The audit of the accounts gave rise to the under-noted comments-

i. European Union Inspection

An amount of P6 000 000 was approved to be used in preparation for the European Union inspection that was scheduled for January 2020. However, it was noted that the expenditure was not consistent with the guidelines as stipulated in the Fund Order. The magnitude of the work done and the costs associated therewith demonstrated that the funds were used for maintenance related to routine activities such as maintenance of vehicles for other departments such as Crop Production and Veterinary Services, maintenance of fences, purchase of stationery and renovation of staff houses. These expenditures should have been charged to relevant account codes.

ii. Transfer of Expenditure

An amount of P1 533 675.15 was transferred to other departments by manual adjustment vouchers in respect of expenditure incurred on external travel, agricultural shows and services and the procurement of supplies for meetings held at Lobu Rural Development Center.

All authorised expenditures should be directly paid from the fund for ease of monitoring by administrators and for audit trail.

iii. Late Payments of Levy Monies

The Fund Order states that a levy shall be paid to Botswana Government 'upon every head of cattle slaughtered.' Instances of late payment of slaughter levy were noted with some dating as far back as 2016. For example, in January 2020, Kanye Abattoir had outstanding slaughter levy monies totaling P102 340 dating from 2016. Of the outstanding amount, P21 180 was paid in January 2020 leaving a balance of P81 160, which was still outstanding at the time of audit in November 2020.

iv. Salaries and Wages

Relevance could not be established for salaries which were paid from the Fund in respect of temporary gatekeepers and scientific officers for the months of February and March 2020, amounting to P511 260.10 as this was not in line with the purpose of the Fund.

v. Misallocations

Several payments were made from the Fund that could not be related to the allowable expenditure stated in the Fund Order. These payments included paying for Botswana Animal Information and Traceability System (BAITS) workshops, the purchase of several items of supplies such as stationery, tents, accommodation and meals.

vi. Innovative Process Solution Botswana

A company was engaged in August 2016 for a period of 18 months to design and construct a small stock abattoir in Tsabong at a contract price of P50 121 595. However, in May 2017 the project was put on hold to allow for a change in scope. This resulted in some new components being introduced and penalty charges amounting to P2 201 184.66.

It could not be established why this expenditure was charged to the fund instead of the relevant development expenditure vote.

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

Section 9 (2) of the Fund Order (Statutory Instrument No.94 of 2008) establishing the fund requires that I appoint an independent auditor to audit the accounts of the fund. In accordance with this provision, the appointed auditor has completed the audit and submitted the audited accounts for the years 2016/17 to 2019/20.

The following are some of the matters raised by the auditors:

i. Completeness and Accuracy of Funds Collected

The auditors were not able to establish the accuracy and completeness of funds collected as there were variances in the amounts declared by Botswana Revenue Services (BURS) as Levy on Technical Devices Fund and the amounts remitted to the Fund. The variances had been noted in previous years and had resulted in qualification of previous audit reports. As at 31st March 2019 the cumulative overstatement was P4 824 515. The BURS Annual Report for the year ended 31 March 2020 was not yet published at the time of audit.

In response, Management indicated that the reconciliation for the Fund account was done for 2019/20 whilst reconciliation for 2017/18 and 2018/19 was ongoing.

ii. Non –compliance with Memorandum of Agreement

The Government had entered into a Memorandum of Agreement (MoA) with BURS in 2008 requiring BURS to secure and keep safely all revenue and accounting documents and to make quarterly remittances of cash and accountable documents to the Ministry of Investment Trade and Industry. BURS has however, not remitted documents as agreed increasing the risk of inaccuracies.

In response, Management stated that the MoA, was being reviewed and once it is signed a joint technical committee will oversee its implementation.

(f) Housing Fund

The Housing Fund was established by Housing Fund Order (Statutory Instrument No. 15 of 2015) for the purpose of providing housing for beneficiaries in Botswana to be identified by Government from time to time.

There has not been any expenditure incurred for the purposes stated in the Fund Order since inception. It could not be established why the funds were not used for the intended purpose.

The only transaction that had been effected in the year under review was the transfer of P125 000 000 from the Fund to the COVID-19 Relief Fund.

(g) National Environment Fund

i. Subventions

The National Environment Fund was established in 2010 with the aim to finance and promote activities designed to conserve, protect and manage the environment. The Fund receives contributions from resource royalties collected by the Botswana Tourism Organisation and apportioned between Tourism Development Fund (75%) and National Environment Fund (25%) after a deduction of 5% administration and audit fees by Botswana Tourism Organisation. However, it was noted that the contributions from resource royalties ceased in January 2018. At the time of audit in December 2019, a total of P27 629 304.82 (25%) which should have been credited to the National Environment Fund had still not been received.

ii. Funded Projects

The major expenditure from the National Environment Fund related to funding of projects undertaken by non-profit making Community Based Organisations whose core functions are the protection of the environment. The majority of these companies failed to complete their projects as agreed. Instances are shown below;

- Itireleng People's Theatre Trust – Thamaga

  The Trust was funded to undertake a project whose aim was to raise awareness on environmental issues through live performances (drama) in the Kweneng District for a contract sum of P509 585. The project commenced on 28 November 2014 and was scheduled for completion on 31 December 2015. However, at the time of the audit in November 2020 the project was still not complete. The total disbursement amounted to P663 240, which was above the contract sum by P153 655. The overpayment was a result of the second tranche that was paid twice. The Trust failed to submit the final report as well as reimburse the monies despite several attempts made to pursue recovery and submission of the final report. The Attorney General was engaged to pursue the matter, and had indicated that the defendants had failed to appear before court.

- Mabogo Sustainable Development Trust – Tswapong Hills

  The Trust was funded to take an inventory and mapping of heritage sites and cultural attraction of the Tswapong Hill Cultural Landscape for a contract sum of P578 025. The project commenced on 9 December 2014 and was scheduled for completion on 31 December 2015. A perusal of records revealed that the Board had resolved to terminate the contract when the sum of P67 673.35 had already been disbursed.

- Phiri Tourism Consortium – Gaborone

  The project was undertaken to raise awareness on environmental issues by filming tourist attractions so that they can be broadcasted as a way of marketing them for a contract sum of P797 876. The project commenced on 28 November 2014 and was scheduled for completion on 31 October 2015. Although the whole contract sum had been disbursed, the consortium failed to submit all the thirteen (13) episodes as initially agreed. At the time of the audit, there was no evidence of what efforts were made to request the Trust to submit work done. It is highly unlikely that the remaining episodes will be submitted when the whole contract sum has been disbursed.

- Earth Love Property Limited

  The project consisted of three sub-projects as follows;

  i. The implementation of Food Waste Valorisation Site in Block 5, Gaborone in collaborative partnership with Tlogatloga Ward Development Committee.

  ii. The implementation of a self-contained Food Valorisation Ecosystem in Tlokweng at SOS Children's Village Botswana.

  iii. The implementation of a self-contained Food Valorisation Eco System in Tlokweng at Tlamelong Rehabilitation Centre in a collaborative partnership with the Red Cross Society of Botswana.

  The project was funded to the tune of P1 996 000 to commence on 7 September 2017 through to 7 September 2019. Total disbursements amounted to P299 400 representing 15% of the contract sum. It was reported that most of the funds for the first tranche were used to pay staff salaries as opposed to project activities. Consequently, the Secretariat recommended termination of the contract. At the time of the audit, there was no indication that the termination was effected and there was also no indication of measures taken or envisaged to complete the projects.

iv. Development of National Heritage Site of Makolontswane by the Botswana Society and Moshana Development Trust

The major thrust of the project was to undertake research, document, preserve and make Makolontswane accessible as a tourist destination to enhance the economic status of the village and ultimately improve the livelihood of the people in Moshaneng.

The contract sum was P804 105.20 and the works were scheduled to commence on 1 June 2017 with a completion date of 30 November 2018. Total disbursements amounted to P220 205 leaving a balance of P583 900.20 unutilised. According to correspondence submitted for audit the Secretariat was not satisfied with progress, and there was also a stalemate regarding signing of the Memorandum of Understanding even after mediation attempts by Kanye Technical Advisory Committee. Furthermore, the contract agreement had also elapsed. On the basis of this background, the project had experienced delays that could escalate costs which could have been avoided if the project had proceeded according to plan. At the time of audit, there was no evidence of measures taken to continue with the project.

(h) BDF Rewards and Fines Fund

I have audited the accounts of Botswana Defence Force Rewards and Fines Fund for the financial year ended 31 March 2020 and noted the following:

An expenditure of P372 500 was recorded as assistance to families of deceased soldiers. However, audit established that only P92 500 related to assistance to deceased soldiers families as per the Act, while P280 000 was for payments to soldiers who lost family members. The latter payments contravene Section 177(3) of the Botswana Defence Force Act. Although the Act states that the Commander may exercise his discretion for sanctioning of payments from the Fund, this has to be done within the confines and provisions of the act. This is recurring matter which I have raised in my previous reports.

Funds meant to assist family members of the deceased soldiers were drawn by Botswana Defence Force officials to be handed over to the bereaved families. However, there was no evidence to verify the receipt of such funds.

It was also observed that a total of P157 800.99 was recovered from a soldier for days in desertion and detention. The soldier was absent without leave for a period of 13 months and 12 days and his pay during the time he was absent amounted to P108 996.33. The payment of P157 800.99 was recorded as a fine in the BDF Rewards and Fines Fund, which was a misposting since not all of the monies belonged to the government. The amount that should had been credited to the Fund was the difference of P48 804.66 relating to the fine.

(i) Confiscated Assets Trust Fund

Section 4 (2) of the Fund Order states that the fund may provide for compensation and rehabilitation of victims of crime. Audit considered the use of the word "may" as not compelling enough to direct the implementation of the Order to provide compensation and rehabilitation for victims of crime. It is a concern that in spite of the Office being formed more than a year ago, it had met only once on 11 October 2019, during which one of the issues raised was to consider the criteria to identify and assess victims of crime for compensation and rehabilitation. The fund balance had increased from P121 124 in the previous year to the current balance of P400 329.

The delayed amendment of the Act has resulted in deserving victims of crime remaining uncompensated because of unclear guidelines.

(j) Tourism Development Fund

I have audited the accounts of the Tourism Development Fund and there were no adverse observations.

(k) Conservation Trust Fund

The Fund was established for purposes of financing activities for "Conservation of Elephants and Development of Community based projects for Communities living adjacent to elephant ranges," as provided in Fund Order Section four (4).

The Fund is to be financed by monies received from the sale of ivory, donations from any persons and income from investment of monies of the Fund. The Fund did not receive any income during the year under review. However, discrepancies were noted between the financial statements and the General Ledger as at 31 March 2020. The statements reflected a closing balance of P12 766 691 whilst the ledger balance was P12 729 538, resulting in a difference of P37 153 which needs investigation. This discrepancy emanates from 2019 balances where the difference was P35 152 and had since increased by P2 001.

(l) Tourism Industry Training Fund

The audit on the Fund revealed that no training was undertaken for the employees of the tourism sector in the year ended 31 March 2020, which is meant to improve service delivery and create memorable experiences for tourists.

(m) Road Collection Levy Fund

The audit of the accounts of the Fund for the year under review gave rise to the following:

iv. The Department of Roads collects levy from petroleum companies, which is charged at ninety thebe (0.90) per litre sold. There is no assurance that the amounts paid into the Fund reflect the total amount that is due.

v. There was also no sharing of information between the Ministry of Transportation and Communication and the regulatory authority on new petroleum companies entering or those exiting the market. In the absence of such key information, it could not be ascertained that all the levy accruing to the Fund was collected.

vi. The Fund Order directs that monies collected into the Fund shall be used to finance maintenance of roads. A considerable amount of expenditure was incurred on projects, which could not be completed within the expected time frame.

1. A contractor was engaged for the Resealing and Road Markings of a 50km road between Tsabong and Middlepits at a contract sum of P17 415 312.

The project was terminated at 13% completion when a total sum of P2 199 611 had been spent.

2. A contract was awarded for fencing of Road Reserve along Lobatse-Ramatlabama road (51km) in the financial year 2018/19 at a price of P5 459 616. The project was to run from 3 October 2019 to 02 June 2020. The project commenced in October 2019 as per the agreement. However, on 15 October 2020, the contractor wrote to the Ministry expressing their wish to withdraw from the project, citing financial constraints as the main reason. The Ministry approved the termination of the contract in March 2021. The actual progress at the time of termination was 26.6% and the cumulative expenditure was P1 205 219.

3. Another contractor was awarded a tender on the 13 October 2015, for Resealing and Road Markings for Francistown – Matsiloje Road for a contract sum of P29 800 981.91 with a duration of 12 months. The project commenced on 23 November 2015 with an expected date of completion of 30 November 2016. The Ministry terminated the contract on 19 December 2016, when P3 747 619 had been spent, allegedly for the contractor's failure to fulfil their contractual obligations. The contractor disputed the validity of termination. Nevertheless, the contractor was evicted from site and the Ministry retained possession of all construction plant. The contractor failed to attend a joint valuation of works at the time of termination. The matter dragged on with exchange of correspondences until the contractor issued a statutory notice of litigation.

   In February 2019, the contractor submitted a claim for idling plant which was agreed at P27 775 905.

   The Ministry was directed by the Dispute Adjudication Board (DAB) to reinstate the contractor at a contract price of P47 333 538 on the same terms as the terminated contract within reasonable time from the date of the decision of the DAB.

(n) Levy on Tobacco and Tobacco Products Fund

I am required by Section 12 (2) (Statutory Instrument No 8 of 2014) of the Fund Order establishing the Fund to appoint an independent auditor to audit the accounts of the Fund. I had accordingly appointed the auditors to carry out the audit of the Fund for the financial years 2016/17 through to 2019/20.

The auditors had concluded the audit, but they had not been afforded the opportunity to exit by the ministry management. Therefore, the audit report had not been finalised at the time of writing this report.

(o) Botswana Export Credit Insurance Fund.

I have audited the accounts of the Fund for the financial year ended 31 March 2020 and have not noted any material observations.

(p) Agricultural Credit Guarantee Scheme Fund

The Agricultural Credit Guarantee Scheme was established to assist rain fed crop farmers with a protection cover against crop failure due to drought, floods, frost and hailstorms, for which participating farmers are expected to pay a premium. In the year under review, a sum of P152 225 452 was paid out to cover the 85% Guarantee made by Government to assist farmers who are members of the scheme after 2018/19 was declared a drought year.

Most of the essential documents were not accessible by the Ministry. The Ministry relied on the information submitted by the financial institutions however, there was little documented evidence therefore it could not be ascertained that farmers paid expected premiums to participating financial institutions.

(q) Livestock Advisory Services Fund

The accounts of the Fund for the financial year ended 31 March 2020 were audited and nothing of note was observed.

(r) National Road Safety Fund

The National Road Safety Fund has no Fund Order for its administration. The Fund is currently administered through the Road Traffic Act Cap 69:01 pending finalisation of the Fund Order. The last draft was dated 26 November 2019.

The Road Traffic Act states that the Fund should be used for the promotion of road safety in Botswana.

However, it was noted that the Fund was used for purposes other than those directly related to the promotion of road safety as indicated below:

- Administration duties, such as to attend meetings and competency based interviews.

- Purchase of heater for night watchman in Molepolole.

- Minor remedial maintenance works, including iron mongery, and replacement of light tubes and bulbs.

(s) Tertiary Education Development Fund

The Tertiary Education Development Fund was established through Statutory Instrument Number 57 of 2004, for the purpose of meeting the costs of construction of the following:

- a second university in Botswana,
- a medical school and its associated facilities in Botswana and,
- expansion of the University of Botswana.

The following amounts were charged to the Fund in the year under review:

Botswana International University of Science & Technology (BIUST) Projects	60 854 509
Transfer to COVID-19 Fund	150 000 000
	210 854 409

The amount of P60 854 509 was disbursed to cater for BIUST ongoing projects. BIUST present their requests for funds to the Ministry, accompanied by cash flow forecasts for the various project activities, on the basis of which they are disbursed. It was however, noted that the Ministry did not receive detailed reports from the University on the use of the disbursed funds.

(t) National Electrification Fund

The independent auditor that was appointed by the National Electrification Fund Management Committee in terms with the requirement of the Fund Order had audited the accounts of the Fund for the financial year ended 31 March 2020.

The auditor had raised the same concerns as in the audits of the two previous years, relating to non-compliance with the requirements of the Fund Order.

- Section 12 (5) requires the Committee to submit to the Accounting Officer a report on the conduct of the business of the Committee within three months after the end of the financial year. The Committee was unable to submit the reports within the stipulated period.

- Section 12 (6) requires that the Accounting Officer submit to the Accountant General the auditor's report accompanied by the statement of accounts of the Fund not later than six months after the financial year. The Accounting officer was unable to submit to the Accountant General the audited financial statements within the stipulated period.

(u) <u>National Disaster Relief Fund</u>

I have audited the accounts for the Fund for the financial year ended 31 March 2020.

Except for a few payments relating to COVID-19 which were charged to the Fund, there were no material issues noted.

(v) <u>Levy on Alcoholic Beverages Fund</u>

I have appointed an independent auditor as required by Section 12 (2) of the Fund Order (Statutory Instrument No 90 of 2008) to audit the accounts of the Fund.

The auditor was appointed to audit the accounts for the Fund for the financial years 2016/17 to 2018/19. At the time of writing this report, the auditors had indicated that they had not completed the audits due to matters that needed Management response. The auditors stated that they had on several occasions engaged the Ministries of Health and Wellness and Finance and Economic Development with a view to conclude the audit, but it had proved to be a challenge to meet with officials of the Ministries to finalise the audit.

26. **<u>Statement of Unspent Development Deposits - Statement 12</u>**

The statement shows Unspent Development Fund monies from foreign sources (Donors) and local sources (Domestic Development Fund).

The account had unspent development deposits amounting to P19 823 572 292 as at 31 March 2020 out of which, an amount of P709 323 897 was for BCL Sysmin Re-employment Account (REA) and Sysmin Support Grant Lome IV. According to paragraph 42 of the Memorandum of Understanding between Botswana Government and the European Union, it was expected that all funds under the REA should have been spent by January 2019, or preferably earlier.

The development projects report dated May 2020, reflected that a total of ten projects had been approved under the REA but only seven projects were complete. The remaining three projects would only require P18 889 010 which still leaves a balance of P690 434 887.

27. **<u>Statement of Loans Made by Government from Public Revenue – (Statement No. 13)</u>**

The statement reflects loans extended to Public Enterprises, Statutory Bodies and Local Authorities by Government.

As at 31 March 2020 the only outstanding loan was to Botswana Development Corporation with a balance of P48 386 123.

28. **<u>Statement of Other Deposits – (Statement No. 14)</u>**

The statement shows monies held on behalf of third parties

As at 31 March 2020, the Government liabilities under these accounts totalled P2 047 368 464, comprising of Contractors' Retention Deposit of P555 014 651 and Other Deposits totalling P1 991 862 845. As in previous years, the main issues of concern continued to be the following:

The year-end balances of these accounts included debits totalling P110 221 960 across all ministries which represent overpayments or accounting errors, which should have been appropriately addressed.

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

The statement shows advances, surcharges and losses of cash and stores. Debit balances in this statement must be recovered from the individual employees whilst credit balance must be investigated and appropriate corrective measures taken.

A review of the advance accounts revealed the following observations:

- The total outstanding balance as at 31 March 2020 was P1 694 784 132, with net credits of P148 285 582, the bulk of which relate to the long outstanding balances under the Ministry of Tertiary Education, Research, Science and Technology student sponsorship accounts amounting to P91 677 458.

- A credit balance of P56 526 526 under the Ministry of Basic Education related to payment of students allowances through a commercial bank.
- As in my previous report the amounts of P673 597 322 and P211 944 430 for purchase of equity- De Beers SA and BCL liquidation respectively had not been resolved.
- The Statement of Non-Moving Advances was not submitted for audit, therefore, we could not comment on the non-moving items.

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

The statement relates to Government bank accounts maintained at Bank of Botswana, commercial banks, missions abroad and cash held at Treasury offices.

The cash and bank accounts were overdrawn by P11 303 660 585 as at 31 March 2020 as shown below:

Details	Amount
Cash in Transit	5 606 481
Cash in Hand	2 184 513
Cash on Deposit	58 168 820
Government Hiportfolio Accounts	(12 586 207 465)
Cash at Bank	1 216 587 066
Total	(11 303 660 585)

The audit of this statement gave rise to the following observations:

(a) Remittances Account

The Remittances Account was overdrawn by P22 653 473.44 in the General Ledger as at 31 March 2020. The verification of the account revealed outstanding reconciling items dating as far back as 2005, despite my repeated comments on the same matter.

Nonetheless, there is a commendable improvement in resolving outstanding reconciling items as compared to previous years.

(b) Salaries

The Salaries Account had a General Ledger balance of P46 082 116 as at 31 March 2020. A scrutiny of the bank reconciliation revealed that there were receipts of P2 894 153 324.49 in the Bank Statement and P2 905 855 817.10 in the General Ledger which were not reconciled, dating as far back as 2005. P1 656 430 097) was for the financial year ending 31 March 2005 only.

Likewise, payments amounting to P2 111 451 303.69 in the bank statement and P 2 185 933 024.58 in the General Ledger were not reconciled.

(c) Banking Group F

As at 31 March 2020 the account had a General Ledger balance of P37 191 736.17 and bank balance of P39 300 890, the difference of P2 109 154.81 being unpresented cheques, dating as far back as 2005.

(d) Banking Group 1

The Banking Group 1 accounts were not submitted for audit.

(e) Banking Group 4

As at 31 March 2020 the account had an overdrawn balance of P33 083 731. A sum of P2 746 541 444 being the reconciling items made up of the following, had been outstanding since April 2019.

BURS transactions	P258 409 755.30
Incorrectly captured RE/REM/17-18/000087	P8 094 855.20
Uncommon item	P36 834.15
Incorrectly captured replenishments	P2 480 000 000.00
Total	P2 746 541 444.00

(f) Treasury Offices- Cash in Hand

A comparison of the Cash Control report (T53) balances with the General Ledger balances revealed that cash-in-hand at only 6 out of 32 Treasury offices tallied while the rest had discrepancies. The accounts had not been reconciled at the time of audit, 9 months after the financial year-end.

Cash is risky by nature, therefore strong controls such as daily reconciliations need to performed. The reconciliations from different Treasury offices had items that date as far back as 2016.

(g) Call and Current Accounts

The correctness of the value of cash assets as reflected in Statement 16 (Cash in Hand) could not be verified as the bank statements were not availed for audit.

(h) Botswana Missions

The reconciliations of the General Ledger balances and the certified cash book balances submitted by the Missions revealed that some of the reconciling items were from previous years and still needed to be investigated and cleared.

(i) BOB Lome III Sysmin

The account was not availed for audit.

(j) Cash in Transit

Gaborone Imprest Office

The Gaborone Imprest account had a balance of P4 604 179 which included P154 321 in transactions dating as far back as March 2017. The remaining amount of P4 449 858 was narrated as mis-postings, which should be investigated and cleared.

Kasane Treasury Office

Kasane account was overdrawn by P1 351 623 as detailed below:

Date	Batch Number	TVR No	Debit	Credit
31-03-20	GOB_Cash: Manual 2387223	439439		247 040
31-03-20	GOB_Cash: Manual 2387223	439440	2 467	
31-03-20	GOB_Cash: Manual 2387223	439440	260	
31-03-20	GOB_Cash: Manual 2387223	439442		268 800
31-03-20	GOB_Cash: Manual 2387223	439447		794 825
31-03-20	GOB_Cash: Manual 2387223	439447		73 550
31-03-20	GOB_Cash: Manual 2387223	439453	29 865	
Totals			32 592	1 384 215
Net Total				(1 351 623)

These transactions should be investigated and cleared.

(k) Point of Sale (POS)

21 out of the 32 Revenue Offices submitted their accounts for audit. The following observations were noted:

- Receipts reflecting only in the bank statement or in the General Ledger.
- Outstanding reconciling items from previous years, which had not been resolved.

(l) Government Pula Fund Investment - Bank of Botswana

The Government Investment account comprises cash, market gains and exchange gains. The cash component had been in an overdrawn status since June 2019, with an ultimate overdrawn balance of P9 736 084 769 as at 31 March 2020 as shown below:

Month	Pula Bank account balance (Pula)
April 2019	4 007 138 580. 33
May 2019	1 912 150 925. 37
June 2019	(935 760 121.63)
July 2019	(935 760 121.63)
August 2019	(2 894 157 422.63)
September 2019	(4 903 147 096.32)
October 2019	(3 544 058 106.87)
November 2019	(6 206 616 210,28)
December 2019	(9 938 519 216.26)
January 2020	(7 676 619 343.35)
February 2020	(10 482 183 346.35)
March 2020	(9 736 084 768.67)

(m) Government Liquidity Fund

The Fund provides a buffer between Government Remittances and Pula Fund. As at 31 March 2020 the General Ledger showed an overdrawn balance of P2 850 122 696.41.

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

The statement reflects loans to statutory bodies and to public officers guaranteed by Government. It shows the borrowing organizations, lending agency, nature of liability, interest rate and repayment period and the maximum liability.

The contingent liabilities as at 31 March 2020 totalled P8 941 395 680 as detailed below:

Parastatals Borrowings	6 180 889 371
Non-Interest Bearing Borrowings	1 479 700 127
Public Officers' Borrowings	1 280 806 182
	8 941 395 680

The Motor Vehicle and Residential Property Employees Loan Scheme's records were not availed for audit; therefore, balances could not be verified.

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

A memorandum of records for monies owed to the Government, which should have been collected in previous years and in the year under review.

Total outstanding arrears as at 31 March 2020 were P139 050 251.

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

The Fund was established for purposes of enabling advances for urgent and unforeseen circumstances for which no other provision exists. e.g. International appeals; flood, etc… where such expenditure could not be delayed. As at 31 March 2020 the account had maintained a balance of P10 000 000.

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

The statement is a year-end summary of all outstanding losses that have been reported and had not yet finalized and disposed of.

Table A-Losses of Cash

During the year under review, 8 cases of loss of cash with a value of P735 512 were reported to MFED. Although the cases were reported in the year under review, the actual occurrences in some cases dated as far back as 2007, particularly those relating to systematic fraud. As at 31

March 2020, P138 297 had been recovered and P820 was written-off, while the rest were being investigated.

The cumulative loss reported in previous years was P14 866 065, the bulk of which was systematic fraud under MFED amounting to P8 123 676 (54% of P14 866 065). Of the cumulative amount, only P801 777 had been recovered, while P28 963 was written-off.

<u>Table B- Losses of Stores</u>

During the year under review 52 cases of losses of stores amounting to P443 032 were reported to MFED, the dominant losses being for laptops. As at 31 March 2020, an amount of P24 428 was recovered while P46 437 was written-off.

The outstanding balance of the losses of stores from previous years was P893 278, of which P69 619 (6.5%) was recovered, while P114 570 (11%) was written-off.

<u>Table C- Losses through Motor Vehicle Accidents</u>

In the year under review, 198 cases of accidents to Government motor vehicles were reported with damage cost of P4 046 907, of which P489 233 was recoverable from third parties.

Losses through accidents to Government motor vehicles reported in previous years totalled P14 243 429 as at 31 March 2020, of which P2 489 338 was recoverable from third parties.

I commented in my previous reports that, the process of finalising these cases is very slow, as in some cases investigations took up to 10 years.

Recoveries from third parties are collected through the Office of the Attorney General as revenue and are not linked to this account, which leaves these balances outstanding until an adjustment voucher is raised, which sometimes takes a long time. This distorts the true status of this account.

VIII MINISTERIAL ACCOUNTS

PARLIAMENT

35. **Warranted Provision**

The utilisation of funds warranted to parliament for the financial year ended 31 March 2020 is indicated below:

Department	Warranted Provision	Actual Expenditure	Under Expenditure	%
National Assembly	157 040 110	156 518 383	-521 727	0.33
Ntlo ya Dikgosi	9 160 330	9 146 554	- 13 776	0.15
	166 200 440	165 664 937	535 503	0.3

36. **Audit of Accounts- National Assembly**

The audit of the accounts and records of the National Assembly for the financial year ended 31 March 2020 had given rise to the following observations which I had addressed to the Accounting Officer for comment.

(a) Constituency Offices - Electricity

The National Assembly had not maintained a register reflecting electricity meter numbers for Constituency Offices to facilitate allocation of expenditure. The absence of such a register makes it difficult to monitor the consumption of electricity by the various constituencies. The offices call the National Assembly when there is need for replenishment following which the electricity is procured with petty cash. The electricity meter number is also communicated through the telephone.

In my view, this process is subject to manipulation, as meter numbers cannot be confirmed.

(b) Security Services

After the dissolution of Parliament in August 2019, an agreement was made between the National Assembly and District Commissioner Offices to engage security companies which already had contracts with District Commissioner offices to provide security services to all 57 Constituency Offices at a cost of P1 267 954. However, there was no evidence that authority was granted for provision of the security services.

(c) Service Charges

A review of the Constituency Offices` lease agreements revealed that rentals had been paid for three months after the lease agreements had expired in December 2019. Payments amounting P222 040 were made for the period from January to March 2020, while new lease agreements were made in April 2020. Furthermore, it was noted in some instances, that the constituency offices had relocated to different premises after the signing of the lease agreements and therefore entering into new lease agreements with new landlords. This had resulted in the leases running concurrently before the old lease agreement could be terminated.

(d) Unauthorised Expenditure

Honourable members of Parliament and their spouses were accommodated at Avani Resort and Casino Hotel following their election to Parliament in October 2019, while their official residences were still under renovation. Authority for accommodation was granted by the Ministerial Tender Committee (MTC) on the basis that it was an emergency. The bill for Avani Resort & Casino Hotel had amounted to P6 217 751.25 which exceeded the threshold for MTC, and therefore required retroactive approval from the Public Procurement and Asset Disposal Board (PPADB).

However, PPADB rejected the retroactive request stating that the procurement did not meet the conditions for direct appointment, which is applicable only when the service to be provided is urgent and necessary to protect life and the environment. The PPADB advised that the National Assembly should have known that they were handling an emergency procurement and should have acted in a manner that befits the circumstances. They advised that the National Assembly seek assistance from the Ministry of Finance and Economic Development (MFED) in paying for services rendered.

The National Assembly had not furnished me with evidence on the latest position on this matter.

(e) Payment to Avani Resort and Casino Hotel

The National Assembly paid P6 217 751.25 to Avani Resort & Casino Hotel on 17 March 2020 for provision of accommodation and meals for Honourable members of Parliament and their spouses from 31 October 2019 to 20 December 2019. A review of the invoice revealed that P3 517 461.95 (57%) of the amount paid was narrated as **"No show"** (meaning that some members of Parliament did not show up even though accommodation was reserved for them). Moreover, dockets were not attached to the invoice, which made it difficult to itemise the hotel bill.

Furthermore, it was noted that when Honourable members were attending a training workshop in Kasane from the 7 to 13 November 2019, the bills for meals on account of some Honourable members had increased significantly. According to the invoice attached, individual lunch and dinner rates normally ranged between P200 and P350 and P250 and P380 respectively, however for the period in question the cost per meal ranged from P539 to P1 268 for both lunch and dinner totalling P10 478.

In addition, there were other questionable bills incurred in the period 1 November 2019 to 13 December 2019 and ranging from P650 to P11 945 for lunch, dinner, beverages and Pedicure Swedish Back totalling P28 570.

MINISTRY FOR PRESIDENTIAL AFFAIRS, GOVERNANCE AND PUBLIC ADMINISTRATION

37. **Warranted Provision**

The utilization of funds warranted to the Ministry for the financial year ended 31 March 2020 is indicated below-

Department	Warranted Provision	Actual Expenditure	Under Expenditure	%
State House	11 808 095	11 625 645	- 182 451	2
Office of the President	380 767 768	372 243 909	-8 523 859	2
Directorate of Public Service Management	99 111 285	98 370 015	- 741 269	0.8
National Aids and Health Promotion Agency	53 162 801	52 085 728	-1 077 073	2
Office of the Former President – F. G. Mogae	3 304 715	3 145 584	- 159 131	5
Information Services	73 461 515	72 787 975	- 673 54	0.9
Broadcasting Services	236 729 094	235 583 229	-1 145 865	0.5
Government Printing and Publishing Services	65 340 245	64 960 498	-379 747	0.6
National Strategy Office	26 566 347	26 592 224	25 876	0.1
Directorate on Corruption and Economic Crime	115 897 219	115 548 514	- 348 706	0.3
Directorate on Intelligence and Security	457 733 120	459 139 538	1 406 418	0.3
Office of the Former President S.K.I Khama	4 236 226	4 031 019	- 205 207	5
	1 528 118 430	1 516 113 877	-12 004 553	0.8

MINISTRY OF FINANCE AND ECONOMIC DEVELOPMENT

38. **Warranted Provision**

The utilization of funds warranted to the Ministry for the financial year ended 31 March 2020 is indicated below-

Department	Warranted Provision	Actual Expenditure	Under Expenditure	%
Headquarters	734 194 130	705 569 694	-28 624 436	4
Accountant General	323 149 690	315 198 939	-7 950 751	2
Finance & Intelligence Agency	24 922 200	20 682 350	-4 239 850	17
	1 082 266 020	1 041 450 982	-40 815 038	4

Out of the Ministry expenditures of P1 041 450 983, an amount of P460 117 499 (44%) represented payment of subventions to parastatals falling under the portfolio responsibility of the Ministry and International Organisation.

MINISTRY OF NATIONALITY, IMMIGRATION AND GENDER AFFAIRS

39. **Warranted Provision**

The utilisation of funds warranted to Ministry for the financial year ended 31 March 2020 is indicated below:

Department	Warranted Provision	Actual Expenditure	Under Expenditure	%
Headquarters	55 079 930	53 648,947	-1 430 983	2.6
Immigration & Citizens	220 866 999	222 132 959	-1 074 974	0.5
Gender affairs	28 033 000	26 958 027	-2 843 563	10
Civil & National Registration	82 547 611	82 262 444	- 285 166	0.3
	386 527 540	385 002 376	-1 525 164	0.4

The performance of the Ministry in the year under review shows that the Ministry performed fairly well in budget utilization with expenditures recorded at almost 99% of the warranted provisions.

MINISTRY OF AGRICULTURAL DEVELOPMENT AND FOOD SECURITY

40. **Warranted Provision**

The utilisation of funds warranted to Ministry for the financial year ended 31 March 2020 is indicated below:

Department	Warranted Provision	Actual Expenditure	Under Expenditure	%
Headquarters	430 184 735	428 617 679	-1 567 057	0.4
Crop Production	210 357 590	219 945 211	9 587 621	4.6
Agricultural Research	95 631 930	102 112 283	6 480 353	6.8
Animal Production	130 160 202	128 141 925	-2 018 277	1.6
Agric. Bus. Promotions	33 431 823	32 856 82	-575 003	1.7
Veterinary Services	416 789 364	421 866 543	5 077 179	1.2
Agric. Res. Statistics & Policy Dev	21 191 366	21 153 835	-37 531	0.2
	1 337 747 010	1 354 694 925	16 947 285	1.3

The overall over expenditure of the Ministry was P16 947 285, which was incurred under 3 departments. The over expenditure was incurred under salaries and allowances.

41. **Livestock Identification And Traceback System (LITS) Purchase Of Ribbon For Keeper Identity Card Printer**

Seventy-five (75) ribbons for Keeper Identity card printer were purchased at a price P225 000 in July 2019. The ribbons were found to be incompatible with the printers at the Ministry and seventy-two (72) ribbons were returned to the supplier in February 2020, ie 7 months later. Some nine months later in November 2020, the Ministry was yet to receive replacements or refund on the returns.

The lack of urgency in dealing with issues of managing public resources, may result in loss to Government.

MINISTRY OF BASIC EDUCATION

42. **Warranted Provision**

The utilisation of funds warranted to Ministry for the financial year ended 31 March 2020 is indicated below:

Department	Warranted Provision	Actual Expenditure	Over Under Expenditure	%
Headquarters	958 723 240	999 984 423	41 261 182	4
Out of School Education and Training Citizens	63 214 914	62 393 669	-821 246	-1
Curriculum Development and Evaluation	23 546 877	22 733 180	-813 697	-3
Department of Teaching Service Management	5 359 407 021	5 463 584 588	104 177 568	2
Department of Pre and Primary	48,534,072	47,182,183	-1,351,889	-3
Department of Secondary Education	1 748 550 436	1 719 917 149	-28 633 287	-2
Department of Technical Service	32 684 508	32 559 854	-124 633	0.4
Department of Information Communication and Media	16 236 174	15 867 905	-368 269	2.3
Department of Special Support Services	22 008 676	21 695 085	-313 590	-1
Department of Educational Planning and Research	10 825 112	10 746 750	-78 362	-1
	8 283 731 030	8 396 664 786	112 933 757	1

The Ministry had exceeded the total funds warranted to it as at year-end. The excess expenditure occurred under the Department of Headquarters and Teaching Service Management, and related largely to Basic salaries and Allowances.

43. **Audit of Accounts**

I have carried out an audit of the accounts of the Ministry for the financial year ended 31 March 2020.

The following are some of the observations made and addressed to the Accounting Officer.

(a) Teacher Training – Overpayment of Student Allowances

A perusal of the accounting records revealed that some teachers who were sent for training at different local Institution of learning between 2017 and 2019 continued to be paid the off campus allowances for several months after completing their studies. The teachers were entitled to an off campus allowance of P1 770 per month for the duration of their training. A total of P1 217 760 was incurred as overpayment to these teachers. In some instances, allowances were paid up to 15 months after completion of the programme.

There was no evidence that the Ministry had recovered the overpayments at the time of writing this report.

(b) Unallocated Supplies

An examination of the Non-Consumable Register revealed that 12 Philips Televisions, 18 VCRs and 18 DSTV dishes were recorded in the stores ledger card in 2017 had not yet been allocated. A visit to the warehouse confirmed that items were stored with no supporting procurement documents to determine their value. The length of time after these items were bought and kept in the warehouse renders them highly susceptible to obsolescence.

I was not able to establish why these items were procured if they could not be put to immediate use.

(c) Monitoring of Funds Disbursed to Non-Governmental Organisations (NGOs)

A Memorandum of Agreement (MOA) between the Ministry and its NGOs requires that the NGOs should submit annual reports on the utilization of funds allocated to them as well as audited financial accounts to the Ministry.

The Ministry is also required to devise an appropriate mechanism for supervision and monitoring of the use of the allocated funds, including inspections to determine suitable use of the funds as per MOAs signed with the sponsor.

The Day Care Centre Programme under the Department of Pre and Primary Education disburses funds to District Councils through the Ministry of Local Government and Rural Development. The District Councils then disburse the funds to Day Care Centres run or administered by NGOs. There were no annual reports submitted by the NGOs or reports and inspections carried out by the Ministry to verify that the funds were disbursed and used for the intended purpose. There was also no evidence that the Day Care Centres were in operation.

In other instances, there were no MOA/MOU between the Ministry and some institutions which funds were disbursed to.

I have drawn to the attention of the Accounting Officer the need to comply with the MOAs in order to avoid violating the sponsor's guidelines which might result in forfeiture of funding in future.

It was observed that even though Botswana Primary Schools Sports Association (BOPSSA) was not listed under the associations which receive subventions from Government, it was assisted financially by the Ministry under the Department of Pre and Primary Education upon submission of their annual plan. The Ministry has been disbursing funds to BOPSSA annually without any guidelines, and there was no feedback on the utilization of the funds from the Association prior to signing of the MOU in August 2019.

Disbursing funds without proper documented guidelines or a signed MOU may result in lack of accountability in the usage of funds.

44. **Maintenance and Expansion of Educational Facilities Under the Department of Technical Services (DTS)**

I have carried out the audit of Maintenance and Expansion of Educational Facilities under the Department of Secondary Education to establish whether the objective of the Economic Stimulus Programme (ESP) was being achieved and the factors for effective implementation of the programme were considered. The prescribed factors include; supporting development of infrastructure projects which would have long term benefits for the economy if done and delivered on time, monitoring and evaluation to track progress towards the achievement of results, effective project management, capacity to ensure quality and timely delivery of projects within budget and effective timeous procurement and contract processes. The key findings were as follows;

(a) The Ministry had disbursed P703 million to finance maintenance and expansion of educational facilities at 33 junior secondary schools in the financial years 2018/2019 and 2019/2020. As at 20 December 2019, P637 million had been spent on the projects which represented 91% of the total budget. All the schools visited had already utilized more than 83% of their allocations. In spite of the considerable expenditure incurred at the time, the educational facilities and staff houses were generally in a poor physical state across the regions, because of pending works and defects. This could be an indication that the department did not ensure proper and adequate evaluation of pending works and defects. As a result the remaining 17% of the individual budgets was not enough to fund the outstanding works as per the Bills of Quantities and the snag lists prepared for the defects liability period.

(b) The Department incurred cost overruns in the region of P16 Million on 5 projects (Gaborone West- P1.3 Million, Matsheng-P1.2 Million, Tshwaragano-P6.3 Million, Denjebuya-P1.5 Million, John Nswazwi-P5.1 Million and Oodima-P0.7Million), emanating from the prolonged contracts period. None of the projects was executed within the 12-month period stipulated in the performance contract. The contract extension period had attracted additional costs on insurance, performance bonds and many other unwarranted costs.

(c) The Bills of Quantities for maintenance projects at all the schools included in the audit scope, were not in line with specific needs of each school add data collection was not done in most the schools. In cases where the Department had collected data, the exercise was done a couple of years prior to the commencement of the contracts which then defeated the purpose of identifying the critical areas to be maintained at the time. Measuring or data collections were not done at all in most of the schools. In cases where the Department had attempted to collect data, a case in point is Tapologo CJSS wherein the Bills of Quantities included the replacement of the industrial kitchen heat extractor, whereas there was no need for replacement as the existing one was still in good condition. As a result, the contractor had supplied the extractor and had left the new equipment on site.

(d) All cyclical maintenance projects (24) and expansion projects (9), went way beyond the agreed contract period (6 or 12 months), and were still legally running at the time of audit. Since the Ministry had already paid more than 83% (on average) of the contracts sum, this made it difficult and costly to terminate contracts due to under performance by contractor. The Department was seized with these issues, and most of them were already out of site despite the fact that the facilities had multiple defects and pending works. However, the Department had already terminated four contracts, Kelemogile, Etsha/Okavango, Zwanshambe & Madawu JSSs), due to poor performance, which then escalated the costs budgeted for the affected projects.

(e) One area of concern related to painting works, wherein most contractors under performed. Although the painting works in all schools were done, the peeling of paint was a common feature at academic blocks, staff houses and interiors works such as ceilings. Some of the most affected facilities included; Moruakgomo, Mathiba, Zwenshambe, Makhubu, Diratsame, Baratani, Madawu, Nare-Sereto, Boikhutso, Ramotswa, Gaborone West, Tapologo and Morama Junior Secondary schools.

(f) Public health risks were observed in some of the schools, where waste water was visible on the soil surface as a result of overflowing sewerage ponds, conservancy tanks and septic tanks around staff houses and academic areas. Such schools include; Tsodilo, Ngami, Gowa, Ngambao, Boikhutso, Tapologo JSS, Matsheng, Maitlamo, Tlhalogang, Maunatlala and Oodima JSSs.

The most critical health risks were observed at Gowa JSS and Ngambao JSS. At Gowa JSS the student hostels had algae trapped in between the building blocks due to the malfunctioning of the sewerage system. Waste water from the showers, toilets and storm water created algae ponds in between the blocks. In the same school, dangerous species like snakes and bats had access to the rooftops through gaps created by incomplete ceilings works. They could also gain access to students' rooms through the closets as the top shelve compartments were not covered.

The Department's role in monitoring and supervision was inadequate, as the indicators of underperformance could not be averted at an earlier stage.

MINISTRY OF INVESTMENT, TRADE AND INDUSTRY

45. **Warranted Provision**

The utilisation of funds warranted to the Ministry for the financial year ended 31 March 2020 is indicated below

Department	Warranted Provision	Actual Expenditure	Under Expenditure	%
Headquarters	919 049 296	917 266 261	-1 783 035	0.2
Cooperative Development	47 844 574	47 458 895	-385 679	0.8
Trade & Consumer Affairs	31 962 300	31 559 175	-403 125	1.3
Industrial Affairs	23 786 850	23 534 413	-252 437	1.1
International Trade	23 723 860	22 736 273	-987 587	4.2
	1 046 366 880	1 042 555 016	-3 811 864	0.4

MINISTRY OF LOCAL GOVERNMENT AND RURAL DEVELOPMENT

46. **Warranted Provision**

The utilisation of funds warranted to the Ministry for the financial year ended 31 March 2020 is indicated below:

Department	Warranted Provision	Actual Expenditure	Under Expenditure	%
Headquarters	150 469 788	139 387 373	-11 082 415	7
Local Government & Development Planning	10 045 573	9 888 912	-156 661	2
Local Government Finance & Procurement Services	4 617 184 945	4 606 915 789	- 10 269 156	0.2
Tribal Administration	553 551 196	549 956 309	- 3 594 886	0.6
Dept. of Local Govt. Technical Services	11 516 886	11 131 450	-385 436	3
Rural Development	6 225 090	5 688 928	-536 162	9
Social Protection	1 304 525 971	1 297 090 263	-7 435 708	0.6
Community Development	12 152 041	11 366 898	-785 143	6
	6 665 671 490	6 631 425 923	-34 245 567	0.5

47. **Cyclic Maintenance and Expansion Projects of Primary Education Facilities Under Department of Local Government Technical Services**

The Primary Schools Backlog Eradication project was executed under the Economic Stimulus Programme (ESP). Guidelines prescribed factors for effective implementation of the programme, this included effective project management to ensure quality and timely delivery of projects within budget. However, the key findings pointed to non-achievement of the expected deliverables by the Ministry across regions.

(a) Inefficient Procurement Processes

The Local Authorities Procurement and Asset Disposal Act (LAPAD Act) provides for fair and equitable procurement practices. It also requires that the procurement process should be efficient, effective and economic to the client. However, the following observations indicate that the Ministry did not fully meet these requirements;

i. The Ministry specified a standard design for the 8 or 9 cubicle toilet blocks to be constructed at different sites across districts, however, the price for different types of assets commissioned, varied widely across regions. A 9-cubicle toilet block at Etsha 6 primary in the North West District cost P880 782, which was the most expensive block across the 5 regions covered. The same 9-cubicle toilet block at Botswelelo Primary School still in the North West District cost P575 727 resulting in a difference of P345 055 (60%) between the highest and lowest priced structures.

On the same note, 8-cubicle toilet blocks in the Chobe District ranged between P579 453 and P762 679, a difference of P183 136 (32%). These cost variances were considered to be unreasonable because the most expensive exceeded the market value.

ii. The approved standard design of classroom blocks was adopted across all the Districts, due to the widely spread geographical locations reasonable cost variances were expected. The most expensive classroom block costing P1.255 million was in the Chobe District, which far exceeded similar structures within the region and across other regions with the lowest being P0.755 million, a 40% difference.

iii. The Ministry had provided funding for fabrication and installation of 10 000 litre water tanks to improve water supply for the newly commissioned water borne toilet systems across primary schools. The design had also included fabrication of metal stands for the 10 000 litre water tanks. Chobe District had spent P74 110 and P67 350 for similar projects at Satau and Parakarungu Primary Schools respectively, while the same type of structure cost P16 975.75 for primary schools in Ghanzi District. Hence, a difference of P57 134.25 between the highest and lowest priced structures.

(b) <u>Cyclic Maintenance Projects</u>

The Ministry had provided P25 million for maintenance of the educational facilities across five regions, but some schools were still in a dilapidated state. This was due to:

i. The Ministry's decision to streamline the Bills of Quantities defeated the objective of the Economic Stimulus Programme (ESP), which was to improve the standard of education through provision of quality educational facilities. One of the key objectives was 'supporting development of infrastructure projects which would have long term benefits for the economy'. The P25 million spent to improve educational facilities in all the 31 primary schools did not deliver the expected enhancement to the structures in the most efficient, effective and economic manner.

ii. The construction projects for all primary schools sampled went way beyond the agreed timeframes, with the delays ranging between 11 and 154 days and some of the contractors abandoning sites. At Chanoga, Botswelelo and Etsha 6 primary schools, the delays reached 145, 137 and 154 days respectively and had attracted unnecessary variable costs including insurance which were borne by the Ministry.

iii. Most of the newly constructed academic blocks had defective floors. These defects were more visible in the corridors and became more pronounced after the building structures had been handed over for use. The most affected schools include Parakarungu, Mabele, Lesoma, Tawana and Botswelelo Primary Schools. Making good the defects will come at a cost to the Ministry as the contractors had already been paid.

iv. Although the painting works in all schools had been done, the paint was peeling off at the academic blocks, staff houses and including ceilings. The defects were noticed within a short period of time and in most cases whilst the contractor was still on site. The most affected primary schools included Fredrick Maherero and Flowertown in the Central District, Kasane, Satau and Mabele in the Chobe District, Gumare in the North West District and Kuke in the Ghanzi District.

v. The structural designs for classrooms and staff houses, allowed for bats to reside between the roof and the ceiling, which poses a health hazard to students and teachers. These observations were made across different regions, the most affected sites being Tawana, Letsholathebe and Gumare primary schools in the North West District.

Although P156 Million was disbursed nationally to improve educational facilities through the Cyclical Maintenance and Expansion Projects the schools covered in the audit were still in a bad state, with defective painting, plumbing and structural works.

48. **<u>Drought Relief Projects Under the Department of Local Governance and Development Planning</u>**

Urban and Districts Councils must submit monthly progress report through the Ministry of Local Government and Rural Development (MLGRD) prior to the Botswana Vulnerability Assessment Committee (BVAC) meetings and subsequent presentation to the Inter-Ministerial Vulnerability Response Committee (IMVRC) and Rural Development Committee (RDC). This proved to be a challenge for the Department to fully adhere to. The following cases substantiate key non-compliance issues.

(a) <u>Diversion of Ipelegeng Funds</u>

The overall objective of the Ipelegeng Programme is to provide relief whilst at the same time carrying out essential development projects that have been identified and prioritized through the normal development planning process. The Ministry through different district councils had diverted P4.6 million from the Ipelegeng account, to finance other projects identified under Self Help Housing Agency (SHHA) Programmme, which was not in line with budgeting principles as each programme has its own key performance indicators.

(b) <u>Excessive Labour Costs</u>

Lack of cost containment by district councils in the tendering process compromises value for money. For instance, four district councils constructed guardhouses of similar size, with the cheapest being P8 946 and the most expensive (P49 550) a variance of P40 604 (554%). Labour costs alone for the most expensive guardhouse at Thito Primary School amounted to P49 550, whereas similar types of structures cost between P8 946 and P14 300 in other remote areas.

(c) <u>Time Overruns and Non-Utilisation of Projects</u>

Management of project timelines proved to be ineffective across the six (6) regions in Botswana. Although contracts were entered into before the commencement of the projects, the ‘agreed upon’ project duration was of no essence as there were no penalties for time over runs. Key findings were as follows;

i. The North West District Council constructed a clinic, LA2 house, public toilets, guard house, and also installed water tanks at Nxaraga at a cost of P872 128.01. The projects were scheduled for completion in 2014/2015. The clinic was completed in October 2015 and had not been used since, which had led to its deterioration through accelerated wear and tear. Furthermore, it was infested with termites, which had completely destroyed the wooden fittings including the doors and ceilings and had therefore rendered it not fit for occupation. The LA2 house was only completed in October 2017 incurring cost and time overruns.

ii. The Maun Administrative Authority (MAA) built toilets at the customary court in Nxaraga in 2014, at a cost of P50 711.70 and they had not been used since.

iii. The maintenance of Bonatla Primary School was undertaken in 2019/2020. This entailed painting of 4 blocks of toilets and 1 block of 6 pit latrines at a total cost of P115 150. The take-off 'Bill' had valued the painting works of each of the 3 blocks of identical water-borne toilets at P7 000 except for Block B which was estimated at P9 000. There were no additional painting works required for Block B as per the 'Bill', therefore, it could not be established why an additional P2 000 had to be incurred for Block B.

iv. A claim of P11 640 was made and honored by the North West District Council as evidenced by Payment Certificate No 1 dated 19 December 2016, being payment of staff houses project at Chanoga. However, there was no evidence that the project had commenced.

v. Construction of offices, cellblock and toilets was done and completed at Khwai Customary Court in 2016 at a cost of P88 900. However, as at the time of audit in September 2020, these facilities had never been used except for the cellblock which was used as a storeroom despite its locks being damaged by termites.

vi. Construction of a Kgotla shelter, an office and a toilet block at Sehithwa Customary Court commenced in January 2018 with an expected duration of 16 weeks at a cost of P87 200 (Labour cost only). However, as at as at the time of audit in September 2020, the project was still on going. The project had attracted a lot of variable costs such as insurance, performance bond and workman's compensation due to time overrun.

In my view, non-compliance issues raised impacted negatively on vulnerable members of society. It is important that Guidelines are complied with for effective management of the programme and attainment of set objectives.

49. **<u>Smart Switch Botswana</u>**

In 2008, the Ministry entered into a contract with Smart Switch Botswana to provide an electronic coupon system solution for food rations to destitute persons, orphans and home–based care patients.

(a) <u>Loss of Control</u>

The system and related information technology (IT) infrastructure was wholly owned and hosted by the supplier, who also fully managed the database. Although the contract accorded the Ministry access to the database, this opportunity was never taken up or utilized. This created a limitation on the part of the Ministry to change supplier as and when required.

<u>Breach of Registration and Procurement Processes</u>

Instances were noted wherein management had circumvented controls in the registration process, whereby telephone instructions were given from kgotla meetings to issue complainants with smartcards instantly. This had created an emergency prompting the Department sourcing smartcards from Smartswitch Botswana without due authorization from the Ministerial Tender Committee, this resulted in unpaid invoices, some of which dated as far back as 2015, and required retrospective approval.

(b) <u>Accumulation of Unused Funds in Beneficiary Cards held at Smartswitch</u>

Over the years, unused funds on beneficiary smartcards had accumulated in the holding account. In March 2017, an amount of P65 408 332 was paid to South East District Council as refund for unclaimed benefits for all Councils. At the time of audit, an amount of P43,7 million had accumulated at Smart Switch.

The Department does not have any form of reconciliation to inform on the amounts held by Smartswitch at any given time.

Accumulation of monies may reflect that card cancellations are not done timeously for graduated and deceased beneficiaries.

(c) Reconciliation

It was observed that there was no reconciliation of information between payments to beneficiaries, card issuance and the enrolment list. With regard to payment reconciliations, the Councils indicated that it was the responsibility of the Department, while the Department points to the Councils.

(d) Asset Register

In order to spread coverage of the coupon system to areas that were not serviced, the Government purchased 680 Point of Sale devices to the value of P6 742 773.

There was no record to indicate where the devices were located.

50. **Social Welfare Grants Paid Under the Department of Social Protection**

The audit of the payment of social welfare grants to beneficiaries under the Department of Social Protection was carried out to establish whether the objectives of the programme were achieved and whether the terms and conditions of those grants were complied with, as provided in the Operations and Payment Procedure and Botswana Plan of Action for Orphans and Vulnerable Children 2010-2016. The programme aims to protect beneficiaries against risks and vulnerabilities, to mitigate the potential impact in their lives. It also supports those at risk to secure basic livelihoods; and these include the poor, people with disabilities, the elderly, children, women and remote area communities.

The findings pointed to non-compliance with applicable requirements in the following key areas:

(a) Outsourced Functions

The Department had outsourced beneficiary payments to Botswana Post, Sandulela Telecom Botswana and Smartswitch Botswana (Pty Ltd). Each service provider was engaged to effect payments for specific elements of the beneficiary packages. The Department disbursed a total of P3.3 billion in the financial years 2016/2017 to 2019/2020. However, the Department had lost control of the key financial operations to the service providers, who had breached the terms of the Memorandum of Agreement (MoA) on numerous occasions.

(b) Unclaimed Cash Allowances

The MoA requires engaged companies to 'consolidate, verify and return all unclaimed payments to Client, together with a list of beneficiaries who did not claim such payments'. Such information must be submitted after every three (3) months for reconciliation.

However, the service providers on numerous occasions contravened the terms of agreement, as they took a substantial amount of time beyond the stipulated period to return unclaimed monies. Instances were noted where Sandulela took unduly long even up to 21 months to submit returns to the Government. During this period, Sandulela held an average of P6.2 million in unclaimed cash allowances thereby denying the Government the opportunity to invest the monies elsewhere and earn interest.

(c) Interest Earning Account

In terms of the MoA, Botswana Post and Sandulela Telecom were required to open separate bank accounts to be used 'solely for the social benefits cash allowances in the Agreement and the interest accrued in that account shall be reimbursed to the Client'. The Agreement also provided that the service provider may keep the monthly unclaimed cash component for a period not exceeding three months with interest accrued thereon.

In line with their obligations, the Department credited Botswana Post and Sandulela Telecom with P2.3 billion and P371 million respectively, for social welfare grants payroll for the financial years 2016/2017 to 2019/2020. Some of the beneficiaries did not collect their cash allowances monthly and these had accumulated to P66 million for Botswana Post and P9 million for Sandulela Telecommunication Botswana.

Based on the above observations, Government could have earned interest on the unclaimed cash allowances, if they had been returned as prescribed. As such, the service providers did not fully abide by the terms of the agreement.

(d) Agency Fees (Sandulela Telecom & Botswana Post)

Agency fees for each invoice were based on the number of beneficiaries paid in a period multiplied by the rate prevailing at a specific location. It was observed that the Client did not receive reconciliation reports showing paid and unpaid allowances in time to update the Social Benefit and Reconciliation System (SOBERS) application system. Therefore, credibility of the amount as calculated in the invoice could not be reasonably assured. The P47 million and P142 million agency fees paid to Sandulela and Botswana Post respectively for a period of 4 years may not be reflective of number of beneficiaries paid.

(e) Beneficiary Management Process

i. The beneficiary registration system had some deficiencies, which resulted in delays in updating the monthly payroll with newly approved beneficiaries. Some beneficiaries had to wait for up to 5 years before they could receive the cash allowance, consequently defeating the key objectives of the programme.

ii. A total of 2 270 social grant beneficiaries who passed on from as far back as 1997/1998 were removed from the payroll in 2017/2018 and 2018/2019, which meant that some of them had remained active in the payroll for more than 20 years after their death. The Department had deposited their share of cash allowances amounting to over P17 million with the service providers and there was no evidence of interest paid to the Client on this amount.

In addition, cash allowance for 50 beneficiaries was claimed even though they were deceased. The audit could not rule out misappropriation of P185 545 in payments to non-existent beneficiaries.

iii. In terms of the Child in Need of Care (CNC) and the Community Home Based Care (CHBC) programmes, children require a special diet prescribed by a paediatrician for them to be enrolled and for that reason, the food parcels should include the prescribed food items only. This proved to be easy to manipulate since the Smartswitch card did not have any restrictions established specifically for CNC.

(f) Client Oversight Role

The Department of Social Protection (DSP) is in partnership with 9 NGOs, whose main aim is to protect the orphans and vulnerable children. The implementation of the programme includes key activities assigned to the District Councils. Therefore, exchange of key information reports between the two parties is vital for the client to be up-to-date with the operations to enable them to execute their mandate. The oversight role was therefore considered ineffective due to the following:

- The NGOs did not provide quarterly narrative reports, financial reports and annual audited financial statements to account for transactions on their operations, which was in breach of the MoA.

- The Botswana National Plan of Action for Orphans and Vulnerable Children for 2010-2016 requires DSP to establish an independent body to provide oversight comprising of development partners, however this had not been done.

- The DSP did not establish the Monitoring and Evaluation Committee as required by the National Monitoring & Evaluation Framework, whose mandate was inter-alia to ensure that Local Authorities effectively account for funds disbursed to them and to establish whether they had been utilized for the intended purposes.

As a result, the Department had lost control of and had abdicated their responsibility and accountability for funds approximating P806 million disbursed between 2016/2017 and 2019/2020 to the NGOs and Local Authorities.

While the objectives of different classes of social grants may have been met, it is nevertheless of paramount importance that all the prescribed criteria in all the authorities are complied with for good management of the programme.

MINISTRY OF MINERAL RESOURCES, GREEN TECHNOLOGY AND ENERGY SECURITY

51. **Warranted Provision**

The utilization of funds warranted to the Ministry for the financial year ended 31 March 2020 is indicated below;

Department	Warranted Provision	Actual Expenditure	Under Expenditure	%
Headquarters	684 514 110	649 542 660	-34 971 450	5
Water Affairs		-3 419	-3 419	-
Mines	26 374 160	23 530 597	-2 843 563	11
Energy Affairs	22 173 400	20 326 768	-1 846 632	8
	733 061 670	693 396 605	-39 665 065	5

The Ministry expenditures increased by 89% (P326 480 581) from P366 916 024 in the previous financial year to P693 396 605 in the year under review mainly because of significant increases in subventions to parastatals under the portfolio responsibility of the Ministry from P223 713 566 (61%) in the previous year to P558 565 597 (150%) in the year under review.

Included in the warranted provision of P684 514 110, the amount of P570 293 560 was for Grants and Subventions of which P444 883 120 was for the Mineral Development Company Botswana (MDCB), representing 78% of the total amount.

52. **Tshele Bulk Strategic Petroleum Storage Depot Project**

The Bulk Strategic Petroleum Storage Depot at Tshele Hills comprised of three components; the Bulk Earthworks (Development of the Terminal), the Rail Spur and the Road Over Rail Bridge projects. The latter component was not examined since the project files and records were not availed for audit when required.

(a) Time and Cost Overrun

The Tshele Rail Spur construction works was scheduled to take 18 months commencing in August 2016 through to February 2018. The works was completed in December 2018, resulting in 10 months' time overrun.

The Bulk Earth Works component, was scheduled to take 4 months starting from November 2017 up to early March 2018. However, the initial contractor was terminated and a new contractor was engaged, but due to contract cancellation disputes, as well as determining the rationale on which fees for work done was to be calculated, the project delayed. The project was only completed in December 2018, resulting in 10 months' time overrun.

The project budget was P510 053 375 and the actual cost was P591 467 163, indicative of an over expenditure of P81 413 788 (15.96%). The cost and time overruns were attributed to the following:

- Delayed payments to the contractors which had attracted penalty interest. It was noted that the delays in payments were caused mostly by the depletion of the National Petroleum Fund (NPF), which was used to fund the Project.
- Changes in designs, for example, roads and culverts during the project.
- Heavy rainfalls
- Denied access by one of the field owners for the construction of the rail spur
- Increase in material haulage costs.
- Escalation of Bulk Earthworks Project cost by P8 million due to termination of the initial contract and engagement of another contractor.

(b) Tank Farm

By the end of 2019, there was no activity at the Tank Farm. The platform was damaged due to the heavy rains in 2019/2020. If the situation is not attended to urgently, more funds will be required to make good the defects.

(c) Procurement of Transaction Advisory Services

The Public Private Partnership (PPP) was identified as a vehicle to fund the remaining components of the project. The engagement of Transaction Advisory Service was being finalised. The purpose was to work out the modalities of this partnership.

MINISTRY OF HEALTH AND WELLNESS

53. **Warranted Provision**

The utilization of funds warranted to the Ministry for the financial year ended 31 March 2020 is indicated below:

Dept	Warranted Provision	Actual Expenditure	Over + Under - Expenditure	%
Headquarters	858 898 036	853 032 434	-5 865 602	0.7
Policy, Planning and Monitoring	8 169 381	7 341 505	- 827 875	10
Health Sector Relations	230 192 290	225 860 951	- 4 331 339	1.9
Clinical Services	6 229 479 845	6 289 020 653	59 540 808	1.0
Public Health	152 593 115	137 017 026	- 15 576 089	10
Aids Prevention and Care	111 320 870	103 764 759	- 7 556 111	6.8
Health Inspectorate	7 869 594	7 445 133	- 424 461	5.4
	7 598 523 130	7 623 482 462	24 959 332	0.3

The Ministry performed relatively well in the year under review, as all departments, with the exception of Clinical Services, had not overspent.

The Clinical Services Department had exceeded the warranted provision by P59 540 808 which is quite significant and had adversely contributed to the over-expenditure of P24 959 332.

54. **Procurement of Medical Equipment**

An audit of the accounts of the Ministry gave rise to the following observations:

(a) Payments for Medical Equipment

An examination of the framework contracts for Supply of Medical Equipment revealed that some companies had tendered for and were awarded contracts for the supply of medical equipment using hard currencies such as Euros and US Dollars. The contract had included clauses that were intended to mitigate the losses to both Government and supplier due to currency fluctuations and stated that the unit prices shall be fixed for a period of 36 months, but the Government has been disadvantaged due to the strength of the hard currencies against the Pula. The Ministry had not adhered to the contract as all payments were made with prevailing exchange rates. One of the clauses stated that currency fluctuations in the exchange rate between the Pula and the hard currencies quoted shall not affect the prices unless they are substantial i.e if they are 5% above or below the agreed rate. However, all payments were made using the prevailing exchange rates even where fluctuations were within the 5% agreed rates.

(b) Nugatory Expenditure

A Company was paid the sum of USD 71943.17 (P766 167.94) for preventative maintenance of medical equipment at Princess Marina Referral Hospital in May 2019. An examination of the supporting documents revealed that the contract document quoted on the payment had expired in May 2017, and a different company had since been engaged to provide the service. Although a new supplier was engaged the hospital continued to make payment to the previous supplier whose contact was expired, even though they had not provided any services during the period. There was no evidence that the contract agreement had been renewed or extended after expiry, therefore the payment could not be supported and substantiated.

(c) Outsourcing of Maintenance and Facility Management

The Ministry had been outsourcing management and maintenance of facilities country wide to private consultants' companies. This arrangement had proved to be costly but had not yielded any visible results.

Some facilities visited indicated that they had encountered difficulties due to non-adherence to the procurement regulations and procedures and non-categorization of service or work done by private consultants. This was attributed to the involvement of private consultants who were engaged to do the troubleshooting and scoping the maintenance. Although the consultants were to provide technical advice on procuring maintenance services, they were not authorised to solely procure the services without the involvement of the procuring entity.

55. **<u>Audit Inspection: Mahalapye Hospital, Sekgoma Memorial Hospital and Nyangwagwe Referral Hospitals</u>**

A visit to the above facilities in July 2020 revealed instances where some equipment was either not put to use or was dysfunctional.

(a) <u>Mahalapye Hospital</u>

i. <u>Pharmacy</u>

A Lamina Airflow Machine for preparation of Total Parental Nutrition was never put to use since its purchase in 2010.

A water distiller which was supposed to be used for distilling water for preparation of suspension for babies was reported to have been dysfunctional since 2012.

ii. <u>Dental Clinic</u>

Two dental chairs, Sirona model were non-functional due to the compressors and vacuum pumps not working. The chairs were now being used for procedure which did not require mechanical functions of the chairs, thus limiting service delivery.

Kavo dental chair was due for service in June 2020, but this was not done because the contract with the service provider expired in November 2019.

iii. <u>Audiology Equipment</u>

A diagnostic booth which was installed during the construction of the hospital had never been utilized since the hospital was commissioned.

iv. <u>Un-serviced Fire Alarm</u>

A fire alarm in the warehouse was last serviced in 2018. In the event of a fire, there is the risk of the alarm to fail.

(b) <u>Nyangwagwe Referral hospital</u>

i. <u>Radilogy</u>

A Phillips Achieva 1.5 T MRI radiology machine had been dysfunctional since 2017. It was further observed that one of the requirements was that the machine should always have at least 50% Helium gas for it to be functional. It was observed that on 2 May 2018 the Helium gas fell to 38%, causing the machine to cease.

ii. Theatre

A new Aspiration System Machine worth P10 million delivered on the 7 November 2019 had not been installed to be used for its intended purpose. The explanation given was that members of staff had not been trained on how to operate it.

Two high speed drilling machines valued at P549 829 each had also not been installed and were therefore not serving the intended purpose. The explanation given was that the machines were delivered with some parts missing.

(c) Sekgoma Memorial Hospital

i. Idle and Non Functioning Machines

Main Laboratory

A CD4 Count Machine valued at P2 273 040 was bought and delivered in April 2020, but was never put to use because the officers were not trained to operate it.

ii. Microbiology Laboratory

A t the time of audit in July 2020, a Genexpert Machine for Tuberculosis testing was found to have been last serviced in 2016. The value of the machine could not be established as there were no documents available.

iii. Old Hospital Equipment

Equipment was delivered to Sekgoma Memorial Hospital in September 2019, to be issued to old Serowe Primary hospital. At the time of audit in July 2020, the equipment was still stored at Sekgoma Memorial Hospital because the old hospital is yet to be commissioned for operation.

This included electrical equipment, which needed testing promptly after delivery to determine whether they functioned properly. It could not be established whether the equipment was under warranty, which may have already lapsed, which may transfer the burden of making good the equipment to Government if any malfunction is detected later.

iv. Clinical Waste

At the time of audit, the Incinerator at Sekgoma Memorial hospital was not functional.

Furthermore, a Company which was engaged to collect clinical waste had not been collecting since May 2020 due to their equipment not functioning.

It had also been reported that the Company was failing to comply with the agreed service level agreement as they indicated that they could only collect waste once a week, which contravened Clause 18.1 of the contract. According to contract Clause 5.1, clinical waste should not be stored for more than 48 hours without being collected. The uncollected, untreated and poorly disposed-of clinical waste pose a risk of spreading infection to the public at large.

ADMINISTRATION OF JUSTICE

56. **Warranted Provision**

The utilisation of funds warranted to the Department for the financial year ended 31 March 2020 is indicated below:

Department	Warranted Provision	Actual Expenditure	Over+ Under Expenditure	%
Admin of Justice	313 993 870	320 689 509	6 695 639	0.02

ATTORNEY GENERAL'S CHAMBERS

57. **Warranted Provision**

The utilization of the funds warranted to the Chambers for the financial year ended 31 March 2020 is indicated below:

Department	Warranted Provision	Actual Expenditure	Under Expenditure	%
Attorney General	238 855 030	235 846 065	3 008 965	1

58. **Audit of Revenue – Damages and Legal Cost**

An of audit of accounts and records of the Attorney General Chambers for financial year end 31 March 2020 had given rise to some observations indicated below.

(a) Under collection of Revenue

The total revenue collected for Damages and Legal cost was P899 015 against estimated revenue of P1 406 610, being an under collection of P507 595 (36%).

The basis for revenue estimate and the reason for under collection could not be provided.

(b) Prescription of Debt

Audit noted that there were no record detailing cases that had prescribed, which made it difficult to determine the total number and cost of all such cases. Prescription Act Cap 13.01 states that "no debt or unpaid invoice that has been outstanding for a continuous period of 3 years can be recovered through the courts of law unless there has been interruption by way of a clear acknowledgement of debt before the 3 years' period lapses".

There was evidently low collection of revenue as many cases prescribed before they went for trial, resulting in substantial loss of revenue which could have accrued to the Government.

OFFICE OF THE AUDITOR GENERAL

59. **Warranted Provision**

The utilization of funds warranted to the Office of the Auditor General for the financial year ended 31 March 2020 is indicated below:

Department	Warranted Provision	Actual Expenditure	Under Expenditure	%
Auditor General	88 087 890	78 426 550	-9 661 340	11

The funds utilization for the Office of the Auditor General for the year under review was 89% of the warranted provision, compared to 85% in the previous year.

MINISTRY OF INTERNATIONAL AFFAIRS AND COOPERATION

60. **Warranted Provision**

The utilization of funds warranted to the Ministry for the financial year ended 31 March 2020 is indicated below:

Department	Warranted Provision	Actual Expenditure	Under Expenditure	%
Headquarters	110 321 120	105 626 378	-4 694 742	4
Washington	29 919 510	28 478 147	-1 441 363	5
New York	40 841 410	39 449 053	-1 392 643	3
London	26 544 750	24 205 985	-2 338 765	9
Lusaka	7 364 560	6 662 391	-702 169	10
Brussels	21 319 710	19 816 476	-1 503 234	7
Stockholm	15 931 240	14 415 782	-1 515 458	10
Harare	16 003 570	14 772 030	-1 231 540	8
Windhoek	9 023 840	8 811 580	-212 260	2
Beijing	29 471 840	28 062 555	-1 409 285	5
Geneva	40 353 630	39 180 961	-1 172 669	3
Pretoria	13 597 960	11 884 809	-1 713 151	13
Johannesburg	12 962 590	12 236 650	-725 940	6
Tokyo	27 020 260	25 553 784	-1 466 476	5
Addis Ababa	15 275 540	14 776 528	-499 012	3
Nairobi	18 033 030	17 279 344	-753 686	4
Canberra	22 383 530	20 881 967	-1 501 563	7
New Delhi	20 371 890	17 529 884	-2 842 006	14
Abuja	15 800 020	13 629 456	-2 170 564	14
Brasilia	20 508 790	19 165 433	-1 343 357	7
Kuwait	12 913 550	11 518 738	-1 394 812	11
Maputo	15 625 710	14 162 396	-1 463 314	9
Berlin	22 052 820	21 131 443	-921 377	4
Paris	6 504 400	5 621 131	-883 269	14
	570 145 270	534 852 900	-35 292 370	6

61. **Audit of the Accounts – COVID 19 Account**

The audit of the COVID 19 vote gave rise to the following observations.

(a) Repatriation of Non–Batswana

The Ministry received P11 099 680.90 from the COVID-19 Relief Fund to assist in the repatriation of Batswana who were in the diaspora when COVID-19 restrictions were imposed.

A sum of P1 063 682.21 was paid to charter a flight to Addis Ababa to Gaborone for ninety-four (94) passengers. This came to P11 315.80 per person. The understanding was that every Motswana who was not under government sponsorship would refund the government the funds advanced within a month of arrival. However, it was noted that four (4) of these repatriates were not Batswana and their benefiting from this arrangement could not be substantiated.

(b) <u>Non Refund by Beneficiaries</u>

The requirement for Batswana who wanted to board the chartered flight on 03 June 2020 from Addis Ababa but were not under Government sponsorship was that, they complete and sign acknowledgement of debt form before boarding. However, this was not the case as evidenced by letters written to beneficiaries some fifteen (15) days after arrival on 18 June 2020 with debt acknowledgement forms attached.

Failure to follow the guidelines and delay in dispatching the forms resulted in some beneficiaries not being located. Five (5) months after the return date on 31 October 2020 only one (1) beneficiary out of Eighty-One (81) had refunded the government. Four (4) other beneficiaries had claimed to have made payment directly to the remittances account, but the deposits could not be verified because the transactions were not properly referenced.

However, at the time of writing the report, the Ministry had indicated that 18 more beneficiaries had refunded the Government. Increasing the total number to 19. In monetary terms, P215 000 out P916 576.81 was recovered.

62. **Warranted Provision**

The utilisation of funds warranted to the Commission for the year ended 31 March 2020 were utilized as shown below.

Department	Warranted Provision	Actual Expenditure	Under Expenditure	%
Independent Electoral Commission	67 611 320	65 805 623	-1 805 697	3

OFFICE OF THE OMBUDSMAN

63. **Warranted Provision**

The utilisation of funds warranted to the Ombudsman for the financial year ended 31 March 2020 is indicated below

Department	Warranted Provision	Actual Expenditure	Under Expenditure	%
Ombudsman	35 143 000	32 954 308	-2 188 692	6

Like in preceding years, the Office has performed fairly well in budget utilization with expenditure recorded at 94% of the warranted provisions in the year under review.

MINISTRY OF LAND MANAGEMENT, WATER & SANITATION SERVICES

64. **Warranted Provision**

The utilization of funds warranted to the Ministry for the financial year ended 31 March 2020 is indicated below;

Department	Warranted Provision	Actual Expenditure	Under/Over Expenditure	%
Headquarters	624 758 461	623 585 452	- 1 173 009	.18
Surveys and Mapping	39 035 237	37 959 180	- 1 076 058	3
Town & Country Planning	27 206 775	27 825 754	- 618 979	2
Lands	49 226 612	48 947 037	- 279 582	.57
Deeds Registry	12 438 362	12 379 915	-58 447	.47
Project Management Office	14 605 172	16 354 267	+1 749 095	10.6
Water & Sanitation	120 236 610	121 176 948	+940 338	.77
	887 507 230	888 228 547	721 317	.08

MINISTRY OF ENVIRONMENT, NATURAL RESOURCES CONSERVATION AND TOURISM

65. **Warranted Provision**

The utilisation of funds warranted to the Ministry for the financial year ended 31 March 2020 is indicated below:

Department	Warranted Provision	Actual Expenditure	Under Expenditure	%
Headquarters	208 330 830	202 576 262	- 5 763 568	2.8
Wildlife & National Parks	304 415 489	302 246 097	- 2 169 391	0.7
Tourism	22 879 150	22 791 838	- 87 312	0.4
Meteorological Services	66 895 970	66 627 904	- 268 066	0.4
Sanitation and Pollution Control	25 175142	25 153 412	- 21 730	0.08
Forestry and Range Resources	105 755 482	105 352 820	- 402 662	0.4
Environmental Affairs	26 311 844	26 812 259	+500 415	1.9
National Museum, Monuments and Art Gallery	32 016 303	32 667 889	+651 586	2.0
	791 780 210	784 219 481	7 560 729	1

INDUSTRIAL COURT

66. **Warranted Provision**

The utilisation of funds warranted to the Industrial Court for the financial year ended 31 March 2020 is indicated below:

Department	Warranted Provision	Actual Expenditure	Under Expenditure	%
Industrial Court	41 208 790	40 175 987	-1 032 803	3

MINISTRY OF YOUTH EMPOWERMENT, SPORTS AND CULTURE DEVELOPMENT

67. **Warranted Provision**

The utilization of funds warranted to the Ministry for the financial year ended 31 March 2020 is indicated below:

Department	Warranted Provision	Actual Expenditure	Under Expenditure	%
Headquarters	722 513 339	689 671 547	-32 841 793	4.5
National Archives	26 320 837	7 341 505	- 969 944	3.6
National Internship	198 400 954	195 382 581	- 3 018 372	1.5
	947 235 130	910 405 021	36 830 109	3.8

The performance of the Ministry in the year under review was satisfactory as all departments did not exceed the warranted provisions. The unspent amount represents about 4% of the budget.

68. **Contract with Commercial Banks**

In an effort to facilitate payment of allowances to Tirelo Sechaba and National Internship Programme participants, the Ministry engaged First National Bank and ABSA Bank to provide payment services. It was observed during audit in August 2020, that the contract pertaining with First National Bank had expired on 31 December 2019.

The Accounting Officer has stated that the contract covering the period from 01 February 2019 to 31 January 2021 was finalized on the 21 September 2020. That was 20 months without any official agreement signed. Similarly, the contract with ABSA Bank for the period of 24 months commencing in February 2019 to January 2021 was retrospectively negotiated in December 2019 and finalized on 06 March 2020.

This means that the bank was providing services to the Ministry with no official agreement in place.

It should be noted that issues of protracted negotiations between the service provider and the Ministry are not procedural and may put government resources at risk should there be disagreement.

MINISTRY OF INFRASTRUCTURE AND HOUSING DEVELOPMENT

69. **Warranted Provision**

The utilization of funds warranted to the Ministry for the financial year ended 31 March 2020 is indicated below-

Department	Warranted Provision	Actual Expenditure	Under Expenditure	%
Headquarters	65 429 779	63 544 324	1 885 455	3
Department of Building & Engineering Services	258 619 508	256 762 853	1 856 655	.72
Department of Housing	147 220 263	143 776 365	3 443 898	2
	471 269 550	464 083 543	7 186 007	5

MINISTRY OF TRANSPORT AND COMMUNICATIONS

70. **Warranted Provision**

The utilisation of funds warranted to the Ministry for the financial year ended 31 March 2020 is indicated below:

Department	Warranted Provision	Actual Expenditure	Under Expenditure	%
Headquarters	432 030 032	420 448 275	- 11 581 757	2.8
Road Transport & Safety	194 557 314	189 086 468	- 5 470 846	2.9
Central Transport Organisation	531 825 067	523 330 698	- 8 494 369	1.6
Telecommunications and Postal Services	11 750 920	10 110 979	- 1 639 941	16
Department of Roads	333 605 317	326 490 140	- 7 115 177	2.2
Information Technology	442 382 620	430 869 746	- 11 512 874	2.7
	1 946 151 270	1 900 336 306	45 814 964	2.4

MINISTRY OF DEFENCE, JUSTICE AND SECURITY

71. **Warranted Provision**

The utilisation of funds warranted to the Ministry of Defence, Justice and Security for the financial year ended 31 March 2020 is indicated below:

Department	Warranted Provision	Actual Expenditure	Over+ Under Expenditure	%
Headquarters	182,367,448	171 019 194	-11,348,254	0.06
Botswana Defence	4,237,452,388	4,238,847,791	1,395,403	0
Police	2,581,455,012	2,610,978,955	29,523,943	0.01
Prisons	590,982,823	581,534,564	-9,448,259	0.01
	7 592 257 670	7 602 380 503	10 122 833	0.08

The Ministry had overspent their allocated budget by P10 122 833 (0.08%).

72. **Botswana Police Services**

Construction of the new Palapye Police Station and Staff Housing, and renovation of the Old Police Station and Staff Housing

A tender was awarded for construction of the new Palapye Police Station and Staff Housing including renovations to the existing Police Station and Staff Houses for a contract period of 39 months commencing from 28 May 2009 to 26 May 2011, for a contract sum of P146 655 364. The contract period turned out to be 72 months after several extensions.

The construction works commenced without a supervisor as the Clerk of Works was appointed 7 months later, which resulted in late inspections and approval of works.

It was also noted that payments of certificates were made very late, resulting in interest charges levied by contractors. For example, payment of certificate number 30 was delayed to an extent that it attracted an exorbitant interest charge amounting to P1 537 816 which could have been avoided. This was clearly a case of wasteful expenditure, which needed proper addressing by the project owner.

The lack of proper maintenance of record hindered the full audit of the project.

MINISTRY OF EMPLOYMENT, LABOUR, PRODUCTIVITY AND SKILLS DEVELOPMENT

73. **Warranted Provision**

The utilisation of funds warranted to the Ministry for the financial year ended 31 March 2020 is indicated below:

Department	Warranted Provision	Actual Expenditure	Under Expenditure	%
Headquarters	139 808 960	134 655 216	-5 153 744	4
Labour & Social Security	52 537 530	51 682 686	-854 844	2
Occupational Health & Safety	13 008 290	11 766 325	-1 241 965	10
International Trade	540 003 050	525 170 098	-14 832 952	3
	745 357 830	723 274 325	22 083 505	3

MINISTRY OF TERTIARY EDUCATION, RESEARCH, SCIENCE AND TECHNOLOGY

74. **Warranted Provision**

The utilisation of funds warranted to the Ministry for the financial year ended 31 March 2020 is indicated below:

Department	Warranted Provision	Actual Expenditure	Under Expenditure	%
Headquarters	1 866 622 730	1 866 063 348	- 554 382	0.02
Tertiary Education & Financing	2 303 349 193	2 301 142 341	- 2 206 851	0.09
Teacher Training	329 811 528	324 749 470	- 5 062 057	1.6
Research Science & Technology	10 425 270	10 017 298	- 407 972	4.1
Radiation Protection	14 807 170	14 346 447	- 460 723	3.2
	4 525 015 890	4 516 323 904	8 691 986	0.2

IX PERFORMANCE AUDIT

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

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

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

The completed reports are;

- Management of Wastewater Treatment by Water Utilities Corporation
- Collection of Royalties and Dividends by the Department of Mines

One of the two completed reports is summarised below, while the report on Collection of Royalties and Dividends by the Department of Mines is summarised under Extractive Industries Section of this report.

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

Management of Wastewater Treatment by Water Utilities Corporation

The objective of the audit was to assess the extent to which Water Utilities Corporation (WUC) ensures effective treatment of wastewater to guard against environmental pollution and to enhance wastewater re-use.

The key findings were as follows-

i) Effluent- Borne Environmental Pollution Risk

Water Utilities Corporation treatment facilities were not adequately treating wastewater to the required quality standard as prescribed by BOS 93: 2012 for disposal into the environment, thus posing a pollution risk to the environment particularly the water resources that the wastewater is discharged into. Additionally, most treatment facilities were not licensed by the Department of Waste Management and Pollution Control primarily because of their non-compliance.

In response, management stated that the WUC had prioritized measures to enforce pre-treatment of industrial effluent through the Trade Effluent Agreement.

ii) Control of Industrial Wastewater Discharges

a) There were some industries without Trade Effluent Agreements (TEAs)with WUC, that nonetheless discharged effluent into public sewers, some of which was hazardous. TEA is an instrument through which WUC regulates industrial discharges into public sewers.

b) On the other hand, some industries with TEAs did not comply with some of the stipulated conditions such as the requirement to pre-treat wastewater and yet continuing to discharge effluent into the public sewers. The WUC did not however stop discharges from non-compliant industries as required by the TEAs. Consequently, the WUC wastewater treatment plants were not performing as expected as they discharged poor quality effluent which was a threat to the environment and water sources along the river channels.

c) Furthermore, the WUC wastewater charges were not commensurate with the level of pollutant concentration in the effluent. That is, industries were only charged for volumes of wastewater they generated, with no regard to the pollutant concentration in that wastewater. Therefore, major polluters were not held fully accountable for the pollution they caused.

In response, management stated that they had developed a communication plan to sensitize and empower all industries and stakeholders on the TEA. They further pointed out that the Corporation continued to engage industries by reminding them of the Environmental Impact Assessment, which requires all industries to take their responsibility to prevent pollution in order to protect the environment. The Corporation had taken a decision to consult all licensing authorities and had written letters to all District Councils engaging them on the TEA requirements. Additionally, management committed to rigorously enforce the applicable clauses on the allowable level of pollutant concentration including those on monitoring quality by both the industry and WUC.

iii) Effluent Quality Monitoring

While the Corporation had established laboratories for wastewater quality testing and analysis, it did not adequately monitor the quality of the effluent it discharged into the environment as well as that which it availed to people for use. The prescribed sample sizes and sampling schedules were not adhered to, resulting in compromised water quality for environmental disposal.

In response, Management stated that they were implementing iTemogo, which would ensure adequate human resource while developing the Asset Management Strategy as an all - inclusive of guidelines for resource allocation and lifecycle costing.

iv) Upkeep of Treatment Works (Non-Mechanical Maintenance Works)

The Corporation did not ensure that all wastewater treatment facilities were well maintained and kept in good working condition conducive for optimal treatment of wastewater. There was substantial bush cover and grass in some pond premises and some pond scheme premises were littered with un-bagged grits and screens from the screening chambers. These posed a public health and environmental pollution threat.

In response, Management indicated that the Corporation had comprehensive maintenance plans that included upkeep of the grounds and removal of the screens

v) Desludging of Anaerobic Ponds

The WUC did not de-sludge some ponds including anaerobic ponds in line with the 2 to 3 year interval prescribed by the Botswana National Wastewater and Sanitation Planning and Design Manual. This resulted in sludge carry-overs into subsequent aerobic facultative ponds, thus contributing significantly to effluent quality challenges in pond schemes and creating a pollution risk to the environment.

In response, Management stated that they would improve on resource management to effectively carry out the desludging.

vi) Disposal of Sludge

The Corporation did not appropriately and safely dispose of sludge subsequent to desludging of the ponds. There were stockpiles of sludge in most treatment works at the wastewater treatment facilities. Notwithstanding, the chemical content of the sludge was not monitored to guard against possible environmental pollution and health risks particularly to personnel at treatment works due to toxic substances that could be contained in the sludge.

In response, Management indicated that the Trade Effluent Task Team Committee was developing a Sludge Management Strategy which would result in guidelines on sludge handling, treatment, testing, reuse and disposal.

vii) Reclamation of Treated Wastewater

The Corporation did not maximize reclamation of treated wastewater for reuse. Statistics showed that there were significant volumes of treated effluent generated that was mostly discharged into river channels without being reclaimed.

Furthermore, the WUC did not incorporate wastewater reclamation and reuse in its planning frameworks such as the strategic plan to implement the Botswana National Water Policy of 2012, which suggests that wastewater can be almost totally recycled.

In response, Management stated that WUC was giving high priority to issues of effluent reuse such that for all planned refurbishments and rehabilitation of treatment facilities, terms of reference were crafted to include issues of effluent reuse. The Corporation had embarked on a project to reclaim treated effluent for portable use through Public Private Partnership (PPP).

X EXTRACTIVE INDUSTRIES

76. I completed one performance audit report on extractive industries during the year under review and below is a summary of the report.

Collection of Royalties and Dividends by the Department of Mines

The objective of the audit was to assess the extent to which the Department of Mines (DoM) ensured efficient and effective collection of royalties and dividends from the mining sector.

The key findings were as follows-

i. Revenue Collection Plans

Though the DoM had developed annual plans, they did not outline how they intended to achieve the set objective of increasing mineral revenue collection. The department had used the same baselines and targets of P187 million and P294 million respectively for three consecutive financial years (2016/2017 to 2018/2019) for all companies except for Debswana.

a) Non - Debswana Royalties

For the financial years 2016/17 and 2018/19, the Department had not achieved the set targets of collecting P294 million, as P199 million and P165 million were collected for each year respectively. The set target was only exceeded during the financial year 2017/18 where over P494 million was collected. Although the Department collected P571 million and P450 million during financial years 2014/15 and 2015/16 respectively, the performance of the Department could not be assessed as the targets and baselines for those years were not availed.

b) Debswana Royalties

As indicated above the Department was inconsistent in their revenue collection drive as they did not set baselines and targets for the revenue collection from Debswana like they did for other mining companies. The audit covered the period 2014/2015 to 2018/2019 and during this period the highest amount of royalties collected was P44 billion in 2014/2015 while the lowest collected was P3.5 billion in 2018/2019, showing a drastic decrease of P40.5 billion over the 4-year period.

c) Debswana Dividends

During the period under review, the amounts collected by the Department ranged between P15.3 billion and P9.04 billion with the highest collected in 2016/2017 and the lowest in 2015/2016. Baselines and targets were not set for the collection of dividends over the period under review. This was due to confidentiality of the Debswana sales agreement as well as reliance on the mining companies' Board of Directors for determination of the sales value of diamonds.

In response, Management stated that they prepared revenue forecasts which informed the budget at national level and that revenue collection was monitored against the budget on a monthly basis. Where resources permitted, they undertook production, sales and revenue audits for reconciliation against royalty payables. They further stated that it was impossible to collect revenue as per plans due to market and production fluctuations.

ii. Mining Policy

There was no mining policy to guide efforts made towards achievement of optimal beneficiation from the mining industry. Instead, the Department solely relied on the use of various Acts of Parliament established to regulate mining operations. These Acts regulate activities, that is, they give the Department legitimacy and authority over all mining matters whereas policies would ensure uniformity in the mineral administration. The mining policy could have provided an enabling environment for enhancing citizen beneficiation and its absence had exacerbated the following:

a) Inadequate control over big mining companies: production volumes of such companies were never verified and this posed a risk of under declaration of production.

b) Limited participation of Non-Governmental Organisations, Civil Society and Community Based Organisations: The policy would have clearly defined their roles in the mining activities and they could provide oversight to ensure proper exploitation and extraction of minerals.

c) Minimal Beneficiation: The policy would have dealt with issues of local content and corporate social responsibility.

In response, Management stated that drafting of Mineral Policy was completed and tabled in Parliament in 2017. However, the draft had been awaiting approval by Parliament. Management further stated that the Policy was re-tabled during the July 2020 parliamentary sitting and could not go up to the first reading. It was further explained that although the Minerals Policy was not yet approved, the policy position to beneficiate minerals had been in place for some time and as such, it was spelt out in other official documents such as the National Development Plan 11.

iii. <u>Robustness of Legal Instruments</u>

The Mines and Minerals Act of 1999 was last reviewed in 2007 and a number of areas had not been advocated for in its review as follows:

a) Insignificant charges and fines, which did not deter the violation of the act leading to same offences being repeatedly committed. As the charges were much lower as compared to the benefits derived from committing those offences. For instance, fines charged to illegal miners were insignificant compared to the profits made from the illegally mined commodities.

b) Sections 81 to 84 of the Mines and Minerals Act of 1999 give the Department authority to charge companies that contravene the provisions of the law. However, the Department could neither enforce payment of fines nor impound equipment used in contravening the law as this is outside their jurisdiction. The Department relies on other stakeholders like Botswana Police Service for assistance, especially on the impounding of machinery.

d) Silence of the Act on the formula for the calculation of dividends and factors such as allowable/non allowable costs to determine the value of the Government share.

e) The period a mining company is allowed to defer payment of royalties is not specified resulting in prolonged deferments which could affect the Government revenue base since some of the affected companies ultimately close down under the pretext of insolvency.

In response, Management stated that another review of the Act was underway and that the current Act did not have impediments to revenue collection since dividends were paid on the basis of the decisions made by the various Board of Directors. Management further stated that deferment period was often stipulated by the Minister as a condition when allowing deferment of royalties.

iv. Contracts/Agreements

The DoM had no contractual agreements with most of the mining companies operating in the country, except for Debswana mining company, which was however not availed to me. Nonetheless, the Department awarded mining licences to mining companies. These licences had inconsistencies and were not legally enforceable. For instance, some licences included terms and conditions on how mining activities would be undertaken while others did not.

In response, Management stated that drawing up contracts with individual mines would require more resources to administer, as such non-diamond mines were regulated through legislation which was enforceable. Management further stated that any shortcomings observed were due to personnel and capacity to enforce the legislation. Government had moved away from mining contracts to standardise obligations by mining licence holders through Legislation, which was a more enforceable instrument than contracts. Furthermore, mining contracts may result in inconsistent conditions, while Legislation provides standard obligations for every company and they are not negotiable.

v. Disclosure of Mining Agreements

The mining agreement with Debswana was not availed to me as it was considered confidential. This was said to be the case for companies in partnership with the Government of Botswana. However, the agreement for Botash mining company was availed together with its terms and conditions of operations even though it is also in partnership with the Government.

In addition, Debswana mining licences were availed to me without terms and conditions of operation, whereas other diamond mining companies' mining licences together with their terms and conditions of operation were availed. The failure to avail the Debswana mining company's terms of operation made it difficult to understand the responsibilities and obligations of the contracting parties.

The Extractive Industry Transparency Initiative (EITI) principles encourage countries to publicly disclose their extractive (mining) sector contracts agreements and licences. Botswana is however not a member of the EITI.

In response, Management stated that mining contracts were not availed because they were commercial contracts, which if made public would potentially compromise the contracting parties especially if competitors got hold of the agreements. They further indicated that it was common practice for such agreements to be confidential and it should be noted that although the agreements were confidential, key terms of the agreements were publicised.

vi. <u>Compliance to Legal Statutes</u>

Most of the mining companies did not pay royalties as required by Section 66 (1) of the Mines and Mineral Act of 1999, but instead deferred payments. At the time of audit, large mining companies owed Government over P264 million in royalties. Lamentably, most of these mining companies were placed under care and maintenance or provisional liquidation and even if penalties for non-payment of royalties were imposed, they would not be recovered as most of the companies have ceased operating or would have ceased operating.

Similarly, small mining companies did not pay royalties to Government as required and were as a result, in arrears of over P1 million. The non-payment of revenue by both small and large mining companies was due to non-enforcement by the Department, of relevant laws, which stipulate the action that should be taken in case of contravention by the companies. For instance; 5.10 of the Mines and Minerals Act of 1999, that stipulated that, any fees, dues, rents, royalties or payment which may become due in respect of any mineral concession or under the provisions of the Act, shall be a debt to Government and recoverable in a court of competent jurisdiction.

vii. <u>Production Returns / Reports</u>

There were inconsistencies in submission of monthly returns as only small mines submitted their returns as required by Section 598(1) of the Mines, Quarries, Works and Machinery Act of 2002. The Department reminded small mining companies whenever they failed to submit their monthly returns but did not do the same with large mining companies. The Department did not enforce provisions of the Mines and Mineral Act of 1999 which empower them and the Minister to take specified action against non-compliant companies. 5.76 (1) of the Mines and Minerals Act of 1999, state that subject to the provision of this Act, the Minister may suspend or cancel a mineral concession if the holder :

- Fails to make any of the payment required by or under this Act on the due date
- Contravenes any provision of the Act or the conditions of mineral concession or the provisions of any other written law relating to mines and minerals

viii. Revenue Reconciliation

The Department had neither reconciled revenue received from large mining companies with production declared nor requested for mining reports from the mines for the purpose of assessing whether dividends paid were commensurate with the financial performance of the company. The department however, reconciled production returns and revenue received for small mining companies

According to Extractive Industries Transparency Initiative and the Natural Resource Governance Institute principles, payments and revenues collected from extractive industries should be reconciled by a credible independent administrator, applying international auditing standards and with publication of the administrator's opinion regarding that reconciliation including discrepancies, should any be identified.

ix. Declaration of Production

Section 598 (1 and 2) requires mining companies to submit production returns, however, some companies had not declared their production at all whilst some of those who declared understated their production

Non-declaration and understatement of mining production results in loss of revenue to the Government which negatively impacts the country's economy.

x. Completeness of Payment Records

Section 66(4) of the Mines and Mineral Act of 1999, states that "royalty shall be paid on a mineral or mineral product on receipt of each payment or other consideration for such mineral or mineral product, and each royalty payment shall be accompanied by full particulars of the mineral or mineral product sold or disposed of and the terms of payment thereof".

The reviewed payment vouchers for royalties were not accompanied by the necessary particulars required to support the accuracy of the amounts paid. The vouchers only showed the name of the payee, amount and date of payment as well as the account details, but had omitted the quantity, weight, colour and shape of the commodity in the case of diamonds which was in contravention of the Act.

In response, Management stated that they were not being lenient but rather being practical considering the nature of the mining operations. They further stated that Section 86 of the Mines and Mineral Act of 1999 protects disclosure of mining companies' information as it prohibits the Department from publishing their information. To publish such information, it must be consolidated for all operations.

xi. Monitoring

The Department of Mines had not been sufficiently monitoring operations. This had been attributed to non-submission of production returns, financial reports as well as lack of capacity in terms of numbers and skills, and financial resources.

Inadequate monitoring had also been attributed to the fact that most small scale mining companies did not always have established sites which made it difficult for the Department to monitor their operations. Even with those companies with established sites like quarries, the Department had not always been able to monitor their activities due to financial constraints. Additionally, operations of large mining companies had not been monitored for their entire period of operation. This was exacerbated by the DoM trusting that these companies had mechanisms in place to provide assurance on compliance to requirements and legal statutes.

The Department did not have a resident Officer to verify that royalties paid were commensurate with the quantity and quality of minerals extracted. This had created opportunities for understatement of production and ultimately under-payment of mining revenue. Additionally, the DoM did not have a system in place to assist them in determining whether mining companies were operating with valid licences.

In response, Management stated that they had developed annual plans for inspections and auditing of operations but due to resource constraints, the Department was unable to carry out the inspections and audits on each and every operating mine annually.

Management further explained that where funds had been secured, private entities were engaged to audit large mining operations. However, evidence to that effect was not provided for me to substantiate the claim.

Management further stated that due to limited resources and personnel, the Department was not in a position to deploy resident officers in all mining operations for monitoring of production, sales and royalties payable.

In relation to the database system, Management stated that the Department had a spreadsheet for capturing all mineral concessions.

XI LOCAL GOVERNMENT AUTHORITIES

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

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

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

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

Town and City Councils

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

District Councils

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

Land Boards

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

A total of 69 Local Government Audit reports have been printed over the course of the last financial year, this has significantly reduced the backlog of audit reports.

Local Authorities have a challenge of generating income from their own sources designed to collect such income. These are income from Rates in case of Councils and Lease Rentals in case of Land Boards.

Over the years, these arrears had accumulated into millions of Pulas. Optimization of revenue collection by Local Authorities would reduce the burden on Government grants and subventions to Local Authorities and Land Boards.

XII SPECIALISED AUDIT

78. The Specialized Audit Division was established in late 2018 and became operational in 2019. The need for the establishment of this Division was necessitated by a number of factors including the highly publicized financial scandals reported, increases in occupational fraud, corruption and other financially motivated crimes that have a bearing on the performance o Government ability to deliver on its mandate. It was established to specifically initiate and undertake investigative and forensic audits where there is suspicion of fraud or mismanagement in any public institution.

XIII POLICY, RESEARCH AND DEVELOPMENT (PR&D)

79. The Policy, Research and Development Division conducts quality assurance through reviews of audit working papers to ensure that the Office conducts audits in accordance with International Organization of Supreme Audit Institutions (INTOSAIs) Principles and makes recommendations on how the quality of audits could be improved. In addition, the Office periodically presents itself to be subjected to a peer review by African Organisation of Supreme Audit Institutions-English Speaking (AFROSAI-E). The review is a quality assurance exercise and is widely regarded as an important component of good corporate governance. It examines the most critical performance areas at both strategic and operational levels. At strategic level this covers five domains namely:

Independence and Legal Framework
Organisation and Management
Human Resources
Audit Standards and Methodology
Communication and Stakeholder Management

The objectives of this Division are consistent with the International Organization of Supreme Audit Institutions (INTOSAIs) Principles, which require Supreme Audit Institutions (SAIs) to adopt policies and procedures to;

(a) Review the efficiency and effectiveness of the SAI's internal standards and procedures
(b) Have proper planning and supervision to achieve its goals
(c) Recruit personnel with the appropriate qualifications
(d) Have written guidance and Instructions on the conduct of audit work.
(e) Be responsive to changing environments and emerging risks

XIV PARASTATALS

80. **Introductory**

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

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

81. **Air Botswana**

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

The Management of Air Botswana has not submitted the required financial statements and reports for the year under review. In response, Air Botswana management stated that auditors had to carry out additional work out of scope of the audit hence the audit progress was delayed.

Consequently, I have not been able to carry out the review of the accounts of the organisation for the financial year ended 31 March 2020 for the benefit of the National Assembly.

82. **Banyana Limited**

The financial statements of Banyana (Proprietary) Limited for the financial year ended 30 June 2019 were audited by Messers RSM Botswana, Certified Auditors, who were appointed by the Board.

2.0 Accounts

2.1 Audit Opinion

In the opinions of the auditors:

The annual financial statements presented fairly, in all material respects, the financial position of Banyana (Proprietary) Limited as at 30 June 2019, and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards.

2.2 Financial Results

In the year under review, Banyana Limited recorded a loss of P814 507, compared to a loss of P526 554 in the previous year. The increase in loss was due to 17% increase in operating expenses from P2.00 million in the previous year to P2.34 million in the year under review.

2.3 Working Capital

The working capital of Banyana Limited as at 30 June 2019 showed current asset of P1.88 million and current liabilities of P0.02 million, resulting in a net current asset position of P1.86 million.

3.0 Management letter

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

3.1 Listing as a Public Interest Entity

The auditors observed that there was non-compliance with the Financial Reporting Act 2010, Section 56 (1) which requires Banyana Farms (Pty) Ltd to register as a Public Interest Entity (PIE) since it had to file its financial reports with the Government of Botswana.

In response, Management stated that they agreed with the observation and indicated that they had applied to register Banyana (Proprietary) Limited with Botswana Accountancy Oversight Authority on 4 September 2020 and were yet to receive feedback from Botswana Accountancy Oversight Authority.

3.2 Review Process

The auditors observed that the Company had several incorrect accounting entries which were indicated by the number of correcting journals that had to be passed during audit. The auditors indicated that by the nature of the errors, the controls and the review processes needed to be strengthened.

In response, Management noted the observation and stated that they would ensure that the Company strengthens the monitoring controls and ensure that journal transactions were reviewed by management before being processed into pastel accounting system.

3.3 Going Concern

The auditors further noted that the net asset position had been declining over the years, with the current year decline being 25%, and that the Company had realised income losses for consecutive periods. They observed that such financial results casted doubts on the going concern assumption because if strategies that improve financial performance were not implemented the Company would likely liquidate in the near future.

In response, Management indicated that they had noted the finding and confirmed that subsequent to the year ended 30 June 2019, three (3) Banyana Farm sub-divisions measuring 14 219.7001 hectares were advertised between January and March 2019 for sub-leasing to farmers to generate income. Six (6) more sub-divisions measuring 29 598.0881 hectares were allocated directly to Botswana Meat Commission, 13 723.3924 hectares for game farming, 9 907.1861 hectares for the Ministry of Youth Empowerment, Sports and Culture Development, and 4 967.4846 hectares by Government were expected to revert to the Company for sub-leasing to farmers to further generate income.

3.4 Maintenance of a Fixed Asset Register

The auditors observed that the Company did not maintain a Fixed Assets Register, therefore there were no available records of the net book values for the company's fixed assets. As a result, the auditors noted that it was difficult to ascertain the profit and loss on any asset sold or depreciation expense and to produce the correct journal entries.

In response, Management indicated that they had noted the finding and they would establish and maintain the Fixed Asset Register in the future.

83. **Botswana Accountancy College**

The financial statements of Botswana Accountancy College for the financial year ended 31 March 2020 were audited by Messrs PricewaterhouseCoopers, Certified Auditors, who were appointed by the Board.

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The annual financial statements gave a true and fair view of the financial position of the Botswana Accountancy College as at 31 March 2020, and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards.

2.2 Financial Results

In the year under review, the College recorded a surplus of P36.27 million, compared to P41.35 million recorded in the previous year. Revenue and Other Operating Income increased by 13% from P225.88 million the previous year to P254.48 million in the year under review. The decrease in surplus was mainly attributable to an increase in Administration Expenses from P188.41 million in the previous year to P214.49 million in the year under review. Another contributing factor was the decrease in net impairment loss of P2.3 million in the year under review, compared to net impairment gains on trade receivables realised of P3.7 million in the previous year. Finance Costs increased from P368 819 in the previous year to P1.52 million in the year under review.

2.3 Working Capital

The working capital position of the College as at March 2020 showed total current assets of P129.95 million and total current liabilities of P99.99 million, resulting in a net current assets position of P29.96 million.

3.0 Management Letter

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

3.1 Foreign Currency Denominated Supplier Balances not Converted at Year-end Exchange Rate

The auditors noted that the College had not converted foreign currency denominated supplier balances at year-end using the relevant exchange rates prevailing at the year-end. As a result, the foreign currency Trade Payables were understated by P560 102. The auditors had proposed for an entry adjustment to correct the error.

In response, the Management stated that the discrepancies came from Sub-Ledger not agreeing to Main Ledger during processing. Management stated that they had engaged the consultant to assist resolve the discrepancy between the Sub-Ledger and General Ledger, before passing any entries.

3.2 Investment in a new company not accounted

The auditors noted that during the year, the College had incorporated a company as a wholly owned subsidiary (Campus Investment Partner (Proprietary) Limited) for the purpose of developing the plot owned by the College. However, they noted that this investment was not reflected in the accounts.

In response, Management noted the observation.

84. **Botswana Accountancy Oversight Authority**

The financial statements of Botswana Accountancy Oversight Authority for the financial year ended 31 December 2019 were audited by Deloitte, Certified Auditors who were appointed by the Board in terms of Section 65 (2) of the Financial Reporting Act, 2010.

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

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

2.2 Financial Results

The financial operations of the Authority showed a surplus of P304 000 for the year under review, compared to a surplus of P292 000 in the previous year. The improvement in financial performance was mainly attributable to an increase in Government subvention from P14.08 million in the previous year to P14.75 million in the year under review. Revenue from Provision of Services slightly increased from P4.78 million in the previous year to P4.83 million in the year under review. Other Income significantly decreased by 90% from P28 200 in the previous year to P2 800 in the year under review, the decrease was mainly due to insurance amounting to P25 700 and Trailer Hire recoveries amounting to P2 500 received in the previous year as opposed to nil in the year under review.

Expenditure was P18.92 million in the year under review, compared to P18.63 million in the previous year.

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

2.3 Working Capital

The working capital position of the Authority as at 31 December 2019 showed total current assets of P9.32 million and total current liabilities of P7.57 million resulting in a net current assets position of P1.74 million.

3.0 Management Letter

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

3.1 Internal Audit Reviews (Repeat Finding)

The auditors noted that the scope of the operations of the Authority had increased, and as such, they recommended that the entity should engage internal audit to perform periodic reviews. In their view that would enable the Authority to identify any deficiencies or weaknesses in internal controls that address both financial and business risks. The auditors further noted that the establishment of an internal audit function had been approved by the Board, but had not yet been implemented.

In response, Management stated that indeed the Board had approved the implementation of the internal audit function and management was actively engaging with the Ministry of Finance and Economics Development to fund the Unit, but in the interim, the Authority was using their technical department to review their internal controls.

3.2 Fully Depreciated Assets Still In Use

The auditors observed that there were fully depreciated assets with a net book value of nil included in the Fixed Asset Register that were still in use and in good condition. As at 31 December 2019, the cost of such assets which were fully depreciated but in use was P496 098. Auditors further stated that Management had already indicated awareness of these fully depreciated assets at the commencement of the audit.

Furthermore, they stated that they were aware of these assets and informed the auditors about them at the beginning of the audit. Management indicated that the assets in this class were specialised information technology assets, and that going forward Management would engage specialists to assist in setting their useful lives and residual values.

85. **Botswana Agricultural Marketing Board**

In line with the long-standing arrangement with the Public Accounts Committee, I had circularized all statutory bodies and state-owned enterprises requesting them to forward to me their audited financial statements and reports for the purposes of review and inclusion of the review results in this report. The Botswana Agricultural Marketing Board did not submit the audited financial statements for the financial year under review. The Finance Manager stated that the financials were still awaiting Board approval.

Consequently, I have not been able to carry out the review of the accounts of the Board for the financial year ended 31 March 2020 for the benefit of the National Assembly.

86. **Botswana Bureau of Standards**

The financial statements of Botswana Bureau of Standards (BOBS) for the financial year ended 31 March 2020 were audited by Messrs

Mazars, Certified Auditors, who were appointed by the Board in terms of Section 8 (2) of the Standards Act, (Cap 43:03).

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The annual financial statements presented fairly, in all material respects, the financial position of the Botswana Bureau of Standards as at 31 March 2020, and of its financial performance and its cash flows for the year then ended, in accordance with the International Financial Reporting Standards.

2.2 Financial Results

In the year under review, the Bureau recorded a surplus of P5.66 million, compared to a deficit of P5.73 million in the previous year. Other Income increased by 4% from P3.96 million in the previous year to P4.11 million in the year under review, while expenditure increased by 2% from P95.21 million in the previous year to P97.53 million in the year under review.

The Bureau was funded by Government grants which had increased by 20% from P73.95 million in the previous year to P88.80 million in the year under review.

2.3 Working Capital

The working capital position of the Bureau as at 31 March 2020 showed total current assets of P22.95 million and total current liabilities of P12.12 million, resulting in a net current assets position of P10.83 million.

3.0 Management Letter

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

3.1 Property, Plant and Equipment (Unresolved finding from the previous year)

The auditors noted that there were assets in the Fixed Asset Register with zero book values but were still in use, which was an indication of either wrong estimates applied or non-revision of estimated useful lives and depreciation of Property, Plant and

Equipment. International Accounting Standard 16 requires that useful lives be reviewed at least at each financial year-end. Examples included the following:

Assets on the asset register with nil book values but still in use (from 2018/2019 to date)

Asset ID	Closing Cost P	Accumulated Depreciation P	Net book value P
COM-P0007-0013 Asset Description: Toyota Corolla 1.4P	49 250	49 250	-
MVS-CPA01-0019 Asset Description: Toyota Corolla 1.4P	121 565	121 565	-
MVS-CPA01-0020 Asset Description: Toyota Corolla 1.4P	121 565	121 565	-
LAB-00000-0001 Asset Description: Rotary Evaporator	48 682	48 682	-
LAB-00000-0003 Asset description: Rotary Evaporator	48 682	48 682	-
LAB-00000-0004 Asset description: Rotary Evaporator	48 682	48 682	-

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

3.2 Translation of Foreign Creditors

The auditors noted that foreign denominations creditors were not being revalued at the year-end using closing rates. According to IAS 21, a foreign currency translation should be recorded at the rate of exchange at the date of the transaction. At each subsequent balance sheet date, foreign currency amounts should be reported using the closing rates.

In response, Management stated that current year creditors were being revalued, and, going forward, foreign currency creditors would be revalued using closing rates.

3.3 Aged Debtors

The auditors observed that there were long outstanding debtors which may not be recoverable as shown in the below table,

Age	Amount	Percentage Of Total Debtors
2 years and older	P931 689	32%

The auditors noted that P228 400, representing 42% of the debtors aged 2 years and more, belonged to a single debtor.

In response, Management explained that they noted the finding and committed to intensify debt collection and also stated that some of the delinquent debtors had been referred to attorneys. Management further committed to significantly reduce the debtors that were over two years by 31 December 2020.

87. **Botswana Communications Regulatory Authority**

The financial statements of Botswana Communications Regulatory Authority (BOCRA) for the financial year ended 31 March 2020 were audited by Messrs PricewaterhouseCoopers, Certified Auditors who were appointed by the Board in terms of Section 26(2) of the Communications Regulatory Authority Act, (No.19 of 2012).

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The consolidated and separate financial statements gave a true and fair view of the consolidated and separate financial position of the Botswana Communication Regulatory Authority and its subsidiary as at 31 March 2020 and of its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards.

2.2 Financial Results

In the year under review, the Group and the Authority recorded a surplus of P47.30 million and P15.46 million, compared to a restated P13.71 million and P7.69 million respectively in the previous year.

Total income for the Group increased by 11.3 % from P179.33 million (restated) in the previous year to P199.48 million in the year under review, while total operating expenditure decreased by 9.75% from P163.25 million to P147.33 million during the same period. Income for the Authority increased by 9.20% from P130.24 million (restated) in the previous year to P142.23 million in the year under review, while expenditure increased by 1.46% million from P120.17 million to P121.93 million.

2.3 Working Capital

The working capital position of the Group showed total current assets of P493.94 million whilst total current liabilities were P28.72 million which resulted in a net current assets position of P465.22 million. The Authority showed total current assets of P240.24 million and total current liabilities of P45.37 million which resulted in a net current assets position of P194.87 million.

3.0 Management Letter

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

3.1 Contracts

The auditors observed that there was an instance whereby a non-refundable deposit was received in the previous financial year with respect to the tender of Fixed Wireless Spectrum license and, consequent to the evaluation process, the tender was conditionally awarded to the applicant through an approval letter. Further, internally the spectrum was allocated and dedicated to the applicant. No license was issued. The applicant failed to meet the conditions set and in 2020, informed the Authority of its inability to take up the offer owing to financial difficulties.

In order to determine the correct accounting treatment for the aforementioned deposit, auditors reviewed the relevant tender documents, the approval letter issued by the Authority and had discussions with members of the finance and technical teams.

The discussions revealed that even though the spectrum was exclusively reserved to the applicant upon issuance of the approval letter, the applicant had no right of access owing to the fact that the documents issued did not identify the detailed information required.

As a result, the deposit of P2 158 508 was identified as Other Income during the year.

The auditors recommended that all documents relevant to the tender and approval of Fixed Wireless Spectrum licenses be reviewed by the Management, internal legal experts and where appropriate by a reputable external commercial lawyer to ensure that the Authority was not exposed to unintended consequences.

In response, Management indicated that they would ensure that a more rigorous and extensive review of the tender award documents would be undertaken with internal and, where necessary, external legal expertise.

88. **Botswana Development Corporation Limited**

The financial statements of Botswana Development Corporation Limited (BDC) for the financial year ended 30 June 2020 were audited by Messrs KPMG, Certified Auditors, who were appointed by the Board.

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The consolidated and separate financial statements gave a true and fair view of the consolidated and separate financial position of Botswana Development Corporation Limited as at 30 June 2020, and of its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards.

2.2 Financial Results

The financial operations of the Group showed a profit of P136.06 million before Other Comprehensive Income compared to a restated profit of P54.46 million before restated Other Comprehensive Income reported in the previous year. The Company recorded a profit of P222.54 million before Other Comprehensive Income in the year under review, compared to a profit of P198.73 million in the previous year.

The profit from operations for the Group increased by 73% from a restated figure of P78.63 million in the previous year to P136.06 million in the year under review, mainly due to an increase in Fair Value Gain on Investment Properties by 191% from a restated figure of P42.88 million in the previous year to P124.77 million in the year under review. Income for the Group increased by 30% from P384.06 million in the previous year to P500.89 million in the year under review.

The operating profit for the Company increased by 12% from P198.73 million in the previous year to P222.54 million in the year under review, while Other Operating Expenses declined by 53% from P88.92 million in the previous year to P41.87 million. Income for the Company increased by 23% from P276.72 million in the previous year to P341.73 million in the year under review.

2.3 Working Capital

As at 30 June 2020, the working capital position of the Group showed total current assets of P752.80 million and total current liabilities of P736.57 million, resulting in a net current assets position of P16.23 million. The Company had total current assets of P739.97 million and total current liabilities of P692.85 million, resulting in a net current assets position of P47.12 million.

3.0 Management Letter

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

3.1 Review of Financial Information

The auditors identified a significant number of audit misstatements during the review of the Group's consolidation as a result of errors and omissions in the consolidation workings. The issues that were noted included:

- Non consolidation of Letlole la Rona to date of disposal, elimination of transactions at company level and accounting for the disposal at group level.
- Errors in the impairments provision balance for certain investment associates.
- Lack of full elimination of certain intercompany transaction.
- The fair value gains arising from the disposed Sechaba shares were recycled to the profit and loss, which is not permitted in accordance with IFRS 9 (Financial Instruments) as the shares are classified as available for sale.

In response, Management stated that the treatment of LLR at the end of the financial year was one of a judgement call that required justification on a stance of control and the ability to provide suitable audit evidence on the same. Finalisation of the discussion took some time and as such was adjusted post first consolidation. Other omissions were noted and were subsequently rectified.

3.2 VAT Factor Review (Repeating finding)

The auditors noted that the VAT apportionment factor used for calculating input VAT was the BURS approved factor for the financial year 2014 and had not been updated annually since then.

In response, Management noted the recommendation and stated that a calculation based on the updated factors was done and reviewed by their tax specialists for submission to BURS.

3.3 Statutory Records

The auditors noted that there were additional shares issued to BDC from the following subsidiaries in the current year for which no share certificates were issued:

- Milk Africa
- Commercial Holdings (Pty) Ltd
- Residential Holdings (Pty) Ltd
- Western Industrial Estates (Pty) Ltd

In response, Management indicated that they would increase liaison between the Investment and Finance units as well as the attendance of the key Board sub–committee meetings such as BRIC. Management indicated that this would allow for the finance team to have more insights into investments as opposed to only at financial reporting stage and would thus reduce instances of such findings in the future.

89. **Botswana Energy Regulatory Authority**

The financial statements of Botswana Energy Regulatory Authority for the financial year ended 31 March 2020 were audited by Messrs PriceWaterhouseCoopers, Certified Auditors, who were appointed by the Board.

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements gave a true and fair view of the financial position of Botswana Energy Regulatory Authority as at 31 March 2020, and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards.

2.2 Financial Results

The financial operations of the Authority showed a surplus of P0.12 million for the year under review, compared to a deficit of P1.43 million in the previous year. The improvement in the financial performance was largely attributed to a decrease in operating expenses, which decreased by P2.45 million from P55.72 million in the previous year to P53.26 million in the year under review.

The Authority was funded primarily by Government grants and in the year under review, the revenue grant was P49.63 million which represented 93% of the total income, compared to P51.05 in the previous year. The capital grant received during the year under review was P1.75 million compared to P5.81 million in the previous year.

2.3 Working Capital

The working capital position of the Authority as at 31 March 2020 showed total current assets of P14.15 million and total current liabilities of P15.65 million resulting in a net current liabilities position of P1.50 million. The current liabilities included Deferred Revenue of P5.48 million, Lease Liability of P1.13 million and Payroll Provisions of P9.04 million.

3.0 Management Letter

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

3.1 Monthly Payroll Reconciliation

The auditors noted that monthly internal control measures of payroll reconciliations between the VIP payroll system reports and the balances in the General Ledger were not done. This resulted in an unresolved difference of P286 333 between VIP payroll summary and the General Ledger amounts.

In response, Management stated that for the year under review, owing to changes in personnel in the Finance Units, the reconciliations were not done monthly but at the year-end for the twelve months. Management further stated that beginning of April 2020 the reconciliations would be done monthly.

3.2 Authorised Bank Signatories Not Updated

The auditors noted that some former employees appeared in some bank confirmations as authorised super users for online banking and others listed as authorised signatories, which was a deficiency in internal controls.

In response, Management indicated that counter measures were in place including that no single individual could transact on their own and that authorised super users could only transact with written instructions signed by authorised signatories.

Furthermore, Management indicated that going forward a field for Bank Signatories and Transaction Originators or users would be incorporated in Employee Exit Clearance form.

90. **Botswana Examinations Council**

The financial statements of Botswana Examinations Council for the financial year ended 31 March 2020 were audited by Messrs KPMG, Certified Auditors, who were appointed by the Council in terms of Section 20 (2) of the Botswana Examinations Council Act, (Cap 58:03).

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The Council's financial statements presented fairly in all material respects, the financial position of the Botswana Examinations Council as at 31 March 2020, and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards.

2.2 Financial Results

In the year under review, the Council recorded a deficit of P28.25 million compared to a surplus of P7.24 million in the previous year. The main contributors to the deficit were restructuring costs of P39 million, and administrative expenses which had increased by 9.7% from P139.78 million in the previous year to P153.32 million in the year under review.

Revenue for the Council increased by 7.37 % from P276.27 million in the previous year to P296.65 million in the year under review whilst Government subvention increased from P260.52 million in the previous year to P277.89 million. Finance Income increased by 169.8% from P0.43 million in the previous year to P1.16 million.

2.3 Working Capital

The working capital position of the Council as at 31 March 2020 showed total current assets of P34.96 million and total current liabilities of P37.64 million, resulting in a net current liabilities position of P2.68 million.

3.0 Management Letter

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

3.1 Finance Function Resourcing

The auditors observed that the Payments Accountant was appointed to act as the Finance Manager and the Senior Internal Auditor was transferred to the Finance Department to assist as a Management Accountant. This resulted in vacant key management positions and in the year under review, these positions had still not been filled substantively.

In response, Management explained that the matter was being addressed by the ongoing transformation process, with the restructuring exercise planned for implementation effective 1 April 2021.

3.2 Asset Management (Repeat finding)

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

Category	Asset original cost (P)
Computer equipment	17 725 495
Office equipment	10 167 488
Motor vehicle	4 074 604
Computer software	1 485 353
BNEPS Licensing fee	2 355 300
BNEPS Website	380 226
Total	36 188 466

In response, Management stated that the Finance and Audit Committee had since approved the revised useful lives of assets, and that they would be effected during the 2020/21 financial year.

3.3 Compliance with the Financial Intelligence Act (Repeat finding)

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

In response, Management stated that a draft Anti-Money Laundering (AML) & Counter Financing of Terrorism and Proliferation (CFTP) Policy with associated procedures had been developed and employee training would be conducted as per policy requirements.

91. **Botswana Geoscience Institute**

The financial statements of Botswana Geoscience Institute for the financial year ended 31 March 2020 were audited by Messrs Mazars, Certified Auditors, who were appointed by the Board in terms of Section 30 (1) of the Botswana Geoscience Institute Act, 2014.

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The annual financial statements presented fairly, in all material respects, the financial position of Botswana Geoscience Institute as at 31 March 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standard and Botswana Geoscience Institute Act, 2014.

Emphasis of Matter

The auditors drew attention to Note 20 to the annual financial statements, which indicated that the previously issued annual financial statements for the years ended 31 March 2017, 31 March 2018 and 31 March 2019 were restated. The purpose of the restatements was to reflect the effects of the change from Replacement Cost to Market Value in the valuation of Land and Buildings relating to the Headquarters building in Lobatse and also to correct the errors made by valuers in their valuation report. The audit opinion was not modified in respect of this matter.

2.2 Financial Results

During the year under review, the Institute recorded a surplus of P4.15 million, as compared to a restated surplus of P0.043 million recorded in the previous year.

The Institute was funded by Government grants. In the year under review the grant was P65.04 million, representing 86% of the total income, compared to a restated grant of P63.67 million in the previous year, representing 89% of the total income.

Expenditure decreased by 0.4% from a restated amount of P71.64 million in the previous year to P71.39 million in the year under review.

2.3 Working Capital

The working capital position of the Institute showed total current assets of P22.80 million and total current liabilities of P17.75 million, resulting in a net current assets position of P5.05 million.

3.0 Management Letter

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

3.1 Maintenance of Fixed Assets Register - (Repeat Finding)

The auditors noted that Botswana Geoscience Institute owned Property, Plant and Equipment, which constituted over 90% of the total assets of the Institute. The auditors indicated that an effective Fixed Assets Register should have included up-to-date fixed assets records to assist physical existence verification at the end of the financial year. The maintenance of such a register enhances management controls and assists in detecting and discouraging misappropriation of assets. It also keeps track of the correct values of assets, which would allow the computation of annual and accumulated depreciation. Below were the anomalies noted on the review of the Fixed Assets Register:

- The asset register which is maintained in the Fixed Assets Register module on SAGE was neither integrated nor reconciled to the Ledger. The auditors observed that a reconciliation was not performed between the values of the assets per Fixed Assets Register and the values per the Ledger during the year. There were differences noted between the trial balance, amount recorded as accumulated depreciation, and amounts recorded as depreciation expense.

- Asset coding was performed only on the Fixed Assets Register module on SAGE. Physical tags and location references were not shown on the assets themselves. The Fixed Assets Register provided did not reflect the consideration of assessment of residual values for asset classes like Furniture, General Equipment, Laboratory Equipment and Computers, which is a requirement of International Accounting Standard 16.

- A pre-audit disclosure was made by internal audit relating to the take-on value for the Headquarters at Plot 11566 in Lobatse, which was recorded using Insurance Replacement Cost as opposed to the Open Market Value.

  In response, Management accepted that there were certain gaps in the Fixed Assets Register reconciling with the Ledger. They indicated that major work on the Fixed Assets Register had been initiated as follows:

- The reconciliation of the Fixed Assets Register in the system with the Ledger had been enhanced and reconciling items identified for correction. This was part of the major project of identifying, correcting and recording all assets. The project started with physical count and verification and would culminate with tagging of assets. This had been delayed due to limited resources and would be executed during the 2020/21 financial year.

- The value of the Headquarters at plot 11566 Lobatse had since been corrected and restated in the financials.

92. **Botswana Housing Corporation**

The financial statements of Botswana Housing Corporation for the financial year ended 31 March 2020 were audited by Messrs Ernst & Young, Certified Auditors, who were appointed by the Board in terms of Section 24 (3) of the Botswana Housing Corporation Act, (Cap 74:03).

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The annual financial statements gave a true and fair view of the financial position of Botswana Housing Corporation as at 31 March 2020, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and in the manner required by the Botswana Housing Corporation Act (CAP 74:03).

2.2 Financial Results

The financial operations of the Corporation recorded a surplus of P49.34 million in the year under review compared to a surplus of P16.76 million reported in the previous year.

Revenue increased by 72% from P510.63 million in the previous year to P880.46 million in the year under review. Expenditure increased by 64% from P487.30 million in the previous year to P800.55 million in the year under review.

Significant increases in expenditure of P251.55 million (493%) were noted in the cost of construction and management contracts from P51.07 million in the previous year to P302.62 million in the year under review.

2.3 Working Capital

The working capital position of the Corporation as at 31 March 2020 showed total current assets of P1.91 billion and current liabilities of P1.25 billion, resulting in a net current assets position of P660 million.

3.0 Management Letter

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

3.1 Cash Book Reconciliations

The auditors noted that the bank reconciliations included reconciling items dating back to 2016 and 2017. Auditors indicated that errors and other irregularities relating to the reconciliation of the Corporation's cashbook balances may not be identified in a timely manner, resulting in a financial loss to the Corporation and misstatements of the Corporation's financial records

In response, Management stated that an exercise was in place to resolve outstanding items. They noted that since June 2020, management had started acting on current year transactions going back to previous year's transactions. Furthermore, most of the items were as a result of the banks not referencing items properly on their bank statements. Management indicated that follow up with the banks on such items often took long particularly on older items and that there were few reconciling items in current bank statements as procedures had been enhanced.

3.2 Supplier Reconciliations and Accruals

The auditors observed that the Corporation had allowed payment of employee allowances against accrued gratuity benefits. Employee allowances were set off against the gratuity benefits once they became due and payable. The total advances paid by the Corporation against accrued gratuity benefits amounted to P4 473 089 at the reporting date (2019:P3 123 090). Interest in respect of these allowances was not calculated and charged and fringe benefit tax was not considered.

In response, Management acknowledged the finding and indicated that they were in the process of getting advice on the matter with a view to implement it immediately.

3.3 Unallocated Receipts and ECL Allowance Models

The auditors noted that the Corporation's General Ledger included Unapplied Receipts of P21 521 410(2019; P29 759 735) at the reporting date. Most of the Unapplied Receipts were carried forward from the prior financial year and related to amounts received from customers which Management was unable to trace to individual customer invoices.

Upon further investigation, it was identified that certain receipts, which related to Rental Debtors and TPS could be traced to specific customer accounts.

In response, Management explained that the Unapplied Receipts Account held receipts from customer accounts with advance rental payments or lump sum payment on the TPS accounts. They indicated that Rental customers would continue to have unapplied receipts because they paid either quarterly or monthly in advance. Management stated that an exercise to apply the TPS advance payments to the relevant account balances had already commenced.

3.4 Plant, Property and Equipment

The auditors observed that there were differences between the Corporation's Asset Register and the General Ledger at the reporting date:

Description	Difference	Reason for Difference
Accumulated Depreciation Office Building and Depot	2 231 044	The General Ledger accurately included an opening balance adjustment for depreciation recognised since date of acquisition
Accumulated Depreciation Intangible Assets	9 928 960	The depreciation per the General Ledger was based on the asset correct useful life instead of the incorrect useful life included in the Asset Register.

In response, the Management explained that P2.2 million accumulated depreciation was transferred from IP when BHC part occupied the new Head Office. However, the transfer had only effected in the General Ledger through a journal. The set parameters in the Fixed Assets module did not allow transfers to be made in the Subsidiary Ledger.

Management explained that the P9.9 million came from a revision in the useful life of the Oracle system, which was initially set to depreciate over 5 years but was revised to 10 years. Management further stated that the same limitation in the system as outlined above meant that the resultant variance in the depreciation could only be accounted for in the General Ledger through journals but not in the Subsidiary Ledger hence the carried forward disparity between the General Ledger and the Subsidiary Ledger.

Management explained that monthly reconciliations were carried out between the two ledgers hence the variances were always accounted for and monitored.

93. **Botswana Innovation Hub**

The financial statements of Botswana Innovation Hub for the financial year ended 31 March 2020 were audited by Messrs Grant Thornton, Certified Auditors, who were appointed by the Board.

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The annual financial statements gave a true and a fair view of the consolidated and separate financial position of Botswana Innovation Hub as at 31 March 2020, and of its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with the International Financial Reporting Standards.

2.2 Emphasis of Matter

Without qualifying their opinion, the auditors drew attention to note 29 to the financial statements. During the financial year ended 31 March 2017, one of the investment properties under construction, called the Icon Building developed cracks and structural defects in one of its parts identified as Block F. It was also determined that no further construction activities in this part of the building could be undertaken until such time the defects were remedied. The Company engaged experts to determine the cause and the remedial actions. Based on the reports provided by the experts, the estimated costs involved in such remediation would be approximately P24 million and the Company had obtained approval for additional funding from its stakeholders.

The balance of works for Block F was estimated at P80 million and the remediation process was still on-going. In the meantime, the Company continued to engage with legal experts to pursue reimbursement of the remedial costs of P24 million from the service providers who were considered to be potentially at fault for the cracks and defects.

2.3 Financial Results

In the year under review, the Group recorded a deficit of P16.32 million compared to a deficit of P19.35 million in the previous year, while the Company recorded a deficit P6.10 million in the year under review compared to a deficit of P7.44 million in the previous year. The main contributor to the improvement in performance was the decline in taxation by 78.4% from P1.87 million in the previous year to P402 366 in the year under review.

Total Income for the Group decreased slightly by 1.5% from P49.46 million in the previous year to P50.22 million in the year under review. The Government grant was the main source of revenue for the Group, making 57.6% of the total revenue during the year under review, compared to 61% in the previous year. The other notable source of income for the Group was Plot Sales at P14.79 million.

Expenditure for the Group decreased slightly by 1.21% from P66.95 million in the previous year to P66.14 million in the year under review excluding tax of P402 366. The decrease in expenditure was attributed to movement in credit loss allowances which were nil in the year under review compared to P3.2 million in the previous year.

The expenditure of the Company was P42.42 million compared to P43.98 in the previous year which was a decrease of 3.55%.

2.4 Working Capital

As at 31 March 2020, the working capital position of the Group showed total current assets of P399.96 million and total current liabilities of P46.44 million resulting in a net current assets position of P353.52 million, while that of the Company showed total current assets of P1.74 million and total current liabilities of P9.20 million, resulting in a net current liabilities position of P7.46 million. The substantial net current assets position of the Group resulted from Inventories of P374.00 million, Cash, and Cash Equivalents of P22.03 million.

3.0 Management Letter

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

3.1 Defects on the Block F of the Iconic Building - (Repeat Finding)

The auditors observed that during the financial year ending 31 March 2017, the Icon building, which was under decreased construction had developed cracks and defects in one of its parts (Block F), thus causing delay in obtaining necessary licenses from the Government to operate the entire building. To determine the cause of the cracks and remedy the situation, engineering experts were engaged. Over the 2 years, the experts after assessing various factors had concluded that the defects were due to structural design and that the costs of remedying these defects would amount to P24.10 million. Subsequent to the year-end, the Company had obtained the necessary funding for these remediation works and the construction activities towards completion was ongoing.

BIH continued to engage with legal experts to pursue the reimbursement of the above remedial costs from the service providers who were considered to be potentially at fault for these cracks and defects. Due to the technical complexities and the administrative impracticalities surrounding the defects, it was not possible to determine if the additional costs would increase the value of the building significantly after the remedial measures and associated costs. As at the reporting period the remedial works had been completed, with a total additional cost towards the Icon building adding up to P35.65 million.

Until the time the construction of the building is completed, the building would be carried at cost, which would include any expenses necessary to put the building to use and become a Cash Generating Unit. Until the building is completed, which was likely to happen in the next financial year, it was presumed that the fair value of the investment property could be reliably measured and the Company would effect any changes to the value including any impairment as would be necessary after a valuation exercise is undertaken.

Consequently, the auditors proposed an unqualified audit report with an emphasis of matter referring to the development of structural defects remedied subsequent to the period end.

In response, Management stated that the remediation of the section that was determined to be structurally defective was concluded in November 2019. The remediation was carried out on budget as per the P24.1 million provision. The completion of the building was underway with completion programmed for July 2021. BIH approached the Board of Directors for approval of the instigation of the proposed Damages Recovery Strategy in September 2020. This would be carried out through a structured approach, which would involve calling on the professional indemnity of the Engineer responsible, assessing the possibility of a settlement out of court and lastly litigation.

3.2 <u>Government Integrated Data Centre Project-(Repeat Finding)</u>

The auditors noted that stage 3 (Design stage) of the Government Integrated Data Centre (GIDC) had been completed with total management fees calculated at P7.69 million since inception of the project. Management fees were calculated based on the Memorandum of Agreement between the two parties (BIH and the Ministry of Transport and Communications (MTC)). A total of P5 million had been received and accounted for in the prior years with a balance of P2.69 million (receivable) still outstanding from the Ministry. They had also noted that certification of the project was received from Uptime Institute in June 2019.

Based on further reviews and discussion with Management, the auditors noted that the Ministry had already indicated that they would not settle the balance and the matter had since been communicated to legal personnel to advice on the way forward. A journal had been processed to account for impairment of the balance receivable in the previous year.

The auditors also noted that Management had resolved to use an amount of P1.5 million being cash available from the bank account set up for this project (GIDC) for use in the business of BIH to manage cash flow challenges without prior approval from the Ministry. An amount of P658 239 was reimbursed during the year under review with the remaining P841 761 payable to Government recorded by Management in the books. A letter dated 03 August 2020 was written to the Ministry informing them of the use of funds and Management was yet to receive a response.

In response, Management stated that BIH had complied with all its contractual obligations and had completed all deliverables. Despite numerous engagements and interventions since March 2019, MTC had not responded to the BIH request for conclusion of the matter and settlement of outstanding fees. In order to mitigate against the loss caused by the delays in being paid and closing some of the cash flow challenges partly caused by this matter, BIH proceeded to partly recover the debt from the available project funds.

3.3 Impairment of Inventory

The auditors observed that during the year Botswana Innovation Hub Property (Proprietary) Limited (BIHP) disposed of two plots at the lower of carrying amount or the discounted price as detailed below:

Customer name	Cost of Plot	Sales Amount	Loss
	P	P	P
Power Electrical Manufacturers	3 74 500.00	3 629 500.00	(120 000.00)
The Prestige Stay	13 601 780.00	11 138 867.50	(2 462 912.50)
Total	17 351 280.00	14 768 367.50	(2 582 912.50)

The auditor's further discussions with Management revealed that this was in line with the BIH Land Leasing Policy, which provides that lease conditions and rental rates shall reflect market conditions, except where the lessee provides a strategic leverage or was considered a key anchor in which case special lease/rental terms may be negotiated.

Furthermore, the auditors stated that from the past audits of the Company, there had not been any incident where inventories (Plots) were sold at the higher of their carrying amount. During the year ended March 2019, BIHP sold three plots for an amount of P13.7 million compared to the cost of P17.5 million registering a loss of P3.8 million. The auditors recommended that management should make an assessment of any loss in the value of inventory on a periodically and make necessary adjustments in the books.

In response, Management acknowledged the auditor's observations and stated that the drive to promote the national innovation agenda, the prevailing market conditions and the price reduction dispensation for light industrial plots do certainly make for a strong case in the long term. BIHP prioritizes maximum return on revenue when disposing inventory. However, there were three other main aspects that needed to be considered over and above the commercial elements. These were summarized as follows:

- BIHP could prioritize demonstrable innovation drive ahead of commercial benefit (price) for projects that were meant to foster innovation. The benefits would have to be clearly demonstrated and approved by the Board of Directors. In a situation like this then BIHP could deliberately dispose of the inventory at rates even lower than the valuation amount.

- In 2017, as a special dispensation on light industrial plots, the BIH Board resolved to reserve a portion of the Science and Technology Park, measuring 12.6 hectares for discounted sale as part of the Special Economic Zones. This resolution, followed discussions facilitated by the Permanent Secretary on utilising the land to support the manufacturing sector between BIH and Special Economic Zones Authority (SEZA). Under this special dispensation, plots within the 12.6 hectars were priced at P350/m2 for un-serviced land and P500/m2 for serviced land. These rates were lower than the valuation rates within the Science & Technology Park. However, the broader objective was to support the manufacturing sector thus boosting job creation and foreign exchange through possible export. The plots were offered at the discounted rate provided for by Government. It is well noted that the accounting treatment would record this as a loss.

- Negotiated outcome arising from BIHP Land Pricing Policy -

  The Board of Directors approved or allowed for a 10% variance on the valuation amount as per the BIH Land Pricing Policy. This takes into consideration the ever-changing conditions in the property market. Lastly, all the aspects mentioned above were duly accounted for in the BIH Land Leasing Policy, which was always adhered to as the guiding document.

3.4 Nil carrying value of Assets - Motor vehicles

The auditors observed that the Fixed Assets Register and the General Ledger included motor vehicles costing P1.01 million, which were fully depreciated. However, the motor vehicles were still in use.

In response, Management stated that the fully depreciated motor vehicles were bought during the years 2012-2016 and had reached their full useful lives. The Board had long approved recommendations made by Management to dispose of the assets due to high maintenance costs. Management indicated that to date they had not been able to implement the necessary changes due to financial constraints but would assess the values and useful lives of the assets to comply with the provisions of IAS 16.

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

The financial statements of Botswana Institute for Development Policy Analysis for the financial year ended 31 March 2020 were audited by Messrs Grant Thornton, Certified Auditors, who were appointed by the Trustees in terms of the Deed of Trust, (MA 16/95).

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The annual financial statements gave a true and fair view of the financial position of Botswana Institute for Development Policy Analysis as at 31 March 2020, and of its financial performance and its cash flows for the year then ended, in accordance with the International Financial Reporting Standards.

2.2 Financial Results

In the year under review, the Institute recorded a deficit of P656 410 (before a Gain on Property Revaluation of P1.85 million) compared to a deficit of P384 613 in the previous year. The main contributor to the increase in deficit was P3.74 million for Movement in Credit Loss Allowances.

Total income increased by 14% from P25.74 million in the previous year to P29.4 million in the year under review.

The Institute was funded mainly by Government grant of P22.69 million in the year under review, which represented 77% of the total income, compared to P21.35 million in the previous year. The revenue from research projects increased from P2.4 million in the previous year to P5.4 million in the year under review.

2.3 Working Capital

The working capital position of the Institute as at 31 March 2020 showed total current assets of P29.55 million and total current liabilities of P11.38 million, resulting in a net current assets position of P18.17 million.

3.0 Management Letter

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

3.1 Impairment of Financial Asset and Application of IFRS 9

The auditors noted that on the 16th Jan 2020, the Asset Management Company Bluthorn Fund Managers Pty Ltd who earlier traded as Ecsponent Asset Management Pty Ltd was placed under temporary closure by their regulators, Non-Bank Financial Institutions Regulatory Authority. The Institute had invested more than P3.5 million with this Asset Management Company over the last few years. The auditors noted that:

1. The Institute had recognised interest income based on the contractual agreement with the Asset Managers.

2. The Institute had not recognised any expected credit loss in the records.

   Although the Institute approached the regulators and the judicial managers of the Asset Management Company to determine the course of action that was open to the Institute, the auditors noted that Management did not recognise any impairment, as they were uncertain about the extent of loss that the Institute would potentially suffer.

   In response, Management noted the finding and indicated that they were still awaiting to confirm with the regulators and agree with the auditors on impairment.

95. **Botswana Institute of Chartered Accountants**

The financial statements of the Botswana Institute of Chartered Accountants for the financial year ended 31 December 2019 were audited by Grant Thornton, Certified Auditors, who were appointed by the members in terms of Section 53 (2) of the Accountants Act, 2010.

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

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

2.2 Financial Results

The financial operations of the Institute showed a net surplus of P1.82 million in the year under review compared to a net surplus of P3.22 million in the previous year (a decline of 43.5%). Expenditure increased by 10.9% from P24.01 million in the previous year to P26.63 million in the year under review.

Revenue earned from services increased by 15.7% from P15.75 million in the previous year to P18.22 million in the year under review. Government subvention decreased by 11.4% from P8.78 million in the previous year to P7.78 million in the year under review.

2.3 Working Capital

The working capital position of the Institute as at 31 December 2019 showed total current assets of P28.66 million and total current liabilities of P14.64 million resulting in a net current assets position of P14.02 million.

3.0 Management Letter

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

3.1 Absence of Internal Audit Function

The auditors noted that, in line with good corporate governance, the Institute had decided to commence an internal audit function to enhance the internal controls. However, during the year, the Institute had not implement this.

In response, Management stated that following a Council evaluation assessment in 2019, the Council resolved that effective 2020, the Institute should outsource internal audit services. This was budgeted for implementation during the 2020 financial period and the institute was in the process of acquiring this service. Management further stated that the tender would be floated by end of March 2020.

96. **Botswana Institute for Technology Research & Innovation**

The financial statements of Botswana Institute for Technology Research and Innovation for the financial year ended 31 March 2020 were audited by Messrs Ernst & Young, Certified Auditors, who were appointed by the Board.

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements gave a true and fair view of the financial position of Botswana Institute for Technology Research and Innovation as at 31 March 2020, and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards and the requirements of the Companies Act, (Cap 42:01).

2.2 Financial Results

During the year under review, the Institute recorded a surplus of P4.65 million as compared to a deficit of P397 675 in the previous year. Income increased by 3.05% from P112.73 million in the previous year to P116.17 million in the year under review. Expenditure decreased from P113.13 million in the previous year to P111.52 million in the year under review, representing a 1.42% decrease.

The Institute was funded by Government grant and in the year under review, the grant was P107.63 million compared to P106.87 million in the previous year.

2.3 Working Capital

The working capital position of the Institute as at 31 March 2020 showed total current assets of P124.60 million and total current liabilities of P115.10 million, resulting in a net current assets position of P9.50 million.

Current liabilities included P96.45 million as project funds and payroll accruals of P10.61 million.

3.0 Management Letter

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

97. **Botswana International University of Science & Technology**

The financial statements of Botswana International University of Science and Technology for the financial year ended 31 March 2020 were audited by Messrs Mazars, Certified Auditors, who were appointed by the University Council in terms of Section 19 (1) of the Botswana International University of Science and Technology Act, (Cap 57:05).

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The annual financial statements presented fairly, in all material respects, the financial position of Botswana International University of Science and Technology as at 31 March 2020, and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards and Botswana International University of Science and Technology Act, (Cap 57:05).

2.2 Financial Results

The University recorded a deficit of P38.18 million in the year under review, compared to a surplus of P4.46 million in the previous year. The deficit was mainly attributed to the rise in staff costs by 11% from P325.31 million in the previous year to P362.29 million in the year under review. Operating costs also increased slightly by 1% from P223.46 million in the previous period to P226.60 million.

Income decreased slightly by 1% from P553.23 million in the previous year to P550.73 million.

The main sources of income comprised the following:

Income	2020 P'000	%	2019 P'000	%
Government Grant	420.52	76.4	419.07	75.7
Tuition fees	60.92	11.1	62.97	11.4
Other Income	7.97	1.4	7.56	1.4
Amortisation of Capital Grants	61.32	11.1	63.63	11.5
	550.73	100	553.23	100

Expenditure comprised the following:

	2020	2019
Staff Costs	362.29	325.31
Operational Costs	226.59	223.46
	589.88	548.77

(According to the Annual Statements of Accounts produced by the Accountant General the amount of subvention remitted to the University was P438 306 570).

Management reported that Botswana International University of Science and Technology was negatively impacted by the COVID-19 pandemic that was declared in March 2020. They also indicated that operationally the pandemic would not affect the going concern status of the University. However, the University revised its budget for the financial year 2020/21 following the post COVID-19 budget cut of 5% for all parastatals.

2.3 Working Capital

As at 31 March 2020, the working capital position of the University showed total current assets of P127.44 million and total current liabilities of P151.13 million resulting in a net current liabilities position of P23.69 million.

Current liabilities included provisions for gratuity and leave pay of P90.28 million.

3.0 Management Letter

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

98. **Botswana Investment & Trade Centre**

The financial statements of the Centre for year ended 31 March 2020 were audited by Messrs PriceWaterhouseCoopers, Certified Auditors, who were appointed by the Board in terms of Section 19 of the Botswana Investment and Trade Centre Act, (No 12 of 2011).

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The consolidated financial statements gave a true and fair view of the financial position of the Botswana Investment and Trade Centre and its subsidiary for year ended 31 March 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards.

2.2 Financial Results

In the year under review, the Centre recorded a surplus of P872 968, compared to P13.99 million recorded in the previous year. The decline in surplus was attributed to a 4% increase in administrative expenses from P117.39 million in the previous year to P121.62 million in the year under review as well as P4.02 million decrease in Government subvention.

Total income decreased by P7.07 million (5%) from P131.38 million in the previous year to P124.31 million in the year under review. Within this total income, revenue increased by 1% from P20.69 million in the previous year to P20.95 million in the year under review.

As stated above, Government subvention decreased to P93.28 million in the year under review from P97.3 million in the previous year.

2.3 Working Capital

The working capital position of the Centre as at 31 March 2020 showed total current assets of P76.41 million and current liabilities of P18.99 million, resulting in a net current assets position of P57.42 million.

3.0 Management Letter

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

3.1 Delays in preparation of bank reconciliation (Repeat finding)

Auditors noted that the bank reconciliations were not prepared and reviewed on timely basis. As per accounting policies of the Centre, the bank reconciliations should be prepared and reviewed by the end of the succeeding month. The following table illustrates reconciliations that were prepared more than 60 days after month end.

Bank Account	Month	Date Prepared	Date Reviewed
FNB Call Account	Dec-19	24-02.2020	24-02.2020
FNB Current Account	Nov-19	07.01.2020	07.01.2020
SCB Current Account	Aug-19	22.10.2019	22.10.2019
SCB Current Account	May-19	01.08.2019	01.08.2019
Standard Call Account	Mar-20	22.05.2020	22.05.2020
Rand Account	Apr-19	18.06.2019	18.06.2019
Std Bank-Margin Deposit	Mar-20	22.05.2020	22.05.2020
FNB-RSA	Apr-19	22.05.2020	22.05.2020
Barclays Current – UK	Dec-19	29.02.2020	29.02.2020
Barclays Current –UK	Nov-19	25.01.2019	25.01.2019

The auditors indicated that they were aware that the General Ledger could not be closed because of the 2019 audit that was on going at the time and the lockdown enforced during April and May 2020 as result of COVID 19 pandemic.

> In response, Management noted the finding and indicated that they would continue to monitor timely preparation of bank reconciliations.

3.2 Access to Process Entries on ACCPAC Granted to ACCPAC Vendor

The auditors noted that the vendors for the ACCPAC accounts system were granted ACCPAC entry to the system.

In response, Management noted the finding, and stated that posting rights would be reviewed to limit access to authorised internal staff. An account would be created with limited administrator access, which would be by ACCPAC Consultants whilst any other functions would be carried out under supervision by internal ICT staff. Management also stated that quarterly review of user activities would be performed.

99. **Botswana Meat Commission**

As part of my writing of this report, and in line with the long-standing arrangement with the Public Accounts Committee, I had circularized all statutory bodies and state-owned enterprises requesting them to forward to me their audited financial statements and reports for the purposes of review and inclusion of the review results in this report. The Botswana Meat Commission did not submit the audited financial statements for the financial year under review, nor give any explanation for their inability to do so.

Consequently, I have not been able to carry out the review of the accounts of the Commission for the financial year ended 31 March 2020 for the benefit of the National Assembly.

100. **Medicines Regulatory Authority**

The financial statements of the Medicines Regulatory Authority for the financial year ended 31 March 2020 were audited by Messrs RSM Botswana, Certified Auditors, who were appointed by the Board in terms of Section 21 (3) of the Medicines and Related Substances Act, 2013.

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements presented fairly, in all material respects, the financial position of the Authority as at 31 March 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Medicines and Related Substances Act, 2013.

2.2 Financial Results

In the year under review, the Authority recorded a surplus of P2.59 million, which was a decrease by 552% from a surplus of P16.88 million recorded in the previous year.

The Authority was funded by Government grant of P57.45 million in the year under review compared to P41.84 million in the previous year.

Expenditure increased by 124% from P24.99 million in the previous year to P55.89 million in the year under review. Significant increases in expenditure were noted in Employee costs from P15.27 million in the previous year to P35.62 million in the year under review. Professional costs rose by 526% from P542 500 in the previous year to P3.39 million during the year under review.

2.3 Working Capital

As at 31 March 2020, the working capital position of the Authority showed total current assets of P28.12 million and total current liabilities of P8.84 million, resulting in a net current assets position of P19.28 million.

3.0 Management Letter

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

3.1 Review of Budget

The auditors observed significant variances between budgeted and actual amounts:

Particulars	Budget	Actual	Variance
	P	P	P
Revenue	6 250 000	540 000	5 710 000
Operating expenses	84 000 000	55 000 000	29 000 000
Capital expenditure	14 500 000	3 000 000	10 500 000

Auditors observed that the initial budget was used for review in each quarter but was not adjusted for significant changes during the year. The budget objective of setting targets and assessing performance was not achieved as the amounts were obsolete and not comparable.

In response, Management stated that budget forecasts were done at half-year and performance was evaluated against both the original budget and the forecasts. They indicated that quarterly review of the budget and forecast would be done from half-year ending September 2020.

3.2 Payments to Employees in the Procurement Department for Other Services

The auditors noted that during the review of payments made by the Authority, the Procurement Manager received an amount of P5 875 for payment made on behalf of a casual labourer.

In response, Management stated that disbursement of General Imprest would not be made to procurement personnel with immediate effect. The BOMRA default method of payment was direct payments to supplier. However, where suppliers such as casual labourers do not have bank accounts, management indicated that cheques would be used to pay for their services. BOMRA would therefore not engage casual labourers that do not accept cheques in cases where the casual labourer does not have a bank account.

101. **Botswana National Productivity Centre**

The financial statements of Botswana National Productivity Centre for the financial year ended 31 March 2020 were audited by Messrs Deloitte, Certified Auditors, who were appointed by the Board in terms of Section 16 (2) of the Botswana National Productivity Centre Act (No.19 of 1993).

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

Except for the effects of the matter described in the *Basis for Qualified* Opinion, the financial statements gave a true and fair view of the financial position of Botswana National Productivity Centre as at 31 March 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

2.2 Basis for Qualified Opinion

The auditors were unable to obtain sufficient and appropriate audit evidence which confirmed that the entity had legal title and rights to a property recognised on the Statement of Financial Position as at 31 March 2020, with a carrying amount of P52 300 000(2019: P50 384 528). The depreciation charge relating to the property in the Statement of Profit or Loss and Other Comprehensive Income was P1 568 800(2019:1 915 472). It was indicated in the Notes to the financial statements that the entity was in the process of obtaining title and ownership of the land and buildings, and this was Management's basis for recognition of the property in the Statement of Financial Position. Currently the title of the land and building is in favour of the Government of Botswana. The entity occupies the land and buildings on a free rental lease arrangement.

2.3 Financial Results

During the year under review, the Centre recorded a deficit of P0.44 million compared to a surplus of P3.90 million in the previous year.

The Centre was funded by Government grants. In the year under review the grant was P38.29 million, representing 84% of the total income, compared to a grant of P48.16 million in the previous year, representing 86% of the total income.

Expenditure decreased by 9% from P51.74 million in the previous year to P46.88 million in the year under review.

2.4 Working Capital

As at 31 March 2020, the working capital position of the Centre showed total current assets of P24.85 million and total current liabilities of P10.57 million, resulting in a net current assets position of P14.28 million.

3.0 Management Letter

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

3.1 Use of Government Property Agreement (Repeat finding)

The auditors noted that the agreement between Botswana National Productivity Centre and the Government of Botswana was not clear in terms of use of Government properties. As per clause 22 (b) of the agreement, upon termination or expiration the Centre shall return all properties availed to them to Government in good order. However, the auditors noted that the Centre had generated income from Government properties but the properties were not all fully recognised in the Centre's books.

The auditors further highlighted that in the current year, Management had engaged an external valuer to conduct the valuation of the property, and the market value of the property was estimated to be P82.10 million. However only P52.30 million, being the value of the portion of the building occupied by the Centre, was recognised as Land and Buildings.

The auditors advised that the Centre should obtain clarity with Government to understand the ownership with regards to the rest of the property to ensure that this was treated appropriately in the Centre's books.

In response, Management acknowledged that the matter was long outstanding and they had been following it up with the parent Ministry of Employment, Labour Productivity and Skills Development (MLPSD) but had remained unresolved. Management further indicated that the issue had been repeatedly escalated to the parent ministry, and had since been advised to refer the matter to the Ministry of Land Management, Water and Sanitation Services for resolution.

102. **Botswana National Sports Commission**

The financial statements of Botswana National Sports Commission for the financial year ended 31 March 2020 were audited by Messrs Grant Thornton, Certified Auditors, who were appointed by the Commission in terms of Section 37 (2) of the Botswana National Sports Commission Act (No. 30 of 2014).

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements gave a true and fair view of the financial position of Botswana National Sports Commission as at 31 March 2020, and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards and the Botswana National Sports Commission Act No. 30 of 2014.

Emphasis of matter

The Commission had an accumulated deficit of P80 067 442 (2019: P86 458 982) and a net current liability position of P1 752 895 (2019: P1 312 349) as at 31 March 2020. The continued deterioration of the net equity position and a perennial precarious net liquidity position of the Commission continued to raise a concern on the ability of the Commission to continue as a going concern as reported in the previous year. In addition, the COVID-19 pandemic had affected cultural and sporting events across the world and it was expected that the effect of this pandemic would be felt by the Commission in the years 2020-21 and 2021-22. The ability of the Commission to continue was dependent on the continuous support of the Government of Botswana in supplementing the financial needs through revenue and capital subventions.

2.2 Financial Results

During the financial year under review, the Commission recorded a deficit of P4.52 million as compared to a deficit of P126.31 million in the previous year.

The Commission was funded by Government grants. In the year under review the Grant Income, including amortised grant was P130.02 million (93.8% of total income). Other income was derived from, among others, Stadium Income (P2 365 037), Rental Income (P1 527 535) and Sports Awards (P1 352 352).

The distribution of funds by the Commission to affiliates and other operating expenses were generally as follows:

	2020 (P)	2019 (P)
Distribution to Affiliates and Associates	33 280 527	28 599 838
Funds Distributions towards Special Projects	56 614 333	57 403 290
Other Operating expenses	54 687 536	64 575 131
	144 582 396	150 578 259

2.3 Working Capital

The working capital position of the Commission as at 31 March 2020 showed total current assets of P11.49 million and total current liabilities of P13.24 million, resulting in a net current liabilities position of P1.75 million.

3.0 Management Letter

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

3.1 No Lease Agreement for Orange and BNSC

The auditors noted that the Commission was leasing some booster place to Orange. However, the Commission did not avail to the auditors any signed framework or signed lease agreement with Orange for the lease of the booster. The lease agreement that the Commission was using to charge rentals expired in 2019. Therefore, the terms and conditions governing the lease of these properties were invalid.

In response, Management stated that the Commission had submitted the lease agreement to Orange for signature in November 2019 who referred it to its legal team for perusal. The Commission indicated that it would continue to follow up the matter with Orange for completion.

3.2 Property, Plant and Equipment

The auditors noted that the Commission's Fixed Asset Register did not take into account the correct useful lives and residual values of assets, hence incorrect depreciation charge in the Fixed Assets Register and the General Ledger.

In response, Management stated that the Commission was migrating from D-Bit Fixed Asset Software to Norming Asset Software and the industry useful assets would be taken into consideration and corrections made during the set up.

103. **Botswana Oil Limited**

The financial statements of Botswana Oil for the financial year ended 31 March 2020 were audited by Messrs PriceWaterhouseCoopers, Certified Auditors, who were appointed by the Board.

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements gave a true and fair view of the financial position of Botswana Oil Limited (the Company) as at 31 March 2020, and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards.

2.2 Financial Results

In the year under review, the Company recorded a loss of P8.87 million compared to a loss of P31.56 million in the previous year. The main contributor to the improved performance was Other Operating Income of P30.39 million in the year under review compared to P7.69 million in the previous year, which was a 295.2% increase. Finance Income increased by 129.3% from P4 million in the previous year to P9.17 million in the year under review.

Administration Expenses increased by 8.7% from P64.25 million in the previous year to P69.84 million in the year under review, while Impairment of Trade Receivables increased by 341.4% from P0.99 million to P4.37 million in the year under review.

2.3 Working Capital

The working capital position of the Company as at 31 March 2020 showed total current assets of P423.15 million and total current liabilities of P277.91 million, resulting in a net current assets position of P145.24 million.

3.0 Management Letter

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

104. **Botswana Open University**

The financial statements of Botswana Open University for the financial year ended 31 March 2020 were audited by Messrs BDO, Certified Auditors, who were appointed by the Council in terms of Section 30 (2) of the Botswana Open University Act, No.13 of 2017.

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The annual financial statements presented fairly, in all material respects the financial position of Botswana Open University as at 31 March 2020, 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 University recorded a surplus of P21.75 million compared to a surplus of P2.27 million in the previous year.

The University was funded by Government grant, in the year under review the grant was P177.96 million, representing 78% of total income, compared to P122.86 million in the previous year. Another notable source of income was Revenue from Student Application and Tuition Fees of P37.10 million in the year under review, compared to P27.33 million in the previous year.

Expenditure increased by 27% from P160.03 million in the previous year to P203.76 million in the year under review.

Increase in expenditure was mainly due to employee costs, which increased by 23% from P99.72 million in the previous year to P122.42 million in the year under review. Tutor expenses also increased by 149% from P6.95 million to P17.29 million in the year under review.

2.3 Working Capital

As at 31 March 2020 the working capital position of the University showed total current assets of P29.39 million and total current liabilities of P45.92 million resulting in a net current liabilities position of P16.53 million.

Current liabilities included trade and other payables of P35.42 million, deferred income of P10.04 million and lease liabilities P0.46 million.

3.0 Management Letter issues

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

3.1 Investment Properties

The auditors noted that the University held certain properties in Gaborone and Maun, which were occupied by staff members who had in turn forfeited their housing allowances. The following issues emanated from the audit;

a) The appropriateness of classifying them as Investment Properties

For properties of that nature to be regarded as Investment Properties, there had to be rental income that was earned from the properties otherwise they would be regarded as owner occupied and accounted for under IAS 16 – Property Plant and Equipment.

It appeared to the auditors that rental income had not been recognised for these properties hence they concluded that these were owner occupied and therefore classification as Investment Properties would be a misstatement.

b) Valuation of the properties

Auditors performed reasonableness tests on the market values of the above properties as at year end and noted significant variances between the recorded fair values and the auditors' assessed values. Auditors summarised below the values and the variances noted.

Property	Expected values per audit assessment (P)	Fair Value recorded (P)	Variances (P)
Gaborone Staff houses	12 660 000	7 700 000	4 960 000
Maun staff houses	6 330 000	11 416 000	(5 086 000)
Total	18 990 000	19 116 000	(126 000)

The fair value as expected had been disclosed in the annual financial statements.

In response, Management indicated that they had furnished the auditors with documentation to support the classification of properties as Investment Properties and made the necessary adjustments to recognise the related rental income.

Management also explained that the valuations were done by an independent valuer on whose work they placed reliance.

3.2 Property Plant and Equipment Register

The auditors were furnished with a Fixed Asset Register, which varied with the General Ledger and it did not have depreciation charge for the year. The University's accounting system had a fixed assets module, which was not synchronised to the General Ledger.

The auditors also discovered that there were properties in Francistown and Palapye which were omitted from the Fixed Asset Register and from the accounting records. These were adjusted for in the financial statements.

The accumulated depreciation figures that were in the Fixed Asset Register did not agree with the accumulated depreciation figures in the General Ledger resulting in adjustments being made to reconcile the two.

The table below details the variances on the accumulated depreciation as at the beginning of the year, which were adjusted at year end:

Asset category	**Ledger (P)**	**Fixed Asset Register (P)**	**Variance (P)**
Buildings	22 109 314	21 852 298	257 016
Furniture and Equipment	14 465 492	14 231 538	233 954
Fixtures and Fittings	2 694 745	1 778 775	915 970
Computer Equipment	8 512 181	7 708 929	803 252
Motor Vehicles	5 449 586	5 235 743	213 843

In response, Management explained that some issues were historical and the University was in the process of resolving the same by undertaking an asset verification exercise going forward. Management indicated that in the meantime, issues emanating from the system generated Fixed Asset Register, such as failure to clearly show depreciation charge for the period, and inability to trace transactions to the General Ledger, would be addressed by the maintenance of a manual Fixed Asset Register, which would be reconciled regularly.

3.3 Compliance with the Income Tax Act

The auditors noted that housing benefit had not been considered for tax on properties that were being occupied by employees. They also noted that withholding taxes had not been withheld on rental expenses paid for the Palapye campus during the year. Pay As You Earn (PAYE), which was withheld from part-time employees, had not been remitted to BURS on a timely basis as stipulated in the Income Tax Act. The following table illustrates the remittance of PAYE and the months in which PAYE was still outstanding to BURS as at year end:

Month	PAYE amount (P)	Due date	Date Remitted
April 2019	38 914	15 May 2019	20 September 2019
May 2019	261 603	15 June 2019	20 September 2019
June 2019	131 349	15 July 2019	20 September 2019
July 2019	229 537	15 August 2019	Not paid at year End
August 2019	226 067	15 September 2019	10 November 2019
September 2019	128 866	15 October 2019	10 November 2019
November 2019	304 107	15 December 2019	02 March 2020
December 2019	705 245	15 January 2020	Not paid at year End
January 2020	24 757	15 February 2020	Not paid at year End
February 2020	103 673	15 March 2020	Not paid at year End
March 2020	363 832	15 April 2020	Not paid at year end

In response, Management stated that the necessary tax deductions and remittance of PAYE for part-time staff would be done in time going forward. The automation and decentralisation of part-time staff payments project would address the issue as deductions would be recorded in real time when payments are made. PAYE deducted would then be remitted on a monthly basis together with PAYE for full time staff members. Management further indicated that the PAYE relating to the year under review had been accounted for as an accrual and that Withholding Tax for Palapye rental expenses would be remitted timely.

105. **Botswana Postal Services Limited**

The financial statements of the Botswana Postal Services Limited for the financial year ended 31 March 2020 were audited by Messrs Grant Thornton, Certified Auditors, who were appointed by the Board.

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements gave a true and fair view of the financial position of Botswana Postal Services Limited as at 31 March 2020, and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards.

2.1.1 Material Uncertainty Related to Going Concern

The Company had an accumulated loss amounting to P201 976 064 (2019: P159 236 453) and a net current liability position of P107 318 929 (2019: P78 887 161). Included in liabilities was an amount of P98 494 844 which was money held on behalf of Agencies. The continued deterioration of net liquidity position of the Company raised doubt on its ability to continue as a going concern. The Government of the Republic of Botswana had committed in writing through the Ministry of Transport and Communications that it would continue to support the Company and had committed to provide a Universal Service Obligation grant of P78 million to ensure it continues as a going concern in the financial year 2020/2021.

2.2 Financial Results

In the year under review, Botswana Postal Services Limited recorded a loss of P44.80 million before Other Comprehensive Income compared to a loss of P948 354 in the previous year. The main contributors to the loss were increases in:

- Costs of operations by 10% from P203 million to P223.71 million,
- Other operating expenses by 37% from P159.69 million to P218.91 million

Revenue increased by 10% from P292.61 million in the previous year to P320.78 million in the year under review.

The Company recognised a gain on Property Revaluation of P67 911 691 compared to a loss on Property Revaluation of P414 963 from the previous year.

2.3 Working Capital

As at 31 March 2020, the working capital position of the Company showed total current assets of P225.72 million and total current liabilities of P333.04 million, resulting in a net current liabilities position of P107.32 million.

3.0 Management Letter

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

3.1 Management of Cash on Hand at Post Offices

The auditors noted that 17 out of 143 Post Offices had exceeded the maximum cash holding limits. The set cash limits were as per the Botswana Post policy on the cash to be held per post office. The policy was in alignment with the insurance cover such that if the monies were to be stolen it would be fully recovered. However, if post offices were to keep cash above the set limit, the excess would not be covered by the insurance.

In response, Management stated that there was an influx of cash deposits by customers towards close of business on the last day of the month at most post offices. Over and above, there was an exercise that was carried out to transfer cash from branches that were to be closed during lockdown to branches that were to remain operational. This resulted in the post offices exceeding the set cash limits. However, the cash limits were subsequently adjusted and Management had continued to monitor the situation. The insurance cover would also be adjusted to match the limits accordingly.

3.2 Non- Compliance with Procurement Policy

The auditors observed instances of non-compliance with the procurement policy in invoices sampled for testing. These included:

i. Expenses (electricity) being approved by individuals not authorised per the guidelines of the policy. The auditors noted that purchases of electricity had been approved by the Procurement Manager who could only authorise purchases up to P250 000 but had exceeded the authority limit.

ii. The required number of quotations for procurement of legal services had not been complied with. There was also no documentation on the waiver of this requirement. Furthermore, the procurement office had not been involved in this procurement.

In response, Management noted the irregularities and stated that electricity was a stock item that was procured frequently and hence it would not be practical for it to be authorised by the Chief Executive Officer, Management Tender Committee, Board Committee and the Board of Directors accordingly. Management stated that the matter had been rectified and the Procurement and Chief Financial Officer were given delegated authority to sign for such stock items beyond P250 000 by the Tender Committee. The changes were to be reported back to the Tender Committee at its quarterly meetings.

3.3 Poor Management of the Fixed Assets Register

The auditors noted the following when performing substantive procedures and verification of Property, Plant and Equipment:

i. Some of the assets were re-allocated to locations other than those in the Fixed Assets Register.

ii. During the current year valuation exercise, it was observed that the Company had plots that had not been recorded in the Fixed Assets Register. The assets were then captured in the Fixed Assets Register in the current period with zero opening balances. The auditors further noted that most of these plots were donations from the community.

iii. The records held by the Property Department were not reconciled to the Fixed Assets Register as recorded by the preparer. This gap had been attributed to lack of cooperation between the concerned departments.

The auditors had recommended that Fixed Asset Register be updated on a timely basis. There was no response from Management on the same.

3.4 Poor Management of Title Deeds Documents

The auditors noted in their review of ownership rights over properties held by Botswana Post that there were properties owned by the Company without title deeds to validate ownership. Below is a list of properties wherein title deeds were not availed:

1. Kasane Post Office
2. Monarch Post Office
3. Rakops Post Office
4. Bokspits Post Office
5. Seronga Post Office
6. Broadhurst Post Office

In response, Management stated that ownership of those properties had been transferred to Botswana Post through Vesting Orders. There were however some delays in the application process. Management added that, requests for copies of title deeds that went missing had been made from the Deeds Office. Management would ensure that all the properties owned by Botswana Post had title deeds by 30 December 2020.

3.5 Timely Reconciliation of VAT

The auditors further noted the following exceptions in relation to VAT:

i. Delayed reconciliation of VAT- In the current year, the auditors had experienced challenges in obtaining the schedule. Following submissions differences were noted which had to be reconciled during the audit.

ii. The Company had made overpayments of P1.2 million to the regulatory body in the current period, which were attributed to system errors. However, the Company did not rectify the errors timeously. The revised returns were furnished during the audit.

iii. Furthermore, the auditors noted that the work done by the Accountant was not reviewed and monitored.

In response, Management stated that VAT reconciliation had not always been possible during the year due to system implementation issues and that some of the returns were filed using provisional amounts. Reconciliation was done subsequently and the returns were revised accordingly. Management committed that going forward timely VAT reconciliations would be done on a monthly basis to ensure compliance.

3.6 Agency Observation

The auditors noted during their review of the Agency Contracts, the following instances of non-conformance with various agency terms and conditions:

i. Late payments made to the different stakeholders, which was a breach of the agreed terms and conditions. For example, the Botswana Savings Bank (BSB) contract stipulated that the amount collected on behalf of BSB should be remitted to BSB within ten days of claims receipts, failure of which a penalty of 10% per annum would be levied affecting the Company's liquidity.

ii. The Company was not maintaining specific bank accounts for agency activities, hence there was no separation between the operational activities and the agency business.

The increased agency business being handled by the Company had been a major contributor to its positive change in financial performance. This mainly entailed facilitating a transaction for a principal and earning a commission for the same and also periodically remitting balances to the principal. From the auditor's enquiries with Management, it was revealed that the Company was not maintaining agreed bank balances to support the agency activities as stipulated in some of the agreements. Furthermore, the auditors noted that the agency liabilities exceeded the total cash balances.

Agency liabilities	(191 177 809)
Cash balances	104 175 568
Difference	(87 002 241)

In response, Management pointed out that they had encountered difficulty in separating operational cash and agency cash. However, Management indicated that the business was working on various collection models to address the difficulty. The selection of the most appropriate model was planned to be completed by December 2020, and would be implemented across all agencies. The management further stated that the Company was also engaging the shareholder to recapitalize the business and were optimistic that the situation would improve with assistance of the shareholder.

3.7 Non- Compliance with the Conceptual Framework for Financial Reporting on Accrual Basis

The auditors noted that some of the revenue from Franking Machines, Electronic Mail System, Bulk Mail, Rental Income and Philatelic Sales had been accounted for on cash basis, which was not in compliance with the Conceptual Framework for Financial Reporting, which specifies the accrual basis as an underlying assumption in preparation of financial statements.

In response, Management noted the finding and stated that they would ensure compliance with the provisions of the framework. They indicated that this was the result of implementation of initial system problems and had since been resolved. Monthly revenue analysis and reconciliation as part of the month end processes would be enforced.

3.8 Border VAT

The auditors noted that Botswana Post pays customs duties for parcels at the border on behalf of customers and then claims against collections. However, the auditors noted that the accounting for such claims was not done adequately as there were no schedules prepared to monitor Border VAT.

In response, Management noted the finding and stated that it would strengthen controls around border VAT to ensure that the Customs Duties recovered and unrecovered from customers were reconciled on a timely basis and that the same would be reflected in the Trial Balance. Reconciliation and collection of the amounts forward paid would be collected from customers by 30 December 2020. Management stated that going forward and with immediate effect, they would introduce a process by which no delivery would be made without first instituting collection of the VAT. This would be documented by the end of September 2020.

106. **Botswana Privatisation Asset Holdings Limited**

The financial statements of Botswana Privatisation Asset Holdings Limited for the financial year ended 31 March 2020 were audited by Messrs Grant Thornton, Certified Auditors, who were appointed by the Board.

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The annual financial statements gave a true and fair view of the financial position of Botswana Privatisation Asset Holdings Limited as at 31 March 2020, and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards.

2.2 Financial Results

The financial operations of Botswana Privatisation Asset Holdings Limited recorded a profit of P32.99 million for the year under review, compared to a profit of P30.30 million in the previous year.

Revenue increased substantially from P26.57 million in the previous year to P59.98 million in the year under review. The main contributors to the significant increase in performance was an increase of Dividend Income by 194% from P17.10 million in the previous year to P50.22 million in the year under review and Interest Income also increased by 20% from P8.15 million in the previous year to P9.76 million in the year under review.

Also expenditure decreased from P2.10 million in the previous year to P2.09 million in the year under review.

There was a fair value loss on investments in Equity Shares of P21.60 million in the year under review compared to a fair value gain on investments in Equity Shares of P6.30 million realised in the previous year.

2.3 Working Capital

As at 31 March 2020, the working capital position of the Company showed total current assets of P75.53 million and total current liabilities of P840 866 million resulting in a net current assets position of P74.69 million.

3.0 Management Letter

The auditors stated that they had not identify any control deficiencies during the course of their audit.

107. **Botswana Qualifications Authority**

The financial statements of Botswana Qualifications Authority for the financial year ended 31 March 2020 were audited by Messrs Mazars, Certified Auditors, who were appointed by the Board in terms of Section 23(2) of the Botswana Qualifications Authority Act, (No. 24 of 2013).

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements presented fairly, in all material respects, the financial position of Botswana Qualifications Authority, as at 31 March 2020, and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards.

2.2 Financial Results

The Authority recorded a deficit of P17.79 million in the year under review, compared to a deficit of P10.50 million in the previous year.

Expenditure increased by 8.87% from P89.77 million in the previous year to P97.74 million in the year under review, while income, on the other hand, decreased by 0.17% from P79.08 million in the previous year to P78.94 million in the year under review.

The main sources of income are indicated below:

Income	2020 P	2019 P
Government Subvention	67 789 298	73 315 145
Quality Assurance fees	7 978 442	3 769 750

2.3 Working Capital

As at 31 March 2020, the working capital position of the Authority showed total current assets of P44.76 million and total current liabilities of P55.67 million resulting in a net current liabilities position of P10.91 million.

3.0 Management Letter

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

3.1 Material Uncertainty Relating to Going Concern

The auditors noted that the Authority had made losses of P17.78 million in the year under review and P10.5 million in the previous year and as a result all the accumulated surpluses brought forward were depleted which had resulted in an accumulated deficit of P13.1 million. The auditors also stated that, from the statement of financial position, it was apparent that the liquidity position of the Authority was not good as its current liabilities of P55.6 million exceeded current assets of P44.7 million and as such, the Authority may not be able to meet its current obligations.

In response, Management stated that they had approached the Ministry of Tertiary Education, Research, Science and Technology on the matter and the subvention for 2020/21 was increased by P30 million. The increase in subvention enabled the Authority to approve the 2020/21 budget with a surplus of P9.8 million. The management expected the budgeted surplus to reduce to P4.8 million following the Government of Botswana decision to cut 2020/21 budget by 5%. The Authority expected to have fully reversed the accumulated deficit by end of financial year 2022/23 with an assumption that average of P4.8 million would be made annually.

3.2 Fixed Assets Tagging and Verification

The auditors noted that some fixed assets ID numbers in the Fixed Asset Register could not be traced to the actual assets as they had no identification tags. The auditors stated that for those assets with no asset identification numbers they had relied on the description to identify them. Some assets used barcodes for identification and there were some assets on the ground with barcodes but the barcodes were not recorded in the Fixed Assets Register.

In response, Management stated that the Authority conducted an auction sale during the financial year and had removed all assets which were sold. Management further indicated that the last batch of assets was allocated in November 2019 and the disposal of the old furniture was then carried out between

December 2019 and January 2020 hence tagging started in February 2020.

108. **Botswana Railways**

As part of my writing of this report, and in line with the long standing arrangement with the Public Accounts Committee, I had circularized all statutory bodies and state-owned enterprises requesting them to forward to me their audited financial statements and reports for the purposes of review and inclusion of the review results in this report. The Botswana Railways had not submitted the audited financial statements for the financial year under review and had explained that the audit for the financial year 2019/20 was still ongoing.

Consequently, I have not been able to carry out the review of the accounts of the Railway for the financial year ended 31 March 2020 for the benefit of the National Assembly.

109. **Botswana Savings Bank**

The financial statements of Botswana Savings Bank for the financial year ended 31 March 2020 were audited by PriceWaterhouseCoopers, Certified Auditors, who were appointed by the Board with the approval of Bank of Botswana in terms of Section 4 (1) of Botswana Savings Bank Act, (Cap 56:03).

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements gave a true and fair view of the financial position of Botswana Savings Bank (the "Bank") as at 31 March 2020, and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards.

2.2 Financial Results

The financial operations of the Bank showed a profit of P13.78 million for the year under review, compared to a profit of P35.24 million in the previous year. The acute decline in performance was due to a rise in net impairment loss of financial assets from P0.98 million in the previous year to P31.7 million in the year under review. Employee Benefits increased by 19.9% from P48.65 million in the previous year to P58.34 million in the year under review.

Furthermore, Administrative and General Expenses increased by 9.2% from P35.66 million in the previous year to P38.94 million.

Government grant was P40 million in the year under review and there was no government grant in the previous year.

2.3 Working Capital

The working capital position of the Bank as at 31 March 2020 showed total current assets of P1.47 million and total current liabilities of P2.56 million resulting in a net current liabilities position of P1.10 million.

3.0 Management Letter

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

3.1 Assets Not Depreciated During the Year (Repeat finding)

The auditors observed that some assets in the Fixed Assets Register, had not been depreciated as per the Bank's useful life policy.

In response, Management stated that corrections had been made accordingly and that monthly reconciliation between the Fixed Asset Register and the General Ledger had been carried out.

3.2 Fully Depreciated Assets Showing Net Book Value (Repeat finding)

The auditors observed that there were assets that according to the Company's useful life policy should have been fully depreciated but on the Fixed Asset Register they still had outstanding net book value.

In response, Management stated that an investigation had been carried out to verify the cause of the anomaly. Management also indicated that they had engaged the ACCPAC Consultant to assist them on how the problem could be rectified.

3.3 VAT Computation and Review (Repeat finding)

The auditors further noted that there were material differences between the declared output in the VAT account and the Trial

Balance. This raised an issue of accuracy of VAT amount submitted to BURS.

In response, Management stated that the variances between VAT account and VAT payments were due to invoices processed after submission of VAT returns to BURS. Management further indicated that VAT account reconciliation was ongoing at the time of audit and that they would ensure regular review of the account.

3.4 Taxable Benefits Availed to Employees Not Appropriately Taxed and Remitted to BURS

The auditors noted that outstation Branch Managers were provided with housing and utilities (water and electricity) benefits by the Bank and those benefits were not taxed.

In response, Management noted the finding and stated that housing and utilities benefits would be taxed effective from October 2020.

110. **Botswana Stock Exchange**

The financial statements of Botswana Stock Exchange for the financial year ended 31 December 2019 were audited by Messrs Grant Thornton, Certified Auditors, who were appointed by the Stock Exchange Committee in terms of Section 41 (2) of the Botswana Stock Exchange Act, (Cap 56:08).

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

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

2.2 Financial Results

In the year under review, the Group and the Stock Exchange recorded a profit of P6.40 million and P7.03 million respectively, compared to P7.28 million and P7.18 recorded in the previous year.

The income for the Group increased slightly by 1.91% from P38.69 million in the previous year to P39.43 million in the year under review, whilst expenses increased by 5.13% from P31.41 million in the previous year to P33.02 million in the year under review.

2.3 Working Capital

The working capital position of the Group as at 31 December 2019 showed total current assets of P100.25 million and total current liabilities of P7.08 million, resulting in a net current assets position of P93.17 million.

The total current assets for the Stock Exchange were P75.96 million and the total current liabilities were P10.41 million, giving a net current assets position of P65.55 million.

3.0 Management Letter

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

3.1 Prior Year Sustaining Fees for Exchange Traded Funds

The auditors noted that Sustaining Fees of P78 238 and P257 971 for Exchange Traded Funds (ETF) for periods ending 31 December 2017 and 2018 respectively, were invoiced in the current reporting period.

In response, Management noted that previously the Botswana Stock Exchange (BSE) had been charging ETF Sustaining Fees on a quarterly basis. This charge was based on a BSE fee schedule separate from the BSE listings requirements. In the third quarter of 2017, ETF managers queried the invoices citing the BSE listing requirements fee clause, which read "The annual listings fee on account of ETFs would be computed @0.025% of the Net Asset Value (NAV) of the ETF at the beginning of the calendar year subject to a minimum of P25 000 or such amount not exceeding P100 000 as the Committee may fix".

Management further indicated that the new BSE listing requirements addressed the ambiguity relating to the frequency and the total amount charged in a year. After approval of the new listing requirements, and in consultations with the ETF managers, Management stated that an agreement was reached to correct the mistake and back charge the fees. Furthermore, Management confirmed that all invoices related to the aforementioned fees had been fully paid.

111. **Botswana Telecommunications Corporation Limited**

The financial statements of the Botswana Telecommunications Corporation Limited for the financial year ended 31 March 2020 were audited by Messrs Ernst & Young, Certified Auditors, who were appointed by the Board.

2.0 Accounts

2.1 Audit Opinion

In the opinion of the Auditors:

The financial statements gave a true and fair view of the financial position of the Botswana Telecommunications Corporation Limited as at 31 March 2020, and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards and the requirements of the Companies Act (Cap. 42:01).

2.2 Financial Results

The financial operations of the Corporation recorded a profit of P106.38 million for the year under review, compared to a profit of P162.06 million in the previous year.

Revenue decreased slightly by 3% from P1.45 billion in the previous year to P1.40 billion in the year under review. Expenditure remained relatively constant at P1.33 billion across the year under review and the previous year.

2.3 Working Capital

As at 31 March 2020, the working capital position of the Corporation showed total current assets of P665.91 million and total current liabilities of P296.00 million resulting in a net current assets position of P369.91 million.

3.0 Management Letter

In view of the restrictions imposed by the Botswana Stock Exchange Listing Requirements, I have not commented on the issues raised in the management letter.

112. **Botswana Tourism Organisation**

The financial statements of Botswana Tourism Organisation for the year ended 31 March 2020 were audited by Messers Delloite, Certified Auditors, who were appointed by the Board in terms of Section 22 (2) of the Botswana Tourism Act.

I had commented in my report for last year that Botswana Tourism Organisation was in breach of Section 22 (2) which requires that the accounts of the Organisation shall be audited within a period of three months after the end of the financial year.

In respect of the accounts for March 2020 they indicated that they had experienced delays due to an ongoing audit.

In this connection, it is to be noted that failure to comply with the requirements of the Act had persisted over a number of years. This has continued to deny the National Assembly the opportunity to examine the accounts of this Organisation on a timely and current basis.

113. **Botswana Trade Commission**

The financial statements of Botswana Trade Commission for the financial year ended 31 March 2020 were audited by Messrs Grant Thornton, Certified Auditors, who were appointed by the Board in terms of Section 29 (1) of the Botswana Trade Commission Act, No.20 of 2013.

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The annual financial statements gave a true and fair view of the financial position of Botswana Trade Commission as at 31 March 2020, and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards.

2.2 Financial Results

The financial operations of the Commission recorded a surplus of P912 790 for the year under review compared to a surplus of P1.40 million reported in the previous year.

Income decreased by 56% from P12.97 million in the previous year to P5.69 million in the year under review. Expenditure decreased by 59%, from P11.57 million in the previous year to P4.70 million in the year under review.

The Commission was funded by Government grant. In the year under review, the grant stood at P5.68 million representing 99.9% of the total income.

2.3 Working Capital

As at 31 March 2020, the working capital position of the Commission showed total current assets of P4.38 million and total current liabilities of P848 262 resulting in a net current assets position of P3.53 million.

3.0 Management Letter

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

3.1 Operating Effectiveness of the Commission

The auditors observed that during the Board meeting held on 03 October 2018, the Board resolved to terminate the services of the Chief Executive Officer and all key senior management personnel. The Director of Corporate Services was re-engaged on a one year contract as acting Chief Executive Officer. It was further observed that the Ministry of Investment, Trade and Industry had approved the 2020/2021 budget totalling P12.9 million subsequent to period end. The approved budget included recruitment for key positions, which has not yet effected to date.

This was an indicator that the operations of the Commission might be affected, as the Commission cannot be operated by an individual person. This would also affect the operating effectiveness of some policies, for example the procurement and finance policies as there was little to no segregation of duties.

In response, Management stated that recruitment for key individual positions was underway as the budget had been approved.

3.2 Proper Maintenance of Fixed Assets Register

The auditors observed that during the period under review the Fixed Assets Register was not properly updated with additions and disposals. It was observed that depreciation rates were not consistent with those stipulated on the accounting policy of the Commission. Failure to maintain the Fixed Asset Register may provide a window for misappropriation of assets and for misuse of such assets. A journal was processed to correct this error.

In response, Management indicated that they had noted the recommendation that the commission should maintain a proper Fixed Assets Register and keep it up to date on regular basis.

114. **Botswana Unified Revenue Service**

The financial statements of Botswana Unified Revenue Service(BURS) for the financial year ended 31 March 2020 were audited by Messrs PriceWaterhouseCoopers, Certified Auditors, who were appointed by the Board in terms of Section 28(2) of the Botswana Unified Revenue Services Act, (Cap 53:03).

Section 28(2) requires that the audited accounts should be submitted within five months of the end of the financial year to which they relate. BURS has failed to comply with this requirement in respect of the financial year ended 31 March 2020 as had also been the case for the financial year ended 31 March 2019.

In this connection, it is to be noted that failure to comply with the requirements of the Act had persisted over a number of years. This has continued to deny the National Assembly the opportunity to examine the accounts of this Organisation on a timely and current basis.

115. **Botswana University of Agriculture and Natural Resources**

As part of this report, and in line with the long-standing arrangement with the Public Accounts Committee, I had circularized all Statutory Bodies and State-owned Enterprises requesting them to forward to me their audited financial statements and reports for purposes of review and inclusion of the review results in this report.

At the time of writing this report, Botswana University of Agriculture and Natural Resources has not submitted their annual financial statements and the management letter. In response, Botswana University of Agriculture and Natural Resources management stated that they were experiencing delays with the audit.

Consequently, I have not been able to carry out the review of the accounts of the University for the financial year ended 31 March 2020 for the benefit of the National Assembly.

116. **Botswana Vaccine Institute Limited**

The financial statements of Botswana Vaccine Institute for the financial year ended 31 December 2019 were audited by Messrs PriceWaterHouseCoopers, Certified Auditors, who were appointed by the Board.

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements presented a true and fair view of the financial position of the Botswana Vaccine Institute Limited as at 31 December 2019, and of its financial performance and its cash flows for the year then ended, in accordance with the International Financial Reporting Standards.

2.2 Financial Results

In the year under review, the Institute recorded a loss of P14.79 million compared to a restated profit of P29.57 million in the previous year. The main contributor to the loss was a decrease in Sales of Vaccine by P70 million (46%) from a restated figure of P152.62 million in the previous year to P82.59 million in the year under review.

2.3 Working Capital

The working capital position of the Institute as at 31 December 2019 showed total current assets of P322.03 million and total current liabilities of P65.60 million, resulting in a net current asset position of P256.43 million.

3.0 Management Letter

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

3.1 Long Outstanding Trade Receivable Balances and Impairment Provision (Repeat Finding)

The auditors noted that although there had been no significant defaults experienced in the past, prolonged delays in settling the debts from delivery date resulted in difficulties with working capital management.

Management was advised to assess pricing policies on a continuous basis to factor in delays in settlement experienced in the industry.

The Institute used the simplified approach to estimate the impairment provision as allowed by IFRS 9. This approach considered lifetime expected credit loss of trade receivables assessed on an individual basis, taking into consideration the unique nature of each customer. In estimation the expected credit loss, historical payment patterns, factors presently known of the customer and forward looking information was taken into consideration. Due to the fact that the Institute dealt with governments of countries, to the extent possible, external data available on sovereign default rates and expected, loss rates had been used and modified to take into account historical payment patterns.

The auditors having performed the above, calculated the total exposure at P83 256 348 and estimated the expected loss due to non-payment at P5 665 192 as a best-case scenario and P12 068 048 as a worst possible outcome scenario. Management had already provided P5 840 143 as impairment at year-end, which was almost similar to the impairment under best case-scenario.

In response, Management stated that this had been a recurring matter over the years. Management further explained that they had intensified controls around supplying customers with overdue balances and indicated that there was an improvement as evidenced by recent payment from one of the debtors. Management indicated that a demand letter had been issued to another debtor and was in process of assessing initiatives.

117. **Citizen Entrepreneurial Development Agency**

As part of this report, and in line with the long standing arrangement with the Public Accounts Committee, I had circularized all Statutory Bodies and State-owned Enterprises requesting them to forward to me their audited financial statements and reports for purposes of review and inclusion of the review results in this report.

At the time of writing this report, CEDA had not submitted their annual financial statements and the management letter. CEDA management stated that the financial statements of the Agency for the financial year ended 31 March 2020 were still being audited and the reasons advanced were that there were initial delays in commencing the audit for the financial year ended 31 March 2020.

I have therefore not been able to review the audited accounts of CEDA.

118. **Civil Aviation Authority of Botswana**

The financial statements of Civil Aviation Authority of Botswana for the financial year ended 31 March 2020 were audited by Messrs PriceWaterHouse Coopers, Certified Auditors, who were appointed by the Board in terms of Section 37 (1) and (2) of the Civil Aviation Act 2011.

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements gave a true and fair view of the financial position of Civil Aviation Authority of Botswana as at 31 March 2020, and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards.

2.1.1 Material Uncertainty Relating to Going Concern

The Authority incurred a loss of P29.2 million for the year ended 31 March 2020 and, as of that date, the Authority's current liabilities exceeded the current assets by P63.7 million. These events or conditions, along with other matters as set forth in the notes to the financial statements indicated that a material uncertainty existed that may cast significant doubt on the Authority's ability to continue as a going concern. The auditor's opinion was not modified in respect of this matter.

2.2 Financial Results

The financial operations of Civil Aviation Authority of Botswana showed a loss of P29.20 million in the year under review compared to a loss of P58.38 million in the previous year.

Total income increased by P16.97 million (5.5%) from P309.75 million in the previous year to P326.72 million in the year under review. The composition of the comparative total income was as follows:

	2020	2019
	P	P
Government Grant	150 000 000	150 000 000
Revenue Earned	176 323 206	158 469 114
Finance Income	394 196	1 275 966
	326 717 402	309 745 080

Expenditure slightly decreased by 3.66% from P368.13 million in the previous year to P354.66 million in the year under review. This decrease in expenditure was mainly due to a decrease of 22% in Operating Costs from P122.47 million in the previous year to P95.53 million in the year under review.

2.3 Working Capital

The working capital position of the Authority as at 31 March 2020 showed total current assets of P82.9 million and total current liabilities of P146.59 million, resulting in a net current liabilities position of P63.7 million.

3.0 Management Letter

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

3.1 Corporate Governance

The auditors noted that the Chairperson of the Board was also the Chairperson of the Finance, Audit and Risk Committee. The auditors stated that this was not in line with good corporate governance practice.

In response, Management indicated that the Authority's current situation stems from the fact that the only Finance professionals in the Board were the Chairperson and another member who had been co-opted into the Board. The Board was aware of the issue and had decided to address the matter once the co-opted member was confirmed or new appointments were made by the shareholder. Legal opinion on the roles and accountabilities of co-opted members indicated that they could not occupy the

Chair of Committees. The shareholder was working on finalising Board re-appointments to ensure compliance with good corporate governance practices.

3.2 Inventory

The auditors noted that the Authority did not have a specific accounting policy in respect of inventory. In response, Management acknowledged the finding and explained that KPMG had been engaged to assist with the development and selection of appropriate accounting policies which will be finalised in the financial year 2020/21.

3.3 Back-up Policy

The auditors noted that the Authority did not have a back-up policy to ensure business continuity in the event of a system failure. The auditors indicated that Management did not provide evidence of the procedures, tests and results of the backup system restore that was performed as well as approval of the success of the system restore. Furthermore, the auditors indicated that Management did not have a log or indication to evidence manual backups that were taken during the current audit period.

In response, Management indicated that the back-up was part of the IT policy which will be presented to the Board in May 2021 for approval. Management indicated that the replication site had been having some technical issues and the team had scheduled to normalise off-site replication by end of October.

119. **Companies and Intellectual Property Authority**

The financial statements of Companies and Intellectual Property Authority for the financial year ended 31 March 2020 were audited by Messrs Ernest & Young, Certified Auditors, who were appointed by the Board in terms of Section 32 (1) of the Companies and Intellectual Property Authority Act, (Cap. 42:13).

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements gave a true and fair view of the financial position of the Companies and Intellectual Property

Authority as at 31 March 2020, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and the requirements of the Companies and Intellectual Property Authority Act (Cap 42:13).

2.2 Financial Results

The Authority recorded a surplus of P4.63 million, compared to a restated deficit of P1.14 million for the previous year. The improvement in the financial performance was a result of an increase in Government grant from P45.53 million in the previous year to P55.65 million, representing 22%.

Total income for the year under review was P65.00 million, recording an increase of 23% over the previous year`s restated value of P52.96 million. Expenditure was P58.64 million in the year under review compared to the previous year`s restated figure of P54.24 million.

There was Interest on Lease liability of P1.82 million for the year under review compared to nil in the previous year.

The Authority was funded by Government grant and in the year under review, the grant was P55.65 million, representing 85.62% of total income.

2.3 Working Capital

The working capital position of the Authority as at 31 March 2020 showed total current assets of P25.55 million and total current liabilities of P25.55 million, which meant that the current liabilities were covered by the current assets at a ratio of 1:1.

3.0 Management Letter issues

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

3.1 Reassessment of Useful Lives

The auditors noted that there were assets in the Fixed Assets Register which were fully depreciated but still in use which was an indication that the assets were being depreciated at a higher rate than they should have been.

In response, Management indicated that as part of an exercise to clean up the Fixed Asset Register management had done the following:

- Carried out the physical verification of all assets in Gaborone, Serowe, Francistown and Maun,
- Tagged/coded all assets in Gaborone, Serowe, Francistown and Maun,
- Updated the Fixed Assets Register with information from the above exercise, and
- Drafted as part of the financial regulations, manual, policies relating to fixed assets management.

Management also indicated that they had not planned for reassessment of useful lives of assets for the year under review as an exercise to update the Fixed Asset Register was still underway. With the above exercise completed, Management would be able to carry out the reassessment of useful lives and use experts where there is need.

120. **Competition and Consumer Authority**

The financial statements of the Competition and Consumer Authority for the financial year ended 31 March 2020 were audited by Messrs Ernst and Young, Certified Auditors, who were appointed by the Competition Commission in terms of Section 23 of the Competition Act, 2018.

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements presented fairly, in all material respects, the financial position of the Competition Authority as at 31 March 2020, and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards and in the manner required by the Competition Act, 2018.

2.2 Financial Results

The financial operations of the Authority for the year ended 31 March 2020 recorded a total comprehensive loss of P4.64 million in the year under review compared to total comprehensive income of P1.27 million in the previous year.

Total revenue increased by 10% from P33.09 million in the previous year to P36.41 million in the year under review. Revenue of the Authority was mainly made up of Government grant of P33.41 million representing 92% of the total income.

Expenditure increased by 23% from P31.90 million in the previous year to P39.24 million in the year under review. Major contributors to expenditure were 18% increase in staff costs from P17.17 million in the previous year to P20.33 million in the year under review. Administration Expenses increased by 36% from P9.16 million in the previous year to P12.48 million in the year under review. Restructuring and Integration expenses of P4.86 million also contributed to the increase in expenditure as they were only incurred in the year under review.

2.3 Working Capital

The working capital position of the Authority as at 31 March 2020 showed total current assets of P6.53 million and total current liabilities of P8.24 million, resulting in a net current liabilities position of P1.71 million.

3.0 Management Letter

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

3.1 Staffing in the Finance Department

The auditors noted that the Finance Department consisted only of the Finance Manager and the Accounts Officer thus limiting segregation of duties with certain processes performed and checked by the same individual. The auditors noted that the setup also impacted the financial statements closeout process, including the preparation and effective review of the financial statements.

In response, Management indicated that staffing shortages and limited segregation of duties and possible infringement to internal controls were noted and of concern to management. They explained that the Authority had not been able to secure funding to implement the revised organisational structure that would have helped to mitigate the risk during the current financial year. Management further indicated that they would continue to lobby for additional funding.

121. **Gambling Authority**

The financial statements of the Gambling Authority for the financial year ended 31 March 2020 were audited by Messrs PriceWaterhouseCoopers, Certified Auditors, who were appointed by the Board in terms of Section 20 of the Gambling Act, 2012 .

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements gave a true and fair view of the financial position of the Gambling Authority as at 31 March 2020, and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards.

2.2 Financial Results

The Authority recorded a deficit of P342 045 in the year under review, compared to a deficit of P3.53 million in the previous year.

Expenditure increased by 20% to P48.08 million in the year under review from P40.22 million in the previous year. Income increased by 33% from P36.46 million in the previous year to P48.62 million in the year under review.

The Authority was funded by Government grant and in the year under review, the grant was P41.73 million, as compared to P31.72 million in the previous year. Other notable sources of income were Casino Entrance Fees of P1.60 million, Annual Fees of P900 000, Income from Gambling Machines of P833 250 and Employee Licence Fees of P315 500.

2.3 Working Capital

As at 31 March 2020 the working capital position of the Authority showed total current assets of P127.94 million and total current liabilities of P131.83 million, resulting in a net current liabilities position P3.89 million.

The main contributor to the net current liabilities position was a rise in Deferred Income by 10% to P43.08 million in the year under review from P39.10 million in the previous year. The Deferred

Income arose as a result of amounts allocated from annual subvention for National Lottery Adjudication in the 2019 financial year. The adjudication process had not been finalised and the balance related to unutilised funds as at 31 March 2020. Another factor, which contributed to the Deferred Income was contributions collected from licenced casinos by the Excessive Gambling Prevention and Rehabilitation Committee not utilised during the year under review. Levies Payables also increased by 38% from P58.13 million in the previous year to P79.94 million in the year under review.

3.0 Management Letter

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

3.1 Establishment of Levy Fund

The auditors noted that as reported in previous financial years, the Levy Fund had not yet been established and Licence levy collected from casinos during the financial years 2016 to 2020 and interest accrued thereon totalling P79 million had continued to be in custody of the Authority and shown as a liability in the Authority's financial statements. In terms of Section 134 of the Gambling Act, 2012 the Minister may, by Order published in the Gazette, establish a fund into which all levies imposed under this Act shall be paid. The monies paid into the Fund shall be for the general benefit of the gambling industry in Botswana.

In response, Management confirmed that the Ministry had agreed to set-up the Fund. However, discussions were still in progress in relation to the modalities of administration of the Fund.

Auditor General's Comment

The Management had given this response since 2016/17, and it was hoped that all the necessary steps would have been taken to establish the Fund, as required by the Act.

122. **Human Resource Development Council**

The financial statements of the Human Resource Development Council for the financial year ended 31 March 2020 were audited by Messrs Ernst & Young, Certified Auditors, who were appointed by the Board in terms of Section 23 (2) of the Human Resource Development Council Act, (No .17 of 2013).

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements gave a true and fair view of the financial position of the Human Resource Development Council as at 31 March 2020, and of its financial performance and its cash flows for the year then ended, in accordance with the International Financial Reporting Standards and the requirements of the Human Resource Development Council Act of 2013.

2.2 Financial Results

The financial operations of the Council resulted in a loss of P10.67 million for the year under review, compared to a loss of P14.01 million recorded in the previous year.

Revenue increased slightly by 5.6% from P74.74 million in the previous year to P78.96 million in the year under review, whereas expenditure decreased by 4.3% from P100.44 million in the previous year to P96.08 million in the year under review. The decrease in expenditure was mainly attributed to a reduction in Travelling and Accommodation expense by P1.64 million from P3.66 million in the previous year to P2.01 million in the year under review and a decrease in Training and Capacity Building by P2.08 million from P3.39 million in the previous year to P1.30 million in the year under review. However, during the same period, there was a notable increase in Staff Costs by P4.85 million from P62.47 million in the previous year to P67.31 million in the year under review.

The revenue of the Council for the year under review was P78.96 million, of which P46.96 million was a Government grant and P31.99 million was administration fees.

2.3 Working Capital

As at 31 March 2020, the working capital position of the Council showed total current assets of P61.18 million and total current liabilities of P51.93 million, resulting in a net current assets position of P9.25 million. The current liabilities included Staff Accruals of P35.22 million and unutilised grants of P12.61 million.

3.0 Management Letter

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

3.1 Property, Plant and Equipment (Repeat Finding)

The auditors noted that there were variances between numbers in the Trial Balance per asset category and those in the Fixed Asset Register.

In response, Management acknowledged the audit finding and stated that the difference had been adjusted for accordingly.

3.2 Accrual of Invoices

When auditing payables, the auditors noted that some invoices that related to the year under review were not accrued as at 31 March 2020, resulting in variances in the supplier statements and the amounts captured in the system. There was an apparent glitch between the Purchasing and Receiving Department and the Accounts, with some deliveries not captured in the system. There is therefore, a risk that liabilities may be understated at year-end.

In response, Management acknowledged the finding and pointed out that this challenge emanated from the cut-off process, which was done manually through submission by Departments. Management indicated that the procurement process for a Business Workflow System in 2020/21 had been started, and that this would improve the year-end cut-off process.

3.3 Bank Signatories

Upon a review of bank confirmation letters, the auditors noted that the list of signatories was not up to date as it included names of people who were no longer signatories.

In response, Management indicated that the affected account had been dormant for some time and that the last transaction was in 2001 and would close it.

3.4 User Access Rights Review Process

The auditors noted that the administrators' accounts are capable of performing almost everything on an application. The auditors advised the Council to guard against possible abuse by administrators. The auditors observed that there was no evidence of review of administrator user accounts by Management. The administrator activities on the system are to be reviewed against tasks that have been determined as risky by Management. The objective of the review is to enable Management to detect anomalies before they negatively impact on business operations.

In response, Management noted the advice and indicated that they would take it on board.

3.5 Backup Process

The auditors assessed the Council back-up process and identified some gaps. They noted that the policy did not provide for data restoration controls. The policy should require backups to be tested to find out whether data can be restored from the backup media.

In response, Management acknowledged the finding and stated that had recently enabled VM replication to address backup, but would continue to enhance the backups.

123. **Legal Aid Botswana**

The financial statements of Legal Aid Botswana for the financial year ended 31 March 2020 were audited by Messrs Grant Thornton, Certified Auditors, who were appointed by the Board in terms of Section 25 (2) of the Legal Aid Botswana Act, (Cap16:02).

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The annual financial statements gave a true and fair view of the financial position of Legal Aid Botswana as at 31 March 2020, 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 Legal Aid Act, 2013.

2.2 Financial Results

The financial operations of Legal Aid Botswana for the year ended 31 March 2020 resulted in a surplus of P0.11 million, compared to a surplus of P2.65 million in the previous year.

The Government grant for the year was P46.10 million (Government Subvention and Amortisation of Capital Grant) which constituted 99% of the P46.32 million of the total income of Legal Aid Botswana.

Expenditure was P46.20 million in the year under review as compared to P39.65 million in the previous year which was an increase of 17%. The major contributors to the increase in expenditure were the following:

	2020 P million	2019 P million	% Increase
Employee Costs	25.65	21.56	18
Other Operating Expenses	16.27	13 .82	18

2.3 Working Capital

As at 31 March 2020, the working capital position of Legal Aid Botswana showed total current assets of P19.26 million and total current liabilities of P16. 53 million, resulting in a net current assets position of P2.73 million.

3.0 Management letter

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

3.1 Non-compliance with IFRS 16 (Leases) Provisions

The auditors noted that the entity had adopted IFRS 16 – Leases during the year under review and, in line with the standard, had to recognise a Right of Use Asset and a Lease Liability for all its material lease contracts. However, the auditors observed that Management did not carry out the exercise during the year under review.

In response, Management acknowledged the audit finding and stated that they would ensure that standards are adopted as soon as they become effective.

124. **Local Enterprise Authority**

The financial statements of Local Enterprise Authority for the financial year ended 31 March 2020 were audited by Messrs KPMG, Certified Auditors, who were appointed by the Board in terms of Section 25 (2) of the Small Business Act, (Cap 43:10).

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements gave a true and fair view of, the financial position of Local Enterprise Authority as at 31 March 2020, 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 Authority showed a net surplus of P84.87 million in the year under review, compared to a net deficit of P75.44 million in the previous year. This was largely attributed to a decrease in operating expenses by 63% from P285.12 million in the previous year to P104.61 million in the year under review.

The operations of the Authority were financed largely by a Government grant of P187.4 million in the year under review, which represented 99% of the total income, compared to P202 million in the previous year, representing 97% of total Income.

2.3 Working Capital

As at 31 March 2020, the working capital position of the Authority showed total current assets of P41.48 million and total current liabilities of P51.39 million resulting in a net current liabilities position of P9.91 million.

3.0 Management letter

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

125. **Mineral Development Company Botswana Limited**

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

The Management had responded and stated that the submission of the financial statements of Mineral Development Company Botswana were delayed because they awaited the finalisation of the financial statements of their major subsidiary, namely, Morupule Coal Mine.

Consequently, I have not been able to carry out the review of the accounts of the Company for the financial year ended 31 March 2020 for the benefit of the National Assembly.

126. **Motor Vehicle Accident Fund**

The financial statements of the Motor Vehicle Accident Fund for the financial year ended 31 December 2019 were audited by Messrs PriceWaterhouseCoopers, Certified Auditors who were appointed by the Board in terms of Section 18 (2) of the Motor Vehicle Accident Fund Act (Cap. 69:02).

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements gave a true and fair view of the financial position of Motor Vehicle Accident Fund as at 31 December 2019, and of its financial performance and cash flows for the year then ended, in accordance with the International Financial Reporting Standards.

2.2 Financial Results

The financial operations of the Fund resulted in a surplus of P105.63 million for the year under review compared to a deficit of P242.78 million in the previous year.

Total operating income decreased by P148.63 million from P397.30 million in the previous year to P248.67 in the year under review. The major changes under operating income were as illustrated in the following comparative figures:

	2019 P	2018 P
Investment Income	134 287 846	204 463 615
Changes in Fair Value of Investments		
At Fair Value through Profit and Loss	2 695 974	(13 927 095)
Foreign Exchange Gains /Loss	(11 027 315)	127 277 378

Total expenses increased by 9% from P384.43 million in the previous year to P418.75 million in the year under review. The major contributors to the increase in total expenses were the Interest Expense which increased by 21% from P106.31 million in the previous year to P128.58 million in the year under review and the 5% increase in Claims Provision from P176.63 million in the previous year to P185.93 million in the year under review. There was also an increase by 6% in Administration Expenses from P78.09 million in the previous year to P82.54 million in the year under review.

2.3 Working capital

The working capital position of the Fund as at 31 December 2019 showed total current assets of P471.59 million and total current liabilities of P332.51 million resulting in a net current asset position of P139.08 million.

3.0 Management Letter

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

3.1 Fuel Levy Audited Reports

The auditors noted that there was no audited fuel levy report for one petroleum company for the period January 2019 to December 2019, hence the Fund had not been compliant with the MVA Act Section 17(4) which stipulates that the seller shall be examined biannually by an auditor, who shall then furnish the Fund with a certificate within seven working days of the audit being completed.

In response, Management acknowledged the audit finding and stated that the audit was not conducted because the fuel levy submitted was for the 2018 financial year as they were submitting fuel levy for the first time. Management further stated that the said petroleum company was however charged interest for late payment as per the Act and would be engaged for the audit to be conducted.

127. **National Development Bank**

As part of my writing of this report, and in line with the long standing arrangement with the Public Accounts Committee, I had circularized all Statutory Bodies and State-Owned Enterprises requesting them to forward to me their audited financial statements and reports for the purposes of review and inclusion of the review results in this report.

The Chief Executive Officer has explained that they were unable to submit the audited financial statements because the audit was yet to be completed. The external auditors had undertaken to complete the IFRS 9 Model audit, which was not achieved.

Consequently, I have not been able to carry out the review of the accounts of the Bank for the financial year ended 31 March 2020 for the benefit of the National Assembly.

128. **National Food Technology Research Centre**

The financial statements of the National Food Technology Research Centre for the financial year ended 31 March 2020 were audited by Messrs Grant Thornton, Certified Auditors, 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 annual financial statements gave a true and fair view of the consolidated and separate financial position of the National Food Technology Research Centre as at 31 March 2020, and of its consolidated and separate financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

2.2 Financial Results

The financial operations of the Centre resulted in a loss of P8.03 million for the year under review, compared to a loss of P3.80

million in the previous year. There was an increase in operating expenses from P43.73 million in the previous year to P47.15 in the year under review, which contributed significantly to the total comprehensive loss of P8.03 million.

Income for the Centre decreased from P40.02 million in the year under review to P39.19 million in the previous year, representing 2.07%. Expenditure increased by P3.42 million (7.82%) from P43.73 million in the previous year to P47.15 million in the year under review.

The financial operations of the Group resulted in a total comprehensive loss of P6.14 million for the year under review compared to a comprehensive loss of P0.65 million in the previous year.

Income decreased by 1.79% from P41.23 million in the previous year to P40.49 million in the year under review.

Revenue of the Group was mainly made up of Government grant of P36.86 million or 91.03% of the total income.

Expenditure of the Group increased by 11.34% from P41.88 million in the previous year to P46.63 million in the year under review.

2.3 Working Capital

As at 31 March 2020 the working capital position of the Group showed total current assets of P13.91 million and total current liabilities of P13.32 million, resulting in a net current assets position of P0.59 million.

As at 31 March 2020, the working capital of the Centre showed current assets of P13.38 million and current liabilities of P13.08 million resulting in a net current assets position of P0.30 million.

3.0 Management Letter

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

3.1 Assessment of New Standards – IFRS 16 - Group

In their review of new standards affecting the entity, the auditors noted that the entity had not assessed the impact of the standards and included the standards to existing accounting policies. The auditors reviewed the impact of the new standards on the 2019 financial statements and ensured that appropriate disclosures were included for both NFTRC Investments and NFTRC by recording Right of Use asset and lease liability of P124 000 with related disclosures.

In response, Management noted the audit matter and suggested that updating of policies be deferred due to the imminent merger.

3.2 Late Submission of VAT Returns- Napro

The auditors noted that NFTRC Investments was not complying with the VAT Act since they submitted some of the tax returns later than the due date. The auditors indicated that the client would be liable to pay a fine or penalty as a result.

In response, Management made a commitment to monitor submission of statutory returns to ensure that they were submitted on time.

3.3 Fixed Assets Register

The auditors discovered that some assets were not recorded in the Fixed Assets Register which could lead to incorrect depreciation computation and misstated carrying amounts of assets. The auditors further indicated that control over custody of assets would also be compromised if assets were not recorded in the fixed asset register.

In response, Management made a commitment to update the Fixed Asset Register on a monthly basis.

129. **Non–Bank Financial Institutions Regulatory Authority**

The financial statements of Non-Bank Financial Institutions Regulatory Authority for the financial year ended 31 March 2020 were audited by Messrs Grant Thornton, Certified Auditors, who were appointed by the Board in terms of Section 33 (1) of the Non-Bank Financial Institution Regulatory Authority Act, 2016.

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The annual financial statements gave a true and fair view of the financial position of the Non-Bank Financial Institutions Regulatory Authority as at 31 March 2020, and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards and in the manner required by the Non-Bank Financial Institutions Regulatory Authority Act, 2016.

2.2 Financial Results

For the year ending 31 March 2020, the Authority recorded a surplus of P6.43 million compared to a surplus of P2.07 million in the previous year. Income increased by 11% from P78.74 million in the previous year to P87.68 million in the year under review with Supervisory Levies contributing 66% of the total income. Expenses increased by 5.74% from P77.39 million in the previous year to P81.83 million in the year under review.

The main sources of income are indicated below:

	2020 P million	2019 P million
Government grant	19.98	18.47
Amortisation of Government grant	6.33	6.59
Other Operating Income	2.60	2.83
Supervisory Levies	58.77	50.85

2.3 Working Capital

The working capital position of the Authority as at 31 March 2020 showed total current assets of P20.68 million and total current liabilities of P9.09 million, resulting in a net current assets position of P11.59 million.

3.0 Management Letter

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

3.1 Fixed Assets Register

The auditors observed that the Authority had not updated the Fixed Assets Register to reconcile it with the General Ledger. The Fixed Assets module used by the entity did not calculate the depreciation for some assets correctly which resulted in the differences between the Fixed Assets Register and the General Ledger.

In response, Management stated that the reconciliation for fixed assets was usually performed on a monthly basis. However, for the period under review Management reported that they had a challenge when reversing the revaluations which were performed in the financial year 2018/19. Management engaged the system vendor for support and the process took longer than expected. They further indicated that the process was completed and the reconciliations were done and reviewed on a monthly basis by the Principal Accountant and Head of Finance.

3.2 Revenue from Supervisory Levies

The auditors observed that the Authority had a custom-made application called Risk Based Supervision System (RBSS) that was designed to be used by clients for recording information relevant for NBFIRA supervisory role and used to calculate the appropriate Supervisory Levies by the Authority. The application was integrated to the Enterprise Resource Planning (ERP) system hence there was avoidance of manual intervention when recording revenue from the Supervisory Levies in the General Ledger. The auditors also observed that in the year under review, the application was only utilised for three categories of levies. Furthermore, the auditors noted some trends that brought into question the accuracy of the information being used by the Authority to compute the Supervisory Levies. For instance, in the pawnshop category, the auditors identified that some clients had a running loan balance throughout the period and in the instance of financing companies such as Norsad, there were certain months with zero loan balances, which was highly unlikely.

In response, Management stated that a major upgrade of the RBSS was scheduled to be carried out in Quarter 3 where the compatibility between the two systems would be addressed. The utilisation of RBSS would continually be monitored and refresher training to regulated sectors would be undertaken.

130. **Okavango Diamond Company Limited**

The financial statements of Okavango Diamond Company (Proprietary) Limited for the financial year ended 31 March 2020 were audited by Messrs KPMG, Certified Auditors, who were appointed by the Board.

The Okavango Diamond Company Limited was incorporated under the Companies Act in April 2013 as a private company limited by guarantee, wholly owned by the Government to trade in rough diamonds.

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The annual financial statements gave a true and fair view of the financial position of Okavango Diamond Company (Proprietary) as at 31 March 2020, and of its financial performance and its cash flows for the year then ended, in accordance with the International Financial Reporting Standards.

2.2 Financial Results

The financial statements of the company were presented in US Dollar, which was the company's functional currency.

The financial operations of the Company resulted in a loss of USD10.65 million in the year under review as compared to a profit of USD8.01 million recorded in the previous year.

Revenue decreased from USD501.71 million in the previous year to USD406.22 million in the year under review.

Operating expenses decreased from USD3.63 million in the previous year to USD3.59 million in the year under review. The company also recorded an impairment loss of USD 12.23 million.

2.3 Working Capital

The working capital position of the Company as at 31 March 2020 showed current assets of USD131.93 million and current liabilities of USD63.00 million, resulting in a net current assets position of USD68.93 million.

3.0 Management Letter

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

3.1 Fully Depreciated Assets (Repeat finding)

The auditors noted that at year-end, the Fixed Assets Register included fully depreciated assets, which were still providing economic benefits to the company. This may indicate that the depreciation rates and residual values applied to property, plant and equipment may not be representative of the economic lives of these items. The original cost of these fully depreciated assets amounted to USD1.76 million at the reporting date.

In response, Management stated that they had completed the assessment of the residual values and applicable depreciation rates for property, plant and equipment. Management stated that current values and rates had been assessed as fair given the growth trajectory of the business. Management also indicated that the Okavango Diamond Company was in a transition period with a significant project underway which would require the replacement of most if not all of the fully depreciated assets. Management stated that they had decided, as a cost effective measure, to continue using the fully depreciated assets until the Head Office project had been completed in November 2021. These fully depreciated assets would be donated to identified local schools and in some cases would be sold to staff.

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

The financial statements of Public Enterprises Evaluation and Privatisation Agency (PEEPA) for the financial year ended 31 March 2020 were audited by Messrs Grant Thornton, Certified Auditors, who were appointed by the Board.

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements presented gave a true and fair view of the financial position of Public Enterprises Evaluation and Privatisation Agency as at 31 March 2020, and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards.

2.2 Financial Results

The financial operations of PEEPA resulted in a deficit of P1.02 million in the year under review as compared to a deficit of P2.09 million in the previous year. Revenue increased by 35.6% from P22.19 million in the previous year to P30.09 million in the year under review. The entity was funded by Government grant. The grant increased by 18.6% from P21.14 million in the previous year to P25.07 million in the year under review.

Expenditure increased by 27.9% from P24.38 million in the previous year to P31.17 million in the year under review. The increase in expenditure was mainly due to 24.4% increase in Employee Costs and 44.1% increase in Other Operating Expenses.

2.3 Working Capital

The working capital position of the Agency as at 31 March 2020 showed total current assets of P5.21 million and total current liabilities of P9.14 million, resulting in a net current liabilities position of P3.93 million.

3.0 Management Letter

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

3.1 Lack of Execution of the Overall Review Responsibilities of the Finance and Accounting Function

The auditors noted that the prior year adjustments had not been made by the Accounting and Finance Department. This resulted in a variance of P4 million. Moreover, the auditors observed that some batches were not updated into the final General Ledger resulting in the audit team being given another trial balance at a later stage of the audit.

In response, Management acknowledged the finding and explained that due to lack of segregation of duties there was a lapse in the review process.

3.2 Management of Projects

The auditors noted that PEEPA had been having challenges with implementation and monitoring of its projects. In the prior year, the auditors had noted that the Agency embarked on MIRA project, which was never funded officially. The auditors further stated that PEEPA acted on a verbal understanding that funds would be disbursed from the responsible ministry. The project had commenced without approval of the Ministry and the Board (at that time the Board was not yet constituted). PEEPA implemented the project without the Ministry's approval and as such, the funds spent were unrecoverable.

The auditors further noted that in the year under review P4.7 million from the operational budget was used to finance a project for BMC. The Ministry only provided P4 million for the project resulting in a shortfall of P0.7 million which was treated as an expenditure to the Agency as it was not recoverable.

In response, Management acknowledged the finding and indicated that the P0.7 million was obtained from the Air Botswana project, which was also not funded by Government.

132. **Public Procurement and Asset Disposal Board**

The financial statements of Public Procurement and Asset Disposal Board for the financial year ended 31 March 2020 were audited by Messrs Ernst & Young, Certified Auditors, who were appointed by the Board in terms of Section 58(8) of the Public Procurement and Asset Disposal Act, (Cap. 42:08).

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements presented fairly, in all material respects, the financial position of Public Procurement and Asset Disposal Board as at 31 March 2020, and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards and in the manner required by the Public Procurement and Asset Disposal Act (Cap. 42.08).

2.2 Financial Results

In the year under review, the Board recorded a surplus of P9.18 million, compared to a surplus of P8.34 million (before a revaluation gain in properties of P1.30 million) in the previous year.

Income increased by 2.7% from P90.57 million in the previous year to P92.97 million in the year under review. The entity was mainly funded by Government grant. In the year under review the grant was P76.54 million, representing 82% of total income, compared to P75.21 million in the previous year.

Expenditure increased by 1.9% from P82.23 million in the previous year to P83.79 million in the year under review.

The main sources of income and expenditure were as indicated below:

Income	2020 P 'million	2019 P 'million
Government Subvention	76.54	75.21
Revenue	15.27	14.81
Other income	1.16	0.55

(The amount of subvention remitted to the Board as per the Annual Statements of Accounts of the Accountant General was P74 021 400).

Expenditure

	P	P
Administration Expenses	28.39	30.06
Staff Cost	55.36	52.16

2.3 Working Capital

As at 31 March 2020, the working capital position of the Board showed total current assets of P43.40 million and total current liabilities of P19.06 million resulting in a net current assets position of P24.34 million.

3.0 Management Letter

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

3.1 Fully Depreciated Assets and Fixed Assets Register not Updated

The auditors observed that the Fixed Assets Register included several fully depreciated assets, which were still in use. The General Ledger was not updated to reflect the reversal of the depreciation previously recognised in respect of the building upon revaluation of the building in the prior year, resulting in the overstatement of the revalued cost of the building by P448 022 and understatement of accumulated depreciation by the same amount.

In response, Management stated that they would review the useful economic lives of the assets annually so that they satisfy the requirements of the standard. Funds permitting, they would also replace old assets which the organisation was no longer deriving value from their use. Management further stated that the depreciation previously reversed in respect of the building revaluation was not updated on the accounting system and was an oversight on their part since the entry should have been captured immediately after the finalisation of the 2019 audit.

133. **Special Economic Zones Authority**

The financial statements of the Special Economic Zone Authority for the year ended 31 March 2019 were audited by Ernest &Young, Certified Auditors, who were appointed by the Board in terms of the Special Economic Zones Authority Act, 2015.

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 Special Economic Zones Authority as at 31 March 2019, and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards and in the manner required by the Special Economic Zones Act, 2015.

2.2 Financial Results

In the year under review, the Authority recorded a net surplus of P0.85 million.

Government subvention was P40.6 million while operating expenses were P40.83 million. Significant expenditure included Employee Costs of P10.9 million and Consultancy Fees of P15.53 million.

2.3 Working Capital

The working capital position of the Authority as at 31 March 2019 showed total current assets of P13.73 million and total current liabilities of P8.13 million, resulting in a net current assets position of P5.6 million.

3.0 Management Letter

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

3.1 Asset Residual Values

The auditors noted that there was no documentation to support the entity's residual values for Property, Plant and Equipment. IAS 16 states that Property, Plant and Equipment depreciable amount consists of the cost of an asset, or other amount substituted for cost, less its residual value. In order to determine depreciable amount, it was therefore necessary to calculate the residual value.

In response, Management indicated that they would determine the residual values for assets and adjust the Fixed Assets Register accordingly during the exercise that would be completed before end of financial year 2019/20.

134. **Statistics Botswana**

The financial statements of Statistics Botswana for the financial year ended 31 March 2020 were audited by Messrs PriceWaterhouseCoopers, Certified Auditors, who were appointed by the Board in terms of Section 24 (2) of the Statistics Act, 2009.

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements gave a true and fair view of the financial position of Statistics Botswana as at 31 March 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

2.2 Financial Results

For the financial year under review, Statistics Botswana recorded a deficit of P12.22 million compared to a deficit of P4.22 million in the previous year.

Income increased from P133.86 million in the previous year to P171.99 million in the year under review. The Government grant, which forms 66% of total income, increased from P103.31 million in the previous year to P112.81 million in the year under review.

The decline in financial results was attributed to operating expenses, which increased from P138.08 million in the previous year to P184.21 million in the year under review.

The comparative figures for the previous financial period were restated.

2.3 Working Capital

As at 31 March 2020, the working capital position of Statistics Botswana showed current assets of P5.33 million and current liabilities of P52.29 million, resulting in a net current liabilities position of P46.96 million. Included under current liabilities were Leave Pay of P6.47 million and Gratuity of P7.49 million.

3.0 Management Letter

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

3.1 Project Management

The auditors noted that the Organisation undertook different projects using funds it received from the Government through the Ministry of Finance and Economic Development and other donors. All projects funds were received through one bank account (Barclays bank current account). During the year under review, the auditors noted that Management had used funds of one project to fund expenses of another approved project, which was active but had insufficient funds for its implementation mostly because the Government had delayed in disbursing funds for that specific project. As at 31 March 2020, the Botswana

Multi-Topic Household Survey (BMTHS) project had used P7.9 million meant for other projects. This amount was included within Deferred Income and was effectively reflected as a receivable. Other Income was credited with the same amount.

The auditors further noted that no approval was obtained from the Government through the Ministry of Finance and Economic Development for the diversion of funds to other projects. Management rather relied on approvals from within the Organisation.

The auditors had also noted that Management used project funds to pay for General Administrative Expenses without approval from the Ministry. This had resulted in a cash deficit of P3.7 million added to the Deferred Income balance.

The opening balance of Deferred Income was significantly misstated due to an error. Included in this balance were unamortised expenses incurred in prior years amounting to P18.91 million. The amounts were significant to the financial statements, and were thus restated.

In response, Management indicated that strict procedures would be followed and monitored to ensure that the mismanagement of the budget does not recur. In the past, Management utilised funds meant for specific projects, on projects whose funding was delayed and would otherwise be suspended pending receipt of funding from the Ministry. In this regard, Management stated that they would prepare and share with the Ministry a cash flow projection, which would include timelines at which the project would be suspended if the required approved funds have not been received. Accordingly, contracts for outsourced services and employees of the project would be revised appropriately to cater for possibility of termination. Furthermore, projects would not be commenced without receipt of the approved funding.

3.2 Capital Grants

The auditors noted that when Management acquired fixed assets using project funds, the whole cost of the acquired assets was credited to Other Income instead of crediting Capital Grants and amortising the cost of these assets over their useful lives. During the year under review Management purchased assets amounting to P13 million. The whole amount was credited to Other Income instead of Capital Grants. The same treatment had been done in prior years which resulted in Management having to restate the financial statements as amounts involved were material.

In response, Management acknowledged the observation and indicated that in the future they would fully comply with IAS 20 by ensuring that all assets acquired for projects purposes were classified under Capital Grants.

3.3 Non-utilisation of Fixed Assets Module

The auditors noted that Management had not utilised the fixed assets module, which was linked to Sage 300 General Ledger for the purpose of computing depreciation. Management used Excel to compute the depreciation charge for the year and uploaded the amounts to the Fixed Assets Module.

In response, Management concurred with the observation that depreciation for the year under review was manually computed. However, Management committed to using the system to calculate depreciation on assets.

135. **University of Botswana**

The financial statements of the University of Botswana for the financial year ended 31 March 2020 were audited by PriceWaterhouseCoopers, Certified Auditors, who were appointed by the Council in terms of the University of Botswana Act, (Cap 57:01).

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The annual financial statements gave a true and fair view of the financial position of University of Botswana as at 31 March 2020, 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 University recorded a deficit of P31.88 million, compared to a surplus of P69.04 million in the previous year.

Total income declined by 3.7% from P1.62 billion in the previous year to P1.56 billion in the year under review. While total expenditure increased by 3.22% from P1.55 billion in the previous year to P1.60 billion in the year under review.

The main items of income and expenditure comprised the following:

	2020 P million	2019 P million	% Increase
<u>Income</u>			
Government Subvention	905.22	948.11	-5%
Tuition & Other Student Fee Revenue	436.42	448.00	-3%
<u>Expenditure</u>			
Staff Costs	1 160.94	1 128.28	2.89%
Other Operating Expenses	328.68	341.02	-3.62%

2.3 Working Capital

As at 31 March 2020, the working capital position of the University showed total current assets of P522.41 million and total current liabilities of P462.49 million, resulting in a net current assets position of P59.92 million.

3.0 Management Letter

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

3.1 Accounts Receivable- IFRS 09 Impairment Provision

The auditors noted inadequate controls over monitoring of long outstanding receivables. This resulted in higher Expected Credit Loss (ECL) default rates compared to the previous year. The auditors further noted that as at 31 March 2020, the University recognised net trade receivables of P14.70 million after recognising an impairment loss of P60 million. An additional impairment provision of P16.17 million was recognised for the year ended 31 March 2020.

Management acknowledged the observation and stated that rigorous collection measures would be put in place to improve collection of debt.

3.2 Revenue Student Fee Income- Invoicing to the Sponsors

The auditors noted that there was lack of control over invoicing to the correct customer for tuition fee income. The auditors noted one instance where tuition fee had been wrongly invoiced to the Department of Tertiary Education Financing instead of another sponsor. Incorrect billing, as observed by the auditors, may result in disputes between customers and the University leading to either delayed payments or losses.

In response, Management stated that they had observed the isolated case and would strengthen control mechanisms prior to raising an invoice against each debtor to ensure accurate billing.

3.3 Debtors Ageing Reports - (Repeat findings)

The auditors noted that the system was unable to generate an aging report for some of the debtors (Staff Debtors, Self-Sponsored Student Debtors and Sponsor Debtors) and that the Age Analysis was prepared on Excel spread sheets. The auditors questioned the integrity of the Excel spreadsheets as they could be manipulated easily.

The auditors further stated that due to the manual intervention, there was high possibility that errors could occur which may not be easily detected. The ageing of debtors was identified as a key input used in the determination of the impairment provision using the ECL model. Any intentional or unintentional manipulation of the classification could have a significant impact on the provision amounts resulting in inaccurate management information.

In response, Management stated that they were aware of the absence of such reports and, having tried modifications that did not work, were now at a stage where system upgrade was to be considered. According to Management, the Council was yet to consider a recommendation from a Task Force on Enterprise Resource Planning system that would guide the way forward.

136. **Water Utilities Corporation**

The financial statements of Water Utilities Corporation for the financial year ended 31 March 2020 were audited by Messrs PricewaterhouseCoopers, Certified Auditors, who were appointed by the Board in terms of Section 25 (2) of the Water Utilities Act, (Cap. 74:02).

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements gave a true and fair view of the financial position of Water Utilities Corporation as at 31 March 2020, and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards and the requirements of the Water Utilities Corporation Act, (Cap. 74:02).

2.2 Financial Results

In the year under review, the Corporation recorded a profit of P75.60 million, compared to a profit of P190.91 million in the previous year.

Operating expenses increased by 18.78% from P1.65 billion in the previous year to P1.96 billion in the year under review. The Finance Costs decreased from P30.64 million in the previous year to P26.67 million in the year under review.

Revenue decreased slightly by 0.21% from P1.829 billion in the previous year to P1.825 billion in the year under review. Other Income decreased by 8.74% from P26.27 million in the previous year to P23.98 million in the year under review.

The Statement of Financial Position for the previous period was restated.

2.3 Working Capital

As at 31 March 2020, the working capital position of the Corporation showed total current assets of P2.54 billion and total current liabilities of P527.51 million resulting in a net current asset position of P2.02 billion.

3.0 Management Letter

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

3.1 Long outstanding Debts (Repeat finding)

The auditors noted that total debtors outstanding for over 90 days amounted to P385.99 million which was a decrease from prior year's figure of P439.81 million. The auditors were of the view that despite some improvement in debt reduction, Management needed to tighten the credit control process to ensure that debts are collected timeously.

In response, Management stated that a comprehensive debt management strategy had been developed which would focus on implementing and driving collections to mitigate against time lost due to operational disruptions of staff movements.

3.2 Out of Period Billing (Repeat finding)

The auditors noted that at the end of the financial year the Corporation was lagging behind on customer billing, with several bills for the financial year 2019/20 being processed in the next financial year 2020/21. Customer bills amounting to P20.56 million relating to the financial year 2019/20 were processed in the financial year 2020/21. The auditors recommended to Management that strict month-end timetables and procedures had to be monitored at each management centre to ensure that billing was completed on time before period closure and the opening of a new one.

In response, Management stated that all management centres were now aware of lack of clearing exceptions in the correct financial and billing period, and therefore Management would tighten and develop proper exception management on a monthly basis. Management further indicated that the meter to cash cycle would greatly reduce arrears as a result of the operational strategy in place.

3.3 Un-billed Plots (Repeating finding)

The auditors noted that there were plots that remained unbilled although there was water consumption. They stated that even if these plots were billed at a later stage, which could take a few months, recoverability of these amounts would be doubtful due to the time lapsed and the high aggregated debt level when they would be eventually billed. The total estimated revenue in the year under review that was not billed was P8.67 million (2019: P11.45 million). The auditors recognized the unbilled revenue, which was then fully provided in the financial statements for the year ended 31 March 2020.

In response, Management stated that all management centers were now aware of lack of clearing exceptions in the correct financial and billing period, and therefore management would tighten and develop proper exception management on a monthly basis. Management further indicated that the meter to cash cycle would greatly reduce the arrears as part of the operational strategy in place.

137. **Vision 2036 Coordinating Agency**

The financial statements of Vision 2036 Coordinating Agency for the financial year ended 31 March 2020 were audited by Messrs Grant Thornton, Certified Auditors, who were appointed by the Council.

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The Agency financial statements gave a true and fair view of the financial position of the Vision 2036 Coordinating Agency as at 31 March 2020, and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards.

2.2 Financial Results

In the year under review, the Agency recorded a deficit of P883 496 compared to a surplus of P2.29 million in the previous year. The main contributor to the decline in financial performance was due to 122% increase in Operating Expenses from P3.36 million in the previous year to P7.43 million in the year under review.

Government subvention increased from P5.62 million in the previous year to P6.71 million in the year under review.

2.3 Working Capital

The working capital position of the Agency as at 31 March 2020 showed total current assets of P2.66 million and total current liabilities of P4.92 million, resulting in a net current liabilities position of P2.26 million.

3.0 Management Letter

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

3.1 Maintance of Fixed Assets Register

The auditors observed that the Fixed Assets Register was not being maintained for all the assets and the fixed assets did not have unique identification codes.

In response, Management indicated that the Agency did not have the capacity in terms of expertise/competence to maintain an up-to-date Fixed Asset Register but stated that as soon as such capacity was procured it would be one of the priorities. Management further stated that they would then put in place a Fixed Assets Register containing the required coding to be reviewed periodically for completeness and accuracy.

3.2 Procurement Policy

The auditors observed that the Agency did not have a written procurement policy in place. The following were noted:

- There were instances where the auditors:

    i. could not verify the approval of suppliers,
    ii. the award letter to suppliers were not filed and
    iii. Invoices did not have approval signatures.

- Payments had been made without invoices.

- There was no process for Management to declare conflict of interest when procuring services from suppliers.

In response, Management indicated that a procurement policy was being drafted and expected that it would be in place by the end of 2020/21 financial year. Management further explained that they were continuously experiencing serious shortage in the needed capacity and expertise in procurement management despite requests for assistance from authorities.

XIV **CONCLUSION**

138. I would like to express my gratitude to all officers, notably the Accountant General and her staff, the Accounting Officers of all Ministries and Extra-Ministerial Departments and their staff and Heads of Parastatals and their staff who have contributed in the production of this report in the discharge of my statutory functions under the Constitution.

I would also like to extend my gratitude to the Government Printer who, as always, has assisted with speedy printing of the report.

21 October 2021

Pulane D. Letebele
AUDITOR GENERAL