

REPORT OF THE AUDITOR GENERAL

ON THE ACCOUNTS OF THE

BOTSWANA GOVERNMENT

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

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REPUBLIC OF BOTSWANA

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OFFICE OF THE AUDITOR GENERAL

14 March 2017

Honourable O K Matambo, MP
Minister of Finance and Economic Development
Private Bag 008
GABORONE

Dear Sir,

In accordance with Section 124 (3) of the Constitution of Botswana, I have the honour to submit my Report on the audits of the accounts of the Government for the financial year ended 31st March 2016.

I have the honour to be, Sir,

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

Pulane D Letebele
AUDITOR GENERAL

OFFICE OF THE AUDITOR GENERAL

VISION

To be the best performing supreme audit institution.

MISSION

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

VALUES

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

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

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**REPORT OF THE AUDITOR GENERAL ON THE ACCOUNTS OF THE BOTSWANA
GOVERNMENT FOR THE YEAR ENDED 31 MARCH 2016**

I INTRODUCTION

1. Audit of Public Accounts

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

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

- i) all reasonable precautions have been taken to safeguard the collection and custody of public moneys and that the laws, instructions and directions relating thereto have been duly observed;
- ii) the disbursement of public moneys has taken place under proper authority and for the purposes intended by such authority;
- iii) all reasonable precautions have been taken to safeguard the receipt, custody, issue and proper use of public stores, and that the instructions and directions relating thereto have been duly observed;
- iv) adequate instructions or directions exist for the guidance of officers responsible for the collection, custody, issue and disbursement of public moneys or the receipt, custody and issue of public stores;
- v) In addition, I have the duty, by virtue of the same Section of the Public Audit Act, to examine the economy, efficiency or effectiveness with which any officer, authority or institution of Government has, in the discharge of his/her or its official function, applied or utilized the public moneys or public supplies at his/her or its disposal and submit my report on the

findings thereon to the Minister who shall lay such reports before the National Assembly.

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

2. **Scope of Public Accounts**

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

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

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

3. **Extent of Audits**

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

4. **Submission of Accounts**

The Annual Statements of Accounts for the financial year ended 31st March 2016 were submitted to me by the Accountant General for the purpose of auditing, as required by Section 42 (2) of the Public Finance Management Act, within the time prescribed by the Act. The Act requires that the accounts and statements shall be submitted to me within 6 months after the end of the financial year to which those accounts and statements relate.

5. **Auditor General's Certificate**

The examination of the Annual Statements of Accounts of the Botswana Government for the financial year ended 31st March 2016, 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 4th January 2017 was transmitted to the Accountant General on that date, in terms of Section 42 (3) of the Act.

6. **Submission of the Report**

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

For the year under review, I have not been able to meet the statutory deadline, as my report was not ready for dispatch to the Government Printer until early March 2017.

7. **Outstation Inspections**

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

The Botswana Diplomatic Missions in Kenya and Nigeria were inspected during official trips to those countries to attend conferences.

II GENERAL

8. Public Accounts Committee

The Public Accounts Committee met for its 54th meeting in the period between 16th May to 9th June 2016 to examine Accounting Officers on the accounts of their Ministries and Extra-Ministerial Departments for the financial year ended 31st March 2015; and to consider progress on outstanding matters which had been raised in previous meetings of the Committee. The report of the Committee on the examinations was tabled in the House in February 2017, in terms of Standing Order 105.3 of the National Assembly.

9. The Statutory Bodies and State Enterprises Committee

The Parliamentary Committee on Statutory Bodies and State Enterprises met during the course of 2016 to examine the Chief Executive Officers of selected parastatals on the performance and activities of their entities, in terms of Standing Order 110 of the National Assembly. The reports on these examinations and those for the previous year are yet to be tabled in the House.

10. Currency

The monetary values in this report are in the Pula currency. The year-end balances in foreign currencies are translated to the Pula equivalents at the applicable middle-market rate as at 31st March 2016. For the Botswana Diplomatic Missions, a fixed exchange rate for each host country as determined by the Ministry of Finance and Development Planning, has been used throughout the year, unless advised by the Ministry.

III STATEMENT OF ASSETS AND LIABILITIES

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

Imprests

The balance of outstanding imprests on the 31st March 2016 was P14 765 715, made up as follows:-

Travelling Imprests	14 722 816
District Imprests	33 194
Standing Imprests	<u>9 705</u>
	14 765 715

Out of the balance of travelling imprests of P14 722 816, a total of P2 674 927, representing 18%, was non-moving, the oldest going as far back as 2004. The matter of unretired and overdue travelling imprest has been of some concern to the Public Accounts Committee over the years, but there is still no improvement in this area.

The district imprest of P33 194 under the Administration of Justice has been outstanding for a long time without any effort made to clear it. It was only in the last meeting of the Public Accounts Committee that the Accounting Officer stated that he was searching for the source documents to facilitate the clearance of the 4 outstanding district imprests.

The details of the non-moving travelling imprests of each Ministry are given under the Ministerial Section of this report.

IV CONSOLIDATED FUND

12. Revenue Results

The estimated revenue for the year was P53 713 051 750 (2015: P53 469 857 570) and the actual collections were P50 921 504 697 (2015: P57 351 380 169), resulting in a net of P2 791 547 053 under the estimate. The decline on revenue is largely attributable to Mineral Dividends of P6 766 456 409 this year, compared to P10 267 347 947 last year.

13. Appropriation Act

The sum appropriated from the Consolidated Fund by the Appropriation (2015/2016) Act, (No 3 of 2015), for the year ended 31st March 2016 was P49 625 519 060.

14. Supplementary Estimates

During the year under review, three resolutions of the National Assembly approved supplementary provisions totalling P1 002 332 600, in terms of Section 119 (3) of the Constitution, for the following Ministries in the amounts indicated-

(a) Financial Paper No 1 of 2015/2016 – July 2015

Finance and Development Planning	103 074 950
Agriculture	52 774 390
Local Govt. & Rural Development	237 455 480
Health	4 000 000
Foreign Affairs & International Cooperation	<u>1 800 000</u>
	399 104 820

(b) Financial Paper No 2 of 2015/2016 – November 2015

Parliament	2 546 460
Administration of Justice	<u>21 713 140</u>
	24 259 600

(c) Financial Paper No 3 of 2015/2016 – February 2016

State President	5 233 700
Education & Skills Development	288 030 910
Health	268 938 640
Lands & Housing	<u>16 764 930</u>
	578 968 180

15. **Supplementary Appropriation Act**

Supplementary Appropriation (2014/2015) Act

The National Assembly passed the Supplementary Appropriation (2014/2015) Act No. 2 of 2016 to authorize the expenditure out of the Consolidated Fund in the amount of P1 331 454 097 in excess of the sums already appropriated in respect of the financial year ended 31st March 2015.

V DEVELOPMENT FUND

16. Appropriation Act

The Appropriation (2015/2016) Act 2015 (No 3 of 2015) authorised the Minister of Finance and Development Planning to issue a warrant for payment from the Development Fund in the sum of P12 933 164 910.

17. Supplementary Estimates

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

(a) Financial Paper No 1 of 2015/2016 – July 2015

Ministry of Minerals Energy & Water Resources	38 900 000
Ministry of Environment Wildlife & Tourism	<u>7 000 000</u>
	45 900 000

(b) Financial Paper No 2 of 2015/2016 – November 2015

Ministry of Education & Skills Development	325 560 000
Ministry of Minerals Energy & Water Resources	<u>1 013 360 000</u>
	1 338 920 000

(c) Financial Paper No 3 of 2015/2016 – February 2016

Ministry of Environment Wildlife & Tourism	40 700 000
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VI OTHER STATEMENTS

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

(a) Warranted Provisions

The total approved estimates to meet Ministerial expenditures for the financial year ended 31st March 2016 was P49 625 519 060, and the warranted provisions, including supplementaries approved during the year, totalled P50 621 747 735 in the published accounts. The actual expenditures by Ministries were P50 103 029 570 at year-end, leaving an unspent balance of P518 718 165, representing 1% of the warranted provisions. The details of the performance of each Ministry are set out under the Ministerial Section of this report.

The expenditures on statutory commitments relating to Public Debts, Pensions, Gratuities and Compensations, Specified Officers and Miscellaneous accounts was P7 705 781 530.

(b) Excess Expenditure

The following Ministries had incurred expenditures to the extent indicated in excess of the amounts appropriated by the National Assembly which, in terms of Section 119 of the Constitution, would require Supplementary appropriation to cover those excess expenditures.

<u>Ministry</u>	<u>Approved Estimates</u>	<u>Actual Expenditures</u>	<u>Excess Expenditures</u>
Parliament	106 013 690	108 466 781	2 453 091
MFDP	794 025 620	893 225 272	99 199 652
Agriculture	1 006 180 430	1 139 500 597	73 320 167
MOESD	10 308 359 940	10 563 162 711	254 802 771
MLG&RD	5 200 638 200	5 295 376 672	94 738 472
Health	5 674 990 410	5 836 722 177	161 731 767
Admin. of Justice	195 064 460	213 546 200	18 481 740
Lands & Housing	<u>772 570 080</u>	<u>783 077 569</u>	<u>10 437 489</u>
	24 057 842 830	24 833 007 979	715 165 149

(c) Unauthorised Expenditure

The undernoted Ministry had incurred expenditure to the extent indicated in excess of the funds approved by the National Assembly and warranted by the Ministry of Finance and Development Planning.

<u>Ministry</u>	<u>Warranted Provision</u>	<u>Actual Expenditure</u>	<u>Unauthorised Expenditure</u>
Agriculture	1 118 954 820	1 139 500 597	20 545 777

(d) Sub-warranted Funds

The sub-warrant holders of the undernoted Departments had overspent the funds sub-warranted to them by their Accounting Officers to the extent shown. The sub-warrants clearly state that the amounts stated on the sub-warrants should not be overspent.

<u>Ministry/Dept.</u>	<u>Sub-Warranted Provision</u>	<u>Actual Expenditure</u>	<u>Over Expenditure</u>
<u>State President</u>			
- Broadcast. Serv.	166 914 162	167 725 168	811 006
<u>Agriculture</u>			
- Vet. Services	397 921 820	428 679 273	30 757 453
<u>Education & Skills Development</u>			
- Voc. Trng. & Educ.	497 941 778	500 668 761	2 726 983
- Out of Sch. Educ.	112 703 154	112 712 333	9 179
- TSM	4 350 404 971	4 357 967 950	7 562 980
<u>Foreign Affairs & Int. Cooperation</u>			
- New York	33 928 790	33 945 394	16 604

Lands & Housing

- Surveys & Mapping	37 288 537	37 787 792	499 255
- Technical Services	6 727 005	6 754 596	27 590

Environment, Wildlife & Tourism

- Environ. Affairs	19 671 430	19 696 185	24 755
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19. Statement of Investments and Loans made from Special Funds – (Statement No. 8)

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

(a) Citizen Entrepreneur Mortgage Assistance Equity Fund

The Special Fund was dissolved through cancellation of the Deed of Trust by the Minister in February 2013, and the assets, represented by a single cheque of P8 500 000, transferred to Citizen Entrepreneurial Development Agency. The value of investment of P55 450 766 shown against this Fund in the Statement does not exist.

(b) National Petroleum Fund

The Fund Managers who were engaged to manage the day-to-day affairs of the Fund on behalf of the Accounting Officer have not submitted the financial statements for the financial year ended 31st March 2016, and therefore the values of investments as at that date have not been verified.

(c) Export Credit Re-Insurance Fund

The total of P32 079 027 under this Fund is made up of Managed Funds investments of P31 462 549 and the balance of P616 479 represent accounts receivables and cash and cash equivalents.

(d) Public Debt Service Fund

The Government equity contributions to Botswana Meat Commission and Botswana Vaccine Institute totalling P545 000 000 should not have been reflected against the accounts of the Fund, as being more appropriate to the Domestic Development Fund.

(e) Public Debt Service Fund (Detailed)

(i) Botswana Meat Commission

During the 54th meeting of the Public Accounts Committee, in acknowledging the Commission's difficulty in meeting repayment obligations to the Fund under these loans, the Accounting Officer had informed the Committee that Government would continue to assist the Commission to improve its financial position, but did not state what action was proposed to be taken in respect of existing obligations under these loans.

(ii) Botswana Development Corporation – P279 000 000

The Accountant General is yet to take an accounting action to clear this long outstanding matter from the accounts of the Fund, so that it is correctly reflected as equity contribution to the Corporation, rather than a loan from the Fund.

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

The observations and comments arising from the audit of the accounts of the Special Funds for the financial year ended 31st March 2016 are made below, under the respective Special Funds.

(a) Botswana Innovation Hub

I have in the past, in successive reports, stated that this Fund had been inactive since inception in 2010 as its activities were operated through and financed from the Development Fund. Consequently, the balance of P12 000 000 representing the initial Government start-up contribution has been dormant since then.

In his submission to the 53rd and 54th meetings of the Public Accounts Committee, the Accounting Officer had assured the Committee that he would take the matter up with the Ministry of Finance and Development Planning with proposals to amend the Fund Order to facilitate the appointment of the Board of Trustees, or otherwise regularise the status of the Fund.

At the time of writing this report, I am not aware of any progress made with the consultations with the Ministry of Finance and Development Planning, nor of the reason for the delay in finalising this matter.

(b) Citizen Entrepreneur Mortgage Assistance Equity Fund

As reported in my previous report, the accounts of the Fund last submitted for incorporation into the Annual Statements of Accounts were in respect of the financial year ended 31st December 2006, and have since been repeatedly reproduced annually, even after the Deed of Trust relating to the Fund was cancelled by the Minister and the assets of the Fund were transferred to the Citizen Entrepreneur Development Agency.

In his written submission to the Public Accounts Committee the Accounting Officer had, rightly, stated that the matter of the affairs of the Fund had been referred to me. However, it should be pointed out that the aspect I was requested to investigate by the Public Accounts Committee, and the Accounting Officer, are unrelated to the continued inclusion of these accounts in the Statements. The Fund has been dissolved by cancellation of the Deed of Trust, and therefore no accounts of the Fund exist.

(c) National Petroleum Fund

The accounts of the Fund for the financial year ended 31st March 2016 have not been included in these Statements. I understand that the reason this is so is that the Fund Managers who were engaged to administer the Fund had not been able to prepare the accounts, nor to clear outstanding matters from the audit of the accounts of the previous year, despite the extension of time beyond the contract-end date to enable them to do so.

(d) Conservation Trust Fund

Last year an amount of P665 000 was paid to the artists who designed and constructed the elephant sculpture at the Sir Seretse Khama International Airport, plus P336 233 for the glass enclosure. In the year under review P806 507 was transferred from the Fund to a deposit account under the Department of Wildlife and National Parks narrated as, *for the design and production of the elephant sculpture*. I have not been able to obtain a satisfactory explanation for the rationale for holding this amount under the deposit account, when the sculpture has already been produced and paid for.

(e) Housing Fund

The Fund was established by Housing Fund Order (Statutory Instrument No 5 of 2015), for the purpose of providing housing to extended beneficiaries who shall be identified by Government

from time to time. This Order had the effect of transferring to one control account under Government the control of accounts previously managed by various local councils. To this end, in August 2015 the Accounting Officer responsible for housing had issued an instruction requiring all councils to transfer all balances held by them under these accounts to the new account under the Fund accounts.

However, according to information provided by the Ministry, out of a total of P221 560 355 held by the councils, only P197 487 125 had been transferred as at 31st March 2016, and no expenditures had been incurred against the Fund accounts.

(f) Human Resource Development Fund

The accounts of the Fund (formerly Vocational Training Fund) have never been submitted to the Accountant General for incorporation into the Annual Statements of Accounts from its inception. This omission had persisted in the year under review, despite repeated reminders through my previous reports to the National Assembly.

(g) Sim's Bursary Trust Fund

The Fund consists of accumulated funds from the estate of the late George Sim who had bequeathed the residue of his estate to Botswana Government, which was to be invested and interest from those investments used to train Botswana students.

In the year under review, 4 students had been selected for training in local institutions, and the expenditure on their sponsorship was P90 324, which was in excess of the interest earned of P22 385. This had resulted in withdrawal from the Fund capital to meet the shortfall.

In his submission to the last meeting of the Public Accounts Committee, the Accounting Officer had informed the Committee that the withdrawal from the Fund was on the suggestion from the Ministry of Finance and Development Planning who had advised closure of the Fund.

In my view, the draw-down of the Fund capital to close the Fund would require legal advice from the Attorney General to the extent that such action would vary the terms of the testator's will.

(h) Tertiary Education Development Fund

The purpose of the Fund is to provide funds to meet the cost of construction of the Botswana International University of Science and Technology, of the Medical School and associated facilities and expansion of the University of Botswana. According to the submission of the Accounting Officer to the 54th meeting of the Public Accounts Committee, the Medical School was officially handed over in December 2014 and was under the defects liability period until April 2016 when a final account for the project would be prepared.

During the year under review, a total of P346 904 910 was disbursed to Botswana International University of Science and Technology to finance on-going development activities. At the time of writing this report, I am not aware of the targeted completion date of the BIUST project.

(i) National Electrification Fund

The accounts of the Fund have been audited by independent auditors appointed by the Fund Management Committee, in terms of Section 12 (2) of the National Electrification Fund Order (Statutory Instrument No 27 of 2010). This Section provides that the accounts shall be audited within 3 months after the close of the final year to which they relate. This requirement had not been complied with as the audit was completed only in December 2016.

The more significant matters raised by the auditors related to the following:

- Non declaration of the levy and timely remittance by the Botswana Power Corporation.
- Inadequate verification of documentation of subsidy claims.

(j) National Road Safety Fund

In view of comments in my previous reports concerning the use of the Fund on matters not relevant to the purposes of the Fund, the Accounting Officer had informed the Public Accounts Committee that he would consider reviewing the Road Traffic Regulations to make them more explicit on the use of the Fund as some of the activities have a bearing on road safety. Meanwhile he had continued to charge to the Fund

expenditures that I considered were more appropriate to the departmental votes, as in the following instances:-

- Supply, installation and commissioning of vehicle registration and driver licence remote access system P4 374 138
- Training of officers on use of vehicle registration and driver licence software P 282 240
- Vehicle registration security papers P4 573 911

(k) National Disaster Relief Fund

During the year under review a payment of P765 000 was made to Bobirwa Sub-District Council for disaster relief purposes on the basis that the expenditures would be accounted for to the Fund but no return of expenditure has so far been made. I understand that the Council has not responded to the requests made in this regard.

In March 2016, an amount of P5 655 480 was transferred from the Poverty Eradication Initiative under the Development Fund to provide 133 new housing units and rehabilitation of 272 houses as part of humanitarian assistance to needy families affected by recent disasters in some parts of the country. This assistance was provided through the Ministry of Local Government and Rural Development. As this funding appears to be primarily concerned with the plight of the needy, I was unable to appreciate why the housing provision had to be transacted through the Fund, rather than under the poverty eradication programme.

(l) Prisons Industry Revolving Fund

The Fund was established in 2014 by Prisons Industry Revolving Fund Order (Statutory Instruction No. 113 of 2014) to train and develop prisoners in local institutions, to provide prisoners with education and development training related to rehabilitation programmes. The revenue to be credited to the Fund is derived from the proceeds which accrue from the services or sale of items produced by prisoners.

However, in this first full year of the existence of the Fund, the activities of the Prison Industries had been transacted through the recurrent budget, with the revenue of P758 569 credited to the Consolidated Fund, thus reflecting nil transactions in the

Fund. The balance of the Fund stands at P1 000 000, representing the amount previously transferred from the Prison Industries revenue item to operationalise the Fund.

(m) Prisons Rewards and Fines Fund

In terms of confirmation from the Botswana Building Society the value of Fund investment with the Society stood at P100 282 as at 31st March 2016, after taking into account the dividend earned of P2 811. However, these values are not reflected in the financial statements of the Fund with the investment shown as P97 244 while the dividend is omitted altogether.

The accounts are therefore incomplete to that extent.

(n) Revenue Stabilisation Fund

The last transaction under this Fund was during the financial year ended 31st March 2003 with the final redemption of the last remaining loan made from the Fund, and the Fund has maintained a balance of P1 692 373 754 since then to-date.

(o) Public Debt Service Fund

The Botswana Meat Commission holds two loans from the Fund totalling P354 000 000, and is currently not able to honour the repayment instalments due on one loan because of financial constraints plaguing the Commission. The interest income is therefore understated to the extent of the interest element on the unpaid instalment when due.

The value of investments of P1 617 286 584 is overstated by inclusion of P279 000 000 which is the amount of Government equity contribution to Botswana Development Corporation which has to be adjusted from the Fund accounts; as well as P545 000 000 representing capital contribution to two other parastatals, and not transactions affecting this Fund.

(p) Sir Seretse Khama Memorial Fund for the Handicapped

An examination of the accounts of the Fund had indicated that the figure of expenditure of P385 202 on donations in the Income Statement has been understated and that of sitting, subsistence and travelling expenses of P50 799 overstated by the same amount of P28 355 being the cost of a leg prosthesis. This has resulted in a misstatement of the totals under the respective expenditure accounts.

A review of the performance of the Fund over the last 5 years has shown a steady growth, culminating in a Fund balance of P4 413 211 as at 31st March 2016. This had resulted from the expenditures being consistently lower than the annual appropriation of P500 000 from the Consolidated Fund to the Fund. I suggest that consideration be given to a review of the amount of the annual grant in the light of the experience of the Fund.

(q) Tourism Industry Training Levy Fund

In my report for the previous year I had reported that I had not been able to complete the audit because of unreconciled accounts of the Fund, and had therefore been unable to certify the correctness of the Fund accounts. In his written submission to the Public Accounts Committee, the Accounting Officer had only attempted to provide explanations for the figures which had not been reconciled, but did not comment on the substantive issue of why his officers had not provided all the answers and explanations at the time of the audit to facilitate the completion of the audit.

The audit of the accounts of the year under review had also elicited weaknesses and failures to provide supporting documents for the figures in the financial statements: the payment vouchers could not be availed for audit verification of the payments made totalling P5 412 677 nor the spreadsheet listing all the tourist enterprises and their payments to the Fund of the levy collected.

(r) Pension Liability Service Fund

The Pension Liability Service Fund was established by Statutory Instrument No. 56 of 2001 to service pension liabilities of public officers who exercised their option to join the Botswana Public Officers Pension Fund. The Ministry of Finance and Development Planning have now determined that, with the transfer of P779 427 002 to BPOPF during the year of account, all outstanding transfer values have been settled, and dissolved the Pension Liability Service Fund by Statutory Instrument No. 73 of 2016, effective from June 2016. The balance of P327 096 390 to the credit of Pension Liability Service Fund on the 31st March 2016 was transferred to the Consolidated Fund. Any new transfer value liabilities which may arise from correction of members' data would be borne by the respective Ministries.

(s) Guardians Fund

The Guardians Fund was established by Section 101 of the Administration of Estates Act (Cap 31:01) for the deposit of moneys to be held in trust by the Master of High Court for known or unknown persons, to be administered in accordance with the provisions of the Act.

My attempt to carry out the audit of the accounts of the Fund for the financial year ended 31st March 2016 was handicapped by lack of proper explanations by officers of the Office of the Accountant General, who are entrusted with the maintenance of accounts on behalf of the Master, of the significant discrepancies between the figures appearing in the Income Statement and those in the General Ledger pertaining to the receipts and the payments during the year of account. The interest calculated by the staff of the Accountant General also differed with that in the Income Statement.

(t) Livestock Advisory Service Fund

The Fund was established by Statutory Instrument No 45 of 2011 essentially to provide for a revolving facility from which the Livestock Advisory Centre requisites may be purchased. However, during the year under review a payment of P13 000 000, for which supporting documents could not be produced, was made to Botswana Meat Commission ostensibly to cover claims for losses made by the Francistown Abattoir during financial year 2013. Although the Statutory Instrument does provide that the Accounting Officer may authorise payments from the Fund other than for purchases of requirements for the Centre, it is not clear to me whether such authorisations would cover payments which are totally outside the scope of the purposes of the Fund, as in this case. In my view such other payments must be connected to the overall operations and objective of the Centre.

(u) Cattle Export Levy Fund

The expenditures from the Fund for the year under review had included an amount of P1 298 854 for the construction of cattle kraals and an amount of P342 500 for the construction of ablution blocks at Sebele Agricultural Show grounds. Both these activities were donor funded, but the donor funds had been used for other purposes, hence use of the Fund. While it is fundamental that donor funds should be used strictly in accordance with the instructions and wishes of the donor, there is also uncertainty

whether these expenditures would be a proper charge to the Fund, in terms of the purpose of the Fund.

Furthermore, an amount of P1 000 000 was transferred from the Fund to a deposit account for the purpose of meeting unspecified expenditures arising from the preparations for the National Agricultural show for 2015, which left doubt whether those expenditures would otherwise be appropriate to the Fund. As at 31st March 2016 the deposit account in question, namely, Agricultural Shows-Prizes, had a balance of P803 810, which begged the question of how much of the transferred amount was actually disbursed on Fund-related purposes.

(v) Road Levy Collection Fund

From the account of the Ministry officers, 20% of the road levy collections is to be allocated to the Ministry of Local Government and Rural Development, in terms of a Directive issued in April 2015, subject to submission of quarterly reports on the utilisation of those funds.

However, in the year under review and the first year of operation of the Directive, the funds, totalling P100 701 578, were not released until February 2016. The implication was that road maintenance could not have been undertaken from the funds under the Ministry of Local Government and Rural Development in the year under review.

(w) Appointment of Auditors

In terms of the Fund Orders establishing the undernoted Special Funds, I am required to appoint the auditors to audit the accounts of these Funds. However, at the time of writing this report, recommendations for these appointments were under consideration by the Ministerial Tender Committee, and hopefully will be finalised soon. The Funds are:-

- Levy on Alcoholic Beverages Fund
- Copyright and Neighbouring Rights and Technical Devices Fund
- Tobacco and Tobacco Products Levy Fund

Any significant audit findings will be incorporated into my report for the ensuing financial year.

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

Botswana Meat Commission

While it is common cause that the Botswana Meat Commission has financial constraints which render it difficult to honour its loan repayments obligations, I am still not aware what arrangements have been agreed to deal with these loans. As in the previous year, the repayment instalment due in the year under review has not been paid.

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

(a) **Contractors Retention Deposits – P402 484 478**

A review of the analyses of the Contractors Retention Deposit accounts had indicated that the Ministries had complied with the requirement to submit these detailed listing of contractors deposits making up the total liabilities of each Ministry under these accounts. However these listings had not, in all cases been, prepared to the required standard, as some of them had brought forward balances which had not been broken down into individual contractor amounts to disclose the amounts and age analyses of those liabilities.

A scrutiny of the analyses had revealed that the Ministries had continued to transfer unclaimed deposits to the Consolidated Fund, in terms of Section 16 (5) of the Public Finance Management Act. In the past, the Public Accounts Committee had impressed on Accounting Officers to make all efforts to trace the contractors, whose particulars should be available in Ministerial records, before any decision is taken to transfer the deposits to the Consolidated Fund, as the money rightfully belongs to those contractors.

As at 31st March 2016, these accounts included a debit of P37 968, under the defunct Ministry of Communications, Science and Technology. The analyses of this figure submitted by the Ministry of State President had indicated a brought forward balance from previous years of P27 750 without any explanation of how it is proposed to clear this debit.

(b) **Other Deposits – P2 018 026 482**

The persistent comment under these accounts related to the lack of proper maintenance and monitoring of the accounts to ensure that the balances represent true liabilities of Government as well as comply with the applicable laws and other relevant conditions, especially where large amounts are involved. The more significant matters

affecting these accounts in this respect, in the year under review, as they did in the previous year, are the following.

- (i) The totals of the deposit balances under these accounts as at 31st March 2016 were P2 018 026 482 credits and P56 406 033 debits, more than half of which were the results of unreconciled and unadjusted balances, reflecting lack of proper attention to these accounts.
- (ii) As aforesaid, the balance of P2 018 026 482 included a single balance of P1 099 078 632 under the Students Allowances Payable account under the Ministry of Education and Skills Development. This latter balance ostensibly represents the equivalent of an amount advanced to a local commercial bank for the payment of allowances to Government-sponsored students in local tertiary institutions, which should have been cleared or part-cleared by a submitted return of disbursements by the bank. The uncertainty and lack of explanation of the state of this balance has the effect of distorting the totals to a significant extent.
- (iii) As a result of failure to comply with the requirements of the Income Tax Act by the Ministries and Departments with regard to the remittances of deducted taxes from payments made by Ministries and Departments, there were large balances of unremitted taxes at year-end totalling P41 864 064, some of which were very old, and debit balances of P557 463, representing accounting errors of commission or overpayments which had not been adjusted or recovered. Despite this matter having been the subject of progress reporting to the Public Accounts Committee in the past, there is still no improvement in this area.
- (iv) When Government took over the management of the Community Junior Secondary Schools in 2005 it was agreed with the Ministry of Finance and Development Planning that an amount of P57 639 007 would be retained in a deposit account by the Ministry of Education and Skills Development to meet the cost of outstanding commitments in the schools, which were to be completed within one year. In the event, the deposit account has been retained ever since and used for purposes beyond the ones agreed, which resulted in over-expenditure of P22 886 698 which is yet to be cleared.
- (v) In another instance, the Ministry of Local Government and Rural Development is yet to clear a debit balance of P30 455 434 which was incurred as far back as 2013 under the Poverty

Eradication programme, as an implementing Ministry on behalf of the Ministry of State President. This situation should have been addressed at the time of occurrence, and cleared at that time.

The above instances give an indication of the extent of tardiness which Accounting Officers deal with matters which have implications on the accounts of their Ministries. Had the foregoing, and other similar matters been properly and timeously dealt with, these deposit accounts would reflect the true and fair view of the Government liabilities under these accounts.

23. **Statement of Advance Accounts – (Statement 15)**

The total of the balances of advance accounts under all Ministries and Departments of Government as at 31st March 2016 was P1 470 999 131 (2015: P924 807 626) and credits of P123 207 664, giving a net of P1 347 791 467. These balances included significant amounts which, by virtue of their unreconciled status and other reasons, required further investigation and resolution, as indicated below:-

- (a) The balance of P1 122 852 010 under the Ministry of Education and Skills Development purportedly representing an amount advanced to a contracted commercial bank for payment of allowances to Government-sponsored students in local tertiary institutions, has not been reconciled, nor any explanation given for its clearance. The lack of reconciliation of the accounts controlling payment of students' allowances has been a matter for concern for some time especially in view of the amount involved in any given year.
- (b) The other matter which has been a matter for concern over a long period of time, also under the Ministry of Education and Skills Development, related to students' grant loan and advance loan schemes with amounts of P114 801 018 debits and P114 952 466 credits, a credit net of P151 448. The recoveries of these loans are slow, in the extreme. The Accounting Officer has assured the Public Accounts Committee that he is continuously tracing the defaulters under the grant loan scheme and carrying out investigations and reconciliations of the advance loans balances.
- (c) The balances of the advances accounts across all Ministries and Departments amounting to P48 707 185 (including a credit of P2 499 475 of the Students Advance Loan Scheme), covering the period from 2004/05 to 2015/16 were non-moving. Some of these items which are more than 10 years old should have been considered for write-off.

- (d) The non-moving items included P5 260 687 from the default guaranteed loans under the public officers residential property and motor vehicle loan schemes from a total indebtedness of P6 206 378, representing a possible loss exposure of 85% under these accounts.

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

The verification of the cash and bank balances as at 31st March 2016, as in previous years, had continued to reveal weaknesses and shortcomings in the reconciliation and monitoring of the accounts making up the year-end totals. These accounts balances are either not reconciled, the reconciliations are incomplete or the reconciling items are not properly addressed to clear them from the reconciliation statements. In other instances, there have been undue delays in effectively accounting for old transactions which form part of these balances. The major areas of concern are indicated below:-

- (a) A check of the Boards of Survey cash count reports against the General Ledger balances revealed significant discrepancies which had not been reconciled, as in the undernoted cases:-

<u>Treasury Cashier</u>	<u>GL Balances</u>	<u>Board of Survey</u>
Gaborone Imprest	574 022	538 803
Tsabong	112 684	113 331
Hukuntsi	299 355	246 621
Parliament Annexe	316 525	315 648

- (b) The year-end Board of Survey cash-count report for Gaborone Village Treasury Cashier Office, which had a General Ledger balance of P106 277, could not be availed for audit verification purposes.

- (c) In my report for last year, I drew attention to an item relating to the purchase of equity in De Beers SA for P1 018 329 938.90 which had been carried as a reconciling item since 2010 to date, because of continued failure to account for it in the books of accounts of the Accountant General.

In the year under review, action had still not been taken to properly account for this transaction in the books of account.

- (d) The Remittances account, the main Government bank account at Bank of Botswana, had a balance of P700 000 000, against a

General Ledger balance of P2 412 795 220 as at 31st March 2016. The reconciliation statement for these figures included, among others, unidentified debits totalling P740 084 620 768 and unidentified credits amounting to P1 163 960 785 684 with some items dating as far back as 2004. These very old items which are not likely to be resolved easily, are a clear indication that these reconciliations are not checked by a senior officer and any unknown items investigated with a view to their timely clearance.

- (e) In my report for last year, I had drawn attention to the fact that the Salaries Account at Bank of Botswana had not been reconciled as at year-end resulting in the year-end balance not being verifiable. However, despite the Accounting Officer's assurance to the Public Accounts Committee that the reconciliation was in progress, this had still not been achieved as at 31st March 2016. The account was only reconciled up to March 2009.
- (f) The Group 1 Electronic Fund Transfer account reconciliation as at 31st March 2016 carried unresolved items from as far back as 2014 in respect of returned payments of P98 061 913 and unidentified debits in the bank statement totalling P4 903 830 551 and for which there were no breakdowns.
- (g) The Group 2 Electronic Funds Transfer account as at 31st March 2016 had uncleared reconciling items amounting to P7 627 446 cumulative from 2013/14 financial year.
- (h) In respect of Group 3 Electronic Funds Transfer account, the reconciliation statement carried returned payments of P18 010 743 from 2013 and unidentified debits in the bank statement totalling P319 004 295 also dating back to 2013, which are yet to be resolved.
- (i) Not surprisingly, Group 4 Electronic Funds Transfer account reconciliation statements also carried reconciling items of significant amounts detain back to 2013. The longer it takes to deal with these items the gloomier the prospects of their satisfactory clearance from the reconciliation statements.
- (j) The reconciliation statements for Group K, L and N Bank accounts included items, some dating back to 2012, which should have been investigated and cleared from the reconciliations to reflect accurate year-end bank balances
- (k) In at least 10 cases, the Botswana Diplomatic Missions' year-end cash bank balances deferred from the General Ledger balances

maintained by the Accountant General, and there were no satisfactory explanations for these discrepancies.

- (l) In the cases of Botswana Missions in Nairobi and Delhi, the reconciliation statements duly certified by the Heads of the Missions were long lists of un-presented cheques dating as far back as 2013, indicating that the standard of preparation of these statements was less than expected.
- (m) As in the previous year, the situation of the accounts of the Point-Of-Sale facilities operated by the various departments of Government had remained unsatisfactory and inconclusive at year-end: Out of 145 stations operating these facilities, 58 had not submitted reconciliations of the year-end balances, while those submitted were not of the required standard as they carried reconciling items from previous years which should have been resolved.
- (n) Despite the matter having been repeatedly mentioned in my previous reports, the Accountant General is yet to take an accounting action to finalise the clearance of the deposit of P117 970 739 at the Botswana Building Society which was transferred to Botswana Privatisation Asset Holdings way back in 2010.

In view of the foregoing, I am not able to certify the correctness of the cash and bank balances in this Statement.

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

The balance of contingent liabilities of Government as at 31st March 2016 was P9 030 531 972 (2015: P7 680 635 503), representing guarantees on parastatal borrowings, public officers' borrowings under the motor vehicle and residential property loan schemes and undertakings to international financial institutions made by Government through Bank of Botswana. The breakdown of these liabilities is as follows:

Parastatal Borrowings	6 959 464 232
Public Officers Borrowings	591 440 186
Non-Interest Bearing Notes	<u>1 479 627 554</u>
	9 030 531 972

As indicated in previous reports, Government had continued to experience challenges in recovering debts arising from guarantees under public officers borrowing schemes, which amounted to P6 606 378 as at 31st March 2016. Out of that amount, P5 260 687

covering the period from 2004/05 to-date (2015/16) was considered dormant.

I have in the past suggested that these long outstanding dormant balances should be diligently assessed for prospects of recoveries with a view to taking appropriate action, including write-off, if necessary.

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

In response to the comment in my previous report, the Accounting Officer had assured the Public Accounts Committee during its 54th meeting that the assets register would be maintained and updated as and when new assets were acquired. However, the register had not been updated in respect of the shares purchased from De Beers SA in 2010 in the value of P1 018 329 939, nor is this asset reflected in this Statement.

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

The balance of arrears of revenue debts owed to Government as at 31st March 2016 was P460 935 225. Out of this amount, balances totalling P443 164 352 (96%) related to 3 Ministries of Investment, Trade and Industry, Minerals, Energy and Water Resources and Agriculture on account of company registration fees, water consumer accounts and sales of livestock, respectively. These accounts have been inactive for some time and need to be properly addressed with a view to their resolution and clearance from this Statement as there is hardly any movement on them.

The balance of P17 770 873 after the above virtually dormant amounts, included arrears of rentals of P10 206 699 from leases of Government properties (farms, offices, houses, etc.) which also have a slow collection rate of 30% of outstanding balances in the year under review and 24% in the previous year.

The remaining balance of P7 564 114 is largely related to administrative debts involving private usage of official telephones by officers in all Ministries and Departments of Government. This usage is governed by General Orders which require that the charges should be paid for promptly on receipt of telephone accounts, and should therefore not form part of the reporting under this Statement with the possibility of losses through abandonment.

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

Contingencies Fund was established under Section 121 of the Constitution to meet expenditures for urgent and unforeseen needs, and for which provision has not been made in the estimates. Currently, the Fund has a standing balance of P10 000 000. As at 31st March 2016 the balance of the Fund was P4 500 000. The difference of P5 500 000 was represented by outstanding advances to the Ministries of Foreign Affairs and International Cooperation and of Education and Skills Development, to be cleared by supplementary estimates to be submitted to the National Assembly.

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

The value of stocks of unallocated stores held by the Accountant General as at 31st March 2016 was P2 795 018. As may be noted from these amounts, the stocks of unallocated stores are substantially reduced from previous years as the Ministry no longer carries out the unallocated stores purchases function on behalf of other Ministries, save for 4 lines of office equipment (spares and consumables), flags, stationery and carpentry spares.

I have however not been able to obtain confirmation of reconciliation of the value of stocks with the figure of P2 628 760, appearing in the General Ledger as reflected under Statement No. 15.

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

TABLE A – LOSSES OF CASH

Reported During the Year Under Review

During the year under review, 9 cases of losses of cash were reported to the Permanent Secretary, Ministry of Finance and Development Planning, in terms of Financial Instructions and Procedures. The loss amounts totalled P892 213. The Financial Instructions and Procedures require that the reporting of the losses should be prompt upon occurrence (burglary) or discovery (systematic fraud). In this reporting, this requirement had not been complied with as the occurrences of the cases covered the period between 2005 and 2013. The late reporting could possibly be a result of lack of proper supervision which led to late discovery of loss cases. However, the Accounting Officer has undertaken to mount training courses for officers of all Ministries to bring about improvement in this area of work.

Out of the total loss amount of P892 213, only one case of P25 016 was finalised by write off to public funds, while partial recoveries totalled P12 618. The balance of P854 579 is said to be still under investigation.

Reported in Previous Years

The loss amount of outstanding cases from previous years as at 31st March 2016 was P3 880 049, involving 47 cases. Of this amount, the recoveries totalled P1 068 530 while P297 909 was written off to public funds, leaving a balance of P2 513 610 which is still being recovered or followed-up. As commented on in previous years, there are still many pending cases which date back many years, which somewhat suggests tardiness in the follow-up and finalisation of the loss cases.

31. **STATEMENT OF LOSSES OF PUBLIC MONIES AND STORES – (STATEMENT 22)**

TABLE B – LOSSES OF STORES

Reported in the Year Under Review

In the year under review, a total of 140 cases of losses of stores, valued at P736 295, were reported to the Ministry of Finance and Development Planning. Out of that amount, P52 157 was finalised by recoveries from the officers concerned while P144 288 was written off to public funds. Some of the loss cases date back to 2012 and 2013 indicating the need for further efforts to be made to speed up the case determination processes to bring matters to finality at an early date.

Reported During the Previous years

As at 31st March 2016, the loss amount related to outstanding cases reported in previous years totalled P2 630 074. Out of that amount, the cumulative recoveries totalled a paltry P208 239 and P144 509 written off to public funds. This leaves a balance of P977 326 for further follow-up action.

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

Government Motor Vehicle Fleet

The records of the Central Transport Organisation indicated that the Government Motor Vehicle Fleet currently stands at 11 846 vehicle units. Out of that number, a total of 10 705 is allocated to the various Ministries and Departments, leaving the balance of 1 141 in the pool with the Central Transport Organisation.

Accidents Reported During the Year Under Review

During the year under review, a total of 295 accidents were reported to the Permanent Secretary, Ministry of Finance and Development Planning with a damage cost of P4 202 357, compared to P6 083 214 in the previous year. Out of that number it has so far been ascertained that 31 accidents with damage cost of P347 949 are attributable to, and claimable from, third parties. The actual recoveries, through Attorney General's Chambers, are yet to be reported on.

In his submission to the Public Accounts Committee, the Accounting Officer had informed the Committee that to speed up and facilitate the flow of information on recoveries he had had meetings with the Attorney General's Chambers, which would assist in updating the reporting of these cases.

Accidents Reported in Previous Years

The processing and finalisation of the accident cases is proving to be slow, with some of the accidents dating back to 2010 and 2011 which are said to be still under investigation, without any indication of the aspects that are being investigated – whether surcharges or pursuit of recoveries from third parties.

The cumulative outstanding cases numbered 373 with a damage cost of P12 817 099 as at 31st March 2016. The surcharged amount was P1 898 423 and the amount recoverable from third parties was P1 581 710 while a total of P1 038 157 was written off to public funds.

VII MINISTERIAL ACCOUNTS

PARLIAMENT

33. Warranted Provision

The utilisation of funds warranted to Parliament for the financial year ended 31st March 2016 is indicated below:-

<u>Department</u>	<u>Warranted Provision</u>	<u>Actual Expenditure</u>	<u>Over + Under - Expenditure</u>	<u>%</u>
National Assembly	101 235 472	101 193 259	- 42 213	-
Ntlo ya Dikgosi	<u>7 324 678</u>	<u>7 273 522</u>	<u>- 51 156</u>	<u>1</u>
	108 560 150	108 466 781	- 93 369	-

At year-end the unspent balance out of the warranted provision of P108 560 150, was P93 369 (0.09%), resulting from expenditures under a number of expenditure items which were almost equal to the warranted provisions up to zero balances. Five items were overspent to the tune of P301 932.

34. Non-Moving Advances

The non-moving advances which were outstanding on the 31st March 2016 under Parliament are shown below:-

Recovery of Overpayment of Salaries	15 243
Training Bond Liabilities	99 068
Travelling Imprests	<u>110 357</u>
	224 668

STATE PRESIDENT

35. Warranted Provision

The utilisation of funds warranted to the Ministry for the financial year ended 31st March 2016 is indicated below:-

<u>Department</u>	<u>Warranted Provision</u>	<u>Actual Expenditure</u>	<u>Over + Under - Expenditure</u>	<u>%</u>
State House	8 631 140	8 558 905	- 72 235	1
Office of the Pres.	159 162 246	157 360 523	- 1 801 723	1
DPSM	127 696 172	125 595 408	- 2 100 764	2
Former President				
- QKJM	3 219 610	3 101 629	- 117 981	4
NACA	44 396 270	42 399 118	- 1 997 152	4
Former President				
- FGM	3 114 410	2 988 956	- 125 454	4
Information Services	65 997 307	65 536 716	- 460 591	1
Broadcasting Servs.	166 914 162	167 725 168	+ 811 006	-
Govt. Printing & Pub.	63 223 539	62 531 050	-692 489	1
National Strategy Off.	18 916 489	18 484 144	- 432 345	2
DCEC	97 376 224	95 185 285	- 2 190 939	2
DIS	<u>289 794 090</u>	<u>288 559 293</u>	<u>- 1 234 797</u>	-
	1 048 441 660	1 038 026 195	- 10 415 465	1

With the exception of the Department of Broadcasting Services which has overspent its sub-warrant, all other Departments are well within budget. The over-expenditure under the Department of Broadcasting Services is attributable to overtime expenditure item which was overspent to the tune of P1 226 937, which indicates the need for expenditure control on this item.

36. Non-Moving Advances

The non-moving advances which were outstanding on the 31st March 2016 under this Ministry are shown below:-

Damage to Government Vehicles	81 802
Surcharge P & P Payroll	5 329
Imprest Recoveries	11 188
Advances – Grade D4 & Below	18 921
Loss of Cash – Cash Shortages	16 148
Recovery of Overpayment of Salaries	83 250
Travelling Imprests	<u>246 723</u>
	463 361

MINISTRY OF FINANCE AND DEVELOPMENT PLANNING

37. Warranted Provision

The utilisation of funds warranted to the Ministry for the financial year ended 31st March 2016 is indicated below:-

<u>Department</u>	<u>Warranted Provision</u>	<u>Actual Expenditure</u>	<u>Over + Under - Expenditure</u>	<u>%</u>
Headquarters	608 468 448	606 814 022	- 1 654 426	0.3
Acc. General	271 740 388	269 818 885	- 1 921 503	1.0
Dept. of Supply	-	- 44 194	- 44 194	-
Financial Int. Agency	<u>16 891 734</u>	<u>16 636 559</u>	<u>- 255 174</u>	<u>2.0</u>
	897 100 570	893 225 272	- 3 875 298	0.4

Out of the Ministerial expenditure of P893 225 272, a total of P401 249 265 (45%) was in respect of grants, subventions and similar payments to various organisations and purposes under the portfolio responsibility of the Ministry. Overall, the Ministry is barely within the warranted provisions as a result of the expenditures closely approximating the warranted provisions under a number of items.

38. Non-Moving Advances

The non-moving advances which were outstanding on the 31st March 2016 under this Ministry are shown below:-

Damage to Government Vehicles	(289)
Surcharge P & P Payroll	175 206
Imprest Recoveries	16 588
Industrial Class – Advances	2 600
Advances – Grade D4 & Below	3 864
Loss of Cash – Cash Shortages	73 956
Residential Property Loans	3 979 147
Motor Vehicle Loans	1 281 540
Recovery of Overpayment of Salaries	465 997
Travelling Imprests	<u>(27 912)</u>
	5 970 697

39. **Dividends Payments**

Under an arrangement made by the Public Accounts Committee, the parastatals provide me with copies of their audited accounts and reports for review purposes, and inclusion of the review results in my report to the National Assembly. During these review exercises, instances had been noted where certain parastatals had reported that dividends had been paid to Government, and I had not been able to trace the reflection of those dividends in the revenue accounts of the Accountant General.

In the year under review, one such case was the dividend of P7.91 million paid by Botswana Communications Regulatory Authority in respect of the accounts of financial year 2014/2015. This dividend payment has not been reflected in the books of the Accountant General.

In my report for last year, I had pointed out that the undernoted dividends had not been shown in the books of Government as having been received, although reportedly paid by the parastatals as follows:-

- Botswana Agricultural Marketing Board
 - P285 743 paid December 2012 for 2011/2012
 - P522 894 paid July 2014 for 2012/2013
 - P1.30 million for 2013/2014, not paid end of March 2015
- Botswana Communication Regulatory Authority
 - P12.03 million paid for Financial year 2013/2014
 - P7.91 million proposed for 2014/2015 accounts

In all the above cases, I had suggested that these matters should be investigated by either the Accountant General or the parastatal concerned, and I am not aware whether my suggestion had been heeded, and if so, with what results.

40. **Balances Under Old Ministries**

In 2009 Government instituted a reorganisation of Ministerial functions which involved renaming of new Ministries and dropping some of the old ones. While it would have been expected that all the balances under the below-the-line accounts of the dropped Ministries would be cleared or transferred to the new Ministries that took over their functions, for follow-up purposes and tidiness in accounts presentation, this was not done. The result of that omission was that some of those

balances have remained in the accounts under the former Ministries to-date, without clear responsibility for accountability for those balances. The Ministries in question are those of Works and Transport and of Communication, Science and Technology, with outstanding balances in Annual Statement of Accounts as at 31st March 2016, as indicated below:-

(a) Ministry of Communication, Science and Technology

	<u>Dr</u>	<u>Cr</u>
- Retention & Deposits	37 968	
- Income & Withholding Taxes	93 806	
- Advances - Public Officers	904	
- Loss of Cash		744
- R/D Cheques	6 759	

(b) Ministry of Works and Transport

- Advances - Public Officers	211 663
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MINISTRY OF LABOUR AND HOME AFFAIRS

41. Warranted Provision

The utilisation of funds warranted to the Ministry for the financial year ended 31st March 2016 is indicated below:-

<u>Department</u>	<u>Warranted Provision</u>	<u>Actual Expenditure</u>	<u>Over + Under - Expenditure</u>	<u>%</u>
Headquarters	117 570 688	114 389 751	- 3 180 937	3
Imm. & Citizenship	150 622 707	149 938 109	- 684 598	-
Lab. & Social Secur.	43 945 920	43 525 488	- 420 432	1
Gender Affairs	18 708 415	17 967 515	- 740 900	4
Civil & Nat. Reg.	<u>50 128 799</u>	<u>49 418 299</u>	<u>- 710 500</u>	<u>1</u>
	380 976 530	375 239 162	- 5 737 368	2

The Ministry has performed well within budget, with 98% utilisation of both approved estimates and warranted provision.

42. Non-Moving Advances

The non-moving advances which were outstanding on the 31st March 2016 under this Ministry are shown below:-

Damage to Government Vehicles	22 764
Imprest Recoveries	3 681
Industrial Class – Advances	1 000
Advances – Grade D4 & Below	(104)
Loss of Cash – Cash Shortages	157 880
Recovery of Overpayment of Salaries	73 566
Travelling Bond Liability	150 960
Travelling Imprests	<u>63 224</u>
	472 971

MINISTRY OF AGRICULTURE

43. Warranted Provision

The utilisation of funds warranted to the Ministry for the financial year ended 31st March 2016 is indicated below:-

<u>Department</u>	<u>Warranted Provision</u>	<u>Actual Expenditure</u>	<u>Over + Under - Expenditure</u>	<u>%</u>
Headquarters	299 492 778	296 195 391	- 3 297 387	1.10
Crop Prod & Forestry	195 328 192	191 522 369	- 3 805 823	1.90
Agricultural Res.	85 038 950	84 417 661	- 621 289	1.00
Animal Production	95 948 492	95 198 029	- 750 463	1.00
Exten. Serv. Coord.	-	- 1 103	- 1 103	-
Agric. Bus. Prom.	30 258 938	28 910 865	- 1 348 073	4.50
Veterinary Services	397 921 820	428 679 273	+30 757 453	-
Agric. Stats & Policy	<u>14 965 650</u>	<u>14 578 111</u>	<u>- 387 539</u>	<u>2.60</u>
	1 118 954 820	1 139 500 597	+20 545 777	-

For the second year running, the Department of Veterinary Services had incurred expenditures in excess of the sub-warranted funds to the tune of P30 757 453, resulting in overall Ministerial over-expenditure of P20 545 777. The National Assembly approval has to be sought for this over-expenditure to be allowed as a proper charge to public funds prior to submission for supplementary appropriation.

44. Non-Moving Advances

The non-moving advances which were outstanding on the 31st March 2016 under this Ministry are shown below:-

Damage to Government Vehicles	87 986
Surcharge - P & P Payroll	(1 262)
P & P Emergency Advances	575
Imprest Recoveries	17 167
Industrial Class – Advances	(1 000)
Advances – Grade D4 & Below	31 055
Loss of Cash – Cash Shortages	22 643
Payroll	347
Recovery of Overpayment of Salaries	1 211 260
Travelling Imprests	<u>10 011</u>
	1 378 782

MINISTRY OF EDUCATION AND SKILLS DEVELOPMENT

45. Warranted Provision

The utilisation of funds warranted to the Ministry for the financial year ended 31st March 2016 is indicated below:-

<u>Department</u>	<u>Warranted Provision</u>	<u>Actual Expenditure</u>	<u>Over + Under - Expenditure</u>	<u>%</u>
Headquarters	2 229 070 803	2 225 505 544	- 3 565 258	-
Vocational Trng. & Education	497 941 778	500 668 761	+ 2 726 983	-
Tertiary Educ. Financing	2 246 511 085	2 243 782 986	- 2 728 099	-
Out of School Education	112 703 154	112 712 333	+ 9 179	-
Curriculum Dev. Teaching Service	21 293 049	20 887 053	- 405 996	2
Management	4 350 404 971	4 357 967 950	+ 7 562 980	-
Pre-school & Primary	47 550 870	47 029 972	- 520 898	1
Secondary Edu. Teacher Training & Development	853 261 652	828 203 540	- 25 058 112	3
Technical Services	165 306 976	160 951 843	- 4 355 133	3
Info. Comm. & Media Services	23 884 822	23 300 567	- 584 255	2
Special Support Services	13 402 460	13 113 634	- 288 825	2
Edu. Planning & Research	20 443 099	20 227 517	- 215 582	1
	<u>9 336 801</u>	<u>8 811 010</u>	<u>- 525 791</u>	<u>6</u>
	10 591 111 519	10 563 162 711	- 27 948 808	-

Out of the expenditure of P2 225 505 544 under Headquarters, P1 302 477 872 (59%) was to the various institutions and parastatals under the portfolio responsibility of the Ministry. Although the Ministry had a year-end unspent balance of P27 948 808, three Departments had overspent the funds sub-warranted to them to the tune of P10 299 142 which could have been averted by the expedient of the virement system.

46. **Non-Moving Advances**

The non-moving advances which were outstanding on the 31st March 2016 under this Ministry are shown below:-

Damage to Government Vehicles	62 637
Surcharge - P & P Payroll	183 591
P & P Emergency Advances	199 277
Imprest Recoveries	89 532
Industrial Class – Advances	6 552
Advances – Personal Computers	2 716
Advances – Grade D4 & Below	22 685
Loss of Cash – Cash Shortages	346 274
Bonded Students Recoveries-Old Scheme	1 217 770
Grant Loan Scheme	22 085 823
Students Advance Loan Scheme	(2 499 475)
Recovery of Overpayment of Salaries	8 355 878
Training Bond Liability	898 924
Travelling Imprests	<u>178 691</u>
	31 150 875

47. **Deposit Account – [Community] Junior Secondary Schools (On-going Projects)**

The opening of this deposit account was a one-year temporary arrangement to bridge the financing of existing projects during the hand-over of [Community] Junior Secondary Schools to Government by local communities in 2005.

In the event, the use of the account was extended far beyond the one-year and the purposes agreed with the Ministry of Finance and Development Planning, which ultimately resulted in the over-withdrawal of the deposit to the tune of P22 886 698 by 31st March 2015. In my last report, I drew attention to this unsatisfactory state of affairs, and in response the Accounting Officer, in his submission to the Public Accounts Committee, had stated that he was making efforts to clear this balance and close the account. However, as at 31st March 2016 the balance had still not yet been cleared.

48. **Students Advance Loan Scheme**

The balance under the above loan scheme which has been increasing steadily over the years was a credit balance of P3 540 383 as at 31st March 2016. This balance denotes a liability of Government.

However, despite the situation of this balance having been reported to the Public Accounts Committee in the past, the Accounting Officer has still not taken any action to provide any form of reconciliation of the balance or explanation as to what it really represents. There has to be a clarification of whether the balance is a true liability of Government, and if so, its status in the accounts, or, more likely, the result of accounting errors, which also have to be dealt with.

At this point, I am disheartened at the continued failure or reluctance on the part of the Accounting Officer to deal decisively with this matter which will forever distort the accounts totals of the Ministry.

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

In my previous reports I had drawn attention to what I considered very serious shortcomings in the operation of the account for the payment of living allowances to Government-sponsored students in local tertiary institutions. These allowances are paid through the agency of a local commercial bank on the basis that the bank is advanced a lump sum monthly which has to be accounted for to the Ministry through a return of actual disbursements to students and refund of any undisbursed amounts.

This accounting for the disbursements from the monthly remittances to the bank is clearly not done as there is no evidence of it at the department responsible for these matters. The officers questioned on the balances under the accounts controlling these payments were not able to offer any satisfactory explanations on the lack of reconciliations or any attempt to monitor these transactions, leaving me with the impression that these officers have lost control over these accounts, despite the considerable amounts involved: as at 31st March 2016, the account controlling the remittances to the bank had a balance of P1 122 852 010 and the corresponding deposit "Students Allowances Payable" account had a balance of P1 099 078 632.

While the Accounting Officer had, in the past, admitted to these shortcomings in the operation of these accounts, he has not taken any decisive action to bring this matter under proper control in view of the large numbers of students and the amounts involved. I am concerned that, under these circumstances, large sums of money may be lost without trace or detection.

MINISTRY OF INVESTMENTS, TRADE AND INDUSTRY

50. Warranted Provision

The utilisation of funds warranted to the Ministry for the financial year ended 31st March 2016 is indicated below:-

<u>Department</u>	<u>Warranted Provision</u>	<u>Actual Expenditure</u>	<u>Over + Under - Expenditure</u>	<u>%</u>
Headquarters	811 916 541	810 426 939	- 1 489 602	-
Cooperative Dev.	44 012 056	43 517 952	- 494 104	1
Trade & Consumer Affairs	26 565 238	26 217 981	- 347 256	1
Industrial Affairs	15 027 830	14 716 519	- 311 311	1
International Trade Companies & Int. Property	14 758 740	14 729 143	- 29 597	-
	<u>13 103 005</u>	<u>11 517 836</u>	<u>- 1 585 169</u>	<u>12</u>
	925 383 410	921 126 371	- 4 257 039	-

The former Department of Registrar of Companies has since been established as a statutory corporation as Companies and Intellectual Property Authority. The expenditure of P11 517 836 under the Ministry accounts relates to personal emoluments of staff in the interim period.

Out of the total expenditure of P921 126 371, an amount of P731 605 846 (80%), was in respect of subventions to the various statutory bodies, including Companies and Intellectual Property Authority, under the portfolio of the Ministry.

51. Non-Moving Advances

The non-moving advances which were outstanding on the 31st March 2016 under this Ministry are shown below:-

Imprest Recoveries	2 331
Advances – Grade D4 & Below	1 165
Loss of Cash – Cash Shortages	4 422
Recovery of Overpayment of Salaries	57 748
Travelling Imprests	<u>22 745</u>
	88 411

52. **Arrears of Revenue**

As at 1st April 2015 the outstanding arrears of revenue in respect of Company Registration Fees was P427 038 000. During her appearance before the Public Accounts Committee in May 2016, the Accounting Officer had informed the Committee that authority had been granted for the abandonment of P752 400 relating to de-registered companies, leaving a balance of P426 285 600. Although she had undertaken to follow-up the recovery of the balance, there is no indication that any efforts had been made to this end, as no collections had been made during the year under review, despite the significance of the amount owed.

This matter has been the subject of comment in my previous report.

MINISTRY OF LOCAL GOVERNMENT AND RURAL DEVELOPMENT

53. **Warranted Provision**

The utilisation of funds warranted to the Ministry for the financial year ended 31st March 2016 is indicated below:-

<u>Department</u>	<u>Warranted Provision</u>	<u>Actual Expenditure</u>	<u>Over + Under - Expenditure</u>	<u>%</u>
Headquarters	303 879 890	274 657 253	- 29 222 637	10
Local Govt. Dev.				
Planning	10 203 100	9 733 127	- 469 973	5
Primary Health Care	25 549 230	23 560 557	- 1 988 673	8
LG Finance & Proc.	3 742 199 751	3 657 907 834	- 84 291 917	3
LG Fin. & Tech. Servs.	-	- 16 367	- 16 367	-
Tribal Administration	357 741 206	349 529 706	- 8 211 500	3
LG Technical Services	9 219 920	8 386 915	- 833 005	9
Rural Development	4 582 860	4 004 065	- 578 795	13
Social Protection	973 048 303	957 586 136	- 15 462 167	2
Community Dev.	<u>11 659 420</u>	<u>10 027 445</u>	<u>- 1 631 975</u>	<u>14</u>
	5 438 083 680	5 295 376 672	-142 707 008	3

The warranted provision of P5 438 083 680 included supplementary funding of P237 455 480 under Financial Paper No 1 of July 2015/16 under the Department of Local Government Finance and Procurement Services in respect of provision of a second meal to primary schools in the Okavango District, and a double food ration for vulnerable groups, following declaration of drought in the country by Government. Out of the total expenditure of P5 295 376 672, the Ministry provided the Revenue Support Grant to the Local Authorities to the extent of P3 125 364 720 representing 59% of the total expenditure of the Ministry. The overall performance of the Ministry has been satisfactory as all departments were within their respective budgets, ranging between 86% and 97% funds utilisation.

54. **Non-Moving Advances**

The non-moving advances which were outstanding on the 31st March 2016 under this Ministry are shown below:-

Damage to Government Vehicles	62 715
P & P – Emergency Advances	525
Imprest Recoveries	986
Industrial Class – Advances	2 975

Advances – Grade D4 & Below	21 539
Recovery of Overpayment of Salaries	264 646
Travelling Imprests	<u>19 705</u>
	373 091

55. **Poverty Eradication Initiative**

The accounts of the Ministry as at 31st March 2016 included a long standing matter of an overspent deposit account balance of P30 455 434 under the Poverty Eradication Programme dating back to financial year ended 31st March 2013. The Accounting Officer's submissions to the Public Accounts Committee over the years have been that this balance was being investigated, with the latest being that consultations were on-going with the Accountant General to try and resolve the matter.

I am concerned that this accounting matter which arose under the Ministry as an implementing entity on behalf of the Ministry of State President has taken such a long time for the necessary action to clear from the accounts, resulting in a distortion of the accounts totals.

MINISTRY OF MINERALS, ENERGY AND WATER RESOURCES

56. **Warranted Provision**

The utilisation of funds warranted to the Ministry for the financial year ended 31st March 2016 is indicated below:-

<u>Department</u>	<u>Warranted Provision</u>	<u>Actual Expenditure</u>	<u>Over + Under - Expenditure</u>	<u>%</u>
Headquarters	201 943 600	198 926 539	- 3 017 061	2
Geological Surveys	36 210 890	33 266 634	- 2 944 256	8
Water Affairs	108 248 620	105 642 039	- 2 606 581	2
Mines	18 853 870	18 389 201	- 464 669	3
Energy Affairs	<u>16 069 400</u>	<u>15 679 675</u>	<u>- 389 725</u>	<u>3</u>
	381 326 380	371 904 088	- 9 422 292	3

As in the previous year, the budgetary performance of the Ministry was satisfactory, recording 97% funds utilisation of the warranted provision, compared to 92% in the previous year.

57. **Non-Moving Advances**

The non-moving advances which were outstanding on the 31st March 2016 under this Ministry are shown below:-

Damage to Government Vehicles	140 407
Surcharge - P & P Payroll	2 037
Industrial Class – Advances	2 100
Loss of Cash – Cash Shortages	131 613
Recovery of Overpayment of Salaries	269 345
Training Bond Liability	31 753
Travelling Imprests	<u>1 765</u>
	579 020

MINISTRY OF HEALTH

58. Warranted Provision

The utilisation of funds warranted to the Ministry for the financial year ended 31st March 2016 is indicated below:-

<u>Department</u>	<u>Warranted Provision</u>	<u>Actual Expenditure</u>	<u>Over - Under + Expenditure</u>	<u>%</u>
Headquarters	687 916 312	670 483 876	- 17 432 436	3
Policy, Planning Monitoring	6 420 620	5 041 003	- 1 379 617	22
Health Sector Rel. & Partner	198 270 860	196 733 830	- 1 537 030	1
Clinical Services	4 846 010 118	4 777 076 189	- 68 933 929	2
Public Health	112 850 600	101 272 080	- 11 578 520	10
AIDS Prevention & Care	90 257 780	82 026 204	- 8 231 576	9
Health Inspectorate	<u>4 302 760</u>	<u>4 088 996</u>	<u>- 213 764</u>	<u>5</u>
	5 946 029 050	5 836 722 177	-109 306 873	2

By far, the largest expenditure of the Ministry goes to the Department of Clinical Services at P4 777 076 189. Out of this amount, P2 378 907 549 (50%) related to personal emoluments while P1 026 120 947 (22%) was incurred under subventions and other payments subhead, including fees for Medical Specialists and Anti-Retroviral Therapy.

59. Non-Moving Advances

The non-moving advances which were outstanding on the 31st March 2016 under this Ministry are shown below:-

Damage to Government Vehicles	188 984
Surcharge - P & P Payroll	38 352
P & P – Emergency Advances	27 625
Imprest Recoveries	470 571
Industrial Class – Advances	81 017
Advances – Grade D4 & Below	101 613
Loss of Cash – Cash Shortages	51 233
Recovery of Overpayment of Salaries	3 775 316
Training Bond Liability	435 060
Travelling Imprests	<u>1 522 111</u>
	6 691 882

ADMINISTRATION OF JUSTICE

60. Warranted Provision

The utilisation of funds warranted to the Department for the financial year ended 31st March 2016 is indicated below:-

<u>Department</u>	<u>Warranted Provision</u>	<u>Actual Expenditure</u>	<u>Over + Under - Expenditure</u>	<u>%</u>
Admin. of Justice	216 777 600	213 546 200	- 3 231 400	2

Despite the supplementary funding of P21 713 140 approved by the National Assembly under Financial Paper No 2 of November 2015 and abundance of unspent funds of P3 231 400 at year-end, the Department had overspent on, at least, 6 items totalling P708 679 which could have been averted by use of the virement system. These overspent items would indicate lack of financial and expenditure control.

61. Non-Moving Advances

The non-moving advances which were outstanding on the 31st March 2016 under this Department are shown below:-

Damage to Government Vehicles	16 316
Imprest Recoveries	29 802
Industrial Class – Advances	7 902
Advances – Grade D4 & Below	1 385
Loss of Cash – Cash Shortages	70 744
Recovery of Overpayment of Salaries	70 909
Travelling Imprests	<u>100 985</u>
	298 043

ATTORNEY GENERAL'S CHAMBERS

62. Warranted Provision

The utilisation of funds warranted to the Attorney General's Chambers for the financial year ended 31st March 2016 is indicated below:-

<u>Department</u>	<u>Warranted Provision</u>	<u>Actual Expenditure</u>	<u>Over + Under - Expenditure</u>	<u>%</u>
Attorney General	178 713 860	171 484 610	- 7 229 250	4

The warranted funds for the Chambers for the year was P178 713 860, and the actual expenditure was P171 484 610, representing 96% utilization of the warranted provision.

63. Non-Moving Advances

The non-moving advances which were outstanding on the 31st March 2016 under this Chambers are shown below:-

Damage to Government Vehicles	22 188
Surcharge - P & P Payroll	14 095
Advances – Grade D4 & Below	(2 000)
Recovery of Overpayment of Salaries	28 998
Travelling Imprests	<u>6 751</u>
	70 032

OFFICE OF THE AUDITOR GENERAL

64. Warranted Provision

The utilisation of funds warranted to the Department for the financial year ended 31st March 2016 is indicated below:-

<u>Department</u>	<u>Warranted Provision</u>	<u>Actual Expenditure</u>	<u>Over + Under - Expenditure</u>	<u>%</u>
Auditor General	50 832 290	48 957 143	- 1 875 147	4

While the expenditure for the Office at year-end was well within both the approved estimates and the warranted provision with budget utilisation of 96%, the Office had nevertheless overspent a number of items under the personal emoluments subhead in the total amount of P4 035 048. These over-expenditures at item level would suggest lack of financial and expenditure control, as virements could have been used to avert this state of affairs.

65. Non-Moving Advances

The non-moving advances which were outstanding on the 31st March 2016 under this Office are shown below:-

Industrial Class – Advances	3 000
Advances – Grade D4 & Below	910
Recovery of Overpayment of Salaries	5 045
Travelling Imprests	<u>32 803</u>
	41 758

66. Arrears of Revenue – Telephones

In my report for last year I had mentioned that there were outstanding debts from previous years owed by officers for the private usage of official telephones, to the tune of P19 803. In the year under review, a small amount of P1 572 was recovered, leaving a balance of P18 231 still to be recovered, resulting in a year-end balance of P28 380, including current-year arrears of P10 149. In addition, there were arrears of P301 092 in respect of uncollected audit fees making a total of P328 472 of outstanding arrears of revenue under this Office.

67. **Office Relocation**

The Government-owned office block in Gaborone International Finance Park, Gaborone which my Office had occupied had developed some major structural defects which necessitated my staff urgent evacuation, for security and safety reasons, and relocation to an alternative accommodation. The Ministry of Lands and Housing, as the authority responsible for Government office accommodation, had been able to secure such accommodation for my Office in a leased office block in the Central Business District in Gaborone, to which my Office relocated effective from December 2015.

In his submission to the 54th meeting of the Public Accounts Committee, the Accounting Officer for the Ministry of Lands and Housing had informed the Committee that Government had since decided that the office block in the Gaborone International Finance Park, and three others in the vicinity with similar defects, would be disposed of by public auction sale.

MINISTRY OF FOREIGN AFFAIRS AND INTERNATIONAL COOPERATION

68. **Warranted Provision**

The utilisation of funds warranted to the Ministry for the financial year ended 31st March 2016 is indicated below:-

<u>Department</u>	<u>Warranted Provision</u>	<u>Actual Expenditure</u>	<u>Over + Under - Expenditure</u>	<u>%</u>
Headquarters	69 891 860	69 391 391	- 500 469	1
Washington	24 658 460	24 253 785	- 404 675	2
New York	33 928 790	33 945 394	+16 604	
London	27 107 390	26 860 200	- 247 190	1
Lusaka	7 282 670	7 173 394	- 109 276	2
Brussels	19 403 960	18 146 469	- 1 257 491	6
Stockholm	15 536 600	14 884 883	- 651 717	4
Harare	12 716 910	12 109 667	- 607 243	5
Windhoek	9 718 700	9 081 654	- 637 046	7
Beijing	25 604 060	24 894 511	- 709 549	3
Geneva	38 351 300	37 078 747	- 1 272 553	3
Pretoria	13 571 110	12 622 150	- 948 960	7
Johannesburg	10 724 770	9 709 400	- 1 015 370	9
Tokyo	22 037 330	21 565 293	- 472 037	2
Addis Ababa	14 070 660	13 719 385	- 351 275	2
Nairobi	16 204 000	15 708 802	- 495 198	3
Canberra	21 772 640	21 431 480	- 341 160	2
New Delhi	17 001 960	16 390 904	- 611 056	4
Abuja	25 825 980	24 690 890	- 1 135 090	4
Brasilia	17 008 020	15 542 481	- 1 465 539	9
Kuwait	7 676 110	6 528 154	- 1 147 956	15
Maputo	15 156 980	14 707 526	- 449 454	3
Berlin	<u>16 153 220</u>	<u>15 654 850</u>	<u>- 498 370</u>	<u>3</u>
	481 403 480	466 091 411	- 15 312 069	3

Out of the approved estimates of P479 603 480, the funds warranted to the Ministry totalled P481 403 480, including the supplementary funding approved by the National Assembly under Financial Paper 1 of July 2015. The actual expenditure for the year was P466 091 411, leaving unspent balance of P15 312 069 from the warranted provision. All the Departmental expenditures are well within the sub-warranted provisions, ranging from 85% to 99% utilisation. One department, namely, New York Mission was overspent to the tune of P16 604.

69. **Non-Moving Advances**

The non-moving advances which were outstanding on the 31st March 2016 under this Ministry are shown below:-

Damage to Government Vehicles	31 941
Imprest Recoveries	16 476
Recovery of Overpayment of Salaries	132 055
Travelling Imprests	<u>72 438</u>
	252 910

70. **Audit of Accounts – Botswana High Commission, Abuja**

An audit of the accounts of the Botswana Diplomatic Mission in Abuja gave rise to a number of observations which I addressed to the Accounting Officer in September 2016 for his comments. I have since received a copy of the responses from the Head of the Mission which was forwarded to me by the Accounting Officer without comment, even on specific matters which required his endorsement. The Accounting Officer's comments are still awaited on the undernoted matters raised in my original communication:

- (a) Following my audit of this, and other, Mission accounts I had raised the issue of transportation of officers' children to and from school, at Government expense, and had pointed out that this was the responsibility of the parents of those children. I have still not obtained the Accounting Officer's definitive ruling in the context of this Mission, despite my specific request for this, nor his endorsement of the Head of Mission's version relating to security issues in Abuja.
- (b) In response to my inquiries regarding the possible misuse of the free medical facility by the locally recruited staff who were running monthly regular medical bills, the Head of the Mission singled out one case which he said was a complicated pregnancy, but did not comment on other cases which had been drawn to the attention of the Accounting Officer in my communication to him, nor on the general use of the free medical concession. The explanation that Nigeria is full of tropical diseases, such as typhoid and malaria, and staff would therefore require monthly check-ups is not plausible as a national preoccupation.
- (c) An attempt, in February 2016, to sell the 3 boarded vehicles by auction was not successful as the set reserve prices were reportedly too high. The Head of Mission has confirmed that the

vehicles have since been disposed of by auction sale. However, our scrutiny of the sale documents have indicated all these vehicles were bought by locally recruited members of staff of the Mission. While locally recruited staff may not have been prevented from participation in an auction sale, but the fact of all 3 vehicles having been bought by them, raised the question of the circumstances of the auction sale which resulted in that unlikely event.

- (d) I am yet to receive confirmation that the Immigration and Citizenship System has been repaired and brought into use. The system was installed in December 2011 for the recording and processing of visa applications, but has never functioned since then to-date. For his part, the Head of the Mission alerted the Director of Immigration and Citizenship to this state of affairs as far back as 2013, but nothing has been done to bring the System to functionality, rendering the expenditure on the purchase of that System nugatory.

71. **Audit of Accounts – Botswana Embassy, Addis Ababa**

Following the audit of the accounts of the above Mission for the year ended 31st March 2016, I addressed a number of observations to the Accounting Officer for his comments in July 2016, but despite the considerable lapse of time since then, at the time of writing this report I had still not received those comments. The main ones of the observations raised were the following:-

- (a) A review of the revenue receipts over the last 5-year period had indicated that the actual collections had been consistently in excess of the estimates by significant amounts, which suggested that this could be the result of under-estimations. Although the amounts collected were relatively small, it is nevertheless important, for budgetary reasons, that the estimates are as realistic as possible.
- (b) While the overall Mission expenditures were well within the warranted provisions at year-end, there were however instances of over-expenditures under specific items, which indicated lack of financial and expenditure control on the part of the Mission officers. Expenditures should be incurred strictly in accordance with the details set out in the warrant in terms of allocations and provisions.
- (c) A scrutiny of the payment vouchers had indicated instances of misallocations of expenditures to incorrect votes which resulted

in various accounts showing incorrect year-end expenditure amounts. For example, the Representation Allowance vote was overspent because of expenditures which should have been incurred under the Official Receptions (Hospitality) vote, which would have been equally overspent, and thereby raised issues of financial and expenditure control.

- (d) Two locally recruited members of staff were each paid an imprest of P11 992, calculated at per diem rate of P1 200, to visit Botswana for a 10-day familiarisation tour after working for 5 years, in accordance with their conditions of service. However, in addition to the imprests drawn, they had also submitted claims totalling P19 594 for 3 nights accommodation (Kasane), food, drinks, return flights between Kasane and Gaborone, game drives and boat cruise, which were matters of personal choice and leisure. In my view, the payment of these expenses amounted to an all-inclusive holiday paid for by Government, which is not the object of the concession.
- (e) A scrutiny of the vouchers relating to travelling imprest claims by officers had revealed instances where, in addition to the per diem allowances drawn, officers had also submitted claims for incidental and other expenses.
- (f) It was noted that Mission vehicles were used, in other instances private taxi cabs hired, for the transportation of officers (other than Head of Mission) between office and their residences. This had resulted in drivers working long hours which attracted overtime claims. It was further noted that officers' children were transported to school using official transport. It is my understanding that all these are for the account of the officers concerned, and not Government.

72. **Audit of Accounts – Botswana High Commission, Nairobi**

An examination of the accounts and records of the Mission for the financial year ended 31st March 2016 had given rise to a number of observations, which I addressed to the Accounting Officer in November 2016 for his comments. The main ones of these observations were the following:

- (a) A review of the Mission expenditures had revealed instances of over-expenditures under some items which could have been averted by virements from other items with some savings. Failure to use this facility would suggest lack of financial and

expenditure control which public officers are enjoined to exercise at all times.

- (b) Arising from the audit of the Mission accounts in 2011, I had raised comment about the regular use of a particular taxi service provider alongside the Mission vehicles, to which the Accounting Officer had responded that this was necessitated by the poor conditions of the Mission vehicles which needed to be replaced. In the year under review, 5 years later, I noted that the same taxi service provider was still being used which raised questions about the current condition of Mission vehicles, given the earlier response of the Accounting Officer and what action he proposed to take to resolve this matter.
- (c) An examination of the vouchers had indicated that there had been need, throughout the year, for regular and frequent fumigation services at the residences at a total cost of P324 122. The regularity and frequency of these services had given rise to questions about the sanitary conditions of the residences in question and their suitability for lease by the Mission.
- (d) The Mission had, jointly with the Ministry of Youth, Sport and Culture, engaged artists from Botswana to perform at the National Day celebrations on 30th September 2015 on an all-expenses-paid basis. The expenses paid for included airfares, performance fees, per diem allowances, and hotel expenses which I considered rather generous with the payment of both the per diem allowances and hotel expenses, over and above the performance fees.
- (e) During an audit inspection visit to the Mission, the physical verification of inventories could not be completed as one office which was previously occupied by the Immigration Attaché had been locked since his departure in 2011. While the office itself may not be required for immediate use, but at least it should be accessible so that the furniture and equipment may be available for use whenever required; moreover, the office should be cleaned from time to time to avoid furniture infestation and damage by pests.
- (f) As far back as 2014, the Mission had drawn up a list of unserviceable supplies comprising household and office furniture and equipment, bedding, linen, curtains and glassware, and the reasons for unserviceability were stated variously as old, faulty, torn and broken. It was explained that unserviceable supplies were normally disposed of by sale to locally recruited staff, and any unsold items were given out as donations. I am yet to

obtain confirmation that this manner of disposal, as an alternative to sale of all items by public auction, had the approval of the Public Procurement and Asset Disposal Board (PPADB).

- (g) The Mission has a fleet of 5 motor vehicles, but only 4 had been taken on charge on Supplies Ledger Card as an indication of ownership of those vehicles. For some inexplicable reason, it was stated that there was some uncertainty about the ownership of the fifth motor vehicle, although it was clearly assigned a Botswana Diplomatic Mission registration number.
- (h) A test check of the physical supplies against ledger balances had revealed some discrepancies which indicated that these records were not maintained to the standard prescribed by Supplies Regulations and Procedures, with the risk that attractive and high value items may disappear, through dishonesty or otherwise, without trace or detection.
- (i) A scrutiny of the records of the rental security deposits held by the landlords for the premises leased by the Mission had indicated that a total of P323 860 was held under these accounts, whereas the ledger account of the Accountant General showed a balance of P546 147 as at 31st March 2016. Manifestly, these accounts need to be continually reviewed and reconciled so that they reflect a true state of the deposits held by the landlords.

At the time of writing this report the Accounting Officer's comments on the foregoing observations were still awaited.

73. Audit of Accounts – Botswana Embassy, Stockholm

Following an audit examination of the accounts and records of the above Embassy for the financial year ended 31st March 2016, I raised a number of observations which I addressed to the Accounting Officer in September 2016 for his comments. However, despite the lapse of time allowed for the receipt of responses, I had still not received those comments at the time of writing this report. The more significant of the matters raised were the following:-

- (a) The revenues collected in this year under all 3 items relevant to this Mission were far below estimates, and very low compared to previous years, which would suggest lack of proper attention to this matter. Although significant amounts had been received from refunds of claims for medical expenses in previous years, no

estimates had been made for this item, nor any collections received in the year under review.

- (b) A review of the payment vouchers had indicated that the Mission had spent a total of, at least, P445 287 on the 2015 Botswana Day Celebrations, for 400 invited guests at an official reception. The expenditure, which were partly met from the Ministry of Youth, Sport and Culture funds, had entailed hire of a musical group from Botswana, local costs in Sweden for the group, including hire of musical instruments, transportation costs etc. Compared to the Mission's previous years' budgetary provisions and overall hospitality funding, I consider this year's level of expenditure on these celebrations rather generous especially as this was not even the final year of the Golden Jubilee.
- (c) Although I had raised the question of transportation of officers' children to and from school in the Missions I have not received the Accounting Officer's definitive ruling on this matter. In the case of this Mission, as a case in point, we had noted regular overtime claims by drivers connected with the transportation of children to school.
- (d) I have drawn the attention of the Accounting Officer to a possible duplicate payment in the amount of P5 249 on account of the change of air ticket from Gaborone to Stockholm by a senior officer of the Mission which should be claimed and refunded.

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

The audit of the accounts of the above Mission for the year ended 31st March 2016 had given rise to a number of observations, the more significant of which were the following:-

- (a) The estimated revenue for the Mission was P8 010 in respect of Private Telephone Charges, including a token estimate of P10 for Sundry Receipts. It was noted that there had been a significant decline in the year under review, in the actual collections of the private telephone charges, amounting to P618, compared to P4 711 in the previous year and P6 204 and P6 108 in the preceding 2 years, respectively. Although the revenue, largely reimbursables, in the Missions are relatively small amounts, I consider that these matters nevertheless need to be given the

necessary attention in both the estimations and the actual collections.

- (b) The standard of accounting at the Mission was noted to be below that prescribed by the Financial Instructions and Procedures as evidenced by numerous instances of misallocations of expenditures to inappropriate accounts. The misallocations have the effect of distorting the expenditure totals under the various accounts concerned.
- (c) In other instances, the payment vouchers were not, in all cases, supported by appropriate documentation to authenticate the payments, which made the verification of those payments tedious and ineffectual. I had made a similar comment in my report on the accounts of this Mission in October 2013, but there has neither been any improvement nor comment received from the Accounting Officer.
- (d) In the past, I had raised the issue of transportation of officers' children to and from school using official transport in the Missions, which I considered should have been for the account of the parents concerned. A scrutiny of the Mission vouchers had indicated regular monthly overtime claims by drivers for transporting children to school. I am yet to receive the Accounting Officer's final ruling on this matter.
- (e) In terms of the Mission accounts, the Mission, jointly with the Ministry of Youth, Sport and Culture had spent a total of P369 804 in connection with the National Day Celebrations held on 30th September 2015. The expenditures covered a number of items, including the hire of a traditional dance group from Selibe-Phikwe, transportation of the group to Maputo, accommodation and performance fees. The group members, numbering 22, were in addition paid 50% of the per diem allowance for the host country. I have not been able to appreciate the rationale in the generosity which was extended to the dance group in a year which was not even the final year of the Golden Jubilee.

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

75. **Refundable Security Deposit – Cape Town Consulate**

The Botswana Consulate in Cape Town was officially closed effective from 30th September 2012, although the accounts were maintained through to financial year-end at 31st March 2013. This was to facilitate the clearance of any outstanding matters, such as the payment of any bills, etc. As at that date, there still remained an unrecovered balance of P201 485 of the security deposits in respect of properties leased by the Mission. As all Mission officers had left the duty station, it was expected that the collection of the outstanding deposits would be followed up by the officers at the High Commission in Pretoria, who, in any case, were not privy to the issues, if any, affecting these deposits.

It is evidently clear that the collection of these deposits was slow in the extreme, with the result that as at 31st March 2016 a balance of P44 037, virtually dormant, had still not been collected.

In my view, the fact that these substantial rental deposit amounts could not be claimed and collected at the relevant time, the slow collection rate since then and the residual balance still remaining, 3 years after the Mission closure, is clear evidence of the unsatisfactory manner in which these matters were handled by the Mission officers, at least. At this rate, it is likely that the balance of P44 037 will turn out to be a candidate for write-off, resulting in an unwarranted loss to the public revenues.

INDEPENDENT ELECTORAL COMMISSION

76. Warranted Provision

The utilisation of funds warranted to the Commission for the financial year ended 31st March 2016 is indicated below:-

<u>Department</u>	<u>Warranted Provision</u>	<u>Actual Expenditure</u>	<u>Over + Under - Expenditure</u>	<u>%</u>
Independent Electoral Com.	51 823 690	49 253 337	- 2 570 353	5

Compared to the previous year, the Commission has continued to perform satisfactorily in funds utilisation at 95%, against 94% last year and 99% in the year before.

77. Non-Moving Advances

The non-moving advance which were outstanding on the 31st March 2016 under this Commission are shown below:-

Surcharge – P & P Payroll	5 210
Recovery of Overpayment of Salaries	<u>2 674</u>
	7 884

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

Loss of Cash- Cash Shortage	1 155
Travelling Imprests	<u>2 361</u>
	3 516

OFFICE OF THE OMBUDSMAN

78. Warranted Provision

The utilisation of funds warranted to the Office of the Ombudsman for the financial year ended 31st March 2016 is indicated below:-

<u>Department</u>	<u>Warranted Provision</u>	<u>Actual Expenditure</u>	<u>Over + Under - Expenditure</u>	<u>%</u>
Ombudsman	22 054 000	20 533 236	- 1 520 764	7

In the year under review, the Office has performed satisfactorily with 93% utilisation of warranted funds, compared to 92% in the previous year and 98% in the year before.

79. Non-Moving Advances

The non-moving advance which were outstanding on the 31st March 2016 under this Office are shown below:-

Recovery of Overpayment of Salaries	1 570
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MINISTRY OF LANDS AND HOUSING

80. Warranted Provision

The utilisation of funds warranted to the Ministry for the financial year ended 31st March 2016 is indicated below:-

<u>Department</u>	<u>Warranted Provision</u>	<u>Actual Expenditure</u>	<u>Over + Under - Expenditure</u>	<u>%</u>
Headquarters	524 867 573	521 333 670	- 3 533 902	1
Housing	127 208 691	126 674 640	- 534 051	1
Surveys & Mapping	37 288 537	37 787 792	+ 499 255	-
Towns & Regional Planning	25 816 587	25 564 165	- 252 422	1
Lands	56 992 557	54 661 486	- 2 331 071	4
Registrar of Deeds	10 434 061	10 231 221	- 202 839	2
Technical Services	<u>6 727 005</u>	<u>6 754 596</u>	<u>+ 27 590</u>	<u>-</u>
	789 335 010	783 007 569	- 6 327 441	1

The Departments of Surveys and Mapping and of Technical Services had overspent the funds sub-warranted to them by the Accounting Officer, contrary to the clear terms of the sub-warrants. This indicates lack of financial and expenditure control on the part of the said Departments.

81. Non-Moving Advances

The non-moving advances which were outstanding on the 31st March 2016 under this Ministry are shown below:

Damage to Government Vehicles	27 396
Surcharge – P & P Payroll	430
Advances – Grade D4 & Below	7 250
Loss of cash – Cash Shortages	308 520
Recovery of Overpayment of Salaries	82 535
Training Bond Liability	293 773
Travelling Imprests	<u>66 060</u>
	785 964

MINISTRY OF ENVIRONMENT, WILDLIFE AND TOURISM

82. Warranted Provision

The utilisation of funds warranted to the Ministry for the financial year ended 31st March 2016 is indicated below:-

<u>Department</u>	<u>Warranted Provision</u>	<u>Actual Expenditure</u>	<u>Over + Under - Expenditure</u>	<u>%</u>
Headquarters	159 215 775	153 935 118	- 5 280 657	3
Wildlife & National Parks	254 122 760	252 030 994	- 2 091 766	1
Tourism	19 577 336	18 927 239	- 650 098	3
Meteorological Services	55 215 930	54 832 887	- 383 043	1
Sanitation & Pollution	19 547 660	18 610 711	- 936 949	5
Forestry & Range Res.	71 190 949	68 989 425	- 2 201 524	3
Environmental Aff.	19 671 430	19 696 185	+ 24 755	-
National Museum, Monu. & Art Gallery	<u>28 179 290</u>	<u>27 776 187</u>	<u>- 403 103</u>	<u>2</u>
	626 721 130	614 798 746	-11 922 384	2

The Ministerial expenditure for the year under review was P614 798 746, representing 98% of the warranted provision, leaving an unspent balance of P11 922 384 net of the over-expenditure of P24 755 by the Department of Environmental Affairs.

83. Non-Moving Advances

The non-moving advances which were outstanding on the 31st March 2016 under this Ministry are shown below:-

Damage to Government Vehicles	71 644
Surcharge - P & P Payroll	1 000
Imprest Recoveries	5 487
Industrial Class – Advances	1 500
Advances – Grade D4 & Below	13 255
Loss of Cash – Cash Shortages	41 735
Recovery of Overpayment of Salaries	89 195
Training Bond Liability	242 932
Travelling Imprests	<u>6 050</u>
	472 798

INDUSTRIAL COURT

84. Warranted Provision

The utilisation of funds warranted to the Industrial Court for the financial year ended 31st March 2016 is indicated below:-

<u>Department</u>	<u>Warranted Provision</u>	<u>Actual Expenditure</u>	<u>Over + Under - Expenditure</u>	<u>%</u>
Industrial Court	32 530 640	31 351 790	- 1 178 851	4

The expenditure in the year under review was P31 351 790, representing 96% utilisation of the warranted provision, compared to 94% in the previous year and 99% in the year before.

85. Non-Moving Advances

The non-moving advance which were outstanding on the 31st March 2016 under this Court are shown below:-

Recovery of Overpayment of Salaries	19 978
Travelling Imprests	<u>6 985</u>
	26 963

MINISTRY OF YOUTH, SPORT AND CULTURE

86. Warranted Provision

The utilisation of funds warranted to the Ministry for the financial year ended 31st March 2016 is indicated below:-

<u>Department</u>	<u>Warranted Provision</u>	<u>Actual Expenditure</u>	<u>Over + Under - Expenditure</u>	<u>%</u>
Headquarters	778 935 784	744 110 802	- 34 824 982	4
National Library Services	-	- 1 361 208	- 1 361 208	-
Sports & Recreation	-	- 1 647	- 1 647	-
Nat. Archives & Records Services	2 516 160	12 067 957	- 448 203	4
Arts & Culture	-	- 316 044	- 316 044	-
Youth	-	- 176 308	- 176 308	-
National Internship Programme	<u>88 405 176</u>	<u>85 310 334</u>	<u>- 3 094 842</u>	<u>4</u>
	879 857 120	839 633 886	- 40 223 234	5

The warranted provision for the Ministry was P879 857 120, and the actual expenditure was P839 633 886, representing 95% of the warranted provision.

87. Non-Moving Advances

The non-moving advances which were outstanding on the 31st March 2016 under this Ministry are shown below:-

Damage to Government Vehicles	8 415
Imprest Recoveries	1 142
Recovery of Overpayment of Salaries	100 448
Travelling Imprests	<u>159 035</u>
	269 040

88. Expenditures on National Day Celebrations – Botswana Missions

In October 2016, I addressed a communication to the Accounting Officer seeking his comments on and explanations for expenditures from his Ministry funds that had been incurred through certain Botswana Diplomatic Missions in connection with the Botswana National Day Celebrations in September 2015. The expenditures

related primarily to the sponsorship of Botswana musical groups to perform in the Missions in Stockholm, Maputo and Nairobi during the celebrations, and covered only those expenditures that were paid by the Missions on behalf of the Ministry, excluding any that might have been paid directly by the Ministry. The sponsorship expenses had covered such items as performance fees, per diem allowances, hotel expenses, transportation costs including local costs, and in one case the hire of musical instruments in Stockholm.

While I appreciate the desire and the need to promote local talent among the youth, if that was the motivation, I nevertheless considered that in this instance the sponsorship was rather generous, which went beyond the limits of the public service rules, with the payment of both the per diem allowances and the hotel expenses, over and above the engagement fees of the musical groups. Furthermore, as I have not received the Accounting Officer's comments, I am yet to appreciate why he decided on these expenditures in this year [2015] which was not even the final year of the Golden Jubilee, which would be celebrated only in September 2016.

MINISTRY OF INFRASTRUCTURE, SCIENCE AND TECHNOLOGY

89. **Warranted Provision**

The utilisation of funds warranted to the Ministry for the financial year ended 31st March 2016 is indicated below:-

<u>Department</u>	<u>Warranted Provision</u>	<u>Actual Expenditure</u>	<u>Over + Under - Expenditure</u>	<u>%</u>
Headquarters	152 270 240	148 191 725	- 4 078 515	3
DBES	239 190 014	220 976 480	-18 213 534	8
Research, Science & Technology	7 733 116	6 445 999	- 1 287 117	17
Radiation Protection	<u>2 559 710</u>	<u>11 637 836</u>	<u>- 921 874</u>	<u>7</u>
	411 753 080	387 252 040	- 24 501 040	6

During the year under review, the Ministry operated on a reduced budget from that of the previous year, which was also lower than the year before. The warranted provision in the year was P411 753 080, compared to P494 481 850 in the previous year and P510 950 660 in the year before. The expenditure was P387 252 040, compared to P455 979 936 in the previous year. As in previous years, the bulk of the expenditure amounting to P116 030 390, representing 30% of the total, was in respect of subventions to the institutions under the portfolio responsibility of the Ministry, notably the Botswana Innovation Hub and Botswana Institute of Technology, Research and Innovation.

90. **Non-Moving Advances**

The non-moving advances which were outstanding on the 31st March 2016 under this Ministry are shown below:-

Damage to Government Vehicles	6 274
Surcharge - P & P Payroll	2 069
P & P Emergency Advances	3 625
Imprest Recoveries	11 684
Industrial Class – Advances	3 300
Advances – Grade D4 & Below	30 119
Loss of Cash – Cash Shortages	16 691
Recovery of Overpayment of Salaries	140 266
Travelling Imprests	<u>14 510</u>
	228 538

MINISTRY OF TRANSPORT AND COMMUNICATIONS

91. **Warranted Provision**

The utilisation of funds warranted to the Ministry for the financial year ended 31st March 2016 is indicated below:-

<u>Department</u>	<u>Warranted Provision</u>	<u>Actual Expenditure</u>	<u>Over + Under - Expenditure</u>	<u>%</u>
Headquarters	482 165 620	474 979 345	- 7 186 275	2
DRTS	131 740 870	125 358 241	- 6 382 629	5
CTO	523 441 320	499 258 899	- 24 182 422	5
Telecoms. & Postal Services	10 483 170	9 566 736	- 916 434	9
Roads	544 418 340	536 833 554	- 7 584 786	1
Information Technology	<u>387 286 060</u>	<u>380 500 965</u>	<u>- 6 785 095</u>	<u>2</u>
	2 079 535 380	2 026 497 740	- 53 037 640	3

The Ministry expenditures are all within budget, with a 97% funds utilisation at year-end, compared to 96% in the previous year.

92. **Non-Moving Advances**

The non-moving advances which were outstanding on the 31st March 2016 under this Ministry are shown below:-

Damage to Government Vehicles	89 221
Surcharge - P & P Payroll	204 693
P & P Emergency Advances	2 000
Imprest Recoveries	4 017
Industrial Class – Advances	15 560
Advances – Grade D4 & Below	838
Loss of Cash – Cash Shortages	238 990
Recovery of Overpayment of Salaries	347 633
Training Bond Liability	34 822
Travelling Imprests	<u>20 238</u>
	958 012

MINISTRY OF DEFENCE, JUSTICE AND SECURITY

93. Warranted Provision

The utilisation of funds warranted to the Ministry for the financial year ended 31st March 2016 is indicated below:-

<u>Department</u>	<u>Warranted Provision</u>	<u>Actual Expenditure</u>	<u>Over + Under - Expenditure</u>	<u>%</u>
Headquarters	100 311 627	89 646 166	- 10 665 461	11
Botswana Defence Force	2 983 796 214	2 959 144 410	- 24 651 804	1
Police	1 605 251 540	1 600 383 363	- 4 868 177	-
Prisons	<u>345 657 733</u>	<u>329 272 327</u>	<u>- 16 385 406</u>	<u>5</u>
	5 035 017 114	4 978 446 266	- 56 570 848	1

From the Warranted Provision of P5 035 017 114, the actual expenditure for the Ministry for the final year was P4 978 446 266 representing 99% utilisation, compared to 95% last year and 99% in the year before. This is considered a satisfactory performance.

94. Non-Moving Advances

The non-moving advances which were outstanding on the 31st March 2016 under this Ministry are shown below:-

Damage to Government Vehicles	247 233
P & P Emergency Advances	2 000
Imprest Recoveries	3 172
Industrial Class – Advances	2 000
Advances – Grade D4 & Below	10 019
Loss of Cash – Cash Shortages	58 711
Recovery of Overpayment of Salaries	71 171
BDF Fines Recoveries	137 983
Travelling Imprests	<u>32 767</u>
	565 056

95. **Audit Inspection – Botswana Police Service, Serule**

An audit inspection which was carried out at the above Police Station had indicated instances of weaknesses and shortcomings in the planning and execution of the projects which were implemented at the station. These weaknesses had resulted in unproductive expenditures as the objectives which underpinned those expenditures were not achieved. Such instances are indicated below:

- (a) The construction design of the Police Station in 2004 included a fuel-point facility for the station vehicles. Although there is an infrastructure for such a facility it has never been operationalized as the oil company approached, as I understand it, declined to supply fuel on the grounds that it would not be economical to do so. The implication is that the expenditure in the construction and acquisition of assets (shelter and paving) relative to the facility had been worthless.
- (b) The upgrading of the sewerage system was initially awarded to a contractor in the sum of P1 539 707 for a period of 4 months from February 2010 to June 2010. The contractor did not, however, commence the work, for some inexplicable reason, until December 2011 with a new scheduled completion date of October 2012 (10 months) on a revised project design. A subsequent progress inspection by the Department of Building and Engineering Services had identified a number of defects in the construction works. There was evidently tardiness in attending to the defects.

In view of the continued lack of progress on the project, the contractor was terminated in September 2014, when a total of P1 931 921 had already been paid to him. In the event, the contractor challenged the termination, and the matter was referred to the Dispute Arbitration Board. At the time of writing this report, I was not aware of progress made in the matter.

It is now 6 years since the initial award of the contract in 2010, and the project still remains far from complete. It is a matter for concern that it is commonplace that the implementation of Government projects always experience time-overruns, with resultant considerable costs to the public revenues.

- (c) Sometime in 2011 a lime softening machine was purchased which functioned for a very short time and stopped. My inquiries had revealed that there had not been any follow-up with the

supplier, nor attempt otherwise made to bring the machine to functionality.

The fact of this machine standing dysfunctional for so long, in my view, raises the question of whether the expenditure on the purchase was necessitated by real need.

I addressed the above matters to the Accounting Officer in September 2015, but despite the seriousness of the issues raised, I had still not received her comments at the time of writing this report.

VIII LOCAL GOVERNMENT AUTHORITIES

96. In terms of Section 68 (3) of the Local Government Act, [Cap 40:01] and Section 32 (3) of the Tribal Land Regulations [Tribal Land Act, (Cap 32:020)], I am required to audit the accounts of all Councils and Land Boards, and submit my reports and audited statements to the Minister, to the Minister responsible for finance and to the Town Clerks, Council Secretaries and Land Board Secretaries who shall cause them to be tabled before their respective Full Councils and Land Boards, as the case may be.

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

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

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

Town and City Councils

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

District Councils

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

Land Boards

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

IX PERFORMANCE AUDIT

97. 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 (No. 15 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 Regulation 32 (5) (iii) of the Tribal Land Act, respectively.

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

During the year under review the following audits were in progress;

- Maintenance and Functionality of Primary Schools Cooking Equipment by the Ministry of Local Government & Rural Development.
- Regulation of Municipal Solid Waste in Botswana by the Ministry of Environment, Wildlife and Tourism (Department of Waste Management and Pollution Control).
- Crime and Criminal Recording System by the Ministry of Defence, Justice and Security (Botswana Police Service).
- Upgrading and Construction of Ramotswa and Taung Internal Roads by South East District Council.

- Coordination and Monitoring of Environmental Assessment Operations by the Ministry of Environment, Wildlife and Tourism.

X PARASTATALS

98. Introductory

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

The succeeding paragraphs are observations and comments resulting from my audits (where appropriate) and review of the accounts and reports of those bodies. While I expect full cooperation from state enterprises, it is disheartening to note that some of them fail to submit their reports, thus denying the Parliamentary Committee the opportunity to examine their accounts in the relevant year of account.

99. Air Botswana

The financial statements of Air Botswana for the financial year ended 31 March 2016 were audited by Messrs PricewaterhouseCoopers, Certified Public Accountants, who were appointed by me in terms of Section 22 (2) of the Air Botswana Act, (Cap 74:07).

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements presented fairly, in all material respects, the financial position of Air Botswana as at 31 March 2016, and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and in a manner required by Section 22 (3) of the Air Botswana Act, (Cap 74:07).

The Airline had not complied with the provisions of Section 17 of the Air Botswana Act, (Cap 74:07) which require its revenue to be sufficient to produce a reasonable rate of return.

2.2 Financial Results

During the year under review, the Airline recorded a loss of P86.09 million, compared to P164.78 million reported in the previous year. Expenditure declined from P518.07 million in the previous year to P470.62 million in the year under review, representing 9.2% decline, mainly due to the use of fuel efficient aircrafts and grounding of high fuel consuming aircrafts which also required high maintenance. Income on the other hand increased from P353.29 million to P384.53 million, representing 8.8% during the same period.

The traffic revenue increased from P312.32 million in the previous year to 314.31 million in the year under review.

The Airline had been incurring losses over the past years which had accumulated to P571.46 million as at 31st March 2016. The Airline's ability to continue as a going concern is dependent on the Government's continued financial support as the losses are expected to persist into the foreseeable future. In the year under review, the Government provided P62.40 million grant towards operations, termination package, engine overhaul and ERP (Enterprise Resource Planning) system.

2.3 Working Capital

The working capital position of the Airline as at 31 March 2016 showed current assets of P130.21 million and current liabilities of P144.17 million resulting in a net current liabilities position of P13.96 million.

Current liabilities included provision for leave pay and gratuity of P20.85 million and deferred Government grant of P39.34 million.

3.0 Management Letter

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

3.1 Penalties for Late Return of Rotables

The auditors observed that the Airline was charged P2.5 million penalty by Sabena for late return of unserviceable rotatables loaned as far back as 2014 after it was negotiated down from P7.83 million on condition that the service contract was renewed. The contract

was breached when rotables were returned after Sabena had provided the Corporation with the requested part.

In response management noted the auditor's observation and stated that controls were put in place to keep track of the contracts.

3.2 Receivables Deposits

The auditors observed that supplier deposits of P3.5 million were not recovered even after the contract had been successfully completed after more than a year. There were also cases where the final payments were made by the Airline to suppliers after setting off deposits with suppliers' invoices without a corresponding entry being made for the receivables account which had resulted in overstatement of other receivables and understatement of expenses by P2.1 million. This was an indication that contracts were not monitored and supervisory and monitoring controls over receivable deposits not strengthened.

In response management noted the auditors' finding and stated that controls would be put in place to avoid a repeat of similar instances.

3.3 Accumulated Leave Day Balances above Statutory Limits

The auditors noted, as in the previous year, that a number of employees were carrying leave days in excess of stipulated statutory days allowed and that the majority of these employees were pilots who had accrued more than 125 leave days.

In response management indicated that they were in the process of aligning leave days with statutory requirements, and that without compromising operations employees would be released to go on leave.

3.4 RSA Employee Taxes

The auditors noted that PAYE deductions for employees based in South Africa was P40 000 less than the tax payable, an indication of possible non-compliance with South African tax laws.

In response management acknowledged the auditors' finding and stated that they would engage their consultant to investigate.

3.5 Fully Depreciated Assets

The auditors noted a number of fully depreciated assets in the fixed assets register for the following categories, indicating non-compliance with International Accounting Standard 16 – Property, Plant and Equipment which requires a review of useful lives of assets on a regular basis:

- Motor vehicles – P3.2 million
- Loose tools – P4.0 million
- Ground equipment – P3.0 million
- Furniture and equipment – P10.0 million

In response management noted the auditors' finding and stated that they would do a review of fully depreciated assets on regular basis to reassess their useful lives.

100. **Banyana Farms**

The financial statements of the Banyana Farms for the financial year ended 30 June 2015 were audited by Messrs RSM Gurugroup, Certified Public Accountants, who were appointed by the Board.

2.0 Accounts

2.1 Qualified Audit Opinion

In the opinion of the auditors:

There was no record of births during the year for unbranded calves and as some were sold during the year, could not determine the extent of livestock variance. Not all the cattle were in the kraal during end of year stock-count which resulted in a variance of 390 cattle between the count and records.

Except for the possible effects of the matters described above, the financial statements presented fairly, in all material respects, the financial position of Banyana (Proprietary) Limited as at 30 June 2015, and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

2.2 Financial Results

In the year under review, the Banyana Farms recorded a loss of P298 468, compared to P4.35 million in the previous year.

Though the Banyana Farms continued to make losses, this was an improvement as losses had reduced by 92% from last year.

2.3 Working Capital

As at 31 June 2015, the working capital position of Banyana Farms showed current assets of P6.64 million and current liabilities of P4.31 million, resulting in a net current assets position of P2.33 million.

In 2014, Government through the Ministry of Agriculture resolved to restructure Banyana Farms by leasing it out to farmers. Once this is implemented it would result in Banyana Farms shedding the cattle ranching, breeding and marketing business to concentrate on managing the leased portions of the farm. Hence the biological assets and some property, plant and equipment and inventories would be disposed of.

3.0 Management Letter

In June 2016, I addressed a communication to the General Manager requesting him to submit the audited accounts and reports of Banyana Farms for the year ended 30 June 2015 for my review, in line with the existing arrangement. At the time of writing this report, I had received the audited accounts of which I reviewed but I had not received the management letter.

I have therefore not been able to include my comments on the issues raised by the auditors, if any, on the accounts of Banyana Farms for the year under review in this report.

101. **Botswana Accountancy College**

The financial statements of the Botswana Accountancy College for the financial year ended 31 March 2016 were audited by Messrs PricewaterhouseCoopers, Certified Public Accountants, who were appointed by the Board.

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements presented fairly, in all material respects, the financial position of the Botswana Accountancy College as at 31 March 2016, and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

2.2 Financial Results

In the year under review, the College recorded a deficit of P34.16 million, compared to a surplus of P3.99 million in the previous year. The deficit was attributable to expenditure increasing from P154.13 million in the previous year to P182.77 million in the year under review, recording a 19% increase, while income declined from P158.12 million to P148.61 million, representing 6% decrease.

The decline in income was mainly due to tuition fees from undergraduate programmes declining from P98.06 million in the previous year to P84.40 million in the year under review, representing 14% decline.

2.3 Working Capital

The working capital position of the College as at 31 March 2016 showed current assets of P80.46 million and current liabilities of P86.40 million, resulting in a net current liabilities position of P5.94 million.

The current liabilities included P6.17 million provision for bonus, gratuity and leave pay.

3.0 Management Letter

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

3.1 Bank Reconciliations

The auditors noted that bank reconciliations were not performed satisfactorily. The Barclays account year-end bank reconciliation included deposits totalling P98 799 which had not been cleared for a long time and an investigation carried out by management had revealed fraud relating to tuition fees collections of P113 068. The Stanbic fixed deposit account bank reconciliations were not

performed on monthly basis and a UK Pound Sterling conversion rate at the year-end of 1.28 to Pula was applied instead of using 15.67.

In response management noted the auditors' observation and stated that appropriate measures had been put in place to resolve the issues raised.

3.2 Long Outstanding Debtors

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

The outstanding debtors were as follows:

<u>Category</u>	<u>2016</u>		<u>2015</u>	
	<u>P'Million</u>	<u>%</u>	<u>P'Million</u>	<u>%</u>
Government Entities	6.98	36	15.88	57
Corporate Entities	1.51	8	3.03	11
Self-sponsored Students	<u>10.91</u>	<u>56</u>	<u>8.84</u>	<u>32</u>
	<u>19.40</u>	<u>100</u>	<u>27.75</u>	<u>100</u>

The auditors also noted that the combined amounts outstanding over 90 days from corporate entities and self-sponsored students had increased over the years as they were P12.42 million this year, P11.87 million last year and P6.6 million the year before, indicating inadequate monitoring. In addition, there were numerous self-sponsored students with small outstanding amounts for which management could not adequately explain why they had remained uncollected for a long time, hence an additional provision of P2.25 million was made.

In response management noted the auditors' observation and stated that measures had been put in place by having a team dedicated to follow-up the old debts and another one for current debtors. Weekly reviews on the recoverability of debtors are made on a segmental basis and the situation should be brought under control during 2016-17 financial year.

102. Botswana Agricultural Marketing Board

In October 2016, I addressed a communication to the Chief Executive Officer requesting for the submission of the audited accounts and report of the Botswana Agricultural Marketing Board for the financial

year ended 31st March 2016 for my review, in line with the existing arrangement.

In response to my request for the audited accounts and report, I received communication from the Chief Executive Officer informing me that the accounts of the financial year ended 31st March 2016 were not ready for submission as the audit had not been concluded pending appointment of Board Members. I have therefore not been able to include my comments on the accounts of the Board for the year under review in this report.

However, in terms of Section 16(3) of the Botswana Agricultural Marketing Board Act (Cap 74:06) the Board must submit the audited accounts to the Minister within four months of the end of the financial year who shall cause them to be laid before the National Assembly. The Board had therefore not complied with the requirements of the Act in this regard.

103. **Botswana Bureau of Standards**

The financial statements of the Botswana Bureau of Standards for the financial year ended 31 March 2016 were audited by Messrs PricewaterhouseCoopers, Certified Public Accountants, who were appointed by the Council in terms of Section 8 (2) of the Standards Act, (Cap 43:07).

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors,

The financial statements presented fairly, in all material respects, the financial position of the Botswana Bureau of Standards as at 31st March 2016, and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

2.2 Financial Results

In the year under review, the Bureau recorded a surplus of P4.65 million, compared to a deficit of P1.64 million reported in the previous year.

Income for the year under review was P90.41 million, compared to P90.52 million in the previous year, while expenditure declined by

7% from P92.16 million to P85.76 million during the same period. The decline was largely due to reductions in major items of expenditure such as depreciation charge, repairs and maintenance and consultancies.

The Bureau is funded by Government grants, and in the year under review the grant was P78.54 million, representing 87% of total income. Other income was P9.60 million from sales of services and standards, P1.88 million rental income, P280 572 finance income and P111 568 sundry income.

2.3 Working Capital

The working capital position of the Bureau as at 31 March 2016 showed current assets of P11.94 million and current liabilities of P12.34 million, giving a net current liabilities position of P400 561.

The current liabilities included a provision of P6.61 million towards employees' gratuity, leave pay and performance based reward system (PBRs). The Bureau is obligated to pay its employees the PBR up to a maximum of 5% of the gross annual salary.

3.0 Management Letter

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

3.1 Recognition of Capital Expenditure

The auditors noted that expenses which were of a capital nature were expensed during the year under review. These amounted to P166 327 and included laboratory cassettes, air conditioners, security gates and refurbishment of porta cabin. Expenses are to be capitalised when economic benefits are expected to flow over a period of 1 year as per International Accounting Standard 16 - property, plant and equipment.

In response management stated that they had established a control process for review of expenditure reports on monthly basis to ascertain whether the expenditure is an asset or not.

104. **Botswana College of Distance and Open Learning**

The financial statements of the Botswana College of Distance and Open Learning for the financial year ended 31 March 2016 were audited by Messrs Grant Thornton, Certified Public Accountants, who

were appointed by the Board in terms of Section 2 (1) of the Botswana College of Distance and Open Learning Act, (Cap 57:03).

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements presented fairly, in all material respects, the financial position of the Botswana College of Distance and Open Learning as at 31 March 2016, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and in a manner required by the Botswana College of Distance and Open Learning Act, (Cap 57:03).

2.2 Financial Results

In the year under review, the College recorded a deficit of P3.69 million, compared to a surplus of P5.86 million in the previous year. Expenditure increased by P7.66 million while income declined by P1.89 million in the year under review.

The College is funded by Government grants, and in the year under review the grant was P70.14 million, making 70% of total income.

2.3 Working Capital

The working capital position of the College as at 31 March 2016 showed total current assets of P6.63 million and total current liabilities of P24.15 million, giving a net current liabilities position of P17.5 million.

The current liabilities include deferred tuition fee of P5.59 million and staff accruals of P6.15 million.

3.0 Management Letter

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

3.1 Maintenance of Learner Material in ITS

The auditors noted, as in the previous year, that the College continued to use an inefficient manual system in controlling the

movement and use of learner material despite the fact that they had implemented an integrated system (ITS). The auditors observed that there was no reconciliation between the materials purchased, issued and stocks at year end. They further stated that the system has the capability to manage the cost that the College incurs to produce materials, thereby minimising wastage and possibility of fraud.

In response management noted the auditors observation and stated that the College had implemented management of learner materials through ITS at head office and would roll it out to regional centres in the financial year 2016/2017.

3.2 IT Steering Committee

The auditors noted that the College did not have an IT Steering Committee that would ensure that the IT department was in harmony with the entity's mission and objectives and thereby curb any possibility of IT projects, budgets, strategies and risk analysis being neglected.

Management in response stated that the IT Steering Committee would be set up by September 2016 as part of governance structure as per the approved ICT Policy and Implementation Strategy.

3.3 IT Policies

The auditors noted that the College was operating with a number of draft policies in the IT department. Such policies are risk assessment, management review of user access rights, change control, firewall and network perimeter security and disaster recovery plan.

In response management noted the auditors' observations and stated that risk assessment procedures, management review of user access rights and the change control policy would be in place by December 2016 while the firewall and network perimeter security and the disaster recovery plan would be in place by March 2017.

105. Botswana Communications Regulatory Authority

The financial statements of the Botswana Communications Regulatory Authority for the financial year ended 31 March 2016 were audited by Messrs, PricewaterhouseCoopers, Certified Public Accountants, who

were appointed by the Board in terms of Section 26 (2) of the Communications Regulatory Authority Act, (No.19 of 2012).

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The consolidated and separate annual financial statements presented fairly, in all material respects, the consolidated and separate financial position of the Botswana Communications Regulatory Authority as at 31 March 2016, and of its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended, in accordance with International Financial Reporting Standards, and in a manner required by Section 26 (3) of the Communications Regulatory Authority Act, 2012.

2.2 Financial Results

In the year under review, the Group and the Authority recorded a surplus of P43.59 million and P11.40 million, respectively, compared to P109.75 million and P31.66 million, respectively, in the previous year. The surplus for the Group arose from a total income of P176.97 million and total expenditure of P133.38 million while that of the Authority arose from income of P132.03 million and expenditure of P120.63 million.

2.3 Dividends

In terms of the audited accounts for the year under review, the Authority paid P7.91 million as dividends relating to accounts of 2014/15 financial year and proposed a dividend of P2.85 million in respect of the accounts of 2015/16.

2.4 Working Capital

The working capital position of the Group as at 31 March 2016 showed total current assets of P320.16 million and total current liabilities of P25.39 million, giving a net current assets position of P294.77 million, while that of the Authority showed current assets of P191.09 million and current liabilities of P53.94 million, resulting in a net current assets position of P137.15 million.

Included in the current liabilities of the Authority is P28.55 million (Current year surplus less proposed dividends) allocated for

transfer to the Group reserve as Universal Access and Service Fund in terms of Section 29 (3) of the Communications Regulatory Authority Act, 2012.

3.0 Management Letter

The auditors issued a management letter and the issues raised were accounting matters which management undertook to address and do not warrant mention in this report.

106. **Botswana Development Corporation Limited**

The financial statements of the Botswana Development Corporation Limited for the financial year ended 30 June 2015 were audited by Messrs Deloitte & Touché, Certified Public Accountants, who were appointed by the Board.

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The consolidated and separate financial statements presented fairly, in all material respects, the consolidated and separate financial position of the Botswana Development Corporation Limited as at 30 June 2015, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended, in accordance with International Financial Reporting Standards.

2.2 Financial Results

In the year under review, the Group recorded a profit of P390.36 million, compared to P215.33 million in the previous year, while the Corporation recorded a profit of P276.46 million, compared to P126.03 million in the previous year. The profit for the Corporation is after a net gain on available-for-sale investments of P187.06 million while that of the Group is after a net gain on revaluation of property, plant and equipment of P3.74 million, net gain on available-for-sale investments of P187.06 million and share of loss of associates of P2.63 million.

The revenue for the Group increased from P286.74 million in the previous year to P339.88 million in the year under review, representing 19% increase, whereas that for the Corporation

increased from P150.38 million in the previous year to P194.40 million in the year under review, representing 29% increase.

The operating revenues for the year under review for the Group and the Corporation comprised the following:

	<u>Group</u> <u>P' Million</u>	<u>Corporation</u> <u>P' Million</u>
Trade Income	233.42	194.40
Rental Income	106.47	-
Finance Income	26.57	37.69
Other Operating Income	20.53	78.60
Share of Profits of Associates	102.45	-

2.3 Working Capital

The working capital position of the Group as at 30 June 2015 showed total current assets of P642.37 million and total current liabilities of P393.06 million, resulting in a net current assets position of P249.31 million. The Corporation showed current assets of P316.68 million and current liabilities of P462.10 million, resulting in a net current liabilities position of P145.42 million.

Current liabilities of the Corporation include P191.80 million due to related parties.

3.0 Management Letter

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

3.1 Loss Making Subsidiaries

The auditors noted, as in the previous year, that the following subsidiaries and associates in the Group were making losses:

	P' million
• Malutu Enterprises (Pty) Ltd	2.16
• LP Amusement Centre (Pty) Ltd	2.89
• Coast to Coast Inn (Pty) Ltd	4.63
• Lobatse Clay Works (Pty) Ltd	13.17
• Can Manufacturers (Pty) Ltd	13.41

- Talana Farms (Pty) Ltd 0.40
- Commercial Holdings (Pty) Ltd 2.06
- Golden Fruit 97 (Pty) Ltd 1.24

The total accumulated impairment losses against investments in the Corporation's financial statements amounted to P1 066.89 million as at 30 June 2015.

In response management noted the auditors' observation and stated that action, including liquidation and disposal, was being taken to restructure and turnaround the loss-making subsidiaries and associates.

3.2 Communication with Subsidiaries and Associates

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

- Inconsistent accounting policies were adopted across the group as there were no group reporting policies communicated to subsidiaries and associates. For instance, a revaluation approach was adopted as the Group reporting policy for property, plant and equipment while most of the subsidiaries had adopted cost less accumulated depreciation and impairment approach.
- Monthly financial information was not reported to the Corporation by some subsidiaries and associates, thereby not allowing the Corporation to perform timely analysis of the performance of its investments and to reliably estimate the investments' impairment allowance throughout the year.
- No process in place for timely reconciliation of the related party balances and transactions.
- There were discrepancies upon consolidation as the equity investment made by the Corporation was not appropriately reconciled to the subsidiaries' reported share capital.

- The Corporation had not performed a review of its shareholding in associates and was not able to support its percentage shareholding by share certificates.

In response management stated that:

- They were working on updating and upgrading the scope of the Corporation's existing policies to include Group accounting policies.
- A Group reporting template had been developed and put into use in 2016 as well as introduction of reconciliation of related party transactions.
- A review of percentage shareholding of all investments and documentation would be done by end of June 2016.

3.3 Closed Bank Accounts

The auditors noted inclusion of old bank accounts that had long been closed in the Corporation's trial balance.

In response management stated that they were in a process of conducting a comprehensive review of the entire chart of accounts to align it with the new structure. All accounts not in use would be deactivated in the system.

3.4 Accpac and LMS Systems

The auditors noted that there was no record of changes that took place in the system as they occurred, thereby making it difficult to identify potential fraudulent activities. They also noted that there was no segregation of duties in Accpac as all users could post invoices and payments. This increases the risk of both erroneous and fraudulent actions. There was no review of audit logs on LMS which made unauthorised changes or access to be undetected or difficult to investigate.

In response management noted the auditors' observation and stated that an audit trail module for Accpac would be procured. The user access were reviewed to reflect segregation of duties and would be carried out at least twice a year. The LMS audit trail is now reviewed monthly.

3.5 Lease Smoothing Liability

The auditors noted that the lease smoothing liability had not been updated at year-end in line with the requirements of International Accounting Standard No. 17 - Leases.

In response management stated that they would ensure that the lease smoothing liability was adjusted at year-end.

3.6 Share Application Reserve

The auditors observed that a share application reserve of P24 million for non-refundable Government contributions in respect of funding for the construction of factories for the subsidiary companies had been presented in the Corporation's statement of financial position as a separate reserve instead of being allocated to share capital.

In response management stated that they would ensure that necessary steps are taken to re-allocate the share application reserve by June 2016.

3.7 Group Tax Planning

The auditors observed that the members of the Group may utilise other members' tax losses in each financial year but there was no formal Group tax planning strategy to efficiently utilise the tax losses. The Corporation's tax losses of P15.06 million in 2015 expired and were written-off in the annual tax return.

In response management noted the auditors' finding and stated that a tax consultant would be appointed to develop and implement the Group tax planning strategy.

3.8 Preparation and Submission of VAT Returns

The auditors noted that all expenses were captured inclusive of VAT and that the VAT claimable is manually computed when submitting VAT returns to BURS, hence making it difficult to identify with accuracy the VAT portion reversed. The Corporation did not comply with Value Added Tax Act in relation to submission of VAT returns as the VAT return for June 2015 to July 2015 was not submitted by the due date of 25 August 2015. The late submission and payment for VAT may result in interest charges and penalties being levied.

In response management stated that plans were underway to review the system to enable automated allocation of VAT upon capturing individual transactions to ensure accuracy and reconciliation.

107. **Botswana Examinations Council**

The financial statements of the Botswana Examinations Council for the financial year ended 31 March 2016 were audited by Messrs KPMG, Certified Public Accountants, who were appointed by the Council in terms of Section 20 (2) of the Botswana Examinations Council Act, (Cap 58:03).

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements presented fairly, in all material respects, the financial position of the Botswana Examinations Council as at 31 March 2016, and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and in a manner required by Section 20 of the Botswana Examinations Council Act, 2002.

2.2 Financial Results

During the financial year under review, the Council recorded a deficit of P2.80 million, compared to P9.89 million in the previous year.

The Council is funded by Government grants. Over the last 3 years there has been an increase in the Government grants which resulted in the reduction in the deficit.

These were as follows:

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

2.3 Working Capital

The working capital position of the Council as at 31 March 2016 showed current assets of P13.92 million and current liabilities of P38.44 million, which resulted in a net current liabilities position of P24.52 million.

The current liabilities included gratuity and leave pay provisions of P19.37 million.

3.0 Management Letter

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

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

The auditors noted, as in the previous year, that the PAYE returns and payments were in some instances made late while in the others it was not paid at all. For instance, PAYE returns for July 2015 and October 2015 were paid and submitted late while those for November 2015 and December 2015 amounting to P1.17 million and P1.11 million, respectively, were not paid. This is not in line with the requirements of the Income Tax Act and the Council may incur penalties and interest imposed by the Botswana Unified Revenue Services (BURS) for non-compliance.

In response management agreed with the auditors' observation and stated that they would ensure that PAYE returns are submitted to BURS. They further stated that payments could only be made on time if the Council's budget is reviewed and that they had given priority to examinations activities as failure to honour their timelines could cause a national crisis.

Auditor General's Comment

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

3.2 Reconciling Items

The auditors noted long outstanding reconciling items in the First National Bank account amounting to P46 775 and dating back to May 2012 and in Barclays Bank account amounting to P322 215 and dating back to February 2015.

In response management stated that the long outstanding reconciling items were stale cheques and returned payments. The stale cheques related to refunds to students who did not write examinations and sitting allowances for Government Board members. Management undertook to investigate and clear the outstanding items.

3.3 Asset Management

The auditors noted, as in the previous year, that the fixed assets register included fully depreciated assets costing P8.31 million which were still in use and providing economic benefit to the Council. Depreciation was not calculated for 29 items of office equipment since 2012. Hence, the Council has not complied with International Accounting Standard 16 which requires that depreciation rates and residual values should be evaluated annually to be in line with the expected economic lives of the assets.

In response management maintained that the cost of assessment of residual values and useful lives of assets would outweigh the benefits. However, they would commence an exercise with the review of motor vehicles and then furniture would follow. They further stated that an error not to depreciate office equipment was noted and corrected and in future would perform periodic reconciliations to ensure that the system computations are correct.

3.4 Inventory Values

The auditors noted that the year-end inventory valuation report included negative values amounting to P347 494.

In response management noted the auditor's observation and stated that they would ensure that monthly reconciliations were carried out.

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

The financial statements of the Botswana Fibre Networks (Proprietary) Limited for the financial year ended 31st March 2016 were audited by Messrs KPMG, Certified Public Accountants, who were appointed by the Board.

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements presented fairly, in all material respects, the financial position of the Botswana Fibre Networks (Proprietary) Limited as at 31st March 2016, and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

2.2 Financial Results

During the financial year under review, the Company recorded profit of P21.40 million, compared to a loss of P56.13 million in the previous year. The turnaround in results is attributable to a significant increase in sale of goods and services, which were P184.45 million in the year under review, compared to P11.20 million in the previous year, while the cost of sales declined from P86.20 million to P48.31 million during the same period.

Income increased from P179.72 million million in the previous year to P278.38 million in the year under review, representing 55% increase, while expenditure increased from P248.58 million to P256.98 million during the same period, representing 3% increase.

The Company received a Government grant of P84.33 million during the year under review, compared to P60.31 million in the previous year.

2.3 Working Capital

The working capital position of the Company as at 31st March 2016 showed current assets of P477.25 million and current liabilities of P278.65 million, which resulted in a net current assets position of P198.59 million.

Current liabilities included P158.68 million for Government Data Network project the company manages on behalf of Government and P22.57 million staff payroll accruals.

3.0 Management Letter

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

109. Botswana Housing Corporation

The financial statements of the Botswana Housing Corporation for the financial year ended 31 March 2016 were audited by Messrs PricewaterhouseCoopers, Certified Public Accountants, who were appointed as auditors by the Corporation in terms of Section 24 (3) of Botswana Housing Corporation Act, (CAP 74:03).

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements presented fairly, in all material respects, the financial position of the Botswana Housing Corporation as at 31st March 2016, and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and in a manner required by Section 24 (4) of the Botswana Housing Corporation Act, (Cap 74:03).

2.2 Financial Results

During the financial year under review, the Corporation recorded a surplus of P27.96 million, compared to P9.84 million in the previous year, representing an increase of 184%. The surplus was mainly attributable to an increase in sales of housing inventory by 21%, from P267 million in the previous year to P326 million in the year under review, as well as an increase of 180% from the gain on sale of investment property from P39 million in the previous year to P106 million in the year under review.

Income increased from P544.36 million in the previous year to P702.10 million in the year under review, representing 29% increase, while expenditure increased from P534.52 million to P674.15 million, representing 26% increase during the same period.

2.3 Dividends

In line with the Government directive of 2009 not to be paid dividends in cash by the Corporation, but in affordable housing units, the dividends had accumulated to P80.82 million as at 31 March 2015 pending direction from Government. During the year under review, the Corporation paid a dividend of P20.67 million (P2.46 million in respect of the financial year 2014/2015 and P20.21 million of the accumulated dividend paid in equal instalments in

June 2015 and March 2016). The accounts of Government prepared by the Accountant General indicate that P12.56 million (being P2.46 million for 2014/15 and P10.10 million of accumulated balance) was received, implying that withholding tax was not deducted from the payment.

2.4 Working Capital

As at 31 March 2016, the working capital position of the Corporation showed current assets of P2 146.75 million and current liabilities of P919.74 million, which resulted in a net current assets position of P1 227.01 million.

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

3.0 Management Letter

The following were the more significant matters raised by the auditors:

3.1 Properties Title Deeds

The auditors noted, as in the previous year, a number of properties included in inventory and investment properties where the Corporation did not hold the title deeds as proof of ownership. The carrying value of such properties as of 31 March 2016 was P60.8 million (investment properties of P9.2 million and inventory of P51.6 million), compared to P18.4 million in the previous year. The auditors had established from their discussions with management that the Corporation had continued its efforts towards obtaining these title deeds and that there had not been any challenges to the Corporation's ownership of these properties. Accordingly, management believed that this was an administrative issue, which could successfully be remedied in the future.

3.2 Title Transfers for Houses Sold to Government Entities

The auditors observed, as in the previous years, significant delays in transferring titles relating to properties that were sold to Government entities. Management had explained that such delays were caused by administrative lapses by other Government entities. However, the auditors had not noted any incidents where the Corporation had borne risks or enjoyed rewards of such properties sold to Government.

3.3 Properties Leased to Soda Ash Botswana

The auditors noted that the Corporation entered into a 25-year lease (Village Agreement) with Soda Ash Botswana in September 1989 for the Corporation to develop Sowa Village for lease to Soda Ash. The lease agreement was revised in 1995 when Soda Ash was restructured and changed name to Botash, providing for continuation with 40% reduction in lease payment in the first year and thereafter escalating by 7.5% per annum until 28 November 2013, at which time it would revert to the amount contracted in the original Village Agreement. The lease agreement was not signed by the two parties but in June 2015 the Corporation and Botash signed a lease agreement effecting from September 1995 and terminating in August 2020. This lease agreement specified that lease rentals be based on cost recovery and return on capital similar to the original lease agreement and did not allow for 7.5% escalation per annum. Out of the rent receivable of P22.10 million at March 2015, Botash was willing to pay 50% of the rent and the Corporation made an impairment provision of P11.10 million. However, Botash paid 35% of the invoiced rent instead of the 50% and the Corporation was negotiating for the balance of 15% to be paid.

110. Botswana Institute for Development Policy Analysis

The financial statements of the Botswana Institute for Development Policy Analysis for the financial year ended 31st March 2016 were audited by Messrs KPMG, Certified Public Accountants, who were appointed by the Trustees in terms of the Deed of Trust (MA 16/95).

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements presented fairly, in all material respects, the financial position of the Botswana Institute for Development Policy Analysis as at 31 March 2016, and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

2.2 Financial Results

In the year under review, the Institute recorded a surplus of P2.77 million, compared to P2.69 million in the previous year.

Income declined by 2% from P24.66 million in the previous year to P24.11 million in the year under review, while expenditure on the other hand declined by 3% from P21.97 million to P21.34 million during the same period.

The Government grant, which is the main source of income, slightly declined from P18.82 million in the previous year to P18.47 million in the current year. The Institute also generates revenue from the sale of services and from investments.

2.3 Working Capital

The working capital position of the Institute as at 31st March 2016 showed current assets of P28.15 million and current liabilities of P15.08 million, which resulted in a net current assets position of P13.07 million.

Current liabilities included P5.19 million provision for gratuity and leave pay, P4.30 million project funds and P3.95 million Vision 2036 funds.

3.0 Management Letter

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

3.1 Outstanding Debtors

The auditors noted that an amount of P48 616 had been outstanding for over a year from a former employee who was dismissed for fraud.

Management in response stated that the matter had been escalated to the Finance and Audit Committee of the Institute and that the former employee had made a commitment through his lawyers to settle the debt in instalments within 12 months. The first payment of P3 000 had been received.

111. **Botswana Institute for Technology Research and Innovation**

The financial statements of the Botswana Institute for Technology Research and Innovation for the financial year ended 31st March 2016 were audited by Messrs Deloitte & Touché, Certified Public Accountants, who were appointed by the Board.

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements presented fairly, in all material respects, the financial position of the Botswana Institute for Technology Research and Innovation as at 31 March 2016 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

2.2 Financial Results

The Institute recorded a deficit of P4.22 million during the year under review, compared to a surplus of P2.30 million in the previous year. Expenditure increased from P44.11 million in the previous year to P68.18 million in the year under review, representing 55% increase, mainly attributable to increase of P11.57 million in staff costs. Income increased from P46.41 million in the previous year to P63.96 million in the year under review, representing 38% increase.

The Institute is funded by Government grants and in the year under review, the grant was P62.79 million, compared to P45.52 million in the previous year.

2.3 Working Capital

The working capital position of the Institute as at 31 March 2016 showed current assets of P103.44 million and current liabilities of P107.69 million, which resulted in a net current liabilities position of P4.25 million.

Current liabilities included P6.24 million provision for leave pay and gratuity and P93.88 million project funds.

3.0 Management Letter

The auditors had issued a management letter and the issues raised were of accounting and control nature which were resolved during audit, hence they do not warrant mention in this report.

112. Botswana Institute of Chartered Accountants

The financial statements of the Botswana Institute of Chartered Accountants for the financial year ended 31 December 2015 were audited by Goel & Associates, Certified Public Accountants, who were appointed by the Members in terms of Section 53 (2) of the Accountants Act, 2010.

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements presented fairly, in all material respects, the financial position of the Botswana Institute of Chartered Accountants as at 31 December 2015, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and in a manner required by Section 53 (9) of the Accountants Act, 2010.

2.2 Financial Results

In the year under review, the Institute recorded a surplus of P1.39 million, compared to P3.34 million (restated) in the previous year. Income declined from P19.03 million (restated) in the previous year to P18.24 million in the year under review, representing 4.2% decrease, due to an 8.8% fall in revenue earned from services. Expenditure on the other hand increased from P15.65 million to P16.85 million, representing 7.6% increase during the same period.

The income for the year under review included Government grant of P6.25 million, same as in the previous year.

2.3 Working Capital

The working capital position of the Institute as at 31 December 2015 showed current assets of P9.97 million and current liabilities of P5.91 million, resulting in a net current assets position of P4.06 million.

3.0 Management Letter

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

3.1 Value Added Tax on Motor Vehicles

The auditors noted that the Institute claimed Value Added Tax amounting to P22 629 on a motor vehicle purchased during the year under review.

In response management stated that the claim was consistent with prior year practices and that the Botswana Unified Revenue Services (BURS) had reimbursed the Institute. However, management undertook to remit to BURS the amount which had been erroneously claimed.

3.2 Property, Plant and Equipment

The auditors noted that the fixed assets register (maintained in the Sage Evolution ERP) did not reconcile with the General Ledger (Sage Pastel). They also noted that the depreciation calculation rates used in the fixed assets register differed with those of the Institute's Policy.

In response management stated that measures would be put in place to capture assets in the Sage Evolution ERP and then update the general ledger. Monthly reconciliations between the register and the general ledger would be undertaken.

113. **Botswana International University of Science and Technology**

The financial statements of the Botswana International University of Science and Technology for the financial year ended 31 March 2016 were audited by Messrs Mazars, Certified Public Accountants, who were appointed as auditors by the University Council in terms Section 19(1) of the Botswana International University of Science and Technology Act, (Cap 57:05).

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors,

The financial statements presented fairly, in all material respects, the financial position of the Botswana International University of Science and Technology as at 31 March 2016, and of its financial performance and 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 P100 151, compared to P95.3 million (Restated) reported in the previous year. The surplus for the year arose from income of P369.43 million and expenditure of P369.33 million.

The income comprised of the following:

	2016 <u>P' Million</u>	2015 <u>P' Million</u>
Government Grant	298.86	310.39
Tuition Fees	58.98	30.91
Other Income	10.41	7.68
Finance Income	<u>1.17</u>	<u>4.47</u>
	369.43	353.45

Expenditure comprised of the following:

Staff Costs	204.21	149.30
Operating Expenses	<u>165.12</u>	<u>108.86</u>
	369.33	258.17

2.3 Working Capital

The working capital position of the University as at 31 March 2016 showed current assets of P42.72 million and current liabilities of P84.19 million, giving a net current liabilities position of P41.47 million.

3.0 Management letter

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

3.1 Insurance of Fixed Assets

The auditors observed that the University had an insurance cover for only P468 million worth of assets against an asset base of over P1 billion.

Management in response noted the auditors' observation and stated that the insurance cover would be updated with additions during the period.

3.2 Bank Signatories

The auditors observed that 4 officers who had left the University still appeared as signatories to the bank accounts, thereby exposing the University to the risk of possible acts of dishonesty.

Management in response stated that though fresh bank instructions had been issued, they had omitted to indicate the names of officials to be removed. Precise bank instructions would be issued to avoid the recurrence of a similar error in future.

3.3 Credit Card Payments

The auditors observed that the University maintained two credit cards with First National Bank but that they could not ascertain when they should be used and who should authorise expenditure limits since they were not furnished with a policy on their usage.

Though management in response stated that the credit card account was closed in November 2015, they had not furnished the auditors with written correspondence made to the bank.

3.4 FNB Call Account

The auditors observed that the FNB Capital Call Account had a reconciling item amounting to P26 192 going back many years. Management in response stated that this was a very old reconciling item which would be proposed for write-off as attempts to resolve it were not successful.

3.5 Completeness of Income

The auditors observed that the University did not invoice students individually and that income was not recorded in full and the receipting system was not integrated with the accounting package.

Management in response agreed with the auditors' observation and stated that plans were underway to resolve the accounting challenges experienced by fully implementing the Oracle AR module during this year.

114. Botswana Investment and Trade Centre

The financial statements of the Botswana Investment and Trade Centre for the financial year ended 31 March 2016 were audited by Messrs PricewaterhouseCoopers, Certified Public Accountants, who were appointed by the Board in terms of Section 19 of the Botswana Investment and Trade Centre Act, (No. 12 of 2011).

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements presented fairly, in all material respects, the financial position of the Botswana Investment and Trade Centre as at 31 March 2016, and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and in a manner required by Section 19 of the Botswana Investment and Trade Centre Act, 2011.

2.2 Financial Results

In the year under review, the Centre recorded a surplus of P16.39 million, compared to P9.59 million in the previous year. The improved results are largely attributable to a reduction on branding expenses from P16.49 million to P5.69 million.

Income remained constant at P136.80 million in the year under review, compared to P136.45 million in the previous year while overall expenditure on the other hand declined by 5% from P126.86 million in the previous year to P120.41 in the year under review.

The Centre is funded by Government grants and in the year under review the grant was P113.16 million, compared to P114.16 million in the previous year.

Other income comprised the following:

	<u>P' Million</u>
Fair Value Gain on Investment	7.40
Rental Income	13.50
Global Expo Income	1.18
Finance Income	1.89

2.3 Working Capital

The working capital position of the Centre as at 31st March 2016 showed current assets of P69.49 million and current liabilities of P27.42 million, giving a net current assets position of P42.07 million.

Current liabilities included P10.18 million staff accruals and P8.67 million Special Economic Zones grant.

3.0 Management Letter

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

115. **Botswana Meat Commission**

The financial statements of the Botswana Meat Commission for the financial year ended 31 December 2015 were audited by Messrs Deloitte & Touché, Certified Public Accountants, who were appointed by the Commission in terms of Section 20 (3) of the Botswana Meat Commission Act, (Cap 74:04).

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The consolidated and separate financial statements presented fairly, in all material respects, the consolidated and separate financial position of the Botswana Meat Commission as at 31st December 2015, 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 and in a manner required by Section 20 of the Botswana Meat Commission Act, (Cap 74:07).

Other Legal and Regulatory Requirements:

The Commission had not complied with the financial provisions of Section 17 of the Botswana Meat Commission Act, (Cap 74:07) which require, taking one year with another, its revenues to be sufficient to enable the Commission to meet the outgoings of the Commission properly chargeable to the revenue account.

2.2 Financial Results

In the year under review, the Group and the Commission recorded a surplus of P337.22 million and P332.35 million, compared to a deficit of P13.87 million and P21.26 million, respectively reported in the previous year. The Commission received a Government grant of P600 million which cushioned the rise in costs and the decline in revenue from sale of meat and allied meat products.

Income for the Group increased from P1 374.05 million in the previous year to P1 861.27 million in the year under review, representing 35% increase, while expenditure on the other hand increased from P1 387.93 million to P1 524.05 million, representing 10% increase.

Income for the Commission increased from P1 355.92 million in the previous year to P1 844.41 million in the year under review, representing 36% increase, while expenditure on the other hand increased from P1 377.18 million to P1 513.56 million, representing 10% increase.

The ability of the Commission to continue as a going-concern is dependent on continued Government support as it had accumulated deficit of P591. 25 million during the year under review, compared to P893.31 million in the previous year.

2.3 Working Capital

The working capital position of the Group as at 31 December 2015 showed total current assets of P479.76 million and total current liabilities of P319.73 million, giving a net current assets position of P160.03 million while that of the Commission showed current assets of P469.74 million and current liabilities of P384.60 million, resulting in a net current assets position of P85.14 million.

3.0 Management Letter

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

3.1 Communication and Reconciliation with Subsidiaries

The auditors noted weaknesses in the communication between the Commission and its subsidiaries. These included:

- Group reporting policies not communicated to subsidiaries.

- The reconciliations not performed on time.

In response management stated that:

- The reconciliations were carried out during the year and in some cases after getting confirmation from subsidiaries which delayed the reconciliation process.
- BMC (UK) and BMC head office were reconciled but there were differences on Pula values due to historical differences since 2002. The Oracle consultants were engaged to investigate and a detailed analysis was done which showed that entries were posted in Pula value instead of foreign value.
- The Commission and the Table Bay Cold Storage (TBCS) were reconciled though it took time to investigate some entries.
- The accounting policies adopted by the Group are consistent across the Commission and subsidiaries.

3.2 Bank Reconciliations

The auditors observed the following exceptions which indicated that the bank reconciliations were not regularly reviewed in detail to detect and correct errors.

- No controls were in place for the whole year in respect of the cash management system for Francistown and the year-end cash reconciliations were not complete at commencement of the audit.
- Deposits amounting to P5 600 were duplicated in the Maun cash book and included as reconciling items in the year-end cash reconciliation.
- A reconciling item in the Maun bank reconciliation representing a cheque for P31 086 which was not processed by the bank and the supplier paid by EFT, was not cancelled by the end of 2015 but only in January 2016.
- A reconciling item for P24 593 in the Lobatse bank reconciliation had no description attached, hence its nature was not easily identifiable.

In response management stated that they had historical reconciliation challenges in Francistown which were subsequently addressed. The delay in cancellation of the Maun reconciling item was due to a delay in getting full details from the Bank to cancel the cheque.

3.3 Inventory Valuation

The auditors noted that valuation of inventory was in some instances not in line with the requirements of International Accounting Standard 2 due to the following:

- Errors in the input factors used for costing calculations as well as the estimation of the net realisable value of inventory. The price list used to determine the net realisable value of finished goods omitted some of the items and was last revised and approved in 2014.
- The final inventory valuation report did not reconcile to the physical counts verified by auditors at the time of inventory count attendance.
- Most of the quantities counted during the inventory count varied from the quantities as per the system and the closing valuation reports for inventory held in the stores were not reconciled to the general ledger. There were no access controls to the stores and there were instances in which the staff obtain inventory items from the warehouse without the knowledge of the Inventory Controller. Inventory items with a zero unit value were identified in the stores listings.
- Non recognition of an allowance for slow moving and obsolete items and items approaching their expiry dates.

In response management stated that:

- The valuation was done outside the system in a spread sheet and this caused some challenges and that they were working with Oracle developers to incorporate the valuation into the system to eliminate some of the errors.
- Controls around stores inventory were being addressed by assigning a senior officer to manage the stores accounting, invoice matching and stock items reconciliation. Small operation stores were closed and brought under a single

stores for proper functioning to avoid any leakage of material without accounting for it.

- Physical security has been improved and has also introduced online stores requisition for both stock and non-stock items.
- The inventory was reviewed and slow-moving items were transferred to a different account for their provision to be determined periodically. A policy would be developed for slow-moving and obsolete inventory.

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

The auditors noted that the Commission had not performed a re-assessment of the residual values and useful lives of its plant and equipment as well as an assessment of potential impairment as per the requirements of International Accounting Standard 16 and that formal procedures were not in place for the review.

In response management stated that an in-house informal review of plant and machinery was done and would engage experts to undertake the review. Depreciation was under charged due to an error in inputs. Due care would be taken when calculating depreciation on fixed assets.

3.5 Fixed Assets Register

The auditors noted the following weaknesses in controls around maintenance of the Commission's fixed assets register:

- Differences between the opening net book values of the Commission's property, plant and equipment per the fixed assets register and the general ledger, resulting in an adjustment of P6.90 million.
- Some assets were assigned a general descriptions in the register, which made them difficult to identify as there were numerous assets of the same nature.
- In Lobatse, motor vehicle descriptions in the register did not include their vehicle registration numbers.

In response management stated that the opening difference had originated from 2014 which was now being adjusted, going forward the register and general ledger balances would be reconciled on a monthly basis.

3.6 Title Deeds

The auditors noted that the Commission had properties in its Lobatse fixed assets register that were under the name "Bechuanaland Protectorate Abattoirs Limited". The Commission did not hold title deeds for plots with a value of P1.54 million, which is a risk as the Commission would not be able to prove ownership in the event of disputes.

In response management stated that they had engaged with the Ministry responsible for land on the matter.

3.7 Biological Assets

The auditors noted that their prior year recommendations had not been taken on board and the reconciliation, physical verification and fair valuation of biological assets was only performed at the end of the financial year. The following control deficiencies were identified:

- Boluses of a significant number of animals were either malfunctioning or missing. In addition, due to human errors, multiple animals were assigned the same bolus numbers which led to incorrect measurements of the age of animals and calculation of estimated weights and fair values at year-end.
- Although the maximum number of days in feedlots is 90 days, 271 animals had been in feedlots for close to 12 months and 593 cattle had stayed in the feedlots for 4 or 5 months as at year-end as the Department of Veterinary Services was not able to read boluses. This exposes the Commission to loss of profit since standing fees and feeding costs were incurred for each animal on a daily basis.
- Certain listings contained blank fields, which indicated that the initial records were not properly inputted into the system.
- A feeding specialist was engaged by the Commission during the year without a signed written agreement to assist on various biological assets issues. This exposed the Commission to the risk of not being able to defend its interests in the event of any disagreements.

In response management stated that:

- They had introduced a new system in the period under review and were able to perform reconciliations between the physical stock and stock records at year-end. Most of the earlier recommendations were implemented while some were beyond the Commission's control, such as those relating to absence bolus and overstay of cattle at feedlots. However, in event of no bolus, the cattle could be identified by ear tag number.
- The feeding specialist was appointed purely on temporary basis pending finalisation of the feed tender contract.

3.8 Methodology of Estimating Francistown Losses Claimed from Government

The auditors noted that the Commission had in the past been claiming the losses realised by the Francistown plant and that these were reimbursed by Government. The new methodology applied when computing losses claimed had not been formalised and formally agreed with Government, which exposed the Commission to the risk of costs claimed being rejected. The Commission had computed the losses claimed for 2014 and 2015 based on preliminary results, which were understated as they were significantly revised during audit.

In response management stated that the Presidential CAB Memo issued did not specify a mechanism for calculation of the loss to be claimed and that the reimbursement is made after the Ministry has done its due diligence on the submission.

116. Botswana National Productivity Centre

The financial statements of the Botswana National Productivity Centre for the financial year ended 31st March 2016 were audited by Messrs Deloitte & Touché, Certified Public Accountants, who were appointed by the Board of Directors in terms of Section 16 (2) of the Botswana National Productivity Centre Act, (No. 19 of 1993).

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements presented fairly, in all material respects, the financial position of the Botswana National Productivity Centre as at 31 March 2016, and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and in a manner required by Section 16 (3) of the Botswana National Productivity Centre Act, (No. 19 of 1993).

Emphasis of matter:

Without qualifying their opinion, the auditors drew attention to Note 17 of the financial statements which states that the Centre had since inception been using land and buildings provided by Government for administrative purposes while the property was not recognised in the books of the Centre due to lack of clarity of ownership and legal title.

2.2 Financial Results

During the year under review, the Centre recorded a surplus of P3.98 million, compared to P7.89 million in the previous year.

Expenditure increased by 8% from P43.95 million in the previous year to P47.27 million in the year under review, while income on the other hand declined by 1% from P51.85 million to P51.26 million during the same period.

The Centre is funded by Government grants, and in the year under review the grant was P43.20 million, compared to P39.14 million. Other notable income of P7.25 million was from sale of services, which was P3.33 million lower than the previous year.

2.3 Working Capital

The working capital position of the Centre as at 31 March 2016 showed current assets of P19.51 million and current liabilities of P14.70 million, giving a net current assets position of P4.81 million.

3.0 Management Letter

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

3.1 VAT Apportionment

The auditors noted that the Centre only claimed the portion of VAT relating to vatable income of generated income. However, they

were not provided with correspondence from the Botswana Unified Revenue Service to ascertain the percentage used.

In response management stated that BURS was being followed up to re-issue a letter of arrangement.

3.2 Bank Signatories

The auditors noted from the review of confirmations by Stanbic Bank Botswana and Bank of Baroda Botswana that 2 former employees of the Centre were included in the list of signatories.

In response management stated that following a Board resolution of 4th August 2016, an instruction was communicated to the banks to rectify the changes.

3.3 Agreement on Use of Government Property

The auditors noted, as in the previous year, that the agreement between the Centre and Government had no clarity on the terms of use of Government properties. In terms of Clause 22 (b) of the agreement, the Centre shall return all properties in good order upon termination or expiration of the agreement. The Centre generates income from the Government properties but had not recorded the properties in its books due to lack of clarity on ownership.

In response management stated that the matter was being pursued with the relevant authorities within Government.

117. Botswana National Sports Commission

The financial statements of Botswana National Sports Commission for the 15 months year ended 31 March 2016 were audited by Messrs Grant Thornton, Certified Public Accountants, 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 presented fairly, in all material respects, the financial position of Botswana National Sports Commission as at 31 March 2016, and its financial performance and its cash flows for

the 15 months then ended, in accordance with International Financial Reporting Standards and in a manner required by the Botswana National Sports Commission Act, 2014.

2.2 Financial Results

During the financial year under review, the Commission recorded a deficit of P4.19 million, compared to P2.67 million in the previous year. The deficit arose from expenditure of P142.49 million being more than income of P138.30 million.

The Commission is funded by Government grants, and during the year under review the grant was P127.83 million, representing 92% of total income, while other income was derived from, among others, stadium fees, rental income, Debswana Reba Bona Ha income.

An amount of P34.80 million was distributed to thirty-nine affiliates and associates, with allocations ranging from P17 049 (lowest) to P6.90 million (highest). The Botswana National Olympic Committee received the highest amount of P6.90 million followed by the Botswana Football Association which received P6.33 million.

Additionally an amount of P10.22 million was used to fund special projects such as Elite Scholarship Fund, IWG Women and Sport, Sports Development Fund, Zebra Athletes Fund and others. P27.23 million went to All Africa and Botswana Games expenses.

2.3 Working Capital

The working capital position of the Commission as at 31 March 2016 showed current assets of P18.35 million and current liabilities of P16.69 million, giving a net current assets position of P1.66 million.

3.0 Management Letter

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

3.1 Authorization of Expenses

The auditors noted that the amounts distributed to affiliates which exceeded the budget and were not authorized by a senior official. The Commission did not have policies and procedures in place for approval of affiliate expenses which exceed the budget.

In response management stated that they spent within limits for the first twelve months but for the subsequent 3 months when aligning the Commission's financial year to that of Government, there was no supplementary funding provided for the activities.

3.2 Pay As You Earn (PAYE)

The auditors noted that PAYE remittances to the Botswana Unified Revenue Services (BURS) for some months had not been on time, with delays on at least four occasions. This may lead to the Commission being liable to fines and penalties for non-compliance with the Income Tax Act.

In response management stated that they had a challenge as their annual grant was disbursed every quarter, causing temporary cash flow problem. However, the situation improved when Government started paying the grant biannually instead of quarterly.

3.3 Employee Leave Days

The auditors noted that some employees had more than 80 days leave entitlement at the end of the year under review and with some having accrued leave for more than 3 years. The total accrual was P1.23 million. This is contrary to Section 98 (4) of the Employment Act, (Cap 47:01) which states that any balance of leave not taken shall not be accumulated for longer than 3 years.

In response management indicated that they had introduced flexi working hours to curb entitlement to day-offs for those working after hours and weekends. Long leave days were planned to be taken during December 2016 to February 2017 period when activities would not be many. Staff leave days are now monitored to ensure that no one accumulates leave days in excess of 2 years.

118. Botswana Oil Limited

The financial statements of the Botswana Oil Limited for the financial year ended 31 March 2016 were audited by Messrs PricewaterhouseCoopers, Certified Public Accountants, who were appointed by the Board.

The Botswana Oil Limited is a wholly-owned Government company incorporated in 2012 under the Companies Act, (Cap 42:01), as a body

corporate limited by guarantee. The Company ensures security and efficiency of supply and distribution of petroleum products in Botswana, manages state-owned strategic reserve facilities, strategic stocks as well as bulk storage and distribution facilities and supports the facilitation of citizen petroleum business.

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors,

The financial statements presented fairly, in all material respects, the financial position of the Botswana Oil Limited as at 31st March 2016, and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

2.2 Financial Results

In the year under review, the Company recorded a profit of P12.25 million, compared to P8.88 million reported in the previous year.

Income for the year under review was P239.65 million, compared to P167.41 million in the previous year, representing a 43% increase, while expenditure on the other hand also increased by 43% from P158.53 million to P227.40 million during the same period.

The company derives its income from the sale of petroleum products, which was P230.98 million in the year under review. Other sources were management fees of P3.23 million and P4.81 million interest income.

2.3 Working Capital

The working capital position of the Company as at 31 March 2016 showed current assets of P268.69 million and current liabilities of P259.56 million, giving a net current assets position of P9.13 million.

3.0 Management Letter

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

3.1 Product Loan from Government

The auditors noted that the company was allowed to withdraw from Government reserves a product loan to the extent of 20 million litres to commence operations. The loan was treated as a non-financial asset to be settled by replenishment of fuel at the prevailing costs with no cash settlement alternative. At year-end, the balance of quantities drawn by the company from the reserve was 24.6 million litres, which is higher than the quantities agreed. The monetary value of the quantities drawn was P114.96 million. The loan terms, given this situation, may expose the company's future operating results due to possible rise in fuel prices.

In response management indicated that a draft agreement was in a process of being sent to the Department of Energy and that a request for quotations was sent to the banks for them to submit proposals for hedging the 20 million litre loan to minimise impact of price increase.

3.2 Management of Government Infrastructure

The auditors noted that the 'Bulk Petroleum Infrastructure and Product Management Agreement' stipulated that the company shall manage, operate and maintain the petroleum infrastructure but it was not clear whether that would include the responsibility towards existence of those assets and exposure to liabilities in the event of loss of assets. Furthermore, there was no detailed physical verification of the assets on the date of the take-over as well as no listing of assets held at various locations. During the year under review, the company received funding for the Francistown expansion project and Gantry project. Both the existing and new movable and immovable assets were not recorded in the accounting records of the company as management were of the view that the control of the assets was the responsibility of the Ministry of Minerals, Energy and Water Resources.

In response management indicated that a draft fixed assets register to be captured in SAP system for better management and control of assets was received from the Department of Energy. A module for separately managing Government projects and their capitalisation thereof was to be provided by SAP.

119. Botswana Postal Services Limited

The financial statements of the Botswana Postal Services Limited for the financial year ended 31 March 2016 were audited by me, having been appointed by the Board.

Following the repeal of the Botswana Postal Services Act, (Cap 72:01), the Botswana Postal Services was in August 2015 registered under the Companies Act, (Cap 42:01) as a body corporate limited by guarantee. Its subsidiary, the Botswana Couriers & Logistics (Pty) Limited was in September 2015 taken over by the Botswana Post and Savings Group Limited at a nominal fee of P1, resulting in a loss of P10.23 million investment.

The Botswana Postal Services Limited was designated as Public Postal Operator for the period 1st April 2014 to 31st March 2019 in terms of Statutory Instrument No. 86 of 2015.

2.0 Accounts

2.1 Audit Opinion

In my opinion:

The consolidated and separate annual financial statements presented fairly, in all material respects, the consolidated and separate financial position of the Botswana Postal Services Limited as at 31 March 2016 and of its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended, in accordance with International Financial Reporting Standards.

2.2 Financial Results

In the year under review, the Group and the Corporation recorded a loss of P29.62 million and P27.48 million, compared to P42.99 million and P36.49 million (restated) in the previous year, respectively.

Expenditure for the Group increased by 6% from P497.26 million in the previous year to P525.21 million in the year under review, while income on the other hand increased by 9% from P454.27 million to P495.60 million during the same period.

Expenditure for the Corporation increased by 19% from P425.69 million in the previous year to P504.76 million in the year under

review, while income on the other hand increased by 23% from P389.21 million to P477.29 million during the same period.

The revenue for the Corporation increased by P62.54 million (17%) from P366.18 million in the previous year to P428.72 million in the year under review. The cost of sales increased by P58.97 million (21%) from P277.10 million to P336.07 million during the same period. This resulted in an operating profit of P4.49 million during the year under review, compared to an operating loss of P20.11 million in the previous year.

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

	2016 <u>P'Million</u>	2015 <u>P'Million</u>	Increase <u>P'Million</u>	%
Electricity Purchases	178.20	137.04	41.16	30
Airtime expenses	38.02	32.64	5.38	16
Mail Conveyance Costs	29.20	28.92	0.28	1
Technical Partner's Fees	22.75	13.95	8.80	63

Other income for the Corporation included a Government grant of P2.91 million (2015: P15.13 million) and P40 million recovery under Universal Service Obligation for provision of postal services on non-commercially viable terms and conditions.

The Group and the Corporation had made losses for the past 6 years as follows:

<u>Year</u>	<u>Group P'Million</u>	<u>Corporation P'Million</u>
2016	29.62	27.48
2015	42.99	36.49
2014	44.94	33.85
2013	76.11	76.29
2012	4.38	3.57
2011	7.77	6.99

The above situation has resulted in accumulated negative retained earnings of P113.50 million, hence making the going-concern status of the Botswana Postal Services Limited dependent on continued support from Government.

2.3 Working Capital

The working capital position of the Group as at 31 March 2016 showed total current assets of P182.50 million and total current

liabilities of P256.18 million, giving a net current liabilities position of P73.68 million, while that of the Corporation showed current assets of P184.11 million and current liabilities of P222.59 million, resulting in a net current liabilities position of P38.48 million.

The above situation places both the Group and the Corporation in an unfavourable liquidity position with implications on their going-concern statuses.

3.0 Management Letter

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

3.1 Expired Contracts

An extension of period for a contract from 01 September 2015 to 31 March 2016 for provision of cleaning services was not approved by the Management Tender Committee in accordance with paragraph 3.1.7 (f) of the Botswana Postal Services Limited Tender Regulations and Procedures. The extension had resulted in the contract being escalated by a total amount of P689 833.

In response management noted my observation and undertook to comply with the tender regulations in future.

3.2 Coding of Assets

It was noted that assets had not been tagged, thereby making it difficult to locate the item from the register to the physical assets.

In response management stated that they had initiated the tagging process but this was delayed by the implementation of the performance improvement opportunity project. The tagging exercise was planned to be concluded by December 2016.

120. **Botswana Power Corporation**

The financial statements of the Botswana Power Corporation for the financial year ended 31 March 2016 were audited by Messrs Deloitte & Touché, Certified Public Accountants, who were appointed by the Board in terms of Section 22 (2) of the Botswana Power Corporation Act, (Cap 74:01).

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements presented fairly, in all material respects, the financial position of the Botswana Power Corporation as at 31 March 2016, 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 Power Corporation Act, (Cap 74:01).

Emphasis of Matter

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

- Remediation of Morupule B Power Station

Note 39 of the financial statements indicated that Morupule B Power Station had not operated to full capacity since it was commissioned. A root cause and gap analysis had been performed to the specified standard by the Corporation and the works were anticipated to be completed over a period of four years. The impairment assessment performed had been based on the fair value method assuming that all defects would be satisfactorily repaired and within the planned timelines. The impairment assessment also assumed the continued and escalated subsidy by the Government.

- Going-Concern

The Corporation had incurred a loss for the year of P2.42 billion (2015: P2.60 billion) before a tariff subsidy grant of P2.32 billion (2015: P2.33 billion). The Corporation's current liabilities exceeded its current assets by P3.02 billion (2015: P2.70 billion). The Government had undertaken to provide ongoing financial support in the future to sustain the Corporation as disclosed in Note 41 of the annual financial statements.

- Contingent Liabilities

As indicated by Note 37.3 of the financial statements, the Corporation was exposed to a number of quantified and unquantified claims by a contractor in relation to implementation of Morupule B Power Station, which the

Board and Management believed were less than the counter-claims against the contractor. The claims would be negotiated and quantified once the Amended Agreement had been satisfactorily fulfilled.

- Other Legal and Regulatory Requirements

As set out in Note 40 of the financial statements, the Corporation had not met the requirements of Section 17 of the Botswana Power Corporation Act, (Cap 74:01) which require the Corporation to conduct its affairs on commercial lines so as to produce a net operating income by which a reasonable return can be measured. The Corporation incurred an operating loss of P1.99 billion before a tariff subsidy of P2.32 billion.

2.2 Financial Results

In the year under review, the Corporation recorded a loss of P99.61 million, compared to P274.91 million recorded in the previous year.

Expenditure for the year under review was P5.82 billion, compared to P5.63 billion in the previous year, representing a 3% increase, while income on the other hand increased by 7% from P5.36 billion to P5.72 billion during the same period.

The income comprised:

	2016 <u>P'million</u>	2015 <u>P'million</u>
Revenue	2 857.16	2 533.58
Other Income	103.54	79.26
Tariff Subsidy and Emergency Power Grant	2 321.36	2 326.80
Interest Income	20.07	20.59
Fair Value Gain on Cross Currency and Interest Rate Swap	<u>413.97</u>	<u>398.32</u>
	<u>5 716.10</u>	<u>5 358.55</u>

The expenditure comprised:

Generation, Transmission and Distribution Expenses	4 405.35	4 218.66
Administration and Other Expenses	549.24	380.27
Finance Costs	191.29	170.82
Net Exchange Losses	<u>669.84</u>	<u>863.70</u>
	<u>5 815.72</u>	<u>5 633.45</u>

2.3 Working Capital

The working capital position of the Corporation as at 31 March 2016 showed current assets of P1.69 billion and current liabilities of P4.70 billion, giving a net current liabilities position of P3.01 billion.

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

3.0 Management Letter

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

3.1 Prior Year Outstanding Matters

In the management letter the auditors had listed a total of 34 outstanding matters from previous years and had indicated that only 20 had been resolved, leaving a balance of 14 still to be concluded. It is hoped and expected that management will make effort to clear the remaining matters.

3.2 Supervision, Review and Monitoring of the Accounting and Internal Control Functions

The auditors noted that key control activities such as preparation, review and approval of reconciliations of key control accounts were lagging behind. The management of the Consumer Financed Projects (CFPs) continued to be of great concern as the magnitude of error was high and the number of issues raised in the prior year still remained unsolved.

In response management noted the auditors' observation and indicated that most of the control initiatives implemented in the prior year had made a significant impact, with the exception of

CFPs, which had system automation challenges. Management continued to monitor the controls and staff competencies in order to address the matter.

3.3 Safeguarding and Maintenance of Fixed Assets

The auditors noted that the 2013 recommendations of consultants appointed by the Corporation to perform a review of residual values and useful lives of assets as well as impairment assessment of the Corporation's generation and transmission assets had not been addressed. The matters raised were:

- The Corporation should have developed an asset ID system that clearly identifies the asset type and its specific location.
- Some network CFPs assets require changes in useful lives since varying asset lives had been allocated to the same type of assets.
- Acquisition date of some CFPs network distribution lines was incorrect.
- The SAP database should record appropriate and consistent details on assets.
- There was generally evidence of poor maintenance of the Corporation's infrastructure.
- The generally un-clean condition of the control and switchgear rooms was an indication that equipment was not inspected in accordance with a standard checklist and there was lack of enforcement of requirement to regularly clean sub-stations.

In response management noted the auditors' observation and stated that:

- They had engaged a service provider to support the development of Assets Management Policy and Framework.
- The SAP ERP project's Phase 1B being implemented incorporated asset management and shall integrate all processes.
- The distribution assets records were being controlled and identified through 'Google Earth' tool as a compensating control.
- On-going inspections addresses the condition of the sub-stations.

3.4 Hire Purchase Debtors

The auditors noted that the Corporation had significant hire purchase debtors book. The majority of the balances related to prior years and there had not been any significant movement in the hire purchase and rural collective scheme debtors' balances. The debtor balances were:

	2016	2015
	<u>P'million</u>	<u>P'million</u>
NESC	90.44	84.06
Hire Purchase	99.79	98.40
Rural Collective Schemes	<u>126.50</u>	<u>132.09</u>
Total	<u>316.73</u>	<u>314.54</u>

In response management noted the auditors observation and stated that efforts were made to handover the outstanding balances to debt collectors, but did not make any meaningful impact. A comprehensive revenue collection strategy had been put in place to manage the exposure.

3.5 Outstanding Credits for Rural Collective Scheme (RCS) Debtors

The auditors noted debtors with long outstanding credit balances amounting to P4.5 million which had not been allocated or refunded. Some of the balances dated as far back as 2010 which could be an indication that the amounts were received but not allocated to the correct debtors' accounts. There is need to improve on the review and monitoring of these balances and make a plan to clear the balances.

Management in response noted the auditors observation and stated that refunds were made based on requests and identification of customers. Strict proof procedures are enforced to deal with the high risk of fraud during refund.

3.6 Security Deposits

The auditors noted that some customer files did not contain security deposits or letters of guarantee as per the Corporation's requirements for electricity installations under the hire purchase scheme. Examples included:

- Botswana Ash (Pty) Limited
- Debswana Diamond Company
- BCL Mine

- Tati Nickel Mining Company (letter of guarantee expired in 2012)

In response management noted the auditors' observation and stated that they had initiated the process of ensuring payment of security deposits was made.

3.7 Recoverability of Trade Receivables (Excluding Domestic Debtors)

The auditors noted a significant increase in debtors' balances as a percentage of total revenue generated during the year for Government, mining and commercial debtors compared to the previous year. Cases cited were for BCL Mine, Tati Nickel Mining Company and African Copper Mine. Significant financial losses could be suffered by the Corporation as a result of failure to collect outstanding balances, hence the need to monitor and follow up with greater vigilance. However, the auditors noted that domestic debtors' balances had decreased significantly over the years mainly due to the installation of prepaid meters. The auditors advised management to consider implementation of a prepaid platform for customers on post-paid system or implement more stringent credit controls. The debtors' balances were:

	2016		2015	
	<u>P'million</u>	<u>% of Sales</u>	<u>P'million</u>	<u>% of Sales</u>
Commercial	189.84	19	164.14	20
Mining	292.01	38	83.90	12
Government	<u>97.86</u>	<u>23</u>	<u>60.15</u>	<u>17</u>
Total	<u>578.95</u>	<u>27</u>	<u>308.19</u>	<u>16</u>

In response management noted the auditors' observation and indicated that they were exploring prepaid platforms for all customers though technology was limited. A collection strategy had been developed and implemented which should have an impact mostly on commercial debtors.

3.8 Credits in Government Trade Receivables Sub-Ledger

The auditors noted many accounts within the Government debtors' listing with credit balances amounting to P17 million. The accounts should be reviewed and an action plan made to clear the credit balances.

In response management noted the auditors' observation and stated that the credit balances on active accounts were only

refunded upon customers' requests. Furthermore, the credit balances are utilised to clear future bills.

3.9 Tagging of Fixed Assets

The auditors noted that the tagging system for items of fixed assets was not linked to the fixed assets register, hence making physical verification difficult to match to the respective items. The auditors recommended that all fixed assets above a certain threshold should be tagged.

In response management noted the auditors' observation and stated that the issue of tagging was being addressed through the enhancement of SAP ERP.

3.10 Small Works Supplier Invoices and Statements

The auditors noted that a large number of invoices and statements relating to small works suppliers had not been followed-up by the Corporation at year-end since 10 out of 19 suppliers had their invoices not recorded or were being disputed by the Corporation. This was an indication that the Corporation may have received goods or services from these suppliers but had not effected the transactions in the accounting records.

In response management agreed with the auditors' observation and stated that investigations had revealed that most of the suppliers had insufficient accounting systems. The suppliers were being engaged in order to address the matter.

3.11 Bank Signatories

The auditors noted that signatories to the bank accounts had not been updated to include current employees since an employee who had resigned in November 2015 still appeared as signatory to the Standard Chartered Bank accounts.

In response management indicated that the matter had been addressed.

121. **Botswana Privatisation Asset Holdings**

The financial statements of the Botswana Privatisation Asset Holdings for the financial year ended 31 March 2016 were audited by Messrs Grant Thornton, Certified Public Accountants, who were appointed by the Board.

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements presented fairly, in all material respects, the financial position of the Botswana Privatisation Asset Holdings as at 31 March 2016, and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

2.2 Financial Results

In the year under review, the Company recorded a profit of P11.20 million, compared to P11.73 million in the previous year, a decline of 4.5%.

The sole source of income was a dividend of P12.61 million from the investment with Botswana Building Society. The expenditure was P1.44 million covering administration expenses of P494 000 and withholding tax of P946 000.

2.3 Working Capital

The working capital position of the Company as at 31 March 2016 showed current assets of P15.34 million and current liabilities of P0.27 million, resulting in a net current assets position of P15.07 million.

The long-term liabilities included P6 million grant received from the Public Enterprises Evaluation and Privatisation Agency for the company to play the role of market maker in the purchase of Botswana Telecommunications Corporation Limited shares.

3.0 Management Letter

The auditors had issued a management letter in which they highlighted only one accounting matter where withholding tax (WHT) amounting to P42 756 deducted on the interest earned by the company in the prior years was shown as outstanding. No refund had been received from the Botswana Unified Revenue Service (BURS).

In response management indicated that the amount related to WHT on the interest on call account for 2011 and 2012 tax years

which should not have been deducted by the Bank as the company is exempt from income tax. It had since surfaced that BURS would not refund the amount since the Company does not have a registration number. The matter was discussed with the Board and would be provided for during the 2016/17 financial year.

122. **Botswana Qualifications Authority**

The financial statements of the Botswana Qualifications Authority for the financial year ended 31 March 2016 were audited by Messrs PricewaterhouseCoopers, Certified Public Accountants, who were appointed as auditors by the Board in terms of Section 23 (2) of the Botswana Qualifications Authority Act, (No. 24 of 2013).

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors,

The financial statements presented fairly, in all material respects, the financial position of the Botswana Qualifications Authority as at 31 March 2016, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and in a manner required by Section 23 (3) of the Botswana Qualifications Authority Act, 2013.

2.2 Financial Results

The Authority recorded a surplus of P7.20 million for the year under review, compared to a deficit of P939 073 in the previous year. The surplus arose from income of P73.32 million and expenditure of P66.12 million. The surplus was before a revaluation gain on property, plant and equipment of P5.20 million.

The income for the year comprised Government subvention of P38.42 million, which had substantially increased from P25.23 million in the previous year, contribution from the Human Resource Development Fund of P28.23 million and other income of P6.51 million.

2.3 Working Capital

The working capital position of the Authority as at 31 March 2016 showed current assets of P40.27 million and current liabilities of P26.03 million, giving a net current assets position of P14.24 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 Function

The auditors noted that the Authority did not have an internal audit function, which is a key management monitoring control and critical component of any governance structure.

In response management agreed with the auditors and stated that the Authority had established an internal audit function as of April 2016, and that in an effort to adequately resource the function, recruitment process for an internal auditor was on-going and would be completed by end of September 2016.

3.2 Compliance with Procurement Procedures

The auditors noted instances where the Authority did not comply with the procurement procedures when procuring as purchase orders were approved by the Finance Director instead of the Chief Executive Officer. The auditors had reported similar instances in the previous year.

In response management undertook to adhere to procurement procedures and further stated that they would take all the necessary steps to prevent the recurrence of similar non-compliances.

3.3 Approval of Overtime Hours

The auditors noted that contrary to the Authority's Human Resources policies, which require for overtime hours to be approved before working overtime, there were instances where overtime claims were approved after overtime, had been worked.

In response management agreed with the auditors' observation and undertook to ensure that procedures on overtime approval were followed.

123. **Botswana Railways**

In terms of Section 21 of the Botswana Railways Act, (Cap 70:01), the Organisation is required to submit to me the accounts for audit within 4 months of the end of the financial year, or such extended time as the Minister may direct.

The audit of the accounts for the financial year ended 31st March 2014 was not concluded until October 2016, which was 26 months outside the statutory timeframe.

In my previous report, I had stated that the Organisation had sought and was granted an extension of time for the accounts of the year ended 31st March 2015, pending conclusion of the audit of the 31st March 2014 accounts. Regrettably, the audit was still not finalised at the time of writing this report as the responses to my findings released to management in February 2016 were only provided to me in mid-December 2016. These accounts are now 18 months outside the statutory timeframe and are likely to take up to an additional 3 months to finalise.

The accounts for the financial year ended 31st March 2016 were only submitted to me for audit in October 2016, which was 3 months late. The audit is still on-going pending finalisation of that for the 31st March 2015 accounts.

In this connection, it has to be noted that it has been sometime since Botswana Railways had submitted their accounts for audit on time as envisaged by the Act. This has therefore denied the Committee on Statutory Bodies and State Enterprises the benefit of my advices on the accounts based on audits in the relevant year of account. These persistent delays in the submission of accounts are a matter for concern.

124. **Botswana Savings Bank**

The financial statements of the Botswana Savings Bank for the financial year ended 31 March 2016 were audited by Messrs KPMG, Certified Public Accountants, who were appointed by the Board in terms of Section 4 (1) of the Botswana Savings Bank Act, (Cap 56:03).

The Bank is currently in a process to transform from a statutory bank to a commercial bank as per the BSB Transition Act, 2012. It will be renamed "Botswana Savings Bank Limited" once it has been

converted to a public company and fully licensed by the Bank of Botswana.

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements presented fairly, in all material respects, the financial position of the Botswana Savings Bank as at 31 March 2016, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and in a manner required by the Botswana Savings Bank Act, (Cap 56:03).

2.2 Financial Results

The financial operations of the Bank for the year ended 31 March 2016 showed a profit for the year of P15.92 million, compared to P12.15 million in the previous year. Income increased from P166.14 million in the previous year to P182 million in the year under review, representing 10% increase, mainly due to increase of 8% in interest income and 23% in fee and commission income. Expenditure on the other hand increased from P153.99 million to P164.59 million, representing 7% increase during the same period.

2.3 Dividends

The Bank paid P6.25 million (P3.21 million for 2013/14 accounts and P3.04 million for 2014/15 accounts) to Government as dividends. The Bank had proposed a dividend of P3.98 million to Government in respect of the 2015/16 financial year.

2.4 Working Capital

The working capital position of the Bank as at 31 March 2016 showed current assets of P577.46 million and current liabilities of P498.34 million, resulting in a net current assets position of P79.12 million.

3.0 Management Letter

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

3.1 Back-up and Recovery

The auditors noted that the Bank's offsite storage for the weekly backups and the location of the disaster recovery replication server was only 2.47km from the production site instead of at least 5km. In addition, the Backup and Recovery Policy was not available at the offsite storage site to guide users in identifying the most recent backup tapes and restoration procedures. This situation may result in the Bank not being able to recover data in case of a disaster affecting both sites.

In response management pointed out that they had resolved to move the Disaster Recovery site to a new location which would be at least 5km from the production data centre and that proposals were being evaluated for the new Disaster Recovery site.

3.2 Integration of the Core Banking System and the General Ledger

The auditors noted that the automated integration between the core banking system (BR.Net) and the accounting system (Accpac) had not been activated as they identified reconciling items between the data maintained on the banking system and balances per the general ledger as well as inclusion of reconciling items in the year-end suspense accounts. Therefore errors and other irregularities relating to processing and reconciliation of general ledger accounts may not be detected.

In response management noted the auditors' observation and stated that as at March 2016, a parallel run with a dummy company was created and interface done daily with assistance of a consultant. This was temporarily placed on hold during 2016 audit and resumed thereafter.

3.3 Registration with NBFIRA

The auditors observed that the Bank collected and remitted insurance premiums to the Botswana Life Insurance Limited after deducting commission, hence the Bank may be deemed to be operating as an insurance agent and may be required to be registered with the Non-Banking Financial Institutions Regulatory Authority (NBFIRA). This may result in penalties being levied against the Bank for non-compliance with the NBFIRA Act.

In response management noted the auditors' observation and indicated that pending conversion into a public company registered under the Companies Act, the Bank appointed, as an interim arrangement, AON Insurance Brokerage firm duly

registered with NBFIRA to administer its credit life insurance. The Bank would then establish an assurance arm and register with NBFIRA once it has converted into a public company.

3.4 Long Outstanding Items in Suspense Accounts

The auditors noted from a review of the suspense accounts reconciliations, transactions dating back to 2008 in respect of take-on balances carried forward from data migrations to the current system. This resulted in an adjustment of P709 764 having to be processed.

In response management noted the auditors' observation and stated that investigations were on-going to establish the make-up of the unresolved balance of P709 764 and that in the event the issue is not satisfactorily resolved, a recommendation would be made to the Board for possible write-off.

3.5 Loan and Deposit (Bankers Realm) Reconciliations

The auditors noted long outstanding items on various year-end loans and deposits account reconciliations going back to 31 March 2015. Examples included:

- Residential property loans – 3 transactions amounting to P13 050
- Motor vehicle loans - 3 transactions amounting to P33 376
- Ordinary savings - 2 transactions amounting to P2 463
- Sesigo savings - 1 transaction amounting to P143 978

In response management noted the auditors' observation and stated that effort was being made with the set-up of 2 reconciliation teams to clear the 2008 outstanding items and ensure that reconciliations are up-to-date and done monthly.

3.6 Overdrawn Deposit Accounts

The auditors noted instances where some Savings accounts were overdrawn even though the Bank did not offer overdraft facilities. Examples included:

<u>Transaction Date</u>	<u>Account Type</u>	<u>Account Number</u>	<u>Amount (P)</u>
23 June 2010	Ordinary Savings	701625181001	1 592
05 July 2013	Ordinary Savings	703202202002	683
04 July 2014	Sesigo Savings	703858811501	1 236

In response management indicated that given the current operating model, accounts do get overdrawn in some instances when withdrawals made at Post Offices are captured into the system. A daily overdrawn accounts report is automatically produced by the system and investigations are commenced immediately to establish the cause for each overdrawn account and take appropriate measures in line with the Bank's Debt Collection Policy and Guidelines.

3.7 Access Administration

The auditors noted that:

- 7 terminated employees' user accounts were active.
- 2 active accounts belonged to the same individual (Credit Risk Supervisor).
- 6 user accounts which had been inactive for more than 30 days were still active in the BR.Net application system, thereby violating the Bank's IT Policy which states that all user-ID must be automatically revoked after 30 days of inactivity.

This may increase the risk of access by unauthorised users.

In response management indicated that they would take the necessary action to address the auditors' observation and ensure that the IT Policy is complied with.

3.8 Access Rights Reviews

The auditors noted that there were no documented user access matrix for the BR.Net, Sage 300 ERP and Dynamique applications to translate user roles into application functions. Examples included:

- 4 IT personnel were inappropriately assigned business rights to create, edit and delete in the ITADMIN BR.Net module.
- 4 users had equivalent access rights and enabled to run the payroll and make changes to employee information in the Dynamique application.
- The audit trails were not activated for Sage 300 ERP application and users had access to a combination of

modules (e.g. "Ordering stock and issue purchase order", "Issue purchase order, bank entry and entry payments" and "Entry to both payments and receipts").

Absence of system application access privilege reviews and inappropriate segregation of duties may affect the integrity and confidentiality of information.

In response management indicated that user matrix would be developed and access rights assigned to appropriate individuals according to their roles.

125. **Botswana Stock Exchange**

The financial statements of the Botswana Stock Exchange for the financial year ended 31 December 2015 were audited by Messrs KPMG, Certified Public Accountants, who were appointed by the Stock Exchange Committee in terms of Section 41 (2) of the Botswana Stock Exchange Act, (Cap 56:08).

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements presented fairly, in all material respects, the financial position of the Botswana Stock Exchange as at 31 December 2015, 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 Group and the Stock Exchange recorded profits of P16.29 million and P8.11 million, respectively, compared to P17.56 million and P10.52 million, respectively, in the previous year. The Group profit for the year arose from income of P42.58 million and expenditure of P 26.29 million.

The Group revenue was P34.07 million in the year under review, compared to P24.27 million in the previous year. The main sources that contributed to revenue for the year were:

	<u>P'million</u>
Listing and annual sustaining fees	15.09
Commission income	14.28
Miscellaneous fees	4.27

In addition, the Group received a Government grant of P4.91 million, compared to P13.00 million in the previous year.

2.3 Working Capital

The working capital position of the Group as at 31 December 2015 showed total current assets of P74.34 million and total current liabilities of P6.42 million, giving a net current assets position of P67.92 million. The current assets of the Stock Exchange were P51.61 million while the current liabilities were P5.14, giving a net current assets position of P46.47 million.

3.0 Management Letter

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

3.1 Long Outstanding Debtor Balances

The auditors observed that trade receivables were not assessed for impairment accrual, contrary to International Financial Reporting Standards.

Management noted the auditors' observation and stated that the Stock Exchange had communicated the credit policy to debtors and also incorporated it on the invoices. The Stock Exchange would engage compliance officers of listed companies when collecting debts as non-payment and late payment were non-compliance to the Stock Exchange Listing Rules.

3.2 User Access Controls

The auditors noted that the system access rights to change rates for fees on the Central Securities Depository (CSD) system were allocated to officers whose responsibilities did not include amending system fees.

Management noted the observation and indicated that all fees defined in the CSD system are approved by the CSD Board of Directors and Non-Bank Financial Institutions Regulatory Authority and that fees charged on all trades are checked for accuracy on

daily basis after end of trading. However, management would restrict fee changes to CSD Manager and the CSD Officer and would also revoke access for all other CSD staff.

126. **Botswana Telecommunications Corporation Limited**

The financial statements of the Botswana Telecommunications Corporation Limited for the financial year ended 31 March 2016 were audited by Messrs Ernst & Young, Certified Public Accountants, who were appointed by the shareholders.

In December 2015, the Government offered for sale, by way of Initial Public Offer, 462 million shares at P1 per share and the Corporation was listed on the Botswana Stock Exchange on 8th April 2016.

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements presented fairly, in all material respects, the financial position of the Botswana Telecommunications Corporation Limited as at 31 March 2016, 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 Companies Act, (Cap 42:01).

2.2 Financial Results

In the year under review, the Corporation recorded a loss of P370.82 million, compared to a profit of P335.50 million in the previous year. The loss is attributable to an impairment amount of P522.40 million in order to write down some of the property, plant and equipment in line with International Accounting Standard 36.

Expenditure increased from P1 452.18 million in the previous year to P2 009.66 million in the year under review, representing 38% increase, while income on the other hand declined from P1 787.68 million to P1 638.84 million, representing 8% decline, during the same period.

The reduction in income is mostly attributable to a realisation of P241.98 million Gains on Property Revaluation in the previous year, which was nil in the year under review. Revenue comprising of sale

of goods and services and interest income marginally increased from P1 506.06 million in the previous year to P1 512.29 million in the year under review. Other income declined from P39.65 million to P29.43 million during the same period.

2.3 Dividends

The Corporation had declared a dividend of 5 thebe per share on the accounts of the year under review on the strength of accumulated profits from the previous years.

2.4 Working Capital

The working capital position of the Corporation as at 31 March 2016 showed current assets of P796.51 million and current liabilities of P216.07 million, giving a net current assets position of P580.44 million.

2.5 Regulation

The Corporation is licenced as a Public Telecommunications Operator by the Botswana Communications Regulatory Authority and is expected to abide by the licencing requirements as per the Communications Regulatory Authority Act, 2012.

As a listed entity, the Corporation is expected to comply with the rules and regulations set by the Botswana Stock Exchange. These rules and regulations, among others, provide for transparency and equity in access to information by all shareholders.

127. **Botswana Tourism Organisation**

In October 2016, I addressed a communication to the Chief Executive Officer requesting for the submission of the audited accounts and report of the Botswana Tourism Organisation for the financial year ended 31st March 2016 for my review, in line with the existing arrangement.

In response to my request for the audited accounts and report, I received communication from the Chief Executive Officer informing me that the accounts of the financial year ended 31st March 2016 were not ready for submission as the audit had not been concluded. I have therefore not been able to include my comments on the accounts of the Organisation for the year under review in this report.

In terms of Section 22 (2) of the Botswana Tourism Organisation Act (Cap 42:10) the accounts should be submitted for audit 3 months after the end of the financial year. To the extent that the audit had still not been concluded, and the reports required by the Act not submitted to the Minister 10 months after the end of the financial year, the requirements of the Act had not been complied with.

128. **Botswana Unified Revenue Services**

The financial statements of the Botswana Unified Revenue Service for the financial year ended 31 March 2016 were audited by Messrs Deloitte & Touché, Certified Public Accountants, who were appointed by the Board in terms of Section 28 (2) of the Botswana Unified Revenue Service Act, (Cap 53:03).

2.0 Accounts

2.1 **Administered Government Revenue Accounts**

2.2 Audit Opinion

In the opinion of the auditors:

The financial statements presented fairly, in all material respects, the financial position of the Botswana Unified Revenue Service: Administered Government Revenue Accounts as at 31 March 2016, and of its financial performance and its cash flows for the year then ended, in accordance with modified cash basis of accounting as outlined in the accounting policy Note 1.2 of the financial statements.

Report on Legal and Regulatory Requirements:

The Botswana Unified Revenue Service did not comply with the requirements of Section 28 (2) of the Botswana Unified Revenue Service Act, (Cap 53:03) as it did not submit the accounts for audit within 60 days of the end of the financial year and the accounts audited no later than 3 months after end of the financial year as the audit was concluded in December 2016. Furthermore, there was non-compliance to Section 29 (1) as a comprehensive report was not submitted to the Minister within 6 months of the end of the financial year.

2.3 Revenue Receipts

The table below shows the tax revenues collected during the year and the amounts credited to the Consolidated Fund:

	BURS <u>Receipts</u> P'000	Credited to <u>Consolidated Fund</u> P'000
Income Tax	13 832 215	13 146 593
Value Added Tax	5 684 907	5 448 486
Customs Union Receipts	15 817 583	15 817 583
Other Tax Revenue	<u>3</u>	<u>84</u>
Total	<u>35 334 708</u>	<u>34 412 662</u>

2.4 Arrears of Revenue

The table below shows the arrears of revenue of tax revenues:

	<u>Pula</u>
Opening Balance on 01 April 2015	1 895 317 936
Collection of previous years' arrears	(289 488 650)
Discharges /Abandonment	<u>(271 516 394)</u>
Balance of prior year arrears outstanding	1 334 312 892
Arrears in respect of current year	<u>901 268 258</u>
Balance at end of the year	<u>2 235 581 150</u>

2.5 Own Accounts

2.6 Audit Opinion

In the opinion of the auditors:

The financial statements presented fairly, in all material respects, the financial position of the Botswana Unified Revenue Service: Own Accounts as at 31 March 2016, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

2.7 Financial Results

The Botswana Unified Revenue Service recorded a surplus of P93.86 million, compared to P28.72 million (restated) in the previous year. The significant increase in the surplus is attributable to a gain on revaluation of properties amounting to P117.56 million.

Income increased from P504.62 million (restated) in the previous year to P548.32 million in the current year, representing an 8% increase. Expenses on the other hand increased from P469.48 million in the previous year to P534.08 million in the current year, representing an increase of 14%.

The income for the year comprised mainly of Government subvention of P441.76 million and other income of P106.56 million.

2.8 Working Capital

The working capital position of the Botswana Unified Revenue Service as at 31 March 2016 showed current assets of P291.58 million and current liabilities of P121.85 million, giving a net current assets position of P169.73 million

Current liabilities included P41.18 million employee benefit accruals.

3.0 Management Letter

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

3.1 Previous Year Matters

The auditors noted that the following matters which they had raised in the previous years had not been resolved:

- Non-compliance with the financial provisions of the Botswana Unified Revenue Service Act.
- Reconciliation between ACCPAC and the ASYCUDA, BIVATS and Income Tax Management System revenue collection systems were not performed timeously.
- Unallocated Electronic Funds Transfer transactions balance increased from P104 million in the prior year to P126 million in the current year.
- Increase in Refer-to-Drawer cheques from P91 million in the previous year to P96 million in the current year.
- Inactive bank accounts in the general ledger.

- Stale cheques on the income tax refund bank account reconciliation amounting to P340 618 (2015: P4.03 million).
- Properties still in the process of registration, while some were subject to dispute and / or require survey of land.

3.2 Excessive Overtime Paid

The auditors noted excessive overtime being paid to employees, where in the year under review a total of P56 million was paid as overtime, compared to P41 million paid in the prior year. Although the overtime was approved by supervisors, there was risk of collusion in the recording of actual overtime worked.

In response management stated that they were working on strategies to reduce and manage overtime which would include designing and implementing strict controls and appropriate approval processes of all overtime worked by staff before being paid. Management further stated that some of the overtime was unavoidable such as that due to the manual processing of the increased number of returns filed during the 2015 tax year. The Botswana Unified Revenue Service has however embarked on an intensified e-service uptake campaign to encourage taxpayers to e-file their returns which is expected to significantly reduce overtime costs.

3.3 Reviews of Tangible and Intangible Fixed Assets Registers

The auditors noted that certain computers costing P863 080 were kept in a storeroom and had been rendered unusable by the IT Division. The computers had however not been scrapped and were still included in the fixed assets register. The auditors also noted that management did not adjust for the potential impairment of all such computers. Additionally, the software relating to the e-Filing Project costing P4.19 million was erroneously not amortised despite the system having been commissioned and used in the prior year.

The misstatements and errors could be timeously detected or avoided if management had put in place appropriate review process.

In response management stated that they would strengthen controls over the review of both tangible and intangible fixed assets registers.

3.4 Reconciling Items on Supplier Reconciliations

The auditors noted that Air Botswana supplier reconciliation was not up-to-date and that there were long outstanding unreconciled invoices dating as far back as 31 March 2015. These invoices were not recorded in the general ledger mainly due to lack of appropriate communication between the head office and the stations.

In response management stated that they would ensure that monthly reconciliations are performed for all suppliers and that reconciling items are appropriately and timely investigated.

129. Botswana University of Agriculture and Natural Resources

The financial statements of the Botswana University of Agriculture and Natural Resources for the financial year ended 31 March 2016 were audited by Messrs PricewaterhouseCoopers, Certified Public Accountants, who were appointed by the Council in terms of Section 25 (1) of the Botswana University of Agriculture and Natural Resources Act, (No. 12 of 2015).

Transformation of College to University

The Botswana University of Agriculture and Natural Resources Act, (No. 12 of 2015) which provides for the establishment of the University, its powers, functions and governance structures was assented to on the 29th September 2015. In terms of Statutory Instrument No. 7 of 2016, the commencement date was 1st February 2016.

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements presented fairly, in all material respects, the financial position of the Botswana University of Agriculture and Natural Resources as at 31 March 2016, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

2.2 Financial Results

In the year under review, the University recorded a deficit of P10.27 million, compared to a surplus of P699 392 in the previous

year. Expenditure increased from P159.29 million in the previous year to P173.15 million in the year under review, recording an increase of 9%, mainly due to an increase of P12.49 million or 13% in staff costs, while income increased from P159.99 million to P162.78 million, representing a 2% increase.

The income for the year comprised the following:

<u>Revenue Item</u>	<u>Amount (P' Million)</u>	<u>%</u>
Government Grant	108.24	66.5
Tuition Fees	50.76	31.2
Finance Income	0.16	0.1
Other Income	<u>3.62</u>	<u>2.2</u>
	<u>162.78</u>	<u>100.0</u>

2.3 Working Capital

The working capital position of the University as at 31 March 2016 showed current assets of P44.96 million and current liabilities of P56.43 million, giving a net current liabilities position of P11.47 million.

The current liabilities included unutilised development and project funds and deferred income of P13.70 million and P14.25 million, respectively.

3.0 Management Letter

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

3.1 Land Without Tittle Deeds

The auditors noted, as in the previous year, that management was still in the process of obtaining title to the remaining portion of land valued at P35.10 million on which the University is located, currently registered in the name of the Government of Botswana. Although management had followed up the matter during the year and obtained drawings for the portions of land, the drawings were yet to be re-submitted to the City Council.

In response management indicated that a number of meetings with relevant stakeholders were held from March 2016 to August 2016 the result of which was an agreement for the Department of Town and Regional Planning to submit the application to the Gaborone City Council for approval.

3.2 Long Outstanding Receivables

The auditors noted that the University did not have a formal policy in place to provide for long outstanding receivables and that this may result in misstatement of receivables balances.

Management agreed with the auditors' observation and stated that a policy would be developed during the financial year 2016/17.

3.3 Fully Depreciated Assets Still in Use

The auditors noted a number of assets which were fully depreciated but still in use which was not in line with the requirements of International Accounting Standard 16. When useful lives are not determined based on the economic lives, depreciation may be misstated and thereby have an impact on the carrying values of the assets.

Management agreed with the auditors' observation and stated that a review would be done during the 2016/17 financial year, and thereafter annually.

3.4 Useful Lifetime of Computer Software

The auditors noted that the useful lifespan of the computer software was from 3 to 25 years while the revised assets policy stated a period of 3 to 15 years, which may lead to misstatement of depreciation and ultimately affect the surplus / deficit in the income statement.

Management agreed with the auditors' observation and stated that assets would be reconciled to policy provisions.

3.5 Assets Verification

The auditors could not physically verify the following assets which could not be produced.

- Camera Olympus 115 zoom EQ000652
- Micro Hammer Miler (Miller) EQ000010.

Management agreed with the auditors' observation and stated that an exercise of reviewing the fixed assets register and physical verification of fixed assets was ongoing.

3.6 Assets Not in Use

The auditors noted that the University purchased the following assets in September 2015 and January 2016 respectively, but the assets were not in use, implying that the purchase was not based on need:

- Water Bath (jalabo SW 23) coded EQ 003257
- Hot Plate Stirrer (Tripple plates) coded EQ 003373

Management noted the auditor's observation and stated that the University would improve on the assessment of the need to purchase assets and also improve communication to facilitate equipment installation.

3.7 Staff Debtors

The auditors noted long outstanding receivable balances from staff members who had resigned from the University. The absence of adequate follow-up procedures to recover overdue staff loans could result in financial losses to the University.

Management agreed with the auditors' observation and stated that initiatives were currently in place to recover the debts but the only challenge was that most of the debts occurred before the amendment of the Pension and Provident Fund Act and the establishment of Legal Office at University.

3.8 Other Receivables: AGRIPRENEUR

The auditors noted long outstanding balances from students amounting to P508 310 which the University could not recover as the balances related to Agripreneur programme.

In response Management stated that write-offs would be recommended to the relevant authority and that they had provided against the amounts that they considered doubtful. A review of the Agripreneur programme would be carried out by 31 March 2017.

3.9 Overspent Projects

The auditors noted that various projects funded by donors were overspent. Consequently the University funds were used in areas they were not planned for.

Management agreed with the auditors' observation and stated that they would review the expenditure processes and procedures for donor funded projects during 2016/17.

3.10 Off-Campus Allowance not Taxed

The auditors noted that off-campus allowances for employees on study leave were not taxed.

Management agreed with the auditors' observation and stated that they would calculate PAYE on all employee benefits.

130. Botswana Vaccine Institute Limited

The financial statements of the Botswana Vaccine Institute Limited for the financial year ended 31 December 2015 were audited by Messrs PricewaterhouseCoopers, Certified Public Accountants, who were appointed by the Board.

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements presented fairly, in all material respects, the financial position of the Botswana Vaccine Institute Limited as at 31 December 2015, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

2.2 Financial Results

During the financial year under review, the Institute recorded a profit of P15.81million, compared to a loss of P19.96 million in the previous year. The turnaround to profitability was attributable to significant increases in sales of vaccines which more than doubled from P78.28 million in the previous year to P157.98 million in year under review.

Revenue increased from P78.35 million in the previous year to P163.68 million in the year under review, representing a 109%

increase, while expenditure increased from P98.31 million in the previous year to P147.87 million in the year under review, representing a 50% increase.

2.3 Working Capital

The working capital position of the Institute as at 31 December 2015 showed current assets of P318.95 million and current liabilities of P82.51 million, giving a net current assets position of P236.44 million.

3.0 Management Letter

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

3.1 Issue of Raw Materials to the Production Department

The auditors noted, as in the previous year that raw materials were issued based on issue notes raised by the stores to the production department. The notes were not captured into the system on a timely basis and issue of materials did not follow sequential orders.

This may lead to raw material issues made for a period not being completely absorbed into finished goods stocks and result in inaccurate valuations.

3.2 Valuation of Inventory

The auditors observed, as in the previous year, that inventories were valued using actual costing method which resulted in errors in the valuation. The errors were mainly caused by misallocation of costs and mistakes in measuring the quantities used in valuing the inventories.

As a result a net adjustment amounting to P4.7 million was made in the financial statements relating to inventory valuation.

3.3 Debtors Management

The auditors noted that the Institute's debtors had increased significantly due to increased sales level and delayed settlements by customers. The debtors balance as at 31 December 2015 was P53.47 million (2014: P10.69 million).

Pro-longed delays in settling debts from delivery date may result in difficulties with working capital management.

131. **Citizen Entrepreneurial Development Agency**

The Citizen Entrepreneurial Development Agency is a Government-owned company limited by guarantee established under the Companies Act.

By arrangement, the Agency is to submit its annual audited accounts to me for review and inclusion of the review results in my report to the National Assembly, for the benefit of the Honourable Members.

In response to my October 2016 request for submission of the audited accounts and reports, I received communication from the Agency informing me that the accounts of the financial year ended 31st March 2016 were not ready for submission as the audit was still in progress. I have, therefore not been able to include my comments on the accounts of the Agency for the year under review in this report.

132. **Civil Aviation Authority of Botswana**

The Board of the Civil Aviation Authority of Botswana appointed me the auditor on 13th June 2013 in terms of Section 37 (1) of the Civil Aviation Act, (Cap 71:01) for a 4-year period commencing with the audit of the accounts of the financial year ended 31 March 2013 and ending in March 2016.

The accounts for the financial year ended 31st March 2016 were not submitted to me for audit until 1st August 2016, excluding fixed assets which were submitted later in January 2017. As this period is outside that prescribed by Section 37 (1) of the Civil Aviation Act, (Cap 71:01), which stipulates 4 months, the approval of the Minister had been obtained for the extension. At the time of writing this report, the audit for the accounts of the financial year ended 31 March 2016 was yet to be concluded pending finalisation of outstanding financial matters.

As indicated above, this is my last year of engagement on the audit of the accounts of the Authority, and throughout the entire period of my appointment the Authority has not submitted the accounts on time for me to carry out the audits in the relevant year of account, as envisaged by the Act. This has therefore, denied the Committee on Statutory Bodies and State Enterprises the benefit of my advices on the accounts based on the audits.

133. Companies and Intellectual Property Authority

The financial statements of the Companies and Intellectual Property Authority for the financial year ended 31 March 2016 were audited by Messrs PricewaterhouseCoopers, Certified Public Accountants, who were appointed by the Board in terms of Section 32 (1) of the Companies and Intellectual Property Act (Cap 42:13).

The Authority was established to, among others, protect the interests of investors and rights holders with regard to all matters pertaining to companies, business names and intellectual property.

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements presented fairly, in all material respects, the financial position of the Companies and Intellectual Property Authority as at 31 March 2016, and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

2.2 Financial Results

The Authority recorded a surplus of P2.52 million for the 17-month period ended 31 March 2016. Income was P31.98 million while expenditure was P29.47 million in the period under review.

The Authority is funded by Government grants, and for the year under review the grant was P29.14 million, representing 91% of total income.

2.3 Working Capital

The working capital position of the Authority as at 31 March 2016 showed current assets of P12.47 million and current liabilities of P4.18 million, resulting in a net current assets position of P8.29 million.

3.0 Management Letter

The auditors raised 3 matters to management of accounting and control nature which were adequately resolved during the course of the audit and hence did not merit mention in this report.

134. Competition Authority

The financial statements of the Competition Authority for the financial year ended 31st March 2016 were audited by Messrs Ernst & Young, Certified Public Accountants, who were appointed by the Competition Commission in terms of Section 23 of the Competition Act, 2009.

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements presented fairly, in all material respects, the financial position of the Competition Authority as at 31st March 2016, and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and in the manner required by the Competition Act, 2009.

2.2 Financial Results

In the financial year under review, the Authority recorded a deficit of P1.16 million, compared to P4.93 million in the previous year.

Expenditure declined by 14% from P28.76 million in the previous year to P24.71 million in the year under review, while income on the other hand was P23.55 million during the previous year, compared to P23.83 million in the year under review.

The Authority is funded by Government grants, which in the year under review was P22.30 million, making 95% of the total income, compared to P21.56 million in the previous year. Other notable income of P1.20 million came from merger fees. The major items of expenses related to staff and administrative costs which totalled P22.02 million.

2.3 Working Capital

The working capital position of the Authority as at 31st March 2016 showed current assets of P1.36 million and current liabilities of P3.84 million, resulting in a net current liabilities position of P2.48 million.

The current liabilities included P1.50 million provision for staff gratuities and leave and P1.15 million deferred Government subvention relating to acquisition of fixed assets.

3.0 Management Letter

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

3.1 Estimation of Useful Lives of Assets

The auditors noted, as in the previous year, that the fixed assets register included assets that were fully depreciated but still in use, contrary to the requirements of International Accounting Standard 16 which states that residual values and useful lives of assets be reviewed at least annually. This therefore misstated the depreciation expense and the carrying amount of computer equipment and furniture and fittings.

In response management indicated that the fully depreciated computer equipment which was still in use had reached its useful life but could not be replaced due to lack of funds. Management was of the view that the depreciable life of computer equipment was fairly estimated and replacement would be done post year-end. However, management agreed to the review of useful lives of furniture and fittings, which would be done in the subsequent year.

135. **Human Resource Development Council**

The financial statements of the Human Resource Development Council for the financial year ended 31 March 2016 were audited by Messrs PricewaterhouseCoopers, Certified Public Accountants, who were appointed by the Board in terms of Section 23 (2) of the Human Resource Development Council Act, No. 17 of 2013.

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements presented fairly, in all material respects, the financial position of the Human Resource Development Council as at 31 March 2016, and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards, and in the manner required by Section 23 (3) of the Human Resource Development Council Act, 2013.

The auditors pointed out that the Council had not complied with Section 25 (1) of the Human Resource Development Council Act, 2013 as it was not able to submit the audited financial statements to the Minister within 6 months after the end of the financial year.

2.2 Financial Results

The Council recorded a surplus of P17.12 million in the year under review, compared to P7.94 million in the previous year. The revenue for the year under review was P81.00 million, of which P43.64 million was a Government grant and P28.23 million was HRDF administration fees, while the expenditure on the other hand was P63.88 million.

2.3 Working Capital

The working capital position of the Council as at 31 March 2016 showed current assets of P55.00 million and current liabilities of P27.39 million, resulting in a net current assets position of P27.61 million.

Current liabilities include P11.01 million of unutilised grants which may be used for other Council's operational activities upon approval by the Board. The unutilised grants were:

	P'million
HRDC Capital Grant	8.19
HRDC Research Grant	1.31
Recurrent Grant – Sector Committees	1.50

3.0 Management Letter

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

3.1 Internal Audit Function

The auditors indicated that their prior year observation relating to the Council not having an internal audit function to provide additional layers of assurance for the Management and the Board remained unresolved.

3.2 Bank Reconciliations

The auditors noted a difference of P354 673 as at 31 March 2016 in the bank reconciliation for the Stanbic current account which was a result of migration into Accpac system. Subsequent to year-end this figure was investigated and partially resolved leaving a balance of P63 439 still to be resolved.

In response management acknowledged the auditors' observation and stated that they would continue to make efforts to reconcile the unresolved difference.

3.3 teAids Project Assets

The auditors noted that the Council and NACA had provided tertiary education institutions with assets to facilitate the teAids project and such assets still remained with the institutions even though the project had been completed in the previous financial year.

In response management acknowledged the auditors' observation and stated that some computer equipment, printers and photocopiers were recalled but left furniture and porter camp. Discussions were underway with the institutions to explore possible ways of sustaining momentum created by the project as there was demand for services relating to HIV awareness and student welfare.

3.4 Retirement of Travel Imprest

The auditors noted two instances where travel imprests were retired between 5 and 7 months instead of within 5 days upon the officers return from a trip, as per the Council's financial regulations.

In response management acknowledged the auditors' observation and stated that action would be taken against those who fail to comply.

136. Local Enterprise Authority

The financial statements of the Local Enterprise Authority for the financial year ended 31 March 2016 were audited by Messrs PricewaterhouseCoopers, Certified Public Accountants, who were appointed by the Board in terms of Section 25 (2) of the Small Business Act, (Cap 43:10).

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements presented fairly, in all material respects, the financial position of the Local Enterprise Authority as at 31 March 2016, and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

2.2 Financial Results

The Authority recorded a deficit of P9.61 million during the year under review, compared to a surplus of P2.38 million in the previous year. Expenditure increased by 9% while income increased by 20% in the year under review.

The Authority is funded by Government grants, and for the year under review the grant was P154.27 million.

2.3 Working Capital

The working capital position of the Authority as at 31 March 2016 showed current assets of P39.92 million and current liabilities of P50.72 million, resulting in a net current liabilities position of P10.80 million.

The Government had pledged the necessary support to the Authority until it returns to profitability and its assets exceed its liabilities.

3.0 Management Letter

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

3.1 Property, Plant and Equipment

The auditors had noted, as in the prior year, that the Authority kept its Fixed Assets Register in MS Excel spreadsheet and was not updated with due care. Some of the issues noted were:

- The Ramotswa, Gaborone Leather Incubator and Maun branches were not maintaining a fixed assets listing that was

aligned with the Fixed Assets Register maintained by Head Office.

- There was no indication of assets listing for the Ramotswa, Gaborone Leather Incubator and Maun branches being approved in line with the Authority's Policy that Fixed Assets Register should be reviewed by the Finance Manager on monthly basis.
- Some computer equipment costing P7.51 million at Head Office was lumped together without proper description of their nature or broken down.

The weak control over the Authority's assets renders them difficult to monitor and safeguard as they may be misplaced, misused or stolen without knowledge due to limited information.

In response management noted the auditors' observation and stated that a consolidated Fixed Assets Register was maintained at the Head Office while the branches maintained a listing of fixed assets in their control and custody. The listing of assets at branches is regularly reconciled with the register at Head Office. The just concluded exercise of verifying, tagging and listing of all assets at the branches would help in reconciling and coming up with a consolidated itemised Fixed Assets Register.

3.2 Personal Telephone Recoveries

The auditors noted instances where employee personal telephone bills were not recovered at the Ramotswa and Gaborone branches in line with the Authority's Regulations as the billing system was not in operation for the entire year.

In response management noted the auditors' observation and stated that the current system at branches could not link with the PABX due to differences in the software. A new software system that would enable automatic billing was being considered. The Authority had sent a form to the branches to record telephone calls for private calls to be paid at end of the month.

3.3 Accounts Receivables

The auditors noted the following:

- An unreconciled difference in the ledger and customer control account of P27 583.

- Significant delays in collections from debtors and impairment was not conducted on the debtors.

In response management noted the auditors' observation and stated that the unreconciled difference between the ledger and the customer control account had since inception of Oracle not been cleared. The balance would be recommended to the Board for write-off.

3.4 Capital Grants Accounting Process

The auditors noted that the fixed assets and capital grants registers were maintained on excel spreadsheets and not ERP system of the Authority. Consequently, computers in the capital grant register had a residual value of P1.83 million while it had nil residual value in the fixed assets register.

In response management noted the auditors' observation and stated that an exercise to itemise assets in the fixed assets register was ongoing and thereafter would reconcile with the capital grants register.

3.5 Personal Files Management

The auditors noted when reviewing personal files of two of the directors that the files were not properly maintained as in one case the stated contract period did not tally with the start and end dates, while in the other a signed contract was not in place. These lapses may expose the Authority to financial loss in case of disputes with the concerned staff members.

In response management noted the auditors' observation and stated that the commencement date of the contract was corrected and as for the signed contract not filed, the employee who had been with the Authority for 2 months, had left without having returned a copy of a signed contract.

3.6 Staff Loans and Study Loans Receivables

The auditors noted, as in the prior year, the following weaknesses and errors in the staff loans and study advance schedules:

- Long outstanding balances totalling P25 333 for two former employees which were reflected as receivable but without signs of recoverability measures put in place.

- Credit salary advance balances in the listing amounting to P16 231 for some employees.

In response management noted the auditors' observation and stated that the long outstanding amounts dated back to 2010 and would be recommended for write-off. Measures were in place to reconcile and review staff loans on monthly basis in order to identify and resolve differences.

137. **Minerals Development Company Botswana Limited**

The financial statements of the Minerals Development Company Botswana Limited for the financial year ended 31 March 2016 were audited by Messrs Deloitte & Touché, Certified Public Accountants, who were appointed by the Board.

The Minerals Development Company Botswana Limited is a wholly-owned Government company incorporated in 2012 under the Companies Act, (Cap 42:01), as a body corporate limited by guarantee. It is a mining investment company that holds and manages investment portfolio of Government shareholdings in mining and mineral related companies.

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 Minerals Development Company Botswana Limited as at 31st March 2016, and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

2.2 Financial Results

In the year under review, the company recorded a loss of P1.19 million, compared to a profit of P656 821 reported in the previous year.

Expenditure for the year under review was P71.19 million, compared to P49.08 million in the previous year, representing a 45% increase, while income on the other hand increased by 41% from P49.74 million to P70.00 million during the same period.

The company is funded by Government grants, and in the year under review the grant was P68.86 million, representing 98% of total income.

2.3 Working Capital

The working capital position of the company as at 31 March 2016 showed current assets of P33.08 million and current liabilities of P33.67 million, giving a net current liabilities position of P588 280.

The current liabilities included a deferred Government grant of P31.07 million and payroll accruals of P942 135.

3.0 Management Letter

The auditors had issued a management letter in which they had indicated that there were no matters that came to their attention during audit which required communication to the Board.

138. **Motor Vehicle Accident Fund**

The financial statements of Motor Vehicle Accident Fund for the financial year ended 31 December 2015 were audited by Messrs KPMG, Certified Public Accountants, who were appointed by the Board in terms of Section 18 (2) of the Motor Vehicle Accident Fund Act (Cap. 69:02).

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements presented fairly, in all material respects, the financial position of Motor Vehicle Accident Fund as at 31 December 2015, 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 Fund recorded an increase in surplus for the year from P92.77 million in the previous year to P130.79 million in the current year, representing a 41% escalation. The major contributor to the operating income was derived from

foreign exchange gains of P202.43 million and investment income of P141.94 million.

The primary source of income for the Fund, being levy on fuel, was P49.59 million which was a significant reduction from the P81.90 million in the previous year due to the reduction in levy per litre.

2.3 Working Capital

The working capital position of the Fund as at 31 December 2015 showed current assets of P832.99 million and current liabilities of P281.84 million, giving a net current assets position of P551.15 million.

3.0 Management Letter

The auditors had issued a management letter in which they highlighted only one control deficiency in the General IT Control where an employee who had left the organization had been removed from the system after 26 days. There may be difficulty in tracing accountability for transactions processed in the event the profile of a former employee is used.

In response management indicated that they maintained a two-step sign-on into the system, where users are required to log into the network first before they can log into SAP and that the users' access was disabled in the network and therefore could not have access to the SAP system.

139. **National Development Bank**

The financial statements of the National Development Bank for the financial year ended 31 March 2016 were audited by Messrs PricewaterhouseCoopers, Certified Public Accountants, who were appointed by the Board in accordance with the provisions of Section 19 (2) of the National Development Bank Act, (Cap 74:05).

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The annual financial statements presented fairly, in all material respects, the financial position of the National Development Bank as at 31 March 2016, and of its financial performance and its cash

flows for the year then ended, in accordance with International Financial Reporting Standards.

2.2 Financial Results

The Bank recorded a loss of P21.22 million during the year under review, compared to P56.98 million in the previous year. The loss for the year is attributable to a decline in impairment on loans to customers and administration expenses by P23.43 million and P16.88 million, respectively.

During the year under review, expenditure declined from P295.36 million in the previous year to P250.11 million in the year under review, representing 15% decline, while income declined by 4% from P238.39 million to P228.89 million during the same period.

Interest income for the year was P222.14 million, compared to P228.85 in the previous year, representing a 3% decline.

2.3 Working Capital

The working capital position of the Bank as at 31 March 2016 showed current assets of P70.08 million and current liabilities of P391.08 million, giving a net current liabilities position of P321.00 million.

The current liabilities included an overdraft of P99.11 million and loans of P257.96 million.

3.0 Management Letter

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

3.1 Customer Data Maintenance

The auditors noted instances where amendments to customer standing data such as interest rates and effective dates were not inputted correctly. In one of the cases, the interest rate in SAP on a customer account had to be corrected effective 1st August 2015 but the actual data input was done to make the correction effective 1st December 2015, resulting in the Bank undercharging interest. The following are some of the examples where interest was undercharged:

<u>Contract No.</u>	<u>Amount (P)</u>
10011478	296 397
10011478	178 391
10011551	165 852
10012834	212 413

In response management stated that centralisation of key processes in operations had started with the view to reduce and /or eliminate setup problems. Authorisation levels in SAP have been reviewed and were being tested for implementation by 31st October 2016. In addition, a register for all manual corrections would be kept and signed off after implementation.

3.2 Loans With Credit Balances

The auditors noted loans with credit balance in the SAP system which is a reflection of errors in the system which should have been attended to promptly.

In response management stated that the refunding of clients had been on-going at a very low pace as part of the project to analyse credit balances to establish genuine credits and misallocations. The exercise was expected to be completed by the fourth quarter of 2016/17 financial year.

3.3 Loan Account Closure Processes

The auditors noted that no formal document was filed in the customer files upon account closure as evidence that all the necessary procedures had been followed before closing an account and that the account closure was properly reviewed and approved by a senior officer. An account was closed in the system by cancelling the deductions from the customer.

In response management stated that an account closure process would be developed and implemented from 1st November 2016 and monitored accordingly.

140. National Food Technology Research Centre

The financial statements of the National Food Technology Research Centre for the financial year ended 31st March 2016 were audited by Messrs Grant Thornton, Certified Public Accountants, who were appointed by the Board.

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements presented fairly, in all material respects, the financial position of the National Food Technology Research Centre as at 31 March 2016, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

2.2 Financial Results

In the year under review, the Centre recorded a deficit of P4.41 million, compared to a surplus of P2.28 million (restated) in the previous year. Expenditure increased from P26.19 million in the previous year to P34.04 million during the year under review, representing 30% increase, while income increased from P28.47 million to P29.63 million, representing 4% increase. The deficit for the year is mainly attributable to increases in staff costs and research and development costs of P2.53 million and P3.32 million, respectively.

The Centre is funded by Government grants, and in the year under review the grant was P28.56 million, making up 96% of total income.

Subsequent to year-end, work was on-going to merge the Centre with the Department of Agricultural Research and the National Veterinary Laboratory to form the National Agricultural Research and Development Institute.

2.3 Working Capital

The working capital position of the Centre as at 31st March 2016 showed current assets of P19.23 million and current liabilities of P18.33 million, giving a net current assets position of P904 233.

3.0 Management Letter

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

3.1 Disposal of Fixed Assets

The auditors noted that the Centre did not follow procurement and disposal procedures as the assets disposed of were not removed from the fixed assets register. Management could not also establish which assets had been disposed of in order to effect the adjustments in the register, especially those beyond their useful lives, but only recorded sale proceeds. The non-compliance to International Accounting Standard 16 may lead to controls being overridden and result in possible loss of assets and disposals not being at arm's length.

In response management acknowledged the auditors' finding and stated that work was ongoing to value and update assets with the assistance of an expert.

3.2 Depreciation

The auditors noted that the Centre excluded assets purchased during the year when calculating depreciation for the year. The exclusion of assets in the first year of purchase is not in line with principles of International Financial Reporting Standards as the assets were in use during the year.

In response management acknowledged the auditors' finding and stated that they would have an accurate fixed assets register and provide for depreciation since they had completed valuation of residual values and updated assets register.

3.3 Rental Income

The auditors noted that the Centre accounted for rental income upon receipt of money (cash basis) from tenants instead of recognising it when it is due (accrual basis) as stipulated by the International Financial Reporting Standards (IFRS) which is the applicable accounting framework.

In response management acknowledged the auditors' observation and stated that they would comply with the IFRS.

3.4 Employees' Contracts

The auditors noted that some employees' employment contracts were not kept in their files which is not in line with Employment Act and the Centre's Human Resources Policy.

In response management acknowledged the auditors' finding

141. Non-Bank Financial Institutions Regulatory Authority

The financial statements of the Non-Bank Financial Institutions Regulatory Authority for the financial year ended 31 March 2016 were audited by Messrs Grant Thornton, Certified Public Accountants, who were appointed by the Board in terms of Section 33 (1) of the Non-Bank Financial Institutions Regulatory Act, 2006.

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements presented fairly, in all material respects, the financial position of the Non-Bank Financial Institutions Regulatory Authority as at 31 March 2016, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

2.2 Financial Results

In the year under review, the Authority recorded a deficit of P13.42 million, compared to P1.72 million in the previous year. The deficit arose from expenditure of P65.38 million being more than income of P51.96 million.

Income comprised mainly supervisory levies of P33.85 million, Government grant of P15.16 million, other income of P1.40 million and finance income of P1.55 million.

2.3 Working Capital

The working capital position of the Authority as at 31 March 2016 showed current assets of P26.85 million and current liabilities of P8.30 million, giving a net current assets position of P18.55 million.

3.0 Management Letter

The auditors issued a management letter and the issues raised were accounting and control matters which management undertook to address and hence do not warrant mention in this report.

142. Public Enterprises Evaluation and Privatisation Agency

The financial statements of the Public Enterprises Evaluation and Privatisation Agency for the financial year ended 31st March 2016 were audited by Messrs Grant Thornton, Certified Public Accountants, who were appointed by the Board, in accordance with Clause 14.1 of the Agency's Articles of Association as read with the Companies Act, (Cap 42:01).

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements presented fairly, in all material respects, the financial position of the Public Enterprises Evaluation and Privatisation Agency as at 31st March 2016, and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

2.2 Financial Results

In the year under review, the Agency recorded a deficit of P366 227, compared to a surplus of P8.86 million in the previous year. The deficit is attributable to increase in consulting and professional fees on projects, which almost doubled from P14.98 million in the previous year to P27.53 million in the year under review.

Expenditure increased from P38.94 million in the previous year to P52.01 million in the year under review, representing 34% increase, while income increased from P47.81 million to P51.64 million during the same period, representing 8% increase.

The Agency is funded by Government grants, and in the year under review the grant was P51.56 million, compared to P47.73 million in the previous year.

2.3 Working Capital

The working capital position of the Agency as at 31st March 2016 showed current assets of P270.46 million and current liabilities of P264.66 million, giving a net current assets position of P5.80 million.

The current assets and liabilities included P250.31 million Botswana Government funds for underwriting Botswana Telecommunications

Limited shares. The current liabilities also included a balance of grants amounting to P7.69 million deposited with the Agency for privatisation projects of the identified state enterprises and other related matters.

3.0 Management Letter

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

143. **Public Procurement and Asset Disposal Board**

The financial statements of the Public Procurement and Asset Disposal Board for the year ended 31st March 2016 were audited by Messrs Deloitte and Touché, Certified Public Accountants, who were appointed by the Board in terms of Section 58 (8) of the Public Procurement and Asset Disposal Act, (Cap 42:08).

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements presented fairly, in all material respects, the financial position of the Public Procurement and Asset Disposal Board for the year ended 31st March 2016, and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

2.2 Financial Results

The Board recorded a deficit of 14.49 million in the year under review, compared to a surplus of P12.96 million in the previous year. The deficit for the year arose from the expenditure of P75.72 million against income of P61.24 million.

The income comprised of the following:

	2016 <u>P' Million</u>	2015 <u>P' Million</u>
Government Grant	41.56	48.55
Other Income	18.78	12.19
Interest Income	<u>0.90</u>	<u>0.74</u>
	61.24	61.48

Expenditure comprised of the following:

Staff Costs	43.97	36.40
Administrative Expenses	<u>31.76</u>	<u>12.12</u>
	75.72	48.52

2.3 Working Capital

The working capital position of the Board as at 31st March 2016 showed current assets of P27.81 million and current liabilities of P14.48 million, giving a net current assets position of P13.33 million.

3.0 Management Letter

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

3.1 Reconciliation of Collections through BotswanaPost

The auditors observed, as in the prior year, that the Board had a contract with the BotswanaPost to collect its fees from customers using the Integrated Project Management System (IPMS) and remit the collections on monthly basis. The reconciliation of expected collections from BotswanaPost for various customer fees was not consistently performed on monthly basis.

In response management stated that reconciliations were performed during the course of the year but that there were often timing differences in cut-off periods between BotswanaPost's Repost System and IPMS which were reconciled at end of the financial year. However, management accepted the auditors' advice for routine monthly reconciliations and that it would be diligently implemented.

3.2 Data Ownership

The auditors observed, as in the prior year, that data ownership was not explicitly defined by the Board which could result in inappropriate users having unauthorised access to systems or users having inappropriate levels of access on systems. Defining data ownership ensures that there is accountability as there would be someone responsible for making decisions.

In response management stated that identification and change of data ownership and access for new systems would be developed. A form was being developed to explicitly define the required level of authorisation to all applications and systems.

144. SPEDU

The financial statements of SPEDU for the financial year ended 31st March 2016 were audited by Messrs PricewaterhouseCoopers, Certified Public Accountants, who were appointed by the Board.

SPEDU is a wholly owned Government company limited by guarantee under the Companies Act, (Cap 42:01), which was incorporated in 2012 to facilitate sustainable economic growth through diversification and creation of sustainable employment opportunities in the SPEDU region.

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements presented fairly, in all material respects, the financial position of SPEDU as at 31st March 2016, and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

2.2 Financial Results

During the financial year under review, SPEDU recorded a profit of P815 050, compared to P134 707 in the previous year. The improved financial results is attributable to a relatively higher growth in income compared to expenditure.

The Company is funded by Government grants and in the year under review, the grant was P16.81 million, compared to P8.09

million in the previous year, representing 108% increase. Other income was P132 441, compared to P26 976 during the same period in the previous year.

Expenditure increased from P7.98 million in the previous year to P16.13 million in the year under review, representing 102% increase. The increase in expenditure was mainly attributable to increase in staff costs as a result of conversion of SPEDU to a parastatal effective from April 2015.

2.3 Working Capital

The working capital position of SPEDU as at 31st March 2016 showed current assets of P4.40 million and current liabilities of P4.34 million, which resulted in a net current assets position of P66 200.

Current liabilities include P2.07 million Re-Employment Account (REA) funds provided by Government and the European Union for provision of primary infrastructure (such as roads, rail, sewerage works, information and communication technology (ICT) and electricity projects) and P1.97 provision for gratuity and leave pay.

3.0 Management Letter

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

3.1 Fixed Assets Register

The auditors noted that the fixed assets register was not properly coded as the assets were not uniquely identifiable, hence making it difficult to verify their physical existence.

In response management stated that they were in a process of automating the fixed assets register and would reconcile the register annually.

3.2 Interest on Car Loan

The auditors noted that SPEDU settled a car loan at Wesbank for one of the Directors when he joined the Company, but had not charged interest on the loan or recognised a benefit arising from an interest-free loan and subsequently remit the applicable tax to Botswana Unified Revenue Services in line with the Income Tax Act.

In response management stated that the officer was in the process of clearing the loan during 2016/17 financial year.

Auditor General's Comment

Management have not given details of how the loan was to be cleared during 2016/17 nor commented on the aspect relating to the taxable benefit arising from the settlement of the loan.

145. **Statistics Botswana**

The financial statements of Statistics Botswana for the financial year ended 31st March 2016 were audited by Messrs Grant Thornton, Certified Public Accountants, who were appointed by the Board in terms of Section 24 (2) of the Statistics Act, 2009.

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements presented fairly, in all material respects, the financial position of Statistics Botswana as at 31st March 2016, and its financial performance and its cash flows for the period then ended, in accordance with International Financial Reporting Standards and in a manner required by Section 24 (3) of the Statistics Act, 2009.

2.2 Financial Results

During the year under review, Statistics Botswana recorded a deficit of P128 191, compared to P5.14 million in the previous year. This is an improvement from the previous year. Expenditure increased from P94.53 million in the previous year to P128.06 million in the year under review, representing 25% increase, mainly due to increases in:

	<u>2016 (P)</u>	<u>2015 (P)</u>
Advertising	1 399 525	641 528
Employee costs	78 215 190	59 593 999
Hire Charges	15 925 127	4 023 332
Motor Vehicle expenses	3 461 528	641 989
Workshop and Conferences	3 184 454	1 454 117

Statistics Botswana is funded by Government grants, and in the year under review, the grant was P127.60 million, compared to P86.78 million in the previous year.

2.3 Working Capital

The working capital position of Statistics Botswana as at 31st March 2016 showed current assets of P46.81 million and current liabilities of P46.11 million, which resulted in a net current assets position of P699 406.

3.0 Management Letter

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

3.1 Management and Control for Project Funds

The auditors noted the following:

- Utilisation and accounting for project funds was not in line with International Accounting Standard 20 which calls for recognition of Government grants in the profit or loss on a systematic basis over the periods in which the entity recognises as expense the related costs for which the grants are intended to compensate.
- Schedules maintained to control receipts and expenditure for project funds were understated by P3 million and had omitted temporary project staff costs of P2.18 million.
- UNFPA project funds were accounted for differently in the cashbook and in the final report on conclusion of the project.
- Assets purchased for usage on the projects were expensed instead of being capitalised.

In response management noted the auditors' observation and stated that the new system had been configured to address the above accounting deficiencies through a Project Job Costing module.

3.2 Bank Reconciliations

The auditors noted that a former employee was not removed from a list of approved signatories with the bank.

In response management noted the auditors' observation and stated that action had been taken to remove the former employee from being a bank signatory.

3.3 Payroll

The auditors noted that:

- The monthly payroll schedule amount did not tally with the amount as per the pay slips.
- Employees were not paid correctly in June 2015 due to an error which resulted in overpayments amounting to P153 261 not being recovered from affected staff and also not recorded as receivables from staff.
- Inadequate monthly review and reconciliation of the payroll record maintained by human resources with the accounting system (general ledger).

In response management noted the auditors' observation and stated that errors arose as payroll schedules were maintained manually due to system challenges. The June 2015 error occurred when salaries were loaded and instantaneous recoveries were made through the bank except for those who had utilised the funds, they were informed and payment plans agreed with them. All payroll processes had since been automated in the new payroll system.

3.4 Fixed Assets

The auditors noted the following deficiencies regarding management and controls over fixed assets which contravened the provisions of International Accounting Standard 16:

- The Fixed assets register was not sufficiently updated with the current year's additions and disposals.
- Camping equipment purchased during the year was expensed.
- Project computers purchased during the year were included in the accruals schedule and were not capitalised.

- Depreciation charge for the year was incorrectly computed.
- Proceeds received from auctioned assets were not properly accounted for and receivables from staff of P65 629 in relation to assets purchased by them were not recorded in the books.
- The new accounting software purchased (SAP and VIP Payroll) was not capitalized.
- All new additions were not assigned asset numbers.

In response management noted the auditors' observation and stated that the fixed assets register had been maintained in excel spreadsheet and updated manually as the old system had no fixed assets register module. The fixed assets register has since been automated in the new system.

146. University of Botswana

The financial statements of the University of Botswana for the financial year ended 31 March 2016 were audited by Messrs PricewaterhouseCoopers, Certified Public Accountants, 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 financial statements presented fairly, in all material respects, the financial position of the University of Botswana as at 31 March 2016, and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

2.2 Financial Results

In the year under review, the University recorded a deficit of P624.76 million, compared to P1.95 million in the previous year. The deficit is mainly attributed to an increase in staff costs due to introduction of housing and travel allowances and provision for

impairment of receivables related to Government-sponsored students fees.

Expenditure increased from P1 193.97 million in the previous year to P1 990.04 million in the year under review, representing 67% increase, while income increased from P1 192.02 million to P1 365.28 million, representing 15% increase during the same period.

The main items of income and expenditure comprised the following:

	2016 Change <u>P' Million</u>	2015 <u>P' Million</u>	<u>%</u>
<u>Income</u>			
Government Subvention	793.96	606.08	31
Tuition and Other Students Fees	409.53	419.49	-2
Finance Income	53.68	87.61	-39
Deferred Income	92.40	67.67	37
<u>Expenditure</u>			
Staff Costs	1 134.86	827.68	37
Other Operating Expenses	762.79	284.08	69
Designated Project Costs	92.40	67.67	37

The University has, for the fourth year running, recorded a deficit which led to negative accumulated retained earnings. Revenue from tuition and other students fees has, over the last 3 years declined as the student numbers dropped by 23% from 18 176 in 2014 to 14 040 in 2016.

This unfavourable performance requires Government to provide financial support to safeguard the going-concern status of the University.

2.3 Working Capital

The working capital position of the University as at 31 March 2016 showed current assets of P897.89 million and current liabilities of P443.89 million, giving a net current assets position of P454.01 million.

Current liabilities included:

	<u>P' Million</u>
• Deferred Students Fees Revenue	55.67

- Ministry of Health Hospital and Residence Funds 74.72
- Ministry of Health Upenn Funds 48.57
- Provision for Gratuity and Leave Pay 146.72

3.0 Management Letter

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

3.1 Application Fees

The auditors noted instances where the prevailing students application fee structure was not applied, which led to inaccurate recognition of income.

In response management stated that all prospective students would be required to produce their national identity cards to establish the appropriate fee when paying for application fees.

3.2 Registration for Subjects by Students

The auditors noted that some self-sponsored students only registered and paid for a sufficient number of modules that enabled them to register and be unblocked, then later registered for additional modules at their faculties without paying for them. This may result in the University losing income.

In response management stated that a new system that would block students from registering for more subjects than they had paid for was being tested.

3.3 Rental Income

The auditors noted that some persons/tenants were using the University property without fees being collected from them and that monthly rental fees were not clearly spelt in the agreements.

In response management stated that there was no lease agreement with one tenant, Barclays Bank, since 2013 and that their lease agreement was awaiting signing.

3.4 Sponsored Students

The auditors noted that some sponsored students who failed and were discontinued were not removed from the list of the sponsored students.

In response management stated that they were working with the consultants to set up control measures for fail-and-discontinue status to trigger termination of student-sponsor link and have reports which detect such cases for corrective action to be taken.

3.5 Staff Imprests

The auditors noted significant delays of up to 2 years relating to retirement of imprests and advances by staff.

In response management stated that deductions would be initiated against salary for all affected staff.

3.6 Staff Debtors

The auditors noted long outstanding receivable balances from former employees who had resigned from the University and some of the balances had been referred to the legal services for collection more than 5 years ago but without success.

In response management stated that the outstanding balances related to guaranteed loans that the University used to provide to staff and had been handed over to the legal services for appropriate action.

3.7 Staff Personnel Files

The auditors noted that some personnel files did not contain critical documents such as employment contract, increment letters and certificates. This exposes the University to risk in cases of disputes.

In response management stated that they would continue the process of updating personnel files.

3.8 Bank Reconciliation

The auditors noted unreconciled balance of P3.36 million in one bank account used as a control account to reconcile direct cash receipts with debtors. This was an indication that unresolved items were not being investigated and resolved in a timely manner.

In response management stated that the account was being monitored and the balance had reduced to P2.8 million by July 2016.

3.9 Fixed Assets Register

The auditors noted:

- Instances where motor vehicles disposed of in 2014 were not removed from the fixed assets register, indicating that the register was not properly updated.
- Differences between the fixed assets register and the fleet schedule since not all the vehicles were recorded in the register.

In response management stated that:

- They would improve communication within the University to ensure that similar errors do not recur.
- Some vehicle additions were not auto-updated in the vehicle management system and that they were working with the consultant to correct the vehicle register.

147. Vision 2016 Council

The draft financial statements of the Vision 2016 Council for the financial year ended 31 March 2016 were audited by Messrs KPMG, Certified Public Accountants, who were appointed by the Council.

The Vision 2016 Council was dissolved on 30 September 2016 to pave way for the Vision 2036 Council. The draft financial statements are yet to be discussed and agreed with the officials of the Ministry of Presidential Affairs, Governance and Public Administration.

2.0 Accounts

2.1 Draft Audit Opinion

In the opinion of the auditors:

The draft financial statements presented fairly, in all material respects, the financial position of the Vision 2016 Council as at 31 March 2016, and of its financial performance and its cash flows for the year then ended, in accordance with the International Financial Reporting Standards.

2.2 Financial Results

The Council recorded a deficit of P3.99 million during the year under review, compared to P5.53 million in the previous year.

Income increased by P7.73 million from P7.22 million in the previous year to P14.95 million in the year under review. The Council is funded by Government grants, and during the year under review, the grant was P11.12 million making 74% of the total income, compared to P6.63 million in the previous year. Other income included funding of P2.91 million from Ministry of Youth, Sport and Culture for the roving torch, replica torches and staff overtime expenses and donations of P780 815.

Expenditure increased by P6.91 million from P12.75 million in the previous year to P18.94 million in the year under review. Notable increases were in employee costs (P3.39 million), professional costs (P2.49 million) for evaluation of the Vision 2016, and promotion and advertising costs (P2.19 million) for dissemination of information and materials on achievements and challenges of the Vision 2016.

2.3 Working Capital

The working capital position of Council as at 31 March 2016 showed current assets of P2.47 million and current liabilities of P4.94 million, resulting in a net current liabilities position of P2.47 million.

Current liabilities included payroll accruals of P2.44 million.

3.0 Management Letter

At the time of writing this report, the management letter had not been issued pending finalisation of the financial statements.

148. Water Utilities Corporation

The financial statements of the Water Utilities Corporation for the financial year ended 31st March 2016 were audited by Messrs Deloitte & Touché, Certified Public Accountants, who were appointed by the Board in terms of Section 25 (2) of the Water Utilities Corporation Act, (Cap 74:02).

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements presented fairly, in all material respects, the financial position of the Water Utilities Corporation as at 31st March 2016, and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and in a manner required by Section 25 of the Water Utilities Corporation Act, (Cap 74:02).

Emphasis of Matter

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

- The Corporation had incurred a loss for the year of P266.37 million (2015: P371.47 million) before taking into account the tariff subsidy grant from Government of P388 million (2015: P1.19 million) and that the Government had committed to provide on-going financial support in future to sustain the Corporation.
- Note 4 of the financial statements stated that the title to the land and buildings acquired by the Corporation from the Department of Water Affairs and the Ministry of Local Government and Rural Development, under the Water Sector Reforms Project, had not yet been transferred to the Corporation. The Corporation anticipated that the title to the assets would be transferred in time.
- The Corporation had not complied with Section 19 of the Water Utilities Corporation Act, (Cap 74:02) which requires the Corporation to conduct its affairs on sound commercial lines and to produce a net operating income by which a reasonable return can be measured. The Corporation incurred an operating loss of P242.21 million before taking into account P388.00 million tariff subsidy grant from Government.

Auditor General's Comment

The issue of title deeds which had not been transferred to the Corporation is a long outstanding one. It is honestly expected that

action would be taken to complete the exercise as soon as possible in line with the assurances which were made in the past.

2.2 Financial Results

In the year under review, the Corporation recorded a profit of P121.63 million, compared to a loss of P370.28 million in the previous year. The profit is attributed to P388 million tariff subsidy grant provided by Government.

The income comprised:

	2016 <u>P'Million</u>	2015 <u>P'Million</u>
Revenue	1 307.27	1 006.74
Revenue Grant	388.00	1.19
Finance Income	20.71	3.22
Other Income	18.75	14.65
Gain on Defined Benefit Plan	<u>2.23</u>	<u>0.00</u>
	1 736.96	1 025.80

The expenditure comprised:

	2016 <u>P'Million</u>	2015 <u>P'Million</u>
Water Treatment & Distrib. Expenses	61.77	764.89
Administration and Other Expenses	465.29	357.30
Finance Cost	47.10	50.42
Loss on Defined Benefit Plan	<u>0.00</u>	<u>3.26</u>
	1 374.16	1 175.87

2.3 Working Capital

The working capital position of the Corporation as at 31st March 2016 showed current assets of P527.47 million and current liabilities of P520.62 million, resulting in a net current assets position of P6.85 million.

The current liabilities included payroll accruals of P95.96 million.

3.0 Management Letter

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

3.1 Prior Year Matters

The auditors had noted, as in the previous year that matters which they had raised in the prior years had still not been resolved. They had listed these matters, numbering 36, and indicated that out of these, only 5 had been resolved.

Some of the matters raised by the auditors, I noted have long been outstanding and it is my hope and belief that management will make efforts to resolve them and bring the accounts of the Corporation under proper control.

3.2 Clearing of Data Migration Exceptions

The auditors noted P7.61 million migration exceptions for Maun region that needed to be resolved as it implied that customers had not been billed for both potable water and waste water since December 2015. The migration exceptions were the individual account balances which were not migrated from manual records or Edams to SAP during the implementation of the Water Sector Reforms or plots that had not been billed since migration.

In response management acknowledged the auditors' observation and stated that resources would be employed to address all the exceptions.

3.3 Reconciliation of Consumer Debtors

The auditors noted an unreconciled difference of P2.80 million (2015: P2.35 million) between the customer debtors listing and the general ledger, an indication that the reconciliation was not a monthly routine.

In response management stated that they were working on the new SAP standard report to provide a detailed debtors listing in order to resolve the difference.

3.4 Non-Consumer Debtors

The auditors noted that the non-consumer debtors balance grew from P9.33 million in the previous year to P13.43 million at end of the year under review, which was an indication that debtors were not actively followed up for payment. These debtors were not aged and a number of transactions were from the prior years, with some dating as far back as 1999. The auditors conceded the possibility of some of these balances being either invalid or irrecoverable.

In response management stated that they would continue to monitor the debtor balances at each management centre and clean non-genuine ones. Assistance would be sought to identify the aging report as the SAP standard report does not provide an aging analysis of debtors.

3.5 Un-invoiced Plots

The auditors noted, as in the previous year, that a number of plots had not been billed which made recoverability of the outstanding amounts doubtful given the lapse in time and the high aggregate debt levels. The total estimated revenue in the year under review due to customers not being invoiced was P15.76 million (2015:P3.52 million).

In response management indicated that they would continue to monitor the un-invoiced plots from one billing period to another with the view to eliminating the exceptions.

3.6 Delays in Billing

The auditors noted, as in the previous year, that the Corporation was still lagging behind with billing, as bills amounting to P15.19 million relating to the 2015/2016 financial year were processed in the financial year 2016/2017 because the ledger for the period under review had already been closed at the end of May 2016. The auditors pointed out that late billing resulted in delayed payments by customers and also impacts negatively on the Corporation's cash flows.

In response management stated that the monitoring process would be reviewed to ensure that the billing cycle was adhered to and that the exceptions related to billing were attended to on time.

3.7 Wastewater Revenue

The auditors noted that the Corporation had, as part of the next phase of Water Sector Reforms plan, identified customers who were connected to the sewerage system and migrated them in order to start billing them. However, there were some areas, especially where there was a mixture of pit latrines and sewerage connections, that were left out of the migration exercise and were not being billed, hence the Corporation was losing revenue. They also noted that there had been delays in attending to exceptions

from the migration process, with an estimated revenue amounting to P6.7 million.

In response management stated that the monitoring process would be put in place to review and ensure that all waste water exceptions are cleared in the shortest time possible.

3.8 Un-cleared Deposits

The auditors noted long outstanding reconciling items, mostly from the prior years, due to, among others, unidentified deposits, un-presented cheques, payments made but not applied to supplier accounts, and outstanding deposits. The unreconciled items older than 3 months amounted to P29.21 million, with P20.69 million being over 12 months and going as far back as 2009/10 financial year.

In response management stated that they would take necessary steps to clear all the reconciling items.

3.9 Outdated Bank Signatories

The auditors noted that two officers who left the Corporation in 2014 and 2015 were, in June 2016, still included in the list of signatories to bank accounts.

In response management stated that the banks were instructed through a letter immediately the officers left the Corporation and they undertook to make follow ups on the matter.

3.10 Physical Verification of Assets and Assets Tagging

The auditors noted that the Corporation did not have a policy of carrying out physical verification of assets on a cyclical basis and that the items were not labelled for identification purposes. In one instance, there were challenges in verification of generators recorded as located in Gaborone when actually located in Shashe.

In response management acknowledged the auditors' observation and stated that structures would be put in place to ensure proper accountability of assets. They would also undertake a country-wide assets verification and tagging and thereafter update the Fixed Assets Register to ensure compliance with International Accounting Standard 16.

3.11 Long Outstanding Amounts in Creditor Accounts

The auditors noted that creditors amounting to P2.71 million (2015: P4.79 million) had been outstanding for over a year, with the largest amount being P465 758 from October 2012. This is an indication that the accounts were not regularly reviewed.

In response management stated that the balances would be investigated and corrective measures taken.

3.12 Non-Compliance with EIB Loan Agreement

The auditors noted, as in the previous year, contravention of the terms of the European Investment Bank (EIB) loans as the Corporation's debt service ratio was below 1.5:1, instead of being above, during the year under review. This breach could result in the loan being recalled and since it was unlikely that the Corporation would comply with the ratio in the immediate future, the total loan balance of P42.32 million was classified as current borrowings in compliance with International Accounting Standard no. 1.

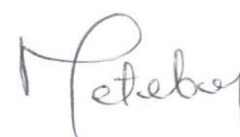
In response management acknowledged the auditors' observation and stated that EIB was not amenable to revising the contract clause. However, the loan was guaranteed by Government and the Corporation had never defaulted on the instalments.

XII CONCLUSION

149. I would like to thank the Accountant General and other Heads of Departments, managers of parastatal organisations and their staff for the ready cooperation and assistance that they have accorded me throughout the year, and in the preparation of this Report in the discharge of my duty under the Constitution.

I would also like to thank the Government Printer and his staff for their ever willingness in the printing and production of this Report.

14 March 2017



Pulane D. Letebele
AUDITOR GENERAL