REPORT OF THE AUDITOR GENERAL

ON THE ACCOUNTS OF THE

BOTSWANA GOVERNMENT

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015

TELEPHONE: (+267) 3617100/3951050
FAX NO: (+267) 3188145/3908582
Farm Forest Hill No.9
Lot 134 Millenium Park
Website: www.oag.org.bw
Email: oag@gov.bw

REPUBLIC OF BOTSWANA

Office of the Auditor General
Private Bag 0010
Gaborone
Botswana

16 February 2016

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

Dear Sir,

In accordance with Section 124 (3) of the Constitution of Botswana, I have the honour to submit my Report on the audits of the accounts of the Government for the financial year ended 31st March 2015.

I have the honour to be, Sir,

Pulane D Letebele
AUDITOR GENERAL

OAG Office of the Auditor General Prosperity through Accountability

BOTSWANA Our pride, your destination

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*

TABLE OF CONTENTS

X. PARASTATALS

REPORT OF THE AUDITOR GENERAL ON THE ACCOUNTS OF THE BOTSWANA GOVERNMENT FOR THE YEAR ENDED 31 MARCH 2015

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 2015 were submitted to me by the Accountant General for the purpose of auditing, as required by Section 42 (2) of the Public Finance Management Act, within the time prescribed by the Act. The Act requires that the accounts and statements shall be submitted within 6 months after the end of the financial year to which those accounts and statements relate.

5. **Auditor General's Certificate**

The examination of the Annual Statements of Accounts of the Botswana Government for the financial year ended 31st March 2015, 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 16th December 2015 was transmitted to the Accountant General for incorporation into these accounts, in readiness for tabling before the National Assembly, in terms of Section 42 (3) and (4) of the Act.

6. **Submission of the Report**

In terms of Section 19(3) of the Public Audit Act (No 15 of 2012), I am required to submit my report on the audit of the annual accounts and statements and related matters to the Minister responsible for finance within 9 months after the end of financial year to which those accounts and statements relate, who shall cause them to be laid before the National Assembly.

I have not been able to meet the statutory deadline, as my report was completed and submitted to the Minister on12th February 2016.

7. **Matters After the Financial Year**

Although the report covers the audit of the accounts of the Botswana Government for the financial year ended 31st March 2015, I have also included other matters which had taken place since that date and before the completion of writing of this report. I have done so where I considered it necessary in the interest of timely reporting and early resolution of the matters raised.

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

8. **Outstation Inspections**

The conduct of outstation inspections of up-country offices to review their operations and compliance with the laid down 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 rational basis. For the year under review a few stations throughout the country were visited for this purpose on an ad-hoc basis, to cover specific offices.

The Botswana diplomatic Missions are normally covered by officers during official overseas trips to attend conferences in the countries of residence. For the year under review, there were no inspections conducted at the diplomatic Missions.

II GENERAL

9. **Public Accounts Committee**

The Public Accounts Committee met for its 53rd meeting in the period between 18th May to 12th June 2015 to examine Accounting Officers on the accounts of their Ministries and Extra-Ministerial Departments for the financial year ended 31st March 2014; and to consider progress on matters which had been raised in previous meetings of the Committee. The Committee had also met in September 2015 to discuss the performance audit reports which had been tabled in the House. These examinations are carried out annually in terms of Standing Order 105.3 of the National Assembly.

At the time of writing this report, the reports of the Committee to the House on these examinations had not yet been published.

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

The Parliamentary Committee on Statutory Bodies and State Enterprises met during the month of October 2015 to examine the Chief Executive Officers of the Statutory Bodies and State Enterprises on the accounts of their entities for the respective financial years, latest 31 March 2014. The last meeting of the Committee was in September 2012 on the accounts for the year ended 31 March 2011, and the report of those meetings is yet to be tabled in the House.

11. **Currency**

The monetary values in this report are in the Pula currency, except where expressly indicated. The year-end balances in foreign currencies are translated to the Pula equivalents at the applicable middle-market rate as at 31st March 2015. 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

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

Imprests

The breakdown of the balance of imprests as at 31st March 2015 is as follows-

Travelling imprests	13 962 836
District	33 194
Standing imprests	352 657
	14 348 686

While it is accepted that as part of normal Government business there will always be a balance of outstanding travelling imprests at any point in time, there has however always been a concern over those that had not been retired and balances became dormant in the accounts. The Public Accounts Committee have expressed concern, over the years, when the Accounting Officers had failed to take decisive action to bring these matters under proper control, and operate these accounts strictly in accordance with the laid down rules, which require summary recoveries from the salaries of officers who fail to account for these cash advances.

In the year under review, the balance of travelling imprests in all Ministries as at 31st March 2015 was P13 962 836, out of which P3 136 051 (representing 22%) was non-moving, compared to 16% in the previous year. There is also a balance of P33 194 of District Imprests which had been outstanding over a long time under the Department of the Administration of Justice.

The details of each Ministry are given under the Ministerial Section of this report.

Standing Imprests

As at 31st March 2015 the total of authorised standing imprests for the various units of Government stood at P713 900. I have in the past suggested that these holdings should be subjected to year-end checks by inclusion in the Boards of Survey on cash appointed by the Ministry of Finance and Development Planning.

In his submission to the Public Accounts Committee, the Accounting Officer had assured the Committee that such surveys would be carried out effective from the year-ending 31st March 2015. However, as at this date this had still not been done.

With regard to the balance of P352 657 under these accounts as at 31st March 2015, its correctness is highly questionable as it includes instances where the year-end balances exceeded the authorised limits and also inexplicable negative balances in the Mission accounts, which is absurd considering that these are cash holdings.

IV CONSOLIDATED FUND

13. **Revenue Results**

The estimated revenue for the year was P53 469 857 570 and the actual collections were P57 351 380 169, resulting in a net of P3 881 522 599 over the estimate.

14. **Appropriation Act**

The sum appropriated from the Consolidated Fund by the Appropriation (2014/2015) Act, No 7 of 2014, for the year ended 31st March 2015 was P45 645 664 300.

15. **Supplementary Estimates**

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

a) **Financial Paper No.1 of 2014/2015 – July 2014**

State President	5 920 000
Agriculture	40 000 000
Environment, Wildlife & Tourism	7 500 000
Transport & Communications	10 000 000
	63 420 000

b) **Financial Paper No.2 of 2014/2015 – November 2014**

State President	49 576 940
Labour & Home Affairs	10 519 730
Education & Skills Development	536 379 920
Local Govt & Rural Development	71 124 100
Foreign Affairs & Intern. Cooperation	1 000 000
Environment, Wildlife & Tourism	2 000 000
Transport & Communications	43 323 490
Defence, Justice & Security	390 789 190
	1 104 713 370

c) **Financial Paper No.3 of 2014/2015 – February 2015**

Education & Skills Development	568 968 430

16. **Supplementary Appropriation Act**

Supplementary Appropriation (2013/2014) Act

The National Assembly passed the Supplementary Appropriation (2013/2014) Act, No. 8 of 2015, to authorize the expenditure out of the Consolidated Fund in the amount of P836 275 906 in excess of the sums already appropriated in respect of the financial year ended 31st March 2014.

V DEVELOPMENT FUND

17. **The Appropriation Act**

The Appropriation Act (2014/15) Act (No 7 of 2014) authorised the Minister of Finance and Development Planning to issue a warrant for payment from the Development Fund in the sum of P11 463 888 500.

18. **Supplementary Estimates**

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

(a) **Financial Paper No 1 of 2014/2015 -July 2014**

Independent Electoral Commission	**30 000 000**

(b) **Financial Paper No 2 of 2014/2015-November 2014**

Agriculture	497 000 000
Education and Skills Development	396 060 038
Environment, Wildlife and Tourism	46 000 000
Defence, Justice and Security	442 000 000
	1 381 060 038

VI OTHER STATEMENTS

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

(a) Warranted Provisions

The warranted provisions of the funds appropriated from the Consolidated Fund for Ministerial expenditures for the year under review was P47 382 386 100 and the actual expenditures totalled P46 401 181 496, leaving an unspent balance of P981 203 904, representing 2% of the warranted provisions. The details of the performance of each Ministry are set out under the Ministerial Section of this report.

The expenditure on statutory commitments relating to Public Debt, Pensions, Gratuities and Compensations, Specified Officers and Miscellaneous accounts was P5 491 692 314.

(b) Excess Expenditures

The following Ministries had incurred expenditures in excess of the estimates approved by the National Assembly which, in terms of Section 119 of the Constitution, would require supplementary appropriation to cover the excess expenditures.

Ministry	Approved Estimates	Actual Expenditure	Excess Expenditure
State President	946 116 860	985 567 092	39 450 232
Labour & Home Affairs	334 731 300	337 407 898	2 676 598
Agriculture	968 164 490	1 026 149 620	57 985 130
Educ. & Skills Devt.	9 259 494 520	10 317 106 736	1 057 612 216
Admin. of Justice	185 850 950	187 498 411	1 647 461
Defence, Justice & Security	4 180 095 700	4 352 178 160	172 082 460
	15 874 453 820	**17 205 907 917**	**1 331 454 097**

(c) Unauthorised Expenditures

The following Ministries had incurred expenditures in excess of the funds warranted by the Ministry of Finance and Development Planning; resulting in unauthorised expenditures to the extent indicated:

Ministry	Warranted Provision	Actual Expenditure	Unauthorised Expenditure
Agriculture	1 008 164 490	1 026 149 620	17 985 130
Admin. of Justice	185 850 950	187 498 411	1 647 461

(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. This is in breach of the terms of the sub-warrants and an indication of lack of expenditure control.

Ministry/ Department	Sub-Warranted Provision	Actual Expenditure	Over Expenditure
Agriculture			
Crop Production & Forestry	164 657 703	166 961 541	2 303 838
Animal Production	87 614 724	92 632 354	5 017 630
Veterinary Services	379 695 970	396 438 982	16 743 012
Health			
Primary Health Care	594 582 060	604 811 324	10 229 265
Policy, Planning & Monitoring	12 569 546	16 247 971	3 678 425
Administration of Justice			
Administration of Justice	185 850 950	187 498 411	1 647 461
Lands and Housing			
Town & Regional Planning	22 518 002	22 554 684	36 682

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

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

(a) Citizen Entrepreneur Mortgage Assistance Equity Fund

The total value of investments under this Statement is overstated to the extent of the figure of P55 450 766 under this Fund, which does not exist following the dissolution of the National Deed of Trust and transfer of all assets to the Citizen Entrepreneurial Development Agency in February 2013.

(b) National Petroleum Fund

The value of Investments of P85 023 074 under this Fund is made up of a portfolio of securities comprising unlisted offshore investment in shares, listed shares, corporate bonds and Money Market Fund. The account number identified against the total of these does not relate to all of them.

Although included in this Statement, the other assets totalling P69 672 520 relate to property, plant and equipment, receivables and cash balances.

(c) Export Credit Re-insurance Fund

The total of P31 080 688 under this Fund includes P576 900 relating to accounts receivables and cash and cash equivalents.

(d) Public Debt Service Fund

(i) Botswana Development Corporation – P279 000 000

As previously submitted to the Public Accounts Committee, action remains to be taken to clear this amount from the Fund, which is not a loan from the Fund but Government equity contribution to Botswana Development Corporation.

(ii) Botswana Meat Commission – P104 000 000

The Commission had not paid the instalment due on this loan in April 2014, as at 31st March 2015.

(iii) Lobatse Town Council

Loan	– P5 655 240
Loan	– P6 834 925
Loan	– P3 964 315
Loan	– P1 690 348

Out of the 9 outstanding loans with the Lobatse Town Council, the annual repayment instalments on the above loans had not been paid as at 31st March 2015.

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

The observations and comments arising from the audit of the accounts of the Special Funds for the year ended 31st March 2015 are made below under the respective Special Funds.

(a) Prisons Industries Revolving Fund

The Prisons Industries Revolving Fund was established during the year under review by Prisons Industries Revolving Fund Order (Statutory Instrument No.113 of 2014) for the purpose of training and developing prisoners in local institutions to acquire skills related to the rehabilitation programme and to promote projects and activities designed to rehabilitate prisoners.

The initial funding of the Fund was provided by transfer of arbitrary amount of P1 000 000, in March 2015, from collections that had previously accrued and been credited to the Consolidated Fund under the Prison Industries revenue item, thereby constituting an inappropriate expenditure from revenue collections. The balance of P928 395 remained in the revenue account.

(b) Botswana Innovation Hub Fund

As repeatedly reported in previous years, the Fund has been inactive since inception in 2010 with start-up contribution from Government of P12 000 000, which was the value of the Fund as at 31st March 2015.

In my successive reports I had raised enquiries about the continued relevance of the Fund against the backdrop of the activities of the Hub being operated and financed from the Development Fund. In his submission to the 53rd meeting of the Public Accounts Committee, the Accounting Officer had stated that he would take the matter up with the Accountant General with proposals to amend the Fund Order to bring it into line with the current situation and operations of the Hub.

At the time of writing this report I had not been advised of progress on the proposed amendments.

(c) Levy on Tobacco and Tobacco Products Fund

This Fund was established by Levy on Tobacco and Tobacco Products Fund Order (Statutory Instrument No. 8 of 2014) for the purpose of establishing treatment rehabilitation, rehabilitation and counselling clinics for tobacco users, and to promote projects and activities designed to combat the use of tobacco products.

In terms of the Fund Order, I am required to appoint an independent auditor to audit the annual accounts of the Fund. In respect of this initial year of the Fund accounts, at the time of writing this report arrangements were under way for the appointment of an auditor through the tender process.

(d) BDF Rewards and Fines Fund

The audit of the accounts of the Fund had indicated that expenditure had included payments to officers on account of their deceased relatives. In view of the divergence of opinion on the interpretation Section 177 of the Botswana Defence Force Act (Cap 21:05), I had referred the matter to the Attorney General for her legal opinion and her advice was that the grant of such benefits was in accordance with the spirit of the Fund instrument and in order.

The Ministry of Finance and Development Planning had earlier given a ruling on the proceeds of BDF aircraft charter that they should be credited to the Consolidated Fund, instead of to this Fund. The Commander, had however applied this ruling retrospectively by transfer of half of the amounts previously credited to the Fund to the Consolidated Fund in the amount of P6 969 918, which I consider was not necessary.

(e) Sim's Bursary Trust Fund

This is a legacy Fund from the estate of the late George Sim, the purpose of which is to train Batswana students in the professions, using interest earned from the investments.

In the year under review, no students had been nominated for training, resulting in nil expenditure from the Fund.

However, in calculating the interest due to the Fund from Cash held by Accountant General, the calculations had imputed an expenditure of P8 630 which resulted in interest income of P23 171, instead of P23 340 as per our calculations ignoring the notional payments.

I have not been able to obtain the details of the payments included in the calculations by the Accountant General.

(f) National Electrification Fund

Consequent upon failure to submit audited accounts of the Fund, in previous years since inception, for incorporation into the Annual Statements of Accounts, I was requested to undertake the audit of the accounts for the financial years 2013/2014 and 2014/15, and I accepted.

At the time of writing this report, I had sought clarification from the Accounting Officer on the inconsistency of the figures of levy collections in the Income Statement in the accounts of the Accountant General which showed a marked decrease from P401 049 208 last year to P110 433 807 in the year under review, in contradistinction to increase in electricity sales from P2 249 534 000 to P2 254 637 000 as indicated by the audited accounts of the Botswana Power Corporation. I had expected a correlation between the levy collections and the electricity sales.

(g) Human Resource Development Fund [Vocational Training Fund]

Despite repeated comments in previous audit reports, the accounts of the Fund (formerly Vocational Training Fund under the repealed Vocational Training Act) have still not been submitted to the Accountant General for inclusion and publication through the Annual Statements of Accounts, as required under the terms of Section 26 of the Human Resource Development Council Act (No.17 of 2013). The persistent omission has the effect of denying the Public Accounts Committee the opportunity to examine the accounts of the Special Fund, in accordance with the terms of reference of the Committee under the Standing Orders of the National Assembly.

As the auditor of these accounts, I have not been apprised of the reasons for non- submission, for audit, of the accounts of the Fund for the financial years 2013/2014 and 2014/2015; while the audit for 2012/2013 is yet to be finalised pending finalisation of certain matters which had been raised by the audit.

(h) National Environmental Fund

The expenditure of P1 538 473 from the Fund in the year under review included payments of grants to the tune of P1 106 206 to various entities and individuals to finance activities which promote the objectives of the Fund, that is to say, to conserve, protect and manage Botswana environment.

While this was so, I have not been able to appreciate the criteria used and guidelines followed in approving funds for some of the activities. For example, the payment of P141 131 to Botswana National Sports Council to carry out waste segregation at a well Government-funded event such as Botswana African Youth Games, who, as I understand, have not even complied with the condition to give an account of how that money was spent, or whether the purpose of the funding was achieved.

In one instance, an amount of P62 685, out of approved project funds of P150 216 for re-vegetation of areas in an identified village, was disbursed to an individual, who is the project manager, in circumstances in which it was not clear whether the money was paid into that individual's personal account or into the project account. In another case, an amount of P55 650, out of approved funds of P578 025, was paid to a Trust to do an inventory and mapping of heritage sites and cultural attractions in the Tswapong area. However, a subsequent visit by the monitoring team had indicated that the project or the Trust was not known to the Chief or the Village Development Committee of that particular village.

In the circumstances of the operation of this Fund, I am of the view that there is need for proper guidelines for the assistance of all concerned with the administration of the affairs of the Fund.

(i) Tourism Industry Training Levy Fund

I have not been able to complete the audit of the accounts of the above Fund for the financial year ended 31st March 2015 because of unreconciled figures in the financial statements and related records; the total of the levy collections in the Income Statement in the published accounts is shown as P14 517 013 while the spreadsheet listing all the tourist enterprises and their monthly remittances gives a total of P17 560 981 against the audit figures of P16 801 273 compiled from the remittances records. The total expenditure in the Income Statement is P6 667 732, whereas the payment vouchers totalled P6 648 468.

Consequently, I am unable to certify the correctness of the accounts of the Fund.

(j) Tertiary Education Development Fund

In my report for last year I had commented that I understood that the academic hospital was scheduled for completion by August 2013 and that this target date had not been achieved, but progress was at 99% completion stage as at October 2014, recording a time over-run of well over 12 months. In the year under review, a further P300 000 000 was disbursed towards construction cost of academic hospital and hospital personnel residences indicating a further time over-run.

Disappointingly, in his written submission to the Public Accounts Committee the Accounting Officer had not commented on this important aspect of project implementation, with an indication of revised completion date.

(k) Livestock Advisory Services Fund

The finalisation of the audit of the accounts of this Fund was handicapped by lack of explanations of the inconsistencies in the brought forward balances in the year under review. The closing balance representing the value of the Fund as at 31st March 2014 was P15 197 863 while the opening balance on 1st April 2014, shown as P9 546 678 without explanation or reconciliation of the 2 figures. Furthermore, for the sake of clarity, the item described "Total Assets" in the Balance Sheet, refers to cash with Accountant General at Bank of Botswana.

(l) Road Traffic Fines Fund

In my report for the previous year, I had stated that the abundance of funds in the Fund through the incorrect sharing of the traffic fines had led to misuse of the funds by the making of advances to other services of Government.

In that year, an advance of P14 686 717 had been made towards the payment of wages to Ipelegeng workers, pending availability of funds under the relevant vote of charge. As at year-end only P5 390 689 had been refunded. In the year under review only P71 200 was reimbursed, leaving a substantial balance still charged to the Fund.

(m) Road Levy Collection Fund

The Department of Roads had submitted to me a schedule of road works that were planned for 2014/2015 to be funded from the Fund, which indicated that a total of P463 426 846 was approved for the financial year under review. The actual expenditure for the year was P184 358 796 on 12 out of 19 approved projects.

For audit purposes, I have not been able to obtain any explanation for the discrepancy between this figure and P174 823 556 reflected in the Income and Expenditure Statement.

(n) Conservation Trust Fund

The recalculated and agreed [with Accountant General] balance of Cash held by Accountant General on behalf of the Trust Fund as at 31st March 2015, which was also the value of the Fund as on that date, was P40 870 955, and not the published balance of P40 882 996. Correspondingly, the interest calculated on the monthly balances of cash with Accountant General totalled P2 024 176, against P2 036 217 in the published accounts.

(o) National Disaster Relief Fund

The purpose of this Fund, as the Fund Order clearly states, is to provide financial assistance to natural disaster victims by meeting the cost of reconstruction and repairs to their shelters and such other costs related to disaster relief, as the Minister may approve.

The total expenditure incurred from the Fund was P3 167 188, out of which P804 096 related to provision of housing in Tonota and satellite villages, and the other component of P1 976 872 was for procurement of equipment, such as boat trailer, boat shelter, boat covers, camping beds and sleeping bags.

While I may not doubt the possibility of disasters around Tonota district at the relevant time, I am however at a loss to appreciate the manner in which the relief measures were applied in this instance. The analysis of expenditure on housing has all the appearance of destitute housing, which would be inappropriate for funding from the Fund. This is illustrated as follows –

(i) The provision of relief is on the pattern of destitute housing under the Countrywide Destitute Housing programme under the Ministry of Local Government and Rural Development by provision of housing units through a planned programme of 34 units at P45 000 at a total of P1 530 000. In my view, the criteria and cost of disaster relief should be a function of the extent of disaster damage in each and every case, and not predetermined house construction costs.

(ii) A scrutiny of the Tonota Sub-District Disaster Relief Housing report had indicated that 3 applications had been turned down on various grounds, including in one case, a 94-year old lady who had no beneficiary to occupy the plot; the second one was a squatter and the area not zoned for residential while the third was on an employer's plot. In my view, all these are not considerations consistent with relief to save victims from the ravages of natural disasters.

As my attention has not been drawn to other areas of disaster in the year under review, nor does incurrence of expenditure reflect such, I was unable to contextualise the relevance of the procurement of boat accessories and camping beds from the Fund.

(p) Citizen Entrepreneur Mortgage Assistance Equity Fund

These accounts of the Fund for the financial year ended 31st December 2006 were the last to be submitted by the Board of Trustees for publication in these Statements, and have since been repeatedly reproduced annually, even after the Deed of Trust relating to this Fund was dissolved and the assets of the Fund transferred to the Citizen Entrepreneur Development Agency as per the terms of dissolution by the Minister.

(q) Levy on Alcoholic Beverages Fund

I am required by the Fund Order establishing this Fund to appoint an independent auditor to carry out the audit of the accounts of the Fund. My attempt to appoint an auditor was not successful because the tender validity period lapsed before processing of tenders. I am however taking steps to ensure that an appointment of an auditor is made to cover the accounts and bring the matter of the audit of those accounts up to date. In consequence of this, regrettably, the accounts of the Accountant General for the year under review do not include audited accounts of the Fund.

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

I am required by the Fund Order establishing this Fund to appoint an independent auditor to audit the accounts of the Fund. The appointment of the auditor could not be completed in time for the accounts of the year under review because of the 2 bidders who had submitted tenders were not successful as they did not meet the tender requirements. In this case, as in (q) above, I am taking the necessary steps to appoint an auditor as soon as possible to comply with the Fund Order.

(s) Public Debt Service Fund

I have already commented under Statement No.8 on the status of the investments from this Special Fund with reference to interest earned from investments. The interest income in the Income Statement is understated to the extent of loan repayment instalments that had not been paid during the year.

(t) Police Rewards and Fines Fund

The finalisation of the audit of the accounts of the Fund was delayed by lack of ready availability of records supporting the figures in the financial statements. Even after awaiting, not all records had been found for audit purposes. Consequently, not all payment vouchers making up the expenditure amount of P1 011 778 in the Income Statement were checked and verified.

Of the vouchers submitted the undernoted payments were considered inappropriate charges to the Fund, or otherwise questionable.

(i) Medical Expenses – P3 467

In appropriate circumstances, medical bills incurred on public officers are chargeable to public funds, not to the Fund.

(ii) Transport Expenses for Zimbabwean – P660

I have not been able to obtain clarification of the justification for this payment which would appear not relevant to the Fund.

(u) National Petroleum Fund

The day- to-day financial affairs of the Fund are managed by Fund Managers on behalf of the Accounting Officer appointed under the terms of Section 4 of the National Petroleum Fund Order (Statutory Instrument No.3 of 2002) and operating under a 3-year contract entered into in July 2011 and ending in July 2014. The Fund Managers are also responsible for the preparation of the annual accounts for submission to the Accountant General for inclusion in the Annual Statements of Accounts.

As the appointed auditor for the accounts of the Fund, I have found significant variations between the accounts prepared by the Fund Managers and those submitted for publication in the Annual Statements of Accounts, thus –

(i) The balance of the Fund on 1st April 2014 was P143 018 091, and not P122 942 276 in the published accounts.

(ii) The difference of P20 075 815 in the published accounts described as understated assets does not represent actual transactions in the accounts of the Fund.

(iii) The adjustment of P2 547 264 of the balance of the Fund has no significance, except as a balancing figure to reflect the correct year-end balance of the Fund of P154 685 594.

(v) Debt Participation Capital Fund

The Fund was established by Debt Participation Capital Fund Limited Order (Statutory Instrument No.59 of 2012) to service loans which have been prepaid by parastatals or converted to equity by Government. The balance of P9 153 713 under the Fund as at 31st March 2015 represents the balance of the loan prepaid by Water Utilities Corporation which is held by Government to be paid by periodic instalments to Debt Participation Capital Fund Limited until final redemption date.

(w) National Road Transport Safety Fund

In my previous reports I drew attention to instances where the funds of the Fund had been used to finance what I considered were purely departmental expenditures, such as renovations and refurbishment of offices and other capital works.
In his written submission to the 53rd meeting of the Public Accounts Committee, the Accounting Officer had concurred with my observations and undertook to ensure that the use of the fund would be carefully monitored to avoid a recurrence.

However, notwithstanding the assurance, a review of the expenditures of the Fund totalling P32 289 297 for the year under review had indicated that substantial payments had been made to the departmental budget. In effect, these payments were virtually supplemental to the financial resources appropriated to the Ministry by the National Assembly and a deficit of the budgetary process as well as a departure from the intent and purpose of the Fund, as in the following instances:

Mobile Testing Station	6 625 452
Substance Allowance to Transport	2 507 487
Provision of 24-hour Security Services	2 876 038
Vehicle Registration and Licensing	4 230 975

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

Botswana Meat Commission

In his submission to the 53rd meeting of the Public Accounts Committee on the accounts of the previous year, the Accounting Officer had explained that the Commission had not paid the instalments on the above loan when due because of its financial constraints, and that a proposal for the structuring of the Commission's balance sheet was being considered for submission to Cabinet. In the year under review, there had not been any improvement or progress in this matter.

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

In my report for the previous year, I had commented that the standard of maintenance and monitoring of these accounts had not been very satisfactory with the result that the year-end balance could not be said to represent the true liability of Government under these accounts. The year-end totals included debits amounting to P56 823 502, some of which represented inexplicable errors such as those relating to income and withholding taxes, and balances which should otherwise have been adjusted. A review of the balances under the year of account had indicated that there has not been much improvement over the previous year, as illustrated below-

(a) The balance of the accounts was a net of P1 250 365 152, made up of credits of P1 307 188 654 and debits of P56 823 502.

(b) As a result of failure to comply with the requirements of the Income Tax Act by the Ministries and Departments with regard to remittance of withheld taxes, there are large amounts which were included under the accounts of the Ministries and Departments at year-end, including debit balances.

(c) The totals of these accounts also included spurious balances purporting to relate to assessed taxes under some Ministries – State President, Education and Skills Development and Health. The assessment of tax liabilities is the preserve of the Botswana Unified Revenue Service under the Income Tax Act.

(d) The Ministry of Local Government and Rural Development, as an implementing Ministry of the Poverty Eradication Initiative, had incurred debits to the tune of P30 456 434 which should have been adjusted against the accounts of the Ministry of State President some years back, but remains under the accounts of the Ministry of Local Government and Rural Development.

(e) The Ministry of Education and Skills Development had overspent the funds available for projects in junior secondary schools to the tune of P22 886 698, which had not been adjusted at year-end. These were on-going minor projects at the time of the take-over of the community junior secondary schools which, as agreed with the Ministry of Finance and Development Planning, should have been phased out shortly thereafter.

(f) The debit balance of P29 751 under the Ministry of Lands and Housing under the retention deposits has been carried forward from previous years without investigation and clearance from these accounts.

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

The total of the advance accounts from all Ministries as at 31st March 2015 was P924 807 626, while the accounts of some of the Ministries carried credit balances totalling P115 911 396, giving a net of P808 896 230 debits.

As in previous years, the bulk of these outstanding balances are under the Ministry of Education and Skills Development, totalling P616 278 687 debits (67%) and P112 397 131 credits, relating to the accounts of Government-sponsored students in tertiary institutions. These accounts have not been well monitored and have been the subject of progress reporting in successive meetings of the Public Accounts Committee.

The balances under the Ministry of Finance and Development Planning totalled P34 316 657 which included P6 144 972 and P250 636 in respect of returned cheques under the defunct Department of Customs and Excise, and for which the Accounting Officer does not have definitive answers, save to say that BURS will continue to intensify their efforts to recover these taxes, although these debts are said to date as far back as 1990. The other significant item relates to unallocated stores amounting to P15 491 217, on which I have commented fully under Statement No. 21 of this report.

Out of the overall total of P924 807 626, balances of advance accounts totalling P40 446 573 were considered dormant as at 31st March 2015. The details of these accounts are given under the Ministerial Section of this report under the respective Ministries.

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

The audit verification of the cash and bank balances as at 31st March 2015 had, as in the previous years, continued to reveal weaknesses in the reconciliations and monitoring of the accounts making up the total of the cash asset as at 31st March 2015, resulting in the correctness of that amount being doubtful. The main weaknesses and other shortcomings are summarised below-

(a) The Remittances account, the main Government bank account at Bank of Botswana, has not been satisfactorily reconciled: the reconciliation statement carried a composite figure of P819 644 793.96 as a balancing figure comprising numerous, some unidentifiable, balances going as far back as 2008. The use of a balancing figure has been a feature of the reconciliation of this account, although in different amounts over the years.

(b) The Remittances account reconciliation statement also carried an amount of P1 018 329 939 which has been recurring since 2010 relating to the purchase of shares in De Beers SA and has not been transacted through the books of accounts of the Accountant General.

(c) The delay in the determination and finalisation of the accounting treatment of the amount of P117 970 739 has resulted in this balance remaining uncleared from the General Ledger, while the actual deposit at the Botswana Building Society was transferred to Botswana Privatisation Asset Holdings as far back as 2010.

(d) The Salaries account at Bank of Botswana had not been reconciled since 2004 to-date. Consequently, the correctness of the credit balance of P64 048 310 under this account as at 31st March 2015 could not be verified.

(e) In his submission to the Public Accounts Committee the Accounting Officer had explained that the uncharacteristic credit balance under the Botswana Consulate in Johannesburg under the Cash-in-Transit accounts was a misallocation of the Workman's Compensation deposit which would be corrected. In the year under review the same Mission had an unlikely credit balance of P553 371 as at 31st March 2015 under the Cash-in-Transit accounts.

(f) With the ever increasing use of the Point-of-Sale facilities there were altogether 145 such facilities throughout Government departments and units as at 31st March 2015.

However, the reconciliations of these accounts had remained unsatisfactory as they carried reconciling items without appropriate details, while some stations had submitted accounts without reconciliations and others had not submitted at all.

(g) A check of the Boards of Survey on cash in Treasury Cashiers Offices at year-end against ledger balances indicated instances of minor differences which had not been adjusted to bring the two balances into line. It also revealed lack of proper checks on the Boards of Survey reports to ensure correctness and completeness. For example, the correct total of the cash count at Gaborone Imprest Office was P482 510.25, and not P485 210.25 as stated in the cash count report and in the ledger.

(h) The reconciliation of the Treasury Cashier bank accounts included reconciling items going back to 2004 as "data take-on" and other items described as "unknown debits" and "misallocations" which had not been investigated and cleared to the correct accounts. For example, Francistown Treasury Cashier Office had a misallocation reconciling item dating back to 2011/2012.

In view of the foregoing, I am not able to certify the correctness of the cash asset reflected in the Statement of Assets and Liabilities.

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

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

Parastatal borrowings	6 897 192 524
Public Officers borrowings	428 605 630
Non-Interest Bearing Notes	354 837 341
	7 680 635 503

The Government's exposure on public officers' borrowings from the commercial banks under the residential property/motor vehicle loan scheme is limited to 80% of the outstanding balances. As at 31st March 2015 the balance of default loans under the scheme was P5 982 300, awaiting recoveries from the principal debtors. However, out of this amount, a total of P4 752 204 covering the period from 2004/05 to date is considered dormant.

In my previous report, I had suggested that the very old balances should be diligently assessed for recoverability and appropriate action taken, including write-offs and further follow-ups.

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

In my reports for the previous years I drew attention to the fact that the preparation of this Statement was based on confirmations from the entities in which Government held the assets, and pointed out that this was imprudent. I accordingly suggested that the Accountant General should maintain substantive and up-to-date registers as a definitive support of the ownership of these assets.

In his written submission to the Public Accounts Committee, the Accounting Officer concurred with my observation and assured the Committee that he was in the process of updating the assets register. I trust that the register will be updated and brought into use in the near future.

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

The balance of these revenue debts due to Government as at 1 April 2014 was reflected as P458 089 275, out of which only P4 181 299 (representing close to 1%) was collected during the year, resulting in a closing balance of P457 626 002 including current year arrears.

These balances are somewhat overstated by inclusion of arrears which, if these accounts were diligently monitored as attested by Accounting Officers in previous meetings of the Public Accounts Committee, would not form part of these submissions. For example, the balance of landing fees of P1 278 353 under the Ministry of Transport and Communications and Water Consumer Accounts of P14 887 352 under the Ministry of Minerals, Energy and Water Resources which had been a regular feature among these accounts over a long period of time.

I have commented separately on the outstanding revenue of P427 036 000 in respect of company registration fees under the Ministry of Trade and Industry.

In my report for the previous year, I had commented on the preponderance of debts arising from unpaid private telephone charges which featured in all Ministries of Government. It is a matter for concern that the Accounting Officers fail to strictly apply the clear terms of General Orders relating to this concession which allow private usage of official telephones by public officers on condition that they would pay for that usage promptly on receipt of the telephone accounts.

29. **Contingencies Fund – (Statement No 20)**

The total value of the Fund is P10 million. As at 31st March 2015, the balance of the Fund was P8 200 000 on account of outstanding advances to the Ministry of Foreign Affairs and International Corporation, through Contingency Warrants Nos 2 and 3 of 2014/15 to the value of P1 800 000 in favour of Malawi, Mozambique and Vanuatu.

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

In my report for the previous year, I had commented that, in the light of previous years' experience, the Public Accounts Committee would never be apprised of the true value of Government unallocated stores at year-end in any one year because of two unreconciled figures in the Annual Statements of Accounts purportedly relating to the same items of stores.
In respect of the present year of account, the value of unallocated stores in this Statement is shown as P2 465 518, while under Statement No.15 (Advances) the same value is reflected as P15 491 217.

Over the years the Accounting Officer's submission has always hinted that reconciliations had been, or would be, carried out, although this has never been actually demonstrated.

In the absence of those necessary reconciliations it is logically conclusive that one or the other of the two figures, as the value of uncollected stores on the 31st March 2015, is misleading and distorting the accounts totals.

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

TABLE A – LOSSES OF CASH

Reported During the Year Under Review

In the year under review 13 cases of losses of cash were reported to the Permanent Secretary, Ministry of Finance and Development Planning with a loss amount of P226 974. From this amount recoveries totalled P17 731 while P70 236 was written-off. As I had commented in my previous report, there are considerable delays in the detection and reporting of these cases. In this instance, although the cases are reported in the year under review, the actual occurrences were on various dates between October 2003 and June 2014. In his written submission to the Public Accounts Committee, the Accounting Officer had admitted this challenge, and undertook to mount training courses to bring about improvement in this area of work.

Reported in Previous Years

In respect of those loss cases which had occurred and been reported in previous years, the loss amount of the outstanding cases as at 31st March 2015 was P5 213 800, covering the periods of occurrence from 1992 to 2013, in some cases, without significant progress. Out of this amount, only P1 602 731 was recovered over this period and P867 739 was written-off. As I repeatedly stated in the past, I am of the view that this performance can be improved by speedy and vigorous follow-ups of the loss cases with the objective of early finalisation of the cases, with the Ministry of Finance and Development Planning, as the supervisor Ministry, taking the lead.

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

The Permanent Secretary, Ministry of Finance and Development Planning has submitted for publication in the Annual Statement of Accounts a report of motor vehicle accidents that were reported to him by the Department of Central Transport Organisation during the financial year ended 31st March 2015, together with an update of those reported in previous years.

In terms of that submission there were altogether 332 Government motor vehicles involved in accidents with damage cost of P6 083 214, out of which 46 with a damage cost of P980 382 were attributable to, and recoverable from, third party motorists.

While these accidents were reported to the Ministry of Finance and Development Planning in the year under review, the indication is that most of these cases had occurred as far back as 2012 and 2013 pointing to delays in the processing of these matters. It is my view that these delays could compromise the success of any recoveries that may be made, in so far as the Ministry responsible for finance is concerned. As at the accounts date, a total of P980 382 represented outstanding claims from third party motorists, most of them dating back to 2012 and 2013.

In respect of accidents reported in previous years, similar delays had been noted in the processing and finalisation of cases. As at 31st March 2015 there were 91 outstanding cases with a damage cost of P1 453 776, out of which P75 922 was claimable from third party motorists without any recoveries having been made during the course of the year.

As these claims are processed by the Attorney General, at the time of writing this report it had not been possible to ascertain the reasons for these delays.

VII MINISTERIAL ACCOUNTS

PARLIAMENT

33. Warranted Provision

The utilisation of funds warranted to the Parliament for the financial year ended 31st March 2015 is indicated below:

Department	Warranted Provision	Actual Expenditure	Over + Under - Expenditure	%
National Assembly	111 582 260	107 443 762	-4 138 498	4
Ntlo ya Dikgosi	6 225 670	6 101 520	-124 150	2
	117 807 930	**113 545 287**	**-4 262 648**	**4**

The expenditures of both departments of Parliament are well within the approved and warranted provisions. The funds utilisation during the year of account was 96% of the budget and the warranted provision.

34. Non-Moving Advances

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

Recovery of Overpayment of Salaries	8 187
Travelling Imprests	24 880
	33 067

STATE PRESIDENT

35. **Warranted Provision**

The utilisation of funds warranted to the Ministry for the financial year ended 31st March 2015 is indicated below:

Department	Warranted Provision	Actual Expenditure	Over + Under - Expenditure	%
State House	8 787 630	8 583 979	- 203 651	2
Office of the President	124 326 470	121 614 147	- 2 712 323	2
DPSM	131 075 350	126 723 309	- 4 352 041	3
Former President-QKJ Masire	3 068 440	2 951 335	- 117 105	4
NACA	41 746 390	39 232 239	- 2 514 151	6
Former President-FG Mogae	2 915 650	2 720 233	- 195 417	7
Information Services	60 112 160	58 929 830	- 1 182 330	2
Broadcasting Services	156 905 690	155 506 482	- 1 399 208	1
Printing & Publishing	73 862 840	72 505 931	- 1 356 909	2
NSO	15 535 470	15 308 317	-227 153	1
DCEC	84 438 480	82 843 707	- 1594 773	2
DISS	298 839 230	298 647 585	- 191 645	-
	1 001613 800	**985 567 092**	**- 16 046 708**	**2**

From the original approved estimates of P946 116 860, the total amounts warranted to the Ministry was P1 001 613 800 after taking into account supplementary funding requests totalling P55 496 940 approved by the National Assembly through Financial Papers 1 and 3 of 2014/2015. The actual expenditure outturn was P985 567 092, leaving an unspent balance of P16 046 708, representing 2% of the warranted provision.

As the above table indicates the departments have spent well within the amounts of their sub-warrants, ranging from 93% to 99% of their sub-warranted provisions. Except for the Directorate of Intelligence and Security Services which had overspent the salaries subhead, there were no noted over-expenditures under specific items of expenditures.

36. **Non-Moving Advances**

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

Damage to Government Vehicles	61 768
P&P- Payroll	888
Permanent & Pensionable Emergency Advances	(29)
Advances-Imprest Recoveries	3 798
Advances-P & P Grade D4 & Below	926
Recovery of Overpayment of Salaries	85 843
Travelling Imprests	64 486
	217 680

In addition, the following balances appeared under the former Ministry of Communications Science and Technology in the Departments of Printing and Publishing Services and of Information Services.

Damage to Government Vehicles	**840**

MINISTRY OF FINANCE AND DEVELOPMENT PLANNING

37. **Warranted Provision**

The utilisation of funds warranted to the Ministry for the financial year ended 31st March 2015 is indicated below:

Department	Warranted Provision	Actual Expenditure	Over + Under - Expenditure	%
Headquarters	448 496 640	426 970 627	-21 526 013	5
Accountant General	263 290 067	255 292 476	- 7 997 591	3
Supplies	31 573 183	27 009 645	- 4 563 538	14
Financial Int. Agency	14 880 830	10 180 101	- 4 700 729	32
	758 240 720	**719 399 342**	**-38 841 378**	**5**

In my report for the previous year, I had commented that I considered that the level of year-end unspent balance by the Financial Intelligence Agency was an indication of provision of funds in excess of expenditure requirements at 77% expenditure level. In the year under review, the expenditure requirement of the Agency was only up to 68% of the warranted provision. Out of the initial budget of the Department of Supplies of P80 902 080, only P31 573 183 was warranted which realised an expenditure of P27 009 645 (86%).

38. **Non-Moving Advances**

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

Damage to Government Vehicles	6 054
P & P Payroll	(219)
Permanent & Pensionable Emergency Advances	3 177
Imprest Recoveries	6 711
Advances- Industrial Class	2 250
Advances- P & P Grade D4 & Below	16 981
Loss of Cash- Cash Shortage	73 956
Prepayment Accounts	31 865
Residential Property Loans	3 065 908
Motor Vehicle Loans	1 686 296
Recovery of Overpayment of Salaries	355 911
Travelling Imprests	(15 935)
	5 232 955

39. **Government Remittance Account-Bank of Botswana**

As far back as March 2010 a payment of P1 018 329 933.90 was made from the Remittance account at Bank of Botswana for the purchase of additional equity in De Beers SA from the proceeds of sale of shares in Anglo American Plc, on instruction from the Ministry. While the payment had been processed through the Government bank account, at Bank of Botswana, it has never been recorded in the books of accounts of Government through the Office of the Accountant General, but has only been routinely carried forward from one year to the next as a recurring unaccounted for item in the bank reconciliation statement, since then to-date. In this instance, the logical accounting action would recognise Government interest in De Beers SA through equity contribution as represented by this expenditure.

In my view, this transaction with the amount involved is of such significance and impact that it should have prompted investigation immediately it appeared in the bank reconciliation statement with a view to timeously and properly bringing it to account.

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

At its 52nd meeting the Public Accounts Committee was informed that the Deed of Trust establishing the Citizen Entrepreneur Mortgage Assistance Equity Fund was cancelled, and all the assets of the Fund transferred to Citizen Entrepreneurial Development Agency in February 2013. According to the Accounting Officer's submission to the Committee, the assets transferred was a single cheque of P8 500 000. Upon further examination, the Committee was not satisfied with the explanations offered, and requested this Office to carry out further investigations into the affairs of the Fund leading up to the transfer of the assets, and report back to the Committee. Simultaneously with the Committee's request, the Permanent Secretary, Ministry of Finance and Development Planning had shown similar interest in the circumstances of the transfer and had requested me for assistance to this end.

While I had agreed with the Permanent Secretary on the appointment of a forensic auditor to carry out the investigations as I did not have the necessary resources to carry out this task, I have since appointed a team of officers to carry out preliminary work to establish the factual basis on which more detailed work would be performed. This is a short term assignment, and as soon as it is completed arrangements will be made, in collaboration with the Permanent Secretary, for the appointment of a forensic auditor, and the results will be reported to the Committee in conformity with their request.

MINISTRY OF LABOUR AND HOME AFFAIRS

41. **Warranted Provision**

The utilisation of funds warranted to the Ministry for the financial year ended 31st March 2015 is indicated below:

Department	Warranted Provision	Actual Expenditure	Over + Under - Expenditure	%
Headquarters	96 206 981	95 031 649	- 1 175 332	1
Immigration & Citizenship	142 399 335	141 316 810	-1 082 525	1
Labour & Social Security	40 656 830	39 878 000	-778 830	2
Gender Affairs	17 201 675	16 849 629	-352 046	2
Civil & National Registration	48 786 209	44 321 913	-4 464 296	9
National Internship	-	9 896	9 896	-
	345 251 030	**337 407 898**	**-7 843 132**	**2**

As in previous years, the Ministry incurred expenditures well within budget, recording a funds utilisation of 98%, compared to 99% last year and 97% in the year before.

42. **Non-Moving Advances**

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

Damage to Government Vehicles	66 375
Imprest Recoveries	3 681
Advances- P & P Grade D4 & Below	4 989
Loss of Cash- Cash Shortage	68 289
Recovery of Overpayment of Salaries	29 069
Training Bond Liabilities	107 454
Travelling Imprests	(8 305)
	271 552

MINISTRY OF AGRICULTURE

43. **Warranted Provision**

The utilisation of funds warranted to the Ministry for the financial year ended 31st March 2015 is indicated below:

Department	Warranted Provision	Actual Expenditure	Over + Under - Expenditure	%
Headquarters	250 437 604	247 755 079	- 2 682 526	1
Crop Production & Forestry	164 657 703	166 961 541	+2 203 838	1
Agricultural Research	82 584 080	82 309 805	- 274 275	-
Animal Production	87 614 724	92 632 354	+5 017 630	6
Agricultural Business	30 510 558	27 619 532	-2 891 026	9
Veterinary Services	379 695 970	396 438 982	+16 743 012	4
Agric. Research, Statistics & Policy Dev.	12 663 850	12 432 326	-231 524	2
	1 008 164 490	**1 026 149 620**	**+17 985 130**	**2**

Despite the supplementary funding of P40 000 000 having been approved by a resolution of the National Assembly, the Ministry had incurred expenditures in excess of the warranted amounts to the tune of P17 985 130, contrary to the terms of the Finance Warrant issued to the Accounting Officer. This had resulted from 3 departmental heads who had not complied with the terms of their sub warrants regarding expenditure control.

The actual expenditure was P57 985 130 in excess of the approved estimates for which supplementary appropriation would be required.

44. **Non-Moving Advances**

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

Industrial Class Payroll	(226)
Damage to Government Vehicles - Payroll	36 229
P&P- Payroll	2 851
Permanent & Pensionable Emergency Advances	575
Advances-Imprest Recoveries	7 912
Advances-Industrial Class	(1 000)
Advances-P & P Grade D4 & Below	33 859
Loss of Cash- Cash Shortage	21 043
Payroll	347
Recovery of Overpayment of Salaries	756 689
Travelling Imprests	41 011
	899 290

45. **Audit Inspection – Department of Veterinary Services, Tsabong**

An audit inspection which was carried out at the above Veterinary office had indicated a number of lapses in the observance and compliance with the laid down rules and regulations relating to conduct of officers which could result in possible losses to the public revenue. The main issues of concern which were raised were the following –

(a) An officer who had absented himself from duty without leave between April 2014 and July 2014 (39 days) was dismissed from the Public Service in May 2015. It had also transpired that the same officer, who was a revenue collector, had not accounted for his revenue collections amounting to P262 829.28 covering the period from July 2013 to April 2014. The Accounting Officer has stated that this money would be recovered from the officer's terminal benefits. However, in the circumstances of termination by dismissal it is unlikely the benefits would be sufficient to meet the liability of this magnitude. This extent of the loss over the period in question may be partly attributable to lack of proper supervision by the revenue collector's supervisors.

(b) Another officer of the Department was dismissed from the Public Service in May 2015 for absenteeism without permission for a period of 34 days from March 2014 to May 2014. I consider that the Accounting Officer had been very lenient in allowing such a protracted period of absence before taking action, which should have been prompt, in terms of the Public Service Act.

The officer is also indebted to Government for the Remote Area Service Allowance in the amount of P26 016 which was paid in circumstances in which he was not eligible as the area of posting did not attract that allowance. The Accounting Officer had stated that money could not be recovered before dismissal and that it would be recovered from terminal benefits. However, he has not indicated when the terminal benefits would be paid.

(c) The Public Service Generic Standards stipulate that suppliers shall be paid within 10 working days of the receipt of the invoice. However, instances had been noted in, at least, 4 cases amounting to P20 315.70 where invoices had been paid after 3 months, which had resulted in the use of the funds of another financial year, contrary to the requirements of Financial Instructions and Procedures.

(d) A physical test check of the consumable supplies against the ledger balances had revealed discrepancies which indicated poor accounting for supplies, contrary to the terms of Supplies Regulations and Procedures. In his response, the Accounting Officer concurred with my observation, but did not state what action would be taken to remedy the shortcoming, save confirmation that the records had not been updated, which is not helpful.

46. **Audit Inspection– Department of Animal Production: Lobu Rural Training Centre, Middlepits**

An audit inspection carried out at the above Training Centre had given rise to the following main observations:

a) It was noted that the Training Centre, which was opened in 2005, was closed in September 2012 because of the structural defects in the buildings. The advice from the Department of Building and Engineering Services was that those buildings were not to be used until these defects had been rectified. In response to my communication, the Accounting Officer had stated that, subject to availability of funds to put right the defects, they expected to re-open the Centre in 2017.

While that may be so, my concern is related to the building that showed defects within a short period of 7 years after completion, which would suggest that the structural integrity of the building was unsatisfactory even at that point. In my view, if this is so, this aspect should be investigated and followed up.

b) A test check of physical balances of stores including livestock against ledger balances, revealed significant discrepancies which indicated poor stores accounting in breach of laid down requirements of supplies regulations. In this situation, there is a risk that valuable items of stores may be lost, through fraud or otherwise, without trace or detection. Although the Accounting Officer has given assurance that all the discrepancies had been addressed, it is nevertheless expected that all accounting records have been maintained up-to-date without audit prompt.

MINISTRY OF EDUCATION AND SKILLS DEVELOPMENT

47. **Warranted Provision**

The utilisation of funds warranted to the Ministry for the financial year ended 31st March 2015 is indicated below:

Department	Warranted Provision	Actual Expenditure	Over + Under - Expenditure	%
Headquarters	1 868 852 711	1 865 395 657	-3 457 054	-
Vocational Training Education	458 716 510	450 452 617	-8 263 893	2
Tertiary Edu. Financing	2 545 820 140	2 545 197 976	- 622 164	-
Out of School Edu.	12 221 760	111 137 508	-1 084 252	1
Curriculum Devt. Evaluation	20 699 190	20 546 675	-152 515	1
TSM	4 131 328 556	4 128 481 634	-2 846 922	-
Pre & Primary Edu.	33 761 130	33 193 098	- 568 032	2
Secondary Edu.	939 916 780	915 968 905	-23 947 875	3
Teacher Training & Development	183 989 704	178 231 778	-5 757 927	3
Technical Services	22 723 120	22 541 170	- 181 950	1
Information, Communs. & Media	12 495 670	12 215 030	-280 640	2
Special Support Services	27 558 579	26 492 230	- 066 349	4
Education, Planning & Research	7 279 020	7 252 458	-26 562	-
	10 365 362 870	**10 317 106 736**	**-48 256 134**	**0.5**

From an approved estimate of P9 259 494 520, a total of P10 365 362 870 was warranted to the Ministry during the year under review. Out of that warranted amount, actual expenditure was P10 317 106 736, leaving unspent balance of P48 256 134 (representing 0.5%) of the warranted provision. This is a significant improvement over the previous year when the Ministry had overspent its entire budget by P41 033 660.

48. **Non-Moving Advances**

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

Damage to Government Vehicles	78 129
Surcharge- P & P Payroll	184 442
Permanent & Pensionable Emergency Advances	2 673
Imprest Recoveries	146 027
Advances- Industrial Class	11352
Advances Personal Computers	2 495
Advances- P & P Grade D4 & Below	22 583
Loss of Cash- Cash Shortage	334 453
Bonded Student Recoveries	1 135 050
Grant Loan Scheme	19 237 697
Student Advance Loans Scheme	(2 355 701)
Recovery of Overpayment of Salaries	2 930 410
Training Bond Liabilities	1 115 857
Travelling Imprests	347 188
	23 192 655

49. **Arrears of Revenue**

In my previous report, and those of my predecessor, there has consistently been adverse comments on arrears of revenue, especially those relating to private telephone charges, which were not collected by Ministries. A review of the revenue debts owed to Government under this Ministry in the year under review had indicated such laxity in the collection and recoveries of these debts, as illustrated below-

Department	Revenue Item	Previous Year Arrears	Collected Current Year	% Collection
Headquarters	Telephones	8 179	118	1
DVTE	Telephones		49	-
DVTE	Bond Fees	15 638	-	-
TSM	Telephones	1 144	245	21
Secondary Edu.	Telephones	12 340	2 340	19
Secondary Edu.	School Fees	250 650	56 300	22
Teacher Training	Books	568 921	248 972	44
Tech. Services	Telephones	348	151	43
Information Comms. & Media	Telephones	19 394	2 561	13

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

When the Ministry took-over the Community Junior Secondary Schools in January 2005, and the assets transferred to Government , it was agreed with the Ministry of Finance and Development Planning that an amount of P57 639 007 would be retained by the Ministry to cater for the costs of outstanding commitments in respect of the on-going minor projects at that time. This was only a transitional arrangement which was to last for one year, during which time the money would be held in a deposit account under the control of the Regional Education Officers. However, to-date, 10 years later, the deposit account is still in operation, with an overspent balance of P22 886 698 as at 31st March 2015.

It is noted that in 2010/2011 financial year an amount of P500 000 000 had been transferred from the Bursaries, Post-Secondary School vote into the deposit account to fast-track the maintenance of dilapidated Secondary School facilities. In terms of the Finance and Audit Act (applicable at that time), where warranted funds are no longer required, they should be declared to the Ministry of Finance and Development Planning and a withdrawal warrant issued, rather than being diverted to some other purpose outside of the Ministry budget.

A review of the transactions through the deposit account over the last 2 years had indicated a complete departure from the original purpose and scope of the account which, in my view, amounted to misuse to the extent that it had become an alternative source of funding for Ministerial expenditures. The account had become an extra-budgetary source of funding for a whole array of expenditures, including acquisition of assets and other expenditures, as illustrated below:

(a) In the year in which the P500 000 000 was transferred into this account, the subvention of P63 346 000 to Botswana International University of Science and Technology was paid from this account. This was however reversed after the matter had been reported to the Public Accounts Committee.

(b) Over the review period, there had been an extensive use of the account for the settlement of water bills incurred in secondary schools to the tune of P44 098 904, instead of the Service Charges vote under the recurrent budget.

(c) During the years 2013 and 2014 the Ministry had purchased from Botswana Housing Corporation a total of 452 units of staff housing for teachers paid for from the deposit account, at a cost of P168 179 997. There is another 138 units planned for 2015 to be financed from the same source.

(d) Over the same period, there had been a wholesale purchases of household (fridges, microwaves, radios) and office equipment (printers, laptops, computers) to a total expenditure of P63 671 884, presumably for use in schools.

(e) Other expenditures related to purchases of porta cabins, students books and the disposal of expired chemicals.

(f) The expenditure which had not been clarified to me for relevance was the one related to electrification of clinics at a total cost of P51 007 630.

As matters stand, the balance of the deposit account has been overspent and funds have to be sourced to clear the debit, and hopefully account closed as its original purpose has ceased to exist.

51. **Development Project–Construction of Gowa Junior Secondary School, Kauxwi**

The Ministry had engaged a contractor for the construction and maintenance of a Junior Secondary School in Kauxwi, in the Okavango district, at a price of P72 837 116, as the lowest tenderer. The contract was for a period of 16 months, commencing July 2007 ending in November 2008, in time for the beginning of the school calendar in January 2009. However, the project implementation had experienced a number of shortcomings and weaknesses which resulted in the school not becoming operational until January 2010. The major areas of concern which affected the smooth delivery of the school, as a completed project and subsequent developments, may be summarised as follows:

(a) After award of the contract it became evident that certain essential components, namely, sewer pumping system, power, telecommunications and water connections, internal roads to staff houses, paving of walkways and assembly area had been omitted from the tender specifications. This entailed referral of the tender back to the Public Procurement and Asset Disposal Board, who approved an additional amount of P9 468 825 to cater for these omissions, thus raising the price to P82 305 941.

(b) There were delays in the construction of sewage plant, which had commenced in September 2008, because of late delivery of the plant and subsequent plant test failures.

Some 6 months after installation, the plant showed signs of malfunction, during which time the Ministry procured portable toilet cabins, as a temporary measure, at a cost of P2 043 142, plus monthly service costs of P176 960.

(c) In view of the sewage plant malfunction in (b) above, and as a permanent solution, another contractor was engaged for the construction of a new sewage treatment plant at a cost of P1 451 973, rendering the malfunctioning plant redundant and the cost thereof wasted.

(d) The school having been handed over for operation in January 2010 was given out to a contractor for maintenance within 2 years because of cracking walls and cracking and sinking floors. This was attributably due to omission or failure to use brick force in the construction works and the soil type where the school is located.

(e) As part of the project audit, a site visit in July 2015 had noted the undernoted developments –

(i) Out of a complement of 21 staff houses, 4 were inspected and were found to have serious cracks on the walls and floors, the skirting boards were loose and detached from the floors and the walls.

(ii) The following project components had not been carried out seemingly because of lack of funds although these had been included in the revised contract price: internal roads to staff houses; paving of walkways in assembly area; sports field and facilities.

(iii) The school kitchen had a cold and freezer room which had never been used since 2011, and was being used as a storeroom. The food warmers which had been purchased in 2010 had not been installed and brought into use.

(iv) The new sewage plant which replaced the old plant had also become dysfunctional and students had resorted to the use of portable toilet cabins.

MINISTRY OF TRADE AND INDUSTRY

52. **Warranted Provision**

The utilisation of funds warranted to the Ministry for the financial year ended 31st March 2015 is indicated below:

Department	Warranted Provision	Actual Expenditure	Over + Under - Expenditure	%
Headquarters	770 353 514	769 965 397	-388 117	-
Cooperative Dev.	33 745 094	33 127 675	-617 419	2
Trade & Consumer Affairs	25 215 770	25 207 839	-7 931	-
Industrial Affairs	13 834 840	13 798 681	-36 159	-
International Trade	14 282 052	14 095 462	-186 590	1
Companies and Intellectual Properties	14 111 939	13 882 877	-229 063	2
	871 543 210	**870 077 931**	**-1 465 279**	**-**

The actual expenditure of this Ministry was P870 077 931 from a warranted provision of P871 543 210 for the year. Out of the total expenditure amount, a total of P700 322 540 (80%) was on subventions to the statutory bodies and state enterprises under the portfolio responsibility of the Ministry, leaving the balance of P169 755 381 (20%) for Ministerial recurrent expenditures.

53. **Non-Moving Advances**

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

Advances- Industrial Class	1 500
Advances- P & P Grade D4 & Below	915
Loss of Cash- Cash Shortage	4 422
Recovery of Overpayment of Salaries	42 032
	48 869

54. **Arrears of Revenue**

For the year ended 31st March 2014 a total of P427 086 136 was reported as outstanding revenue debts due to Government as on that date, of which P427 036 000 related to company registration fees.

In her submission to the Public Accounts Committee the Accounting Officer had explained that a request had been submitted to the Ministry of Finance and Development Planning for abandonment of a total of P752 400, but had not stated what course of action had been taken for the recovery of the balance of the arrears.

As matters stand, in the year under review there was still uncertainty over these accounts without any recoveries having been made under the Ministry nor explanation offered regarding the status of these arrears after the establishment of the Companies and Intellectual Property Authority as a statutory entity, effective from November 2014.

MINISTRY OF LOCAL GOVERNMENT AND RURAL DEVELOPMENT

55. **Warranted Provision**

The utilisation of funds warranted to the Ministry for the financial year ended 31st March 2015 is indicated below:

Department	Warranted Provision	Actual Expenditure	Over + Under - Expenditure	%
Headquarters	192 054 030	182 517 337	-9 536 693	5
Social Services	-	36 286	+ 36 286	-
Local Govt. Devt. Planning	8 953 750	7 761 688	-1 192 062	13
Local Government Fin. & Tech. Services	-	16 367	+16 367	-
Primary Health Care Services	24 665 300	22 462 160	- 2 203 140	9
Local Government Finance & Procurement	3 497 717 909	3 427 853 242	-69 864 667	2
LGSM	21 619 360	20 555 124	-1 064 236	5
Tribal Administration	310 257 020	307 464 700	-2 792 320	1
Technical Services	8 964 630	7 507 422	-1 457 208	16
Rural Development	3 971 560	775 710	-3 195 850	80
Social Protection	897 802 411	893 435 985	-4 366 426	1
Community Development	9 494 570	8 135 031	-1 359 539	4
	4 975 500 540	**4 878 448 480**	**-97 052 060**	**2**

During the year under review, the Ministry requested and was granted a supplementary funding of P71 124 100 by the National Assembly for the Department of Social Protection to augment the provisions for old age pensioners, war veterans and destitutes. The total actual expenditure of the Ministry totalled P4 878 448 480, leaving a balance of P97 052 060 of the warranted provision and a balance of P25 927 960 of the approved estimates. The departments had spent within their allocated budgets.

56. **Non-Moving Advances**

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

Damage to Government Vehicles	85 563
Permanent & Pensionable Emergency Advances	2 572
Imprest Recoveries	6 664
Advances- Industrial Class	(125)
Advances- P & P Grade D4 & Below	23 904
Loss of Cash- Cash Shortage	33 989
Recovery of Overpayment of Salaries	288 250
Travelling Imprests	43 957
	484 774

57. **Audit Inspection – Mpule Kwelagobe Children's Centre, Jwaneng**

In May 2015 an audit inspection was conducted at the Mpule Kwelagobe Children's Centre, Jwaneng, which raised some observations related to the management of the affairs of the Centre. The Centre is a Government–run institution which caters for the needs of vulnerable children, fully funded from the Consolidated Fund, although donations or other forms of assistance may be received from donors. Donations received are paid into a deposit account, and any disbursements are made from there. As at 31st March 2015 the deposit account had a balance of P40 230.

The main findings are summarised below-

(a) A duplicate payment in the amount of P21 212.91 was made in March 2015 in respect of the August 2014 water bill which had already been paid in November 2014. As late as December 2015, the Director of Social Protection admitted the error and stated that a claim for a refund of the erroneous payment would be submitted to the Water Utilities Corporation. This is an indication of a weakness in internal checks and controls.

(b) In another instance, a payment of P2 926 was made to Botswana Power Corporation for the February 2014 power consumption without support documents attached to the payment voucher to authenticate the payment. It was therefore not possible, at the time of the audit, to vouch that this was a proper charge to public funds. This is lack of compliance with laid down financial rules and regulations.

(c) At the time of the audit, there was a number of food items in the storeroom which had expired, and not fit for human consumption, some of which dated back to early 2014. I have since been informed that the items in question have been issued to the Environmental Health Unit of the Jwaneng Town Council for disposal, although there was no confirmation that the approval of the PPADB had been obtained for this course of action. In regard to the expired foodstuffs, I consider that foodstuffs, as consumable items prone to deterioration and expiry, should be bought in sufficient quantities enough for immediate consumption, to safeguard against losses of this nature.

(d) It was noted that the buildings and surroundings of the Centre were in a poor state of disrepair. It was however noted that the latest correspondence from the Department of Building and Engineering Services had indicated that the Department would carry out a condition survey in November 2015 after which they would ascertain the cost for the major maintenance works and carry out the works subject to availability of the funds.

At the time of writing this report, I had received comments from the Director but had not yet received final responses from the Accounting Officer.

58. **<u>Audit Inspection – Ikago School of Industry, Molepolole</u>**

Following an audit inspection which was carried out at the above school in May 2015, I addressed a number of observations to the Accounting Officer for his comments or action, as may be necessary. At the time of writing this report, apart from comments from the Director of Social Protection, I had not received the Accounting Officer's responses. The main points raised are summarised below-

(a) The school was established in 1981 under the Children's Act for the purpose of providing institutionalised rehabilitation of juvenile offenders. The school was established with a capacity of 100 boys. However, the highest number admitted was 49, in 2009, which had whittled down to 2 at the time of the audit inspection. Although this school is now running with this small number of in-mates, and the evidently slow in-take over the years, the kitchen staff had been retained at 6, instead of some being re-deployed to other units or departments of Government.

(b) An audit check of stores had indicated weaknesses and shortcomings in the maintenance of the records and related matters as shown below –

(i) The inventory cards controlling stores issued to officers were not written up-to-date to reflect the movement of stores. It is a requirement of Supplies Regulations that all supplies allocated to officers should be fully and clearly accounted for, through proper maintenance of records.

(ii) It was noted that items of stores which had been loaned to the other departments of Government, such as Prisons and Rehabilitation and Department of Community Development, had not been returned within the agreed time, nor action taken to issue them on permanent allocation.

(iii) At the time of the audit inspection, there were unserviceable supplies which had been held by the school since 2014 for which authorisation had not yet been granted by the District Tender Committee for disposal, as may be directed.

59. **Collection of Customary Court Fines**

In the year under review, the revenue from this source was estimated at P600 000 and the actual collections totalled P687 870, which is P87 870 over the estimate. While these figures indicated a satisfactory performance, it is however to be noted that this account is plagued by high levels of accumulated arrears of unpaid fines: at the beginning of the year the balance of these arrears from previous years was P508 465 and only a paltry P74 800 (14.7%) was collected during the year. The current year arrears totalled P131 292, bringing the year-end outstanding balance to P564 326.

There is clearly need to bring about improvement in the follow-up of these debts, where accused persons have been committed to prison in default of payment, the necessary adjustment should be made to reflect the correct amount of indebtedness.

MINISTRY OF MINERALS, ENERGY AND WATER RESOURCES

60. **Warranted Provision**

The utilisation funds warranted to the Ministry for the financial year ended 31st March 2015 is indicated below-

Department	Warranted Provision	Actual Expenditure	Over+ Under Expenditure	%
Headquarters	128 673 590	123 926 692	- 4 746 897	4
Geological	39 147 210	35 902 479	- 3 244 731	8
Water Affairs	102 506 158	90 472 087	-12 034 071	12
Mines	17 435 010	16 101 281	- 1 333 729	8
Energy Affairs	10 056 242	9 071 941	- 984 302	10
	297 818 210	**275 474 479**	**-22 343 731**	**8**

In the year under review, the Ministry operated on lesser budget than in the previous year and still attained a satisfactory performance. In the previous year the warranted provision of the Ministry was P359 858 350 and achieved a 94% budget utilisation, compared to P297 818 210 with a 92% budget utilisation in the year under review.

61. **Non-Moving Advances**

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

Damage to Government Vehicles	152 335
Surchage- P & P Payroll	6 861
Imprest Recoveries	5 034
Advances- Industrial Class	2 732
Loss of Cash- Cash Shortage	129 895
Recovery of Overpayment of Salaries	191 468
Travelling Imprests	31 054
	519 379

62. **Arrears of Revenue**

In the year under review, the various departments of this Ministry had continued to show tardiness in the collection of revenue debts due to Government, and to resolve the issues surrounding the balances under these accounts to reflect true indebtedness to Government. Out of the total amount of P17 092 440 owed to the departments at the beginning of the year, only P130 611 had been collected during the year, while P14 915 was abandoned leaving a balance of P16 946 913 at year-end. A further current year arrears of P2 093 182 resulted in a year-end total of P19 040 094.

In his submission to the Statutory Bodies and State Enterprises Committee of the National Assembly, the Chief Executive Officer of the Water Utilities Corporation had informed the Committee that the balance of P14 887 352 which had been reflected over the years as an outstanding amount under the Water Consumer Accounts had in fact been transferred to the Corporation at the time of transfer of the water supply function from the Department of Water Affairs. According to his testimony, this amount should not have been the subject of progress reporting, albeit without results, at the Public Accounts Committee.

The performance of the various departments with year-end balances under the accounts on which they had not done well in terms of revenue collections is illustrated below:

Department	Revenue Account	Opening Balance	Current Year Collections	Arrears	Closing Balance
Geological	Prospecting	605 251	38 170	-	552 166
	Telephones	3 762	3 693	3 575	3 644
	Hydrology Fees	40 670	-	-	40 670
	Borehole Cleaning	-	-	-	76 549
Water Affairs	Water Consumers	14 887 352	-	-	14 887 352
	Telephones	80 885	4 597	-	76 288
	Borehole Leases	-	-	1 755 966	1 755 966
Mines	Mineral Royalties	1 313 817	-	165 488	1 479 305
		17 038 286	**76 460**	**1 925 029**	**18 871 940**

MINISTRY OF HEALTH

63. Warranted Provision

The utilisation of funds warranted to the Ministry for the financial year ended 31st March 2015 is indicated below:

Department	Warranted Provision	Actual Expenditure	Over + Under - Expenditure	%
Headquarters	594 582 060	604 811 324	+10 229 265	2
Primary Health	-	53 545	+53 545	-
Policy, Planning, Monitoring	12 569 546	16 247 971	+3 678 425	29
Health Sector/ Relations	175 737 571	174 714 769	-1 022 602	1
Clinical Services	4 192 173 836	4 179 448 763	-12 725 073	0.30
Public Health	99 426 240	93 746 078	-5 680 162	6
AIDS Prevention	143 710 754	138 948 882	-4 761 872	3
Health Inspectorate	5 012 154	4 904 663	-107 491	2
	5 223 211 960	5 212 875 995	-10 335 965	0.20

Although the warranted funds of the Ministry had an unspent balance of P10 335 965, the two departments of Headquarters and of Policy, Planning, Monitoring and Evaluation had overspent their sub-warranted funds to a total of P13 907 690, in breach of the terms of the sub warrants.

64. Non-Moving Advances

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

Industrial Class Payroll	23 546
Damage to Government Vehicles	215 047
P&P- Payroll	39 521
Permanent & Pension Emergency Advances	13 025
Advances-Imprest Recoveries	303 599
Advances-Industrial Class	63 182
Advances-P & P Grade D4 & Below	62 633
Loss of Cash- Cash Shortage	33 333
Recovery of Overpayment of Salaries	2 714 057
Training Bond Liabilities	163 522
Travelling Imprests	2 124 290
	5 755 755

65. **Overpayment of Contract Gratuity**

The services of an expatriate officer who was employed on contract terms by the Ministry, as a Senior Pharmacist, were terminated prematurely in November, 2012 on being declared a prohibited immigrant. An initial attempt to pay her accrued contract gratuity of P47 107.80, in November 2013, through a local commercial bank was not successful as her account had already been closed. However, a fresh effort to pay her in the country of origin of Kenya, in March 2014, had resulted in the same amount being erroneously denominated in foreign currency as USD 47 107.80, which translated to P504 276.29 in her favour. In the event, the resultant overpayment was P457 168.09.

When the fact of the overpayment was drawn to her attention and a refund sought, some 11 months later in February 2015, the ex-employee's response was defiant, to the effect that the blame must lie with the Ministry officers who did the calculations and made the payment; that she did nothing wrong and further that, in any case, she did not have that kind of money. The tenor of the response implied that she might not be willing to cooperate with the effort to recover the overpayment. While it is clear that the ex-employee has unjustly benefited and should refund the money overpaid, I consider that the Ministry officers should also be held primarily accountable for this state of affairs, which resulted in a loss of public funds from lack of diligence in the performance of their duty.

At the time of writing this report, I was not aware of any progress made in the matter.

66. **Audit Inspection - Athlone Hospital, Lobatse**

An audit inspection of the above hospital in July 2015 gave rise to a number of observations, the main ones of which were the following:

(a) A review of records of institutional houses indicated weaknesses in the management of houses, and these included:

- Hospital staff owed an amount of P66 787 for rentals and water charges as a result of failure to issue casualty returns for the relevant deductions of monthly rentals. Some of the arrears covered periods of up to 79 months. Furthermore, these arrears had not been submitted for inclusion in the Annual Statements of Accounts of the Accountant General.

- An officer who was transferred to Kanye in October 2011, had retained the occupancy of the house against the hospital management orders to vacate the house.

- Another officer who was dismissed from the public service in October 2013 also continued to stay in the house and was not paying any rent.

(b) It was noted that goods received from a supplier in September 2013 amounting to P7 147 had still not been paid at the time of audit. The inordinate delays in settling supplier invoices are unsatisfactory as they bring discredit to Government as well as expose Government to legal suits.

In another case, goods that were supplied in February 2015 amounting to P1 918 had also not been paid by the time of the audit inspection as the goods of the quality required. I consider that this matter has taken long to resolve.

(c) A scrutiny of the Rations Ledger had shown that the receipts and issues of foodstuffs bought in April 2014 to December 2014 had not been recorded to account for the usage of these commodities required by Supplies Regulations and Procedures.

I had addressed this to the Accounting Officer, in November 2015, for her comments on the above and other observations, but at the time of writing this report, I had not received those comments.

67. **Unused Donated Machines**

In my report for the financial year ended 31st March 2012, I had reported that 20 Tablets Packaging Machines had been in storage at a warehouse in Gaborone for a long time without being brought into use. The machines which were still in crates, had been donated by the Chinese Government on some uncertain date in the past. The reason given for the machines not being used was that the Manuals were in the Chinese language without the English translation. In his submission to the Public Accounts Committee, the Accounting Officer had undertaken to ensure that steps would be taken to bring the machines into use.

However, a recent audit visit to the warehouse had indicated that these machines were still kept in storage. In honour of the good gesture of the donation I would have expected that the Ministry would have done everything possible to make use of the machines as well as to enhance its efficiencies. Besides, these machines have taken up valuable storage space in the warehouse.

ADMINISTRATION OF JUSTICE

68. **Warranted Provision**

The utilisation of funds warranted to the Administration of Justice for the financial year ended 31st March 2015 is indicated below:

Department	Warranted Provision	Actual Expenditure	Over + Under - Expenditure	%
Admin of Justice	**185 850 950**	**187 498 411**	**+1 647 461**	**1**

The department had incurred unauthorised expenditure in excess of the approved estimates and the warranted funds to the tune of P1 647 461, contrary to the laid down financial provisions.

69. **Non-Moving Advances**

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

Damage to Government Vehicles	16 316
Imprest Recoveries	15 548
Advances- Industrial Class	3 727
Advances- P & P Grade D4 & Below	(3 408)
Loss of Cash- Cash Shortage	74 280
Recovery of Overpayment of Salaries	75 839
Training Bond Liabilities	99 068
Travelling Imprests	80 576
District Imprests	33 194
	395 140

70. **Purchase of Porta Cabins**

In 2012 the Department purchased 7 fully furnished mobile porta cabins at a cost of P2 468 883, complete with bedding and cutlery, which were to be used by magistrates on stock theft court circuits covering the areas of Mochudi, Molepolole, Francistown, Letlhakane, Palapye, Selibe-Phikwe and Jwaneng. It was noted that the purchase price of P2 468 883 had included additional items as "Preliminary and General" of P150 000 and Contingencies of P262 523, which are considered inappropriate to this type of transaction.

Our audit inspection visits and discussions with the magisterial staff in Mochudi, Molepolole, Francistown and Selibe-Phikwe had indicated that, with the exception of Molepolole, these porta cabins had never been, and are not likely to be used, for a variety of reasons. The cabins are designed for single occupancy while, as a court, the magisterial staff always travel as a team, single occupancy status of the cabins also raised security concerns for the occupant; and lastly these cabins are not in all cases, suitable for the terrain covered by the respective magistrates.

The disinclination or lack of use of these porta cabins had rendered the expenditures for their purchase wasted, and immediately begged the question why they were bought at all, if not, on the basis of need justified by the practicalities of suitability for use.

In the circumstances of this situation, my view is that serious consideration should be given to alternative use of these porta cabins, either departmentally or by allocation to some other departments of Government.

ATTORNEY GENERAL'S CHAMBERS

71. Warranted Provision

The utilisation of funds warranted to the Attorney General's Chambers for the financial year ended 31st March 2015 is indicated below:

Department	Warranted Provision	Actual Expenditure	Over + Under - Expenditure	%
Attorney General	**157 277 130**	**147 307 916**	**- 9 969 214**	**6**

The year-end unspent balance of the Attorney General's Chambers' warranted provision was P9 969 214 (6%), compared to P6 467 193 (4%) in the previous year.

72. Non-Moving Advances

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

Damage to Government Vehicles	43 807
Imprest Recoveries	205
Recovery of Overpayment of Salaries	19 103
Travelling Imprests	7 833
	70 948

73. Rented Office Accommodation – Directorate of Public Prosecutions, Palapye

The Department of Lands had leased office accommodation in Palapye for use by the Directorate of Public Prosecutions since 2009, renewable at 2-yearly intervals. The current and last lease was renewed effective from September 2013 terminating in August 2015, although the renewal note was not signed until July 2014. It is understood that in recent years the offices had become unbearable to work in due to unsanitary conditions, even as the lease renewal note was signed in July 2014.

In September 2014, in response to employee complaints, the Environmental Health Department (Palapye) of the Central District Council carried out an occupational health inspection of the premises, and found that the premises were, in fact, in a serious state of disrepair and of unhygienic standard, almost to the point of being uninhabitable. The inspection report had listed a number of concerns, some of which were the following-

- Some ceiling boards were missing which allowed dust, fur and fibre glass dust to spill on the floors, walls and on people in offices;

- Rats droppings, urine, fur on table tops, cabinets and chairs and pungent smell in almost all offices;

- Office stationery, law books and case files had been damaged by rats, resulting in files being placed on tables rather than in rats-infested cabinets;

- Air conditioners could not be used as they blew out rats droppings and fur;

- Roof leakages had been reported;

- No doors to male toilets, resulting in the facilities being exposed to people in the passage;

- Hand washbasins were not functional. After toilet use, people washed their hands in the kitchen sink, which also provided drinking water.

The Department of Building and Engineering Services had also carried out an inspection of the premises and noted the same defects, which they had observed had impacted negatively on the comfort of the building.

The officers have since prematurely vacated the premises, and were temporarily accommodated at the Palapye Police Station, pending a move to their newly acquired office accommodation.

One of the recommendations of the health inspectors was that all the employees who worked in those offices had to undergo a medical examination to ascertain whether their health had not been compromised by working in a contaminated environment. I am not aware whether any officers had followed up on this recommendation, and the result thereof.

From a health and productivity perspective, the state of this accommodation was manifestly unsuitable and environmentally unacceptable. In my view, all the circumstances of this unsatisfactory state of affairs was attributable to lack of maintenance by the landlord which was condoned by the sitting tenant over a period of time, who failed to invoke the terms of the lease agreement in this regard.

OFFICE OF THE AUDITOR GENERAL

74. **Warranted Provision**

The utilisation of funds warranted to the Office for the financial year ended 31st March 2015 is indicated below:

Department	Warranted Provision	Actual Expenditure	Over + Under - Expenditure	%
Auditor General	**48 191 140**	**44 226 665**	**- 3 964 475**	**8**

The warranted provision of the Office of the Auditor General had increased by 4% from P46 676 920 in the previous year, to P48 191 140 in the year under review. The actual expenditure was P44 226 665, recording a budget utilisation of 92% in the year under review, compared to 94% in the previous year.

75. **Non-Moving Advances**

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

Advances- Industrial Class	3 000
Advances- P & P Grade D4 & Below	910
Recovery of Overpayment of Salaries	3 081
Travelling Imprests	62 208
	69 199

76. **Arrears of Revenue – Telephones**

In the year under review, the Office had not performed well with regard to recoveries of telephone charges for the private usage of official telephones by members of staff, as required by General Orders. The General Order in question states that officers shall pay promptly for their private calls immediately on receipt of the telephone accounts, failing which deductions should be made from the salaries of the officers concerned, plus a 10% surcharge. In respect of the year of account, the total amount collected under these accounts was P6 873, of which P5 456 related to arrears of P19 828 from previous years. The current-year arrears amounted to P5 431, giving a year-end accumulated arrears of P19 803.

Clearly, there is need for an effort to be made to bring these matters under proper control to eliminate them from the debtors under these accounts.

MINISTRY OF FOREIGN AFFAIRS AND INTERNATIONAL COOPERATION

77. **Warranted Provision**

The utilisation of funds warranted to the Ministry for the financial year ended 31st March 2015 is indicated below:

Department	Warranted Provision	Actual Expenditure	Over + Under - Expenditure	%
Headquarters	66 634 110	65 505 342	- 1 128 762	2
Washington	21 677 580	21 334 024	- 343 556	2
New York	30 290 270	30 051 584	- 238 686	1
London	25 900 370	25 585 545	-314 825	1
Lusaka	7 023 800	6 871 583	-152 217	2
Brussels	20 134 530	19 590 797	- 543 733	3
Stockholm	15 672 310	15 362 855	- 309 455	2
Harare	11 643 800	11 393 957	- 249 843	2
Windhoek	8 285 440	7 729 193	- 556 247	7
Beijing	23 388 940	22 768 973	- 619 967	3
Geneva	34 624 750	34 347 137	- 277 613	1
Pretoria	13 893 030	13 603 874	- 289 156	2
Johannesburg	9 443 650	9 015 896	-427 754	5
Tokyo	22 599 720	22 028 917	-570 803	3
Addis Ababa	12 610 780	12 120 538	- 490 242	4
Nairobi	11 786 010	10 995 449	- 790 561	7
Canberra	19 193 820	18 818 643	- 375 177	2
New Delhi	15 570 710	15 469 941	- 100 769	1
Abuja	18 860 410	16 843 975	- 2 016 435	11
Brasilia	18 509 430	17 795 004	- 714 426	4
Kuwait	7 570 320	6 386 291	- 1 184 029	16
Maputo	13 930 500	13 352 964	- 577 536	4
Berlin	19 400 810	17 831 455	- 1 569 355	8
	448 645 090	**434 803 937**	**-13 841153**	**3**

As in the previous year, the Ministry has recorded a satisfactory performance where all the departments have spent well within the provisions sub warranted to them by their Accounting Officer. The overall Ministry budget utilisation was P97% of the warranted provision, compared to 98% in the previous year.

78. **Non-Moving Advances**

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

Damage to Government Vehicles	30 973
Imprest Recoveries	6 053
Recovery of Overpayment of Salaries	144 045
Travelling Imprests	110 137
	291 208

79. **Audit of Accounts, Botswana Embassy – Geneva**

For reasons of records availability from the Office of the Accountant General, I have only been able to carry out an examination of the vouchers of this Mission for the 6 months period up to September 2014. My comments arising from this examination had been forwarded to the Accounting Officer, on which I have since received comments from the Head of the Mission. I however, await the Accounting Officer's response on the choice of what I considered an exclusive school for one of the children of an officer of the Mission which charged fees of P1 374 132 per annum, and whether his approval, as Accounting Officer, had been obtained for this course of action, as contemplated in General Orders. The explanation from the Head of Mission that this is a special school which has always been used by the Mission over the years is not acceptable.

INDEPENDENT ELECTORAL COMMISSION

80. **Warranted Provision**

The utilisation of funds warranted to the Commission for the financial year ended 31st March 2015 is indicated below:

Department	Warranted Provision	Actual Expenditure	Over + Under - Expenditure	%
Independent Electoral Commission	**47 961 920**	**45 306 867**	**- 2 655 053**	**6**

In the year under review the Commission had continued to perform satisfactorily in funds utilisation, recording 94% of the warranted provision, compared to 99% in the previous year and 97% in the year before.

81. **Non-Moving Advances**

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

Loss of Cash- Cash Shortage	1 155
Travelling Imprests	2 361
	3 516

OFFICE OF THE OMBUDSMAN

82. **Warranted Provision**

The utilisation of funds warranted to the Ombudsman for the financial year ended 31st March 2015 is indicated below:

Department	Warranted Provision	Actual Expenditure	Over + Under - Expenditure	%
Ombudsman	**18 309 900**	**16 841 823**	**- 1 468 077**	**8**

These figures indicate a satisfactory performance of 92% budget utilisation in the year under review, compared to 98% in the previous year and 99% the year before.

83. **Non-Moving Advances**

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

Advances- P & P Grade D4 & Below	(125)
Recovery of Overpayment of Salaries	1 570
	1 445

MINISTRY OF LANDS AND HOUSING

84. **Warranted Provision**

The utilisation of funds warranted to the Ministry for the financial year ended 31st March 2015 is indicated below:

Department	Warranted Provision	Actual Expenditure	Over + Under - Expenditure	%
Headquarters	484 146 943	480 576 994	-3 569 949	-
Housing	128 558 759	128 183 280	-375 478	-
Surveys & Mapping	34 543 817	33 786 140	-757 677	2
DTRP	22 518 002	22 554 684	+36 682	-
Lands	49 520 354	48 229 933	-1 290 421	3
Registrar of Deeds	9 870 005	9 774 356	-95 650	1
Technical Services	6 808 830	6 500 485	-308 345	5
	735 966 710	**720 590 727**	**-6 375 983**	**1**

While the expenditures of the departments of the Ministry are well within the sub-warranted provisions, the Department of Town and Regional Planning is conspicuous by its breach of the terms of the sub-warrant with excess expenditure of P36 682 over the sub-warranted amount.

85. **Non-Moving Advances**

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

Damage to Government Vehicles	27 396
Surchage- P & P Payroll	8 799
Advances- Industrial Class	(234)
Advances- P & P Grade D4 & Below	10 336
Loss of Cash- Cash Shortage	57 954
Recovery of Overpayment of Salaries	83 570
Training Bond Liabilities	385 197
Travelling Imprests	48 795
	621 813

86. **<u>Rentals – Arrears of Revenue from Government Leases</u>**

A review of the revenue accounts for the collection of rentals on Government leases and related items had revealed weaknesses in the collection and follow-up of revenue debts due to Government under these accounts. While sizeable revenue amounts are collected under these accounts, there are however instances where tenants have fallen seriously into arrears with little or no follow-up action. The total arrears as at 31st March 2015 stood at a significant amount of P6 754 922. My enquiries with the officers concerned had indicated that some of the cases had been handed over to the Attorney General for collection, while others had been recommended to the Ministry of Finance and Development Planning for abandonment which, if approved, would translate to losses to the public revenue.

In this regard, my contention is that if these collections had been timeously and conscientiously followed up and the terms of these agreements invoked, where appropriate, this course of action would have been averted or minimised. There are numerous instances where rentals had not been paid for periods of up to 12 months or more.

The situation of the individual revenue accounts is illustrated below:

(a) <u>Rents – State Land Farms</u>

The cumulative arrears at the beginning of the year were P3 885 779 which are equivalent to three times the annual rental of P1 500 000 from this source. The collections for the year totalled P1 146 305 (30%), leaving a year-end balance of P3 366 982, including current year arrears of P771 902 and taking into account abandoned arrears of P144 393.

(b) <u>Rent Offices</u>

Out of the outstanding debtors balance of P809 535 at the beginning of the year, only P206 164 (25%) was recovered during the year, leaving uncollected balance of P603 371, resulting in a year-end balance of P1 253 504, including current-year arrears of P650 133.

(c) <u>Institutional and District Houses</u>

The total arrears at the beginning of the year was P69 393 out of which P22 787 (33%) was collected during the year. The item is easily monitored by timely issuance of casualty returns for the collections of rentals from officers' salaries.

(c) Rent, Government Quarters (Pool Houses)

The accumulated arrears at the beginning of the year totalled P1 900 317, out of which only P272 598 (14%) was collected during the year under review, leaving a substantial balance of P1 627 720. Current year arrears amounted to P970.

(d) Private Leases, Government Quarters

Out of the cumulative arrears of P137 485 from previous years, no collections had been made during the year under review.

(e) Guest House Electricity

A long overdue amount of P15 646 from the previous year remained outstanding at 31st March 2015.

(f) Water Charges

Similarly, an amount of P1 151 in respect of water charges remained outstanding at year-end from previous years.

(g) House Maintenance Fees

This is another item on which no or little effort is made to collect the amounts due. Out of an outstanding amount of P18 160 from previous years only P1 826 (10%) was collected during the year under review.

MINISTRY OF ENVIRONMENT, WILDLIFE AND TOURISM

87. **Warranted Provision**

The utilisation of funds warranted to the Ministry for the financial year ended 31st March 2015 is indicated below:

Department	Warranted Provision	Actual Expenditure	Over + Under - Expenditure	%
Headquarters	151 994 127	149 585 157	-2 408 969	2
Wildlife & Nat. Parks	225 894 822	222 037 973	-3 856 849	2
Tourism	17 370 470	16 812 580	- 557 890	3
Meteorological Servs.	54 880 439	49 227 940	-5 652 499	10
Sanitation & Pollution	20 514 718	19 265 567	-1 249 151	6
Forestry & Range Resources	81 562 492	79 244 292	-2 318 200	4
Environmental Affairs	16 482 150	16 436 239	- 45 911	-
NMMAG*	22 596 933	22 239 943	-356 990	2
	591 296 150	**574 849 691**	**-16 446 459**	**3**

*National Museum, Monuments and Art Gallery

The warranted provision for the Ministry for the year under review was P591 296 150, while the expenditures totalled P574 849 691, leaving unspent balance of P16 446 459, representing 3% of the warranted provision, compared to 3% in the previous year and 5% in the year before.

88. **Non-Moving Advances**

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

Damage to Government Vehicles	76 450
Surchage- P & P Payroll	1 000
Imprest Recoveries	1 328
Advances- P & P Grade D4 & Below	27 054
Loss of Cash- Cash Shortage	64 150
Recovery of Overpayment of Salaries	89 918
Training Bond Liabilities	46 392
Travelling Imprests	2 197
	308 489

INDUSTRIAL COURT

89. **Warranted Provision**

The utilisation of funds warranted to the Court for the financial year ended 31st March 2015 is indicated below:

Department	Warranted Provision	Actual Expenditure	Over + Under - Expenditure	%
Industrial Court	**28 343 020**	**26 651 512**	**-1 691 508**	**6**

The expenditure in the year under review represents 94% funds utilisation, compared to 99.2% in the previous year and 96% in the year before.

90. **Non-Moving Advances**

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

Recovery of Overpayment of Salaries	19 978
Travelling Imprests	15 913
	35 891

MINISTRY OF YOUTH, SPORT AND CULTURE

91. **Warranted Provision**

The utilisation of funds warranted to the Ministry for the financial year ended 31st March 2015 is indicated below:

Department	Warranted Provision	Actual Expenditure	Over + Under - Expenditure	%
Headquarters	187 646 336	184 960 220	-2 686 116	1
National Library Services	30 539 880	28 865 609	-1 674 271	5
Sports & Recreation	50 037 238	48 068 545	-1 968 694	4
National Archives & Records Services	12 424 430	11 063 211	-1 361 219	11
Arts & Culture	105 834 615	98 952 280	-6 882 335	7
Youth	289 954 913	262 799 189	-27 155 724	9
National Internship	80 871 307	77 475 466	-3 395 841	4
	757 308 720	**712 184 520**	**-45 124 200**	**6**

The expenditures of the Ministry totalled P712 184 520 out of a warranted provision of P757 308 720. Out of the expenditure amount, a total of P135 750 000 (representing 19%) related to youth activities, including Youth Development Fund and subvention to the Botswana National Youth Council.

92. **Non-Moving Advances**

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

Damage to Government Vehicles	8 415
Imprest Recoveries	(2 118)
Advances- Industrial Class	1 343
Advances- P & P Grade D4 & Below	2 474
Recovery of Overpayment of Salaries	29 091
Training Bond Liabilities	6 624
Travelling Imprests	146 469
	192 298

93. **Development Project – Botswana National Library Services, Headquarters, Gaborone**

As far back as 1991 (almost 25 years ago) a consultancy was engaged for the design of the Department of National Library Services headquarters building, then under the Ministry of Labour and Home Affairs, impliedly on the basis that the implementation of the project was imminent. A plot had been identified in the vicinity of the Main Mall in Gaborone. However, the design phase had experienced some protracted delays which held up the whole project implementation. When these delays had seemed overly protracted, with an expenditure of P15 499 462 already incurred, without any progress in evidence in the form of construction, the then Auditor General had expressed some concern in his annual report to the National Assembly for the financial year 2005/2006 over somewhat tardiness in project delivery and the possible resultant cost escalations, which had become a feature of Government project implementation.

In her submission to the forty-fifth meeting of the Public Accounts Committee on the accounts of that year, the Accounting Officer had explained that the issues of delays were centred around changes in the scope of the project design: the Ministry had changed the project brief and the previous design did not anticipate the services to be provided by the Library. This change in scope rendered the previous design irrelevant and the expenditure thereon ineffectual, and a fresh design had to be commissioned. According to the accounts of the Accountant General, the total expenditure incurred on the project over successive National Development Plan periods totalled P38 744 835.

As matters stand, it is now 25 years since that initial project design and the project to date has still not taken off at the new plot at the Central Business District (not the Main Mall plot), as the new project location. My latest enquiries had indicated that the project will most likely be implemented in NDP 11, where funds are likely to be available.

In this instance, I share the concern of the former Auditor General over the extreme tardiness in the implementation of this project which clearly manifests poor project planning, with resultant cost implications.

94. **Audit Inspection – Department of National Library Services, Shakawe**

An audit inspection carried out at the above Department had indicated that there was no proper accounting for stores on charge to the Department, including high value and attractive items such as computers and computer accessories, tables, chairs and others which had not been recorded in any stores accounting record. In these circumstances, there is a risk that these items may disappear, through fraud or any other cause, without notice or detection.

I have drawn the attention of the Accounting Officer to this unsatisfactory state of affairs, but at the time of writing this report I was not aware of any action which had been taken to bring this matter under control.

95. **Youth Development Fund**

I have in the past commented that the operation of the Fund was highly unsatisfactory, primarily because of lack of proper monitoring and mentoring of the beneficiaries on the projects financed from the Fund on a 50% grant/50% loan basis, which may result in the objective of the Fund not being achieved. The Fund was typically plagued by high levels of arrears of loan repayments and project failures without a clear mechanism for dealing with the assets of failed projects. I was also of the view that the accounting system needed to be streamlined to allow for proper debtor accounting.

When these matters were discussed before the Public Accounts Committee, the Accounting Officer had assured the Committee that improvement would flow from the restructuring of the Ministry and the establishment of the Monitoring and Evaluation Unit as well as assistance that would be sought from the Local Enterprise Authority. It is now 2 years since the undertaking was made to the Committee, and those improvements are still not evident, as illustrated by the results from the 5 regions that had been selected for audit during the year under review. The summaries of the findings are given below:

(a) Maun

(i) It was established that a total of P19 906 325 had been disbursed in loans, and that only P407 920 had been repaid while P643 407 was the total of arrears covering the entire period from inception of the Fund in 2009.

There was no evidence that any action was being taken to follow-up loan recoveries and settlement of the existing arrears.

(ii) An array of items of stores of high value, including generators, sewing machines, computer equipment, Morula oil processing machine, electric kiln, etc, totalling P34 686, from collapsed projects had been kept in a storeroom from as far back as 2013 without a plan for their disposal.

(b) Gumare

The personal records of the beneficiaries had not been updated to reflect the exact amounts of the arrears. However, the indicative figure is that the arrears totalled P222 943, from total loan disbursements of P7 819 345, covering the period since inception of the Fund.

(c) Charleshill

Out of the loan disbursements of P11 435 181 made through this Office only P659 251 had been repaid while P161 895 was owed in outstanding arrears.

A number of items of stores and equipment from collapsed projects had been kept in the storeroom since 2013, without any plan for their disposal.

(d) Ghanzi

The total loans disbursed through this Youth Office since inception of the Fund in 2009 amounted to P4 379 391, out of which only a paltry P30 914 was repaid, leaving arrears of P2 408 171.

(e) Hukuntsi

The information in this Office indicated that total loan disbursements from 2009 amounted to P2 158 151, out of which P122 070 was recovered in repayments with outstanding arrears of P286 050.

According to records in this office, confirmed by discussions with the officer-in-charge, a number of projects in this region had collapsed, but no action had been taken to recover the assets involved in those projects for proper disposal.

MINISTRY OF INFRASTRUCTURE, SCIENCE AND TECHNOLOGY

96. **Warranted Provision**

The utilisation of funds warranted to the Ministry for the financial year ended 31st March 2015 is indicated below:

Department	Warranted Provision	Actual Expenditure	Over + Under - Expenditure	%
Headquarters	138 413 352	134 407 801	- 4 005 550	3
DBES	337 289 938	304 237 605	-33 052 333	10
Research, Science & Technology	6 909 490	6 040 728	- 868 762	13
Radiation Protection	11 869 070	11 293 802	-575 268	5
	494 481 850	**455 979 936**	**-38 501 914**	**8**

During the year under review, the Ministry operated on a reduced budget from that of the previous year. The warranted provision was P494 481 850, compared to P510 950 660 in the previous year, while the expenditure was P455 979 936, compared to P476 054 143 in the previous year. A total of 20% of the expenditure related to payment of grants and subventions to parastatals under the portfolio responsibility of the Ministry.

97. **Non-Moving Advances**

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

Damage to Government Vehicles	14 315
Surchage- P & P Payroll	1 350
Permanent & Pensionable Emergency Advances	1 625
Imprest Recoveries	2 336
Advances- Industrial Class	1 201
Advances- P & P Grade D4 & Below	27 582
Recovery of Overpayment of Salaries	131 467
Travelling Imprests	4 416
	184 292

The following balance appeared in the former Ministry of Works, Transport and Communications in the Department of Architecture and Building Services – old

Loss of Cash-Cash Shortage	**220**

MINISTRY OF TRANSPORT AND COMMUNICATIONS

98. **Warranted Provision**

The utilisation of funds warranted to the Ministry for the financial year ended 31st March 2015 is indicated below:

Department	Warranted Provision	Actual Expenditure	Over + Under - Expenditure	%
Headquarters	314 826 875	302 645 927	-12 180 948	4
DRTS	122 983 340	110 401 181	-12 582 159	10
CTO	652 812 471	644 651 663	-8 160 808	1
Telecoms & Postal Services	10 039 100	8 512 198	-1 526 902	15
Roads	468 901 375	428 269 711	-40 631 664	9
Information Technology	437 104 059	428 552 638	-8 551 421	2
	2 006 667 220	**1 923 033 317**	**- 83 633 903**	**4**

This is satisfactory performance when all departmental expenditure of the Ministry are well within their allocated provisions. The Ministry has recorded a 96% funds utilisation, compared to 99% in the previous year and 97% the year before.

99. **Non-Moving Advances**

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

Damage to Government Vehicles	80 086
Surchage- P & P Payroll	227 073
Imprest Recoveries	(17 752)
Advances- Industrial Class	(2 990)
Advances- P & P Grade D4 & Below	839
Loss of Cash- Cash Shortage	303 009
Recovery of Overpayment of Salaries	272 006
Training Bond Liabilities	14 578
Travelling Imprests	3 194
	880 043

In addition, the following balances appeared in the former Ministry of Works, Transport and Communications in the Department of Roads and Ministry of Communications, Science and Technology in the Department of Information Technology.

Recovery of Overpayment of Salaries	**3 755***

*Department of Roads	3 691
*Information Technology	64
	3 755

MINISTRY OF DEFENCE, JUSTICE AND SECURITY

100. **Warranted Provision**

The utilisation of funds warranted to the Ministry for the financial year ended 31st March 2015 is indicated below:

Department	Warranted Provision	Actual Expenditure	Over + Under - Expenditure	%
Headquarters	47 773 687	40 613 872	-7 159 815	15
BDF	2 682 865 410	2 488 218 051	-194 647 359	7
Police	1 532 830 920	1 521 739 808	- 1 091 112	1
Prisons	307 414 873	301 604 110	-5 810 763	2
	4 570 884 890	**4 352 178 160**	**- 218 706 730**	**5**

This is a better performance than last year when the Ministry had exceeded the warranted provision by a substantial amount as well as the approved estimate, in contravention of the laid down rules and regulations. In the year under review, all departmental expenditures are well within the allocated provisions, and the Ministry recorded a budget utilisation of 95%.

101. **Non-Moving Advances**

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

Damage to Government Vehicles	289 364
Permanent & Pensionable Emergency Advance	4 225
Advances- Industrial Class	713
Advances- P & P Grade D4 & Below	16 254
Loss of Cash- Cash Shortage	58 711
Recovery of Overpayment of Salaries	197 354
BDF Fines Recovery	163 479
Travelling Imprests	(672)
	729 428

102. **<u>Audit Inspection – Botswana Police Service, Molepolole</u>**

An audit inspection which was carried out at the above Police station gave rise to a number of observations, which I addressed to the Accounting Officer for his comments, in September 2015. The more significant of the matters raised were the following –

(a) An officer who had been appointed a revenue collector was issued receipt books for the collection of admission of guilt receipts and for general receipts, in May 2012. At the time of the audit in September 2015, the revenue collector had not accounted for his collections on these receipt books, and internal investigations were under way to establish the loss, if any, and the extent thereof. It was also established that collections totalling P19 660 had not been accounted for from other receipt books issued to the same revenue collector. While the revenue collector is to be held to account for these losses, I consider that there are also concerns of contributory negligence on the part of officers who exercised supervisory checks over him.

(b) An attempt to carry out an audit verification of the exhibits against the registers had revealed weaknesses and shortcomings in the maintenance of the registers and disposal of these exhibits, as in the following instances-

(i) A Toyota Corolla car exhibit which was suspected to have been bought with the proceeds of crime was signed for as having been released to its lawful owner, but at the time of the audit the vehicle was under police custody.

(ii) In another instance, a vehicle exhibit which had been used in the commission of a crime had been declared forfeited to the state. However, the vehicle had still not been disposed of but remained parked at the police station without all wheels.

(iii) A number of cash exhibits, totalling P30 845.05, kept in the Station Commander's office covering the period from 2000 to 2003 could not be checked against the exhibit register, as the relevant register was not produced for inspection.

(iv) A scrutiny of the Hand-Over Statement dated May 2013 between senior officers at the station had indicated that certain exhibits had not been handed over as they were missing at the time of the hand-over.

At the time of writing this report I had not received the Accounting Officer's responses to my communication of September 2015. I am therefore not aware what action, if any, had been taken to address the concerns raised.

VIII LOCAL GOVERNMENT AUTHORITIES

103. The laws governing local government authorities require me to audit all Councils and the Land Boards. In terms of the same laws, these entities are required to prepare and submit these accounts to me by the 30 June of each year, that is three months after the end of the financial year to which the accounts relate, for purposes of auditing.

For the year under review, the performance of Land Boards with regards to timely submission of the accounts was satisfactory in that all the 12 Land Boards had met the statutory requirements.

With regard to the Councils, the submission of the accounts was somewhat not satisfactory in that some of the Councils had still to deal with the backlog. Out of the 16 Councils, only 7 had complied with the statutory requirements by submission of the accounts for the financial year 2014/2015, while 6 are yet to submit for the same year. Three Councils are still to submit for financial years 2013/2014 and 2014/2015. In this instance I trust that all Councils will make efforts to bring their submissions up to date.

Following completion of the audits, the audited accounts and my reports are submitted to the respective Chief Executive Officers (CEOs) of these entities who would cause them to be tabled before their Councils and Boards.

Subsequent to the tabling of the audited accounts together with my reports, these are referred to the Local Authorities Public Accounts Committee who would then examine the CEOs on the accounts and related activities; and then forward the results of the examinations to the Minister.

The local government authorities under the scope of my mandate are:

- <u>Town and City Councils</u>

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

- <u>District Councils</u>

  - 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

- <u>Land Boards</u>

  - 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

104. In addition to financial audits which I am required to undertake on the public accounts of the Central Government and Local Authorities (Councils and Land Boards) and selected Parastatals, I am also required by Section 7 (2) of the Public Audit Act (No 15 of 2012) to conduct performance audits on these entities to assess the extent to which value for money has been achieved in the use of resources at the disposal of officers at these entities. I am required to submit my reports on Central Government and Parastatals' audits to the Minister responsible for Finance, who shall cause them to be laid before the National Assembly in accordance with Section 20 (1) of the Public Audit Act of 2012. With respect to performance audit reports of Local Authorities, these are to be tabled to 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 Auditing 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 shortcoming in the laws and policies have affected those intentions to being achieved. It also promotes accountability and transparency.

During the year under review I completed 2 performance audits, both under Central Government as follows;

- Upgrading of Gaborone-Metsimotlhabe and Gaborone-Tlokweng Border post Roads. This report was subsequently laid before the National Assembly during the period under review.

- The Boarding and Disposal of Government Boarded Vehicles/Mobile Plant by the Central Transport Organisation.

The following performance Audit Reports of the Local Authorities were tabled to the respective Full Councils during the year under review:

- Maintenance of Council Buildings by South East District Council.

- Efficient and Effective Procurement and Asset Disposal System-Kgalagadi District Council

X PARASTATALS

105. **Introductory**

With the exception of the Botswana Railways, Botswana Postal Services and Air Botswana which are under the ambit of my audit, the rest of the statutory bodies and other 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 provided me with the audited accounts and reports of their organisations for purposes of review and inclusion of the review results in this report to the National Assembly. These reviews are of benefit to the Statutory Bodies and State Enterprises Committee during the examinations of the accounts of these organisations.

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

106. **Air Botswana**

The financial statements of Air Botswana for the financial year ended 31 March 2015 were audited by Messrs PricewaterhouseCoopers, Certified Public Accountants, who were appointed by me in terms of Section 22 (2) of the Air Botswana Act (No.4 of 1988).

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements presented fairly, in all material respects, the financial position of Air Botswana as at 31 March 2015, and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and in a manner required by Section 22 (3) of the Air Botswana Act (Cap 74:07).

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

2.2 Financial Results

During the year under review, the Airline recorded a loss of P164.78 million, compared to P99.99 million reported in the previous year. The loss arose from expenditure of P518.07 million and income of P353.29 million.

The traffic revenue declined from P330.17 million in the previous year to P312.31 million in the year under review. In addition, the Airline also received Government grant which decreased from P63.36 million in the previous year to P19.44 million in the year under review.

The Airline had been incurring losses over the past years which had accumulated to P485.32 million as at 31st March 2015. This picture is expected to persist in the foreseeable future. The Airline's ability to continue as a going concern is dependent on the Government's continued financial support in future.

In the year under review, the Government provided P286.90 million as capital injection.

2.3 Working Capital

The working capital position of the Airline as at 31 March 2015 showed current assets of P188.71 million and current liabilities of P170.30 million, giving a net current assets of P18.41 million.

3.0 Management Letter

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

3.1 Outstanding VAT Receivable from South African Revenue Services (SARS)

The auditors noted that management had problems in recovering VAT debts from the SARS. The outstanding amount from SARS was P8 million at the year-end which included P4.7 million from previous years.

In response management indicated that they had been closely following up on the VAT refund due from SARS and that they were confident that the refund would be recovered.

3.2 Accumulated Leave Day Balances above Statutory Limits

The auditors observed 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 leave plans had been put in place to ensure that the employees took leave as scheduled.

3.3 Long Outstanding Accounts Payable

The auditors noted an amount of P601 000 which had been unpaid for over 10 years and was still shown as a payable to other airlines which are non - IATA members.

Management in response stated that they had followed up this issue and found that the amount was for the airlines which were no longer members of the IATA clearing house and some of them no longer existed. The amounts would be further investigated and reversed.

3.4 Landing Fees and Passenger Service Charges

The auditors noted that the Airline had a dispute with the Civil Aviation Authority of Botswana (CAAB) over an amount of P5.23 million relating to calculation of landing fees and passenger service charges prior to May 2014. This arose since CAAB computed the fees based on the load sheets and the number of passengers on each flight without adjusting for transit passengers.

In response management revealed that they had engaged CAAB on numerous occasions and would continue to follow up a response from them.

107. **Banyana Farms**

In September 2015, 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 2014 for my review, in line with the existing arrangement. At the time of writing this report, I had not received those accounts and reports.

I have therefore not been able to include my comments on the accounts of Banyana Farms for the year under review in this report.

108. **Botswana Accountancy College**

The financial statements of the Botswana Accountancy College for the financial year ended 31 March 2015 were audited by Messrs PricewaterhouseCoopers, Certified Public Accountants, who were appointed in terms of Section 191 of the Companies Act, (Cap 42:01).

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements presented fairly, in all material respects, the financial position of the Botswana Accountancy College as at 31 March 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 College recorded a profit of P3.99 million, compared to P5.17 million in the previous year. The profit arose from income of P158.12 million and expenses of P154.13 million.

2.3 Working Capital

The working capital position of the College as at 31 March 2015 showed current assets of P110.50 million and current liabilities of P78.51 million, resulting in a net current assets position of P31.99 million.

3.0 Management Letter

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

3.1 Long Outstanding Debtors

The auditors noted that debtors amounting to P27.75 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:

Category	P'Million	%
Government Entities	15.88	57
Corporates Entities	3.03	11
Self-sponsored Students	8.84	32
	27.75	100

The auditors also noted that the combined amounts outstanding over 90 days from corporate entities and self-sponsored students had increased over the year as they were P6.6 million in 2014, indicating inadequate monitoring.

In response management stated that attention was focussed on outstanding debtors with an establishment of a dedicated team for debt collection. As at 31 July 2015, the College had collected 91% of the total debtors of P74.70 million outstanding at 31 March 2015; with related parties (including Government entities) having paid 97% of P56.13 million, corporate entities having paid 52% of P3.51 million and self-sponsored students having paid 71% of P15.06 million.

109. **Botswana Agricultural Marketing Board**

The financial statements of the Botswana Agricultural Marketing Board for the financial year ended 31st March 2015 were audited by Messrs Ernst & Young, Certified Public Accountants, who were appointed by the Board in terms of Section 16 (3) of the Botswana Agricultural Marketing Board Act (Cap 74:06).

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements presented fairly, in all material respects, the financial position of the Botswana Agricultural Marketing Board as at 31st March 2015, and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and in the manner required by the Botswana Agricultural Marketing Board Act (Chapter 74:06).

2.2 Financial Results

The Board recorded an operating loss of P3.47 million before taking into account a gain from the revaluation of property of P17.06 million, in the year under review, compared to a profit of P4.13 million in the previous year. The loss arose from the expenditure of P290.44 million against an income of P286.97 million.

Significant part of the income constituted:

- Sale of Goods of P267.73 million
- Management Fees on Strategic Grain Reserves of P10.89 million
- Rent Received of P1.61 million
- Investment Property Revaluation of P5.34 million.

2.3 Dividends

Over the last 3 years, the Board paid dividends to Government as follows:

- P285 743 was paid in December 2012 for 2011/2012 financial year.
- P522 894 was paid in July 2014 for 2012/2013 financial year.

In all these instances the receipts of the payments were not reflected in the accounts of Government.

The dividend of P1.30 million in respect of 2013/2014 financial year had not been paid as at 31st March 2015.

I am not aware of any follow-up action taken by the Accountant General or the Board after these matters had been raised in the previous audit reports of 2012/2013 and 2013/2014.

2.4 Working Capital

As at 31st March 2015, the working capital position of the Board showed current assets of P152.43 million and current liabilities of P109.62 million, resulting in a net current assets position of P42.81 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 Damaged Stock

The auditors noted during the count of stock that 30 items of 50kg Other Cowpeas grade 2 of Strategic Grain Reserve (SGR) were damaged but were valued as good stock, thereby overstating stock figures. Furthermore, the disposal form was not filed as per the Board's procedures.

In response management stated that the damaged stock would be disposed of.

3.2 Cash Shortage

The auditors noted that a cashier at one of the branches had a shortage of P24 890 as he deposited less cash than what was available for banking on 3 separate occasions in March 2015. This incident was made possible by the lack of segregation of duties between cash reconciliation and completion of bank deposit slips. They also noted that police investigations were underway and that the employee had passed away.

In response management stated that daily cash sheets would be reviewed by the Branch Manager and that the shortage would be claimed from the terminal benefits of the deceased officer.

3.3 Leave Provision

The auditors noted discrepancies in calculations of leave provision emanating from:

- Incorrect opening balances as the prior year closing balances differed with that of the leave cards.
- The leave days taken by individuals were not updated on the leave cards.
- The leave days in the leave cards were not correctly calculated.

Incorrect information was used to calculate the leave provision and this resulted in incorrect amount reflected in the financial statements.

In response management stated that they would automate the leave register and would ensure that leave days were updated timeously.

3.4 Strategic Grain Reserve (SGR)

a) Recording of SGR Transactions

The auditors noted, when reviewing the records of the SGR, that a number of significant adjustments were processed after year-end when they should have been done during the year. There was indication of delays by management to update the records. This may lead to misstatements to go undetected during the year and also it was non-compliant to the contract between the Government and the Board.

In response management indicated that they performed monthly reconciliations and reviews.

b) Compliance with Agency Agreement

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

- The contract was signed in 2009 and since then, there was no evidence of its review and revision.

- Stock holding levels in terms of Clause 5 of the agreement were not satisfied as at year-end for maize and cowpeas/beans.

- The minimum stock levels were not adhered to by the Board for cowpeas/beans in terms of Clause 7.

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

In response management stated that they would ensure that minimum quantities per contract were maintained and that they had since purchased 5 000 metric tonnes of cowpeas while they were in the process of purchasing maize. They also stated that the agreement would be reviewed in the subsequent financial year.

110. **Botswana Bureau of Standards**

The financial statements of the Botswana Bureau of Standards for the financial year ended 31 March 2015 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 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 Bureau recorded a loss of P1.64 million, compared to P10.00 million reported in the previous year. The loss arose from the total expenses of P92.16 million which exceeded the income of P90.52 million.

The Bureau received a Government grant of P76.44 million representing 84% of total income.

2.3 Working Capital

The working capital position of the Bureau as at 31 March 2015 showed current assets of P11.50 million and current liabilities of P15.28 million, giving a net current liabilities position of P3.78 million.

The current liabilities included a provision of P10.06 million towards employees' gratuity, leave pay and performance based reward system (PBRS). The Bureau is obligated to pay their employees the PBRS up to a maximum of 5% of the gross annual salary.

3.0 Management letter

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

3.1 Recognition of Capital Expenditure

The auditors noted that an oil compressor amounting to P43,120 had not been capitalised but was recognized as a maintenance expense. This may result in operating expenses and property, plant and equipment being misstated.

In response management noted the auditors finding and stated that the anomaly arose from coding and had since been rectified.

3.2 Accounting for Operating Leases

The auditors noted that the rent expense in respect of the Bureau's leased property in Francistown had been understated by P108,000 due to non-compliance with the International Accounting Standard 17 on accounting treatment of lease payments. The standard states that the payment should be recognised on a straight line basis.

In response management noted the auditors' finding and stated that straight line calculations would be performed on year-end schedules from 31 March 2016.

111. **Botswana College of Agriculture**

The financial statements of the Botswana College of Agriculture for the financial year ended 31 March 2015 were audited by Messrs Deloitte and Touchè, Certified Public Accountants, who were appointed by the Governing Council in terms of Section 8 (2) of the Botswana College of Agriculture Act, (Cap 57:02).

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The annual financial statements presented fairly, in all material respects, the financial position of the College as at 31 March 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

The College recorded a surplus of P699 392, compared to P10.23 million in the previous year. The surplus arose from income of P159.99 million and expenditure of P159.29 million.

The income for the year comprised the following:

Revenue Item	Amount P' Million	%
Government Grant	103.16	65
Tuition Fees	42.29	26
Finance Income	0.17	0.00
Other Income	14.36	9
	159.98	100

2.3 Working Capital

The working capital position of the College as at 31st March 2015 showed current assets of P52.01 million and current liabilities of P53.10 million, giving a net current liabilities position of P1.09 million. The current liabilities included unutilised development and project funds of P18.66 million and P2.58 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 Title Deeds

The auditors noted that the College was still in the process of obtaining title deeds for some portions of land valued at P35.10 million (2014: P50.60 million) on which it 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 submitted to the Gaborone City Council. The auditors pointed out that there was a risk of Government and other stakeholders designating the plots to be used for other purposes.

3.2 Residual Values and Useful Lives of Property Plant and Equipment

The auditors noted that management did not perform a formal reassessment of the remaining useful lives and residual values of property, plant and equipment during or at the end of the year in line with International Accounting Standard 16, as they determined that prior year assessment was still valid. However, when the auditors reviewed the reasonableness of useful lives and residual values in the current year, they noted a potential understatement of the depreciation charged of P2.29 million and amortization of capital grants by the same amount mainly in the fixed asset categories of equipment, computer hardware, trucks and buses.
In response management agreed with the auditors and stated that they would review the residual values and useful lives of all items of property, plant and equipment and their classifications.

3.3 Fixed Assets Register

The auditors noted that some items of fixed assets from Meat Industry Training Institute (MITI) could not be traced to the fixed assets register. Consequently, property, plant and equipment and the capital grant balance may be understated.

Management in response stated that in 2013 an independent valuer was tasked to value all fixed assets located at MITI for take-on purposes. The final valuation report excluded fixed asset items of equipment and furniture located at MITI's administration office block, caravan, hostel, guest house, kitchen and laundry areas.

In February 2015, management started a project to verify and label all the College's fixed assets which was nearing completion. The fixed assets register would be updated accordingly at the end of the exercise.

3.4 Outstanding Advance Payments

The auditors noted that an advance payment of P679 298 was made to a supplier in October 2014, for licensing costs of the ITS Integrator iEnabler systems and upgrade from ITS Integrator 1 to 3. As at the end of the year and at the time of the audit, these services had not yet been provided by the supplier as the College was still required to replace the hardware and the related server. It seemed that the College was not ready to implement such IT services and hence unnecessarily tied up the funds with the supplier. There is a risk that the supplier may not provide the service. Management agreed with the auditors and stated that the supplier delayed to install the upgrade from ITS Integrator 1 to 3. Furthermore the server had reached its useful life and a replacement had been ordered.

112. **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 2015 were audited by Messrs Grant Thornton, Certified Public Accountants, who were appointed by the Board in terms of Section 2 (1) of the Botswana College of Distance and Open Learning Act, (Cap 57:03).

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The annual financial statements presented fairly, in all material respects, the financial position of the Botswana College of Distance and Open Learning as at 31 March 2015, and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and in a manner required by the Botswana College of Distance and Open Learning Act, (Cap 57:03).

2.2 Financial Results

During the financial year under review, the College recorded a surplus of P5.86 million, compared to a deficit of P4.73 million in the previous year. Income had increased from P92.47 million in the previous year to P102.33 million in the year under review, while expenditure declined from P97.20 million in the previous year to P96.47 million in the year under review.

Income for the year comprised mainly Government grants of P74.57 million and revenue from student applications and tuition fees of P22.45 million.

2.3 Working Capital

The working capital position of the College as at 31 March 2015 showed currents assets of P8.49 million and current liabilities of P20.55 million, which resulted in a net current liabilities position of P12.06 million.

The current liabilities included deferred revenue of P8.73 million and staff related accruals of P7.41 million.

3.0 Management Letter

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

3.1 Student Debtors

The auditors observed that students were not enrolled in the ITS and that students' credit balances were not reconciled against related charges (tuition and administration fees) paid. The fees paid in advance were not classified separately in the listing.

In response management noted the auditors observation and stated that the College had successfully concluded the piloting of online registration for implementation in January 2016. This would reduce the delay in the lead time between manual registration and data capturing on the ITS and also facilitate matching of deposits with students numbers.

3.2 Students Payables

The auditors observed that a balance of P571 991 relating to students deposits paid through BotswanaPost had no detailed breakdown to identify students who made the payments prior to Government policy to meet the costs.

In response management stated that students lists had been compiled and BotswanaPost had been engaged to assist with the refund process by end of 2015.

3.3 Maintenance of Learner Material in ITS

The auditors observed that though the College had implemented an integrated system, distribution of learner material was not done in the system to control stocks. There was no reconciliation between materials purchased, issued and stocks at year-end. The system has capability to manage the cost that the College incurs to produce materials, thereby minimising wastage and possibility of fraud but the College resorted to the manual system.

Management in response noted the auditors' observation and stated that the College would use the IPS to manage learner materials in the financial year 2015/2016.

3.4 Contracts and Service Level Agreements with Third Parties

The auditors noted that the College had outsourced part of the functions of the IT Department to external parties, but contracts and service level agreements were not renewed on an annual basis. There is no binding legal document in the event of a breach by the service provider and there could be a gap between the work done and what is stipulated in the service level agreement.

Management in response stated that a comprehensive IT inventory had been completed to facilitate review of the maintenance contracts.

113. **Botswana Communications Regulatory Authority**

The financial statements of the Botswana Communications Regulatory Authority for the financial year ended 31 March 2015 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 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 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 P109.75 million and P31.66 million, respectively. The Authority had recorded a surplus of P48.11 million the in the previous year. The surplus for the Group arose from a total income of P217.89 million and total expenditure of P108.14 million while that of the Authority arose from income of P139.72 million and expenditure of P108.06 million.

2.3 Dividends

In terms of the audited accounts for the year under review, the Authority paid P12.03 million as dividends relating to the accounts of 2013/2014 financial year and proposed a dividend of P7.91 million to Government in respect of the accounts of 2014/2015. However, the books of the Accountant General reflect that P28.67 million was received during the year under review. I consider that this matter needs to be investigated.

2.4 Working Capital

The working capital position of the Group as at 31 March 2015 showed total current assets of P266.40 million and total current liabilities of P21.68 million, giving a net current assets position of P244.72 million; while that of the Authority showed current assets of P172.25 million and current liabilities of P45.43 million, resulting in a net current assets position of P126.82 million.

Included in the current liabilities of the Authority is P23.74 million (current year surplus less proposed dividends) allocated for transfer to the Group reserve as Universal Service and Access 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 were addressed by management and do not warrant mention in this report.

114. **Botswana Development Corporation Limited**

The financial statements of the Botswana Development Corporation Limited for the financial year ended 30 June 2014 were audited by Messrs Deloitte & Touché, Certified Public Accountants, who were appointed in terms of Section 191 of the Companies Act (Cap 42:01).

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The consolidated and separate financial statements presented fairly, in all material respects, the consolidated and separate financial position of the Botswana Development Corporation Limited as at 30 June 2014, 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 P213.33 million, compared to P107.09 million in the previous year, while the Corporation recorded a profit of P126.03 million, compared to a loss of P68.03 million in the previous year. The revenue for the Group declined from P317.93 million in the previous year to P286.74 million in the year under review, whereas the revenue for the Corporation increased from P101.74 million in the previous year to P150.38 million in the year under review.

Loss Making Subsidiaries

The auditors noted that the following subsidiaries and associates were making losses:

- Malutu Enterprises (Pty) Ltd – P1.1 million;
- LP Amusement Centre (Pty) Ltd – P4 million;
- Coast to Coast Inn (Pty) Ltd – P1.8 million;
- Lobatse Clay Works (Pty) Ltd – P0.8 million;
- Can Manufacturers (Pty) Ltd – P13.2 million;
- Commercial Holdings (Pty) Ltd – P10.9 million; and
- Golden Fruit 97 (Pty) Ltd – P2.7 million.

The total accumulated impairment losses against investments in the Corporation's financial statements amounted to P1 012 million as at 30 June 2014.

Management stated that the restructuring process which was expected to turnaround the loss-making subsidiaries and associates was ongoing. Some of the investments such as Golden Fruit 97 and Coast-to-Coast had been earmarked for sale by end of the subsequent reporting period.

2.3 Working Capital

The working capital position of the Group as at 30 June 2014 showed current assets of P441.62 million and current liabilities of P594.79 million, resulting in a net current liabilities position of P153.17 million. The Corporation showed current assets of P179.30 million and current liabilities of P695.46 million, resulting in a net current liabilities position of P516.16 million.

Current liabilities of the Corporation include P220.75 million due to related parties.

3.0 Management Letter

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

3.1 Communication with Subsidiaries and Associates

The auditors noted 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 Corporation's subsidiaries had adopted a "cost less accumulated depreciation and impairment approach."
- No monthly or quarterly financial information collected by the Corporation from its 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 efficient process in place for timely reconciliation of the related party balances and transactions.

In response management stated that:

- A Subsidiary Management Division had been introduced to address the issues of communication between the Corporation and its subsidiary companies.
- The Division would collect financial information on monthly basis to allow consolidation of financial statements on quarterly basis.
- There would be quarterly intercompany confirmations to ensure that the related party transactions were managed.

3.2 User-Access Review on ACCPAC and LMS

The auditors noted that there was no user-access review for the ACCPAC and LMS application system which may result in users having access rights which are incompatible with their job profiles. For instance, employees may retain their previous access privileges when they had either been promoted or transferred.

In response management stated that user-access reviews were done, but there were no supporting documentation at the time of audit. Management would ensure that all access reviews were documented.

3.3 Bank Signatories

The auditors observed that one officer who had left the Corporation was still a signatory to one of the Corporation's bank accounts. In order to avoid exposing the Corporation to the risk of misappropriation of cash and also considering the restructuring exercise and significant changes in staff, the auditors advised that a review of all bank signatories be performed and any changes should be communicated to the banks.

In response management stated that it had resolved to obtain written confirmation from banks on changes of bank signatories communicated to them.

115. **Botswana Examinations Council**

The financial statements of the Botswana Examinations Council for the financial year ended 31 March 2015 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 2015, 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 P9.89 million, compared to P98.46 million in the previous year. The deficit arose from expenditure of P244.78 million and income of P234.89 million. The deficit was substantially reduced because of the significant increase in the Government grant from P12.68 million to P220.15 million.

2.3 Working Capital

The working capital position of the Council as at 31 March 2015 showed currents assets of P20.75 million and current liabilities of P44.92 million, which resulted in a net current liabilities position of P24.17 million.

The current liabilities included gratuity and leave pay provisions of P12.04 million and deferred revenue of P705 933 in relation to restructuring and alignment to the Botswana Qualifications Authority.

3.0 Management Letter

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

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

The auditors noted that the PAYE returns for December 2014 and March 2015 amounting to P3.90 million and P5.83 million, respectively, were not paid which was not in line with the requirements of the Income Tax Act. The Council may incur penalties and interest imposed by the Botswana Unified Revenue Services for non-compliance with the Income Tax Act.

In response management stated that they had informed BURS of its cash flow position and that it would not be able to remit taxes on time.

3.2 Fully Depreciated Assets

The auditors noted that the fixed assets register included fully depreciated assets which were still in use and providing economic benefit to the Council. The Council has not complied with International Accounting Standard 16 which requires the depreciation rates and residual values to be evaluated annually to be in line with the expected economic lives of the assets.

In response management stated that they kept the assets due to lack of funds otherwise they would have replaced them as they attracted huge maintenance costs.

3.3 Recovery of Receivables

The auditors noted that the Ministry of Education and Skills Development had paid only P7 million out of the P7.59 million candidates' fees for Back-to-School programme.

In response management stated that they were actively following up the debt with the Ministry.

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

The financial statements of the Botswana Fibre Networks (Proprietary) Limited for the financial year ended 31st March 2015 were audited by Messrs KPMG, Certified Public Accountants, who were appointed in terms of Section 191 of the Companies Act (Cap 42:01).

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements presented fairly, in all material respects, the financial position of the Botswana Fibre Networks (Proprietary) Limited as at 31st March 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

During the financial year under review the Company recorded a loss of P68.86 million, compared to P33.06 million (restated) in the previous year. The loss arose from the expenditure of P248.58 million which exceeded the income of P179.72 million.

The income included revenue from operations of P118.20 million, Government subvention of P60.31 million, other income of P403 433 and finance income of P808 693 while expenditure comprised of cost of sales of P86.20 million, operating expenses of P161.79 million and finance costs of P595 880.

2.3 Working Capital

The working capital position of the Company as at 31st March 2015 showed currents assets of P141.62 million and current liabilities of P102.41 million, which resulted in a net current assets position of P39.21 million.

3.0 Management Letter

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

3.1 Gratuity Provisions

The auditors noted that the gratuity provision was not updated on a regular basis in the general ledger with the result that it was understated by P2.62 million at the financial year-end.

In response management acknowledged the auditors' finding and stated that all provisions would be reconciled on monthly basis and agreed to the general ledger.

3.2 VAT Returns

The auditors noted the following exceptions relating to the completion and submission of monthly VAT returns:

- VAT returns had been completed on the basis of cash receipts/payments although receipt of supplies or sales invoices is earlier.
- The Company is registered as a bi-monthly VAT return vendor when its vatable supplies exceeded P12 million, hence is required to submit monthly VAT returns.
- VAT returns for the periods May-June 2014 and July-August 2014 were incorrectly calculated and hence they were rejected by Botswana Unified Revenue Services (BURS).

The penalties and interest may be levied by BURS on the Company for non-compliance with the VAT Act.

In response management stated that:

- Some transactions were included in the VAT computations on the basis of receipts instead of invoices due to system issues but this has been rectified.
- An application would be submitted to BURS for submission of returns monthly.

- Existing controls would be monitored to ensure that all documents are reviewed and checked before being dispatched.

3.3 Fixed Assets Register

The auditors noted that fixed assets register was not revised for the “deemed assets transfer values” and “deemed effective transfer dates” as outlined in the Possession and Use Agreement between the Company and the Botswana Telecommunications Corporation Limited, signed on 10th October 2014 and this resulted in a misstatement of P53.62 million. Information on assets tag/serial number, location and assignee was not included in the fixed assets register.

In response management noted the auditor’s finding and stated that the fixed assets register had been revised. The Company was undertaking an assets verification exercise to improve identification and coding.

117. **Botswana Housing Corporation**

The financial statements of the Botswana Housing Corporation for the financial year ended 31st March 2015 were audited by Messrs PricewaterhouseCoopers, Certified Public Accountants, who were appointed as auditors by the Corporation in terms of Section 24(3) of the Botswana Housing Corporation Act, (Cap 74:03).

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements presented fairly, in all material respects, the financial position of the Botswana Housing Corporation as at 31st March 2015, 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 P9.84 million, compared to P16.26 million in the previous year, representing 39% decrease. The surplus arose from income of P544.36 million and expenditure of P534.52 million.

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 now 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 P4.06 million in respect of the financial year 2013/2014 which was received by Accountant General in that amount, implying that withholding tax was not deducted from the payment.

2.4 Working Capital

The working capital position of the Corporation as at 31st March 2015 showed current assets of P1 456.58 million and current liabilities of P700.70 million, giving a net current assets position of P755.88 million.

3.0 Management Letter

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

3.1 Delays in Concluding Property Sales

The auditors noted a number of properties in the billing module that did not appear in the investment property register and that 104 of the properties were to be let on interim billing until the sale was concluded. The auditors further noted that 89 of the 104 properties had been on interim billing for more than six months which indicated a significant delay in the conclusion of the sale transactions.

In response management stated that there were 89 houses on interim rental as follows:

- The Office of the President occupied 40 of the houses at Mophane Estate – Francistown and had deferred payment citing defects at site but had promised to make full payment once the defects were rectified.

- The Ministry of Health occupied 18 properties at Ghanzi and had deferred payment pending delivery of 30 houses since their intention was to make a one payment for all 48 houses.

- The Botswana International University of Science and Technology (BIUST) occupied 31 houses and had cited insufficient funds as reason for not paying. The Corporation made a special dispensation for BIUST to pay the purchase consideration in three tranches at six months intervals.

3.2 Refundable Deposits

The auditors noted 69 instances with a total balance of P492 377 as at 31st March 2015 where refundable security deposits were not obtained. This is contrary to the Corporation's policy which requires that a refundable deposit be obtained from private and corporate tenants on entering into lease agreements. The auditors noted that failure to obtain the security deposit exposed the Corporation to unnecessary credit risk.
In response management stated that the tenants were being followed up to pay the refundable deposit especially during lease renewals and that there had been improvement in the deposit payments since the introduction of the 3-year lease renewal. The Corporation would continue to follow the tenants up with the objective of having deposits for all customers.

3.3 Properties Title Deeds

The auditors noted, as in the previous year, a number of properties included in inventory and investment properties where the Corporation did not hold the title deeds. The carrying value of such properties as of 31 March 2015 was P18.4 million (2014: P54.8 million). The auditors established from their discussions with management that the Corporation had continued its efforts towards obtaining these title deeds, and that there had not been any disputes/litigation challenging the Corporation's ownership of these properties. Accordingly, management believed that this was an administrative issue, which could successfully be remedied in the near future.

Auditor General's Comment

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

3.4 Title Transfers for Sale of Properties to Government

The auditors observed, as in the previous year, significant delays in titles being transferred on sale of properties to Government and its related entities. Management had explained that such delays were caused by administrative lapses by other 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.

Auditor General's Comment

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

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

The financial statements of the Botswana Institute for Development Policy Analysis for the financial year ended 31st March 2015 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 gave a true and fair view of the financial position of the Botswana Institute for Development Policy Analysis as at 31 March 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 Institute recorded a surplus of P2.69 million, compared to P3.06 million in the previous year. The surplus arose from income of P24.66 million and expenditure of P21.97 million in the year under review.

The Government grant, which is the main source of income, increased from P18.11 million in the previous year to P18.82 million in the current year. The Institute also generates small revenue from the sale of services and from investments.

2.3 Working Capital

The working capital position of the Institute as at 31st March 2015 showed current assets of P16.10 million and current liabilities of P5.87 million, which resulted in a net current assets position of P10.23 million.

3.0 Management Letter

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

3.1 Related Party Agreements

The auditors observed that there was no signed agreement between the Institute and the Technical Assistant Project at the Ministry of Finance and Development Planning. In the event of any dispute there may be difficulty resolving points of disagreement in the absence of a signed contract.

In response management noted the auditors' finding and stated that they would submit a draft contract to the Ministry of Finance and Development Planning.

3.2 Outstanding Debtors

The auditors observed that P48 616 had been outstanding for over 90 days from a former employee who was dismissed for fraud.

Management in response agreed with the auditors' finding and stated that they were pursuing the individual to recover the debt.

3.3 Revaluation of Land and Buildings

The auditors observed that the land and buildings were last valued in 2012 and that the valuation may not be reflective of the current market value due to the impact of structural defects on the building, hence not in compliance with the provisions of the International Accounting Standard 16.

Management in response agreed with the auditors' observation that they should have taken into account the state of the building in their valuation.

119. **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 2015 were audited by Messrs Deloitte & Touché, Certified Public Accountants, who were appointed in terms of Section 191 of the Companies Act, (Cap 42:01).

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements presented fairly, in all material respects, the financial position of the Botswana Institute for Technology Research and Innovation as at 31 March 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

The Institute recorded a surplus of P2.30 million during the year under review, compared to P8.01 million in the previous year. The surplus arose from income of P46.41 million and expenditure of P44.11 million.

The Institute is funded by Government grant, which was P45.52 million in the year under review.

2.3 Working Capital

The working capital position of the Institute as at 31 March 2015 showed current assets of P48.61 million and current liabilities of P42.27 million, which resulted in a net current assets position of P6.34 million.

3.0 Management Letter

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

3.1 Recognition of Revenue Grant

The auditors noted that P6.50 million of revenue grants received was classified as deposit under accruals but were confirmed by Government as funds for the year under review.

The auditors suggested that funds disbursed for operational expenditure should be recognised in the Income Statement in the period they were received.

In response management agreed with the auditors finding and indicated that the Ministry had initially made representation that the funds were for 2015/2016 financial year although they were disbursed at the end of the year under review.

3.2 Project Funds Budget

The auditors noted that when it became clear that the P2.00 million from the Office of the President to fund the Seding Project which involved purchase of 1 000 lumen led solar streetlights for installation around the country would be insufficient, management decided to transfer P1.47 million from the ongoing Satellite offices set-up project. There was no authorisation sought for this transfer of funds from one project to another.

In response management stated that funds transferred from projects would be referred for authorisation to the Board and the Ministry.

3.3 Assessment of Useful Lives and Residual Values of Fixed Assets

The auditors noted that management had not allocated residual values to the fixed assets when calculating depreciation. This contravened International Accounting Standard 16 on property, plant and equipment, which calls for a review of useful lives and residual values of assets to be performed on an annual basis.

Management in response stated that the assets were fairly new and transferred from the legacy institution where they had been valued in December 2014. In addition, management conducted tests for impairment after year-end and the depreciation charged was based on expected useful lives, whereas residual values were expected to be zero.

120. **Botswana Institute of Chartered Accountants**

The financial statements of the Botswana Institute of Chartered Accountants for the financial year ended 31 December 2014 were audited by V K Verma & Associates, Certified Public Accountants, who were appointed by the Council in terms of Section 53 (2) of the Accountants Act, 2010.

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements presented fairly, in all material respects, the financial position of the Botswana Institute of Chartered Accountants as at 31 December 2014 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and in a manner required by Section 53 (9) of the Accountants Act, 2010.

2.2 Financial Results

In the year under review, the Institute recorded a surplus of P3.23 million, compared to P1.47 million recorded in the previous year. The surplus arose from income of P18.93 million and expenses of P15.70 million.

The income included Government grant of P6.25 million.

2.3 Working Capital

The working capital position of the Institute as at 31 December 2014 showed current assets of P6.29 million and current liabilities of P5.54 million, resulting in a net current assets position of P752 577.

3.0 Management Letter

The auditors raised a number of observations, the main one which is yet to be resolved was the following:

3.1 Fixed Assets Register

The auditors noted that the fixed assets depreciation listing did not tally with the general ledger. Computer and Office Furniture was P1.34 million and P1.38 million as per the register and ledger, respectively.

In response management noted the auditors' finding and stated that the matter would be reconciled.

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

In September 2015, I addressed a communication to the Vice-Chancellor requesting him to submit the audited accounts and reports of the University for the financial year ended 31 March 2015 for my review, in line with the existing arrangement. At the time of writing this report, I had not received those accounts and reports. This is a second year running that I have not been furnished with the audited accounts and reports of the University.

I have therefore not been able to include my comments on the accounts of the University for the year under review in this report.

122. **Botswana Investment and Trade Centre**

The financial statements of the Botswana Investment and Trade Centre for the financial year ended 31 March 2015 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 2015, 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 P9.59 million, compared to P16.26 million in the previous year. The surplus for the year under review arose from income of P136.45 million and expenditure of P126.86 million.

The income comprised the following:

	P' Million
Government Grant	114.16
Fair Value Gain on Investment	7.45
Rental Income	10.90
Global Expo Income	2.29
Finance Income	1.65
Other Income	-
	136.45

And expenditure included the following:

	P' Million
Staff Costs	51.32
Administration Costs	30.92
PR Expenses	22.02
Global Expo Expenses	7.28
Special Economic Zones Expenses	5.36
Investment Promotion Expenses	3.08
Export Promotion Expenses	1.13
Research Expenses	1.04
	122.15

2.3 Working Capital

The working capital position of the Centre as at 31st March 2015 showed current assets of P49.24 million and current liabilities of P16.54 million, giving a net current assets position of P32.70 million.

3.0 Management Letter

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

3.1 Prior Year Matters

The auditors noted that the following matters reported in the prior year had not been resolved:

a) Lease Agreements for Factory Shells

The auditors observed that lease agreements for some factory shells had expired and no new lease agreements had been signed. The Centre may be exposed to reputational and financial loss in case of disagreements or disputes over terms and conditions of the leases.

In response management noted the auditors' finding and stated that a service level agreement with the property manager would be revised to include notification to management 6 months prior to expiry of the lease agreement. Management was in the process of procuring a MDA Property System which would cover rent collection, lease management and strategic asset management for property.

b) Backdating of Invoices

The auditors observed instances where invoices had been backdated. For example, Global Expo invoices which were raised after some invoices reflected dates prior to those of such invoices.

In response management noted the auditors' finding and stated that they had engaged the Accpac support consultant to activate the function.

3.2 Revaluation of Foreign Currency Bank Accounts

The auditors noted that the Centre had not revalued the year-end balances relating to foreign currency denominated bank accounts for the Bank of India (Indian Rupee), Barclays Bank UK (UK Pounds Sterling) and First National Bank of South Africa (South African Rand).

In response management noted the auditors' finding and stated that they had engaged the Accpac support consultant to activate the function.

3.3 Fixed Assets Register

The auditors noted that the Centre had not carried out a comprehensive fixed assets verification exercise and reconciled the same with the fixed assets register. Two mobile phone handsets were not physically available at year-end but were included in the register at a combined net book value of P4 916.

In response management noted the auditors finding and stated that they had increased control over assets by ensuring that their movement was tracked and controlled upon receipt. The assets register verification would be reviewed bi-annually.

3.4 Insurance Cover for Leasehold Improvements

The auditors noted that leasehold improvements to the head office building, costing P6.2 million and with net book value of P3.6 million at year-end, had not been insured. Therefore any damage to the improvements may result in losses to the Centre.

In response management noted the auditors finding and stated that they would map a process to close the gap. They had also processed the insurance to cover the leasehold improvements.

123. **Botswana Meat Commission**

The financial statements of the Botswana Meat Commission for the financial year ended 31 December 2014 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 2014, 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.

Other Legal and Regulatory Requirements:

The Commission had not complied with all the financial provisions of the Botswana Meat Commission Act, (Cap 74:07) which require 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 deficit of P13.39 million and P21.26 million, compared to a surplus of P25.76 million and P27.70 million reported in the previous year, respectively. The deficit was before a gain on the revaluation of property plant and equipment of P152.53 million and P115.54 million for the Group and the Commission, respectively. The deficit for the Group arose from expenditure of P1 387.45 million and income of P1 374.05 million while that of the Commission arose from expenditure of P1 377.18 million and income of P1 355.92 million.

The income for the Group comprised mainly of:

- Sale of meat and allied meat products of P1 170.20 million
- Other sales of P16.89 million
- Financing of losses in Francistown Abattoir received from Government of P22.90 million
- Net exchange gains of P6.82 million
- Sundry income of P10 million

2.3 Working Capital

The working capital position of the Group as at 31 December 2014 showed total current assets of P435.56 million and total current liabilities of P648.92 million, giving a net current liabilities position of P213.36 million while that of the Commission showed current assets of P430.46 million and current liabilities of P702.56 million, resulting in a net current liabilities position of P272.20 million.

The ability of the Group and the Commission to continue as a going-concern is dependent on continued Government support.

3.0 Management Letter

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

3.1 Prior Year Audit Matters

The auditors observed that some of the significant control weaknesses reported in the previous year's audit remained unresolved. These included, among others, the following:

- Inadequate supervisory controls over the accounting function.
- Unreconciled difference on intercompany reconciliation.
- Inadequate communication to subsidiaries and ineffective reconciliation process.
- Invalid bank reconciling items.
- Non allocation of receipts from debtors to the respective debtor accounts.
- Incorrect inventory valuation.
- Lack of reconciliation of stores inventory.
- Obsolete inventory allowance not estimated.
- Lack of review of useful lives and residual values of property plant and equipment.
- State of fixed assets register.
- Title deeds not up to date.
- Biological assets fair valuation and reconciliation not regularly performed.

Auditor General's Comment

The above are significant long outstanding matters which I consider should have attracted attention for their early resolution for better accuracy of the accounts and management of assets.

3.2 Recoverability of Receivables

The auditors identified trade receivables of more than 90 days overdue amounting to P1.8 million, whose recoverability was doubtful, recorded by the Commission. The auditors included the amount as a proposed judgmental adjustment in the current year summary of uncorrected misstatements.

In response management indicated that they assessed bad debts and provided for the provision and that the amounts suggested by the auditors were judgmental and not fundamental. Management further stated that they continuously reviewed and monitored the outstanding receivables. Out of the P1.8 million, P1.06 million was due from Government (Ministry of Local Government and Rural Development) with 10% being withheld on every invoice.

3.3 Discrepancies Between Inventory Count Records and Final Inventory Valuation Reports

The auditors observed that the final inventory report did not reconcile to the physical count by the auditors at the time of their inventory count attendance. The differences were quantified to be P128 236 and P899 237 for Lobatse and Francistown, respectively. The lack of reconciliation may result in misstatement of inventory balances and misappropriation or errors may not be detected.

In response management stated that they noticed the error was due to not observing cut-off date at Francistown while at Lobatse the difference was due to stock count difference as a result of cannery stock between auditors' stock count and the Commission's stock count. Management was investigating the reasons for the discrepancy as the stock was counted in the presence of the auditors.

3.4 Late Remittance of Withholding (WHT) Tax to the Botswana Unified Revenue Services (BURS)

The auditors noted that the Commission engaged a contractor to refurbish staff housing and had deducted 3% of the payments made to the supplier to remit to BURS. The withholding tax deducted in January 2014 was only paid to BURS in May 2014 while that deducted in May 2014 was only paid in September 2014, contrary to the provisions of the Income Tax Act which requires that all withheld taxes should be remitted within fifteen days after deduction.

In response management stated that they noted the error and cautioned the responsible officer and further stated that they would monitor this more diligently in future.

3.5 Methodology of Estimating Francistown Losses to be Claimed from Government

The auditors observed that the Commission had in the past been claiming the losses realised by the Francistown plant and that these were reimbursed by Government. Up to 2013, the amount claimed was the net loss per the plant's accounting records. However, in 2014 a new methodology was introduced by management for estimating the amounts to be recovered, which included a portion of the Head Office interest costs, as loans raised financed all the plants' operations.

This new methodology increased the amount to be claimed for 2014 from an estimated P6 million to P22.9 million actually claimed. The auditors further noted that the new methodology had not been formalised and formally agreed with Government, which exposed the Commission to the risk of costs claimed being rejected.

In response management stated that they had noted the auditors finding and that they would engage the Ministry for guidance.

124. **Botswana National Productivity Centre**

The financial statements of the Botswana National Productivity Centre for the financial year ended 31st March 2015 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 2015, 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).

2.2 Financial Results

During the year under review, the Centre recorded a surplus of P7.89 million, compared to a deficit of P8.03 million in the previous year. The surplus arose from income of P51.84 million and expenditure of P43.95 million.

Income consisted of:

	P' Million	%
• Government grant	39.14	75.5
• Sale of services	10.58	20.4
• Other income	0.46	0.9
• Finance income	0.30	0.6
• Gain on revaluation of property	1.37	2.6
	51.84	100

Income had increased by 45% over the previous year while expenditure remained relatively constant.

2.3 Working Capital

The working capital position of the Centre as at 31 March 2015 showed current assets of P18.63 million and current liabilities of P18.09 million, giving a net current assets position of P534 660.

3.0 Management Letter

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

3.1 Invoicing for Services Rendered

The auditors noted instances where services were rendered by the Centre but took some time to be invoiced as evidenced below:

- At year-end the Centre had un-invoiced debtors amounting to P113 184, of which P17 299 related to the period between March 2012 to September 2013 while P95 522 related to May 2014 to October 2014 period.

- Revenue for the completed CDE project amounting to P226 125 was neither invoiced nor accrued for at year-end.
- Revenue of P190 853 for the DOT project relating to the prior year was recorded in the year under review.

In response management agreed with the auditors' observation and stated that this was mainly due to inadequate documentation from both the clients and Centre's departments that are generating income. Management undertook to resolve the issues of delayed invoicing to ensure adherence to the Centre's processes and procedures.

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

The auditors noted that there was no formal procedure in place for the review of useful lives and residual values of property, plant and equipment as required by International Accounting Standard 16. For instance, the useful lives set by the Centre for buildings and library books was 10 years and 4 years while the auditors recommended 50 years and 10 years, respectively.

In response management stated that they had complied with the standard except that they had not documented their review for motor vehicles and revaluation of residential property. However, management accepted the auditors' advice to document any review of useful lives of property, plant and equipment. Management had agreed with the auditors that the depreciation policy should be holistically reviewed to prolonging the useful life of some assets taking into consideration the replacement policy.

3.3 Agreement on Use of Government Property

The auditors noted 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 upon termination or expiration of the agreement but since the Centre had not insured the property, it would be liable for any damage should a loss occur. The Centre generates income from the Government properties but had not recorded the properties in its books.

In response management acknowledged that there was no formal lease agreement with Government for the building it occupied and stated that they would engage Government to formalise the lease agreement to clearly set the terms and conditions on occupancy of the building.

125. **Botswana National Sports Council**

The financial statements of the Botswana National Sports Council (Council) for the financial year ended 31 December 2014 were audited by Messrs Grant Thornton, Certified Public Accountants, who were appointed by the Council in terms of Section 15 (3) of the Botswana National Sports Council Act (Cap 60:01).

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The annual financial statements presented fairly, in all material respects, the financial position of Botswana National Sports Council as at 31 December 2014, and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and in a manner required by the Botswana National Sports Council Act (Cap 60:01).

2.2 Financial Results

During the financial year under review, the Council recorded a deficit of P2.67 million, compared to a surplus of P5.84 million in the previous year. The deficit for the year arose from expenses of P85.91 million and income of P83.24 million.

The Council is mainly funded by Government grants, which were P74.44 million during the current year, while other income came from stadium fees, sponsorships, rental income and others. An amount of P31.99 million was distributed to thirty-eight affiliates and associates with allocations ranging from P26 062 (lowest) to P7.20 million (highest). The Botswana National Olympic Committee received the highest amount of P7.20 million and the Botswana Football Association received P7.02 million.

2.3 Working Capital

The working capital position of the Council as at 31 December 2014 showed current assets of P2.93 million and current liabilities of P13.39 million, resulting in a net current liabilities position of P10.46 million.

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

3.0 Management Letter

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

3.1 Authorisation of Expenses

The auditors noted, as in the previous year, that the expenditure under the affiliates item had exceeded the budget amount and the excess had not been authorised by a senior officer. The Council did not have policies and procedures in place to address these issues. The non-approval of expenses which exceeded the budget outwith the principle of expenditure control.

In response management indicated that a Funds Availability Module had been installed and that any budget item that does not have adequate funds would be rejected when processing a transaction. It is only the Chief Executive Officer and the Finance Manager who have rights to vire funds from one vote to another.

3.2 Uncollected Cheques

The auditors observed that cheques amounting to P667 016 had been drawn as at year-end and had not been sent to or collected by creditors by 1 April 2015, ostensibly because of lack of funds. This was in contravention of the provisions of the Finance and Procedures Manual which stipulates that the Council should ensure that there are enough funds in the bank account to clear the cheques when paying creditors. Furthermore, accounting practice is that cheque payments are recorded in the cashbook when the cheques are issued and delivered to the suppliers before year-end.

In response management agreed with the auditors' observation and indicated that they would ensure that cheques are prepared only when funds are available.

3.3 Pay-As-You-Earn (PAYE)

The auditors noted that PAYE remittances to the Botswana Unified Revenue Services (BURS) for some months had not been done on time, with a delay of up to 8 weeks. The PAYE for November 2014 and December 2014 amounting to P448 292 had not been paid to BURS at the time of audit. This may lead to the Council being liable to fines and penalties for non-compliance with the Income Tax Act.

In response management agreed with the auditors' observation and indicated that outstanding balances due to BURS had been paid and would ensure that payments are made within the statutory dates.

3.4 Employee Leave Days

The auditors noted that the total leave accrual was P1.23 million at 31 December 2014 and that some employees had more than 80 days leave entitlement while some had accrued leave days for more than 3 years. This contravened the Council's Staff Conditions of Service Handbook which states that employees must take at least half of their annual leave entitlement during the year in which it is earned. The Employment Act states that any balance of leave not taken may be accumulated but not for longer than 3 years.

In response management indicated that most employees took leave between December 2014 and January 2015 when the activities of the Council were in a low season. Leave plans would continue to be implemented to manage accumulation of leave.

3.5 Cell Phone Allowance for Staff

The auditors noted a significant increase in staff receivables from P65 000 to P329 818 and most of it related to cell phone allowances which were incorrectly paid. Furthermore, the Council had entered into a contractual arrangement with a mobile service provider to provide service to some of its employees who also have a cell phone allowance as per their employment contracts. The auditors were unable to determine whether the cell phone allowance was in addition to the monthly contractual amounts paid to the mobile service provider.

In response management indicated that the staff receivables relating to cell phones arose from the difference in interpretation of the policy by the Board and Management. The Board has since instructed that all cell phone charges in excess of the employee's allowance be recovered.

3.6 Property Plant and Equipment Assets Register

The auditors noted that the Council had not been updating its fixed assets register for the last 3 years since there were differences between the fixed assets register and the general ledger.

In response management indicated that the physical verification of fixed assets and the reconciliation had been completed with the help of a consultant. The next stage would be to verify that all assets were in the register at the right depreciation rates and also reconciled with the general ledger. The assets would be tracked and monitored through a tagging system using serial numbers.

126. **Botswana Postal Services**

The financial statements of the Botswana Postal Services are to be submitted to me for audit, within 4 months or such extended time after the financial year-end as the Minister may direct, in terms of Section 21(2) and (3) of the Botswana Postal Services Act, (Cap 72:01). The Organisation had sought and was granted an extension of time for the accounts of the year ended 31st March 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 as at 31 March 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.

2.2 Financial Results

In the year under review, the Group and the Corporation recorded a loss of P52.07 million and P47.09 million, compared to P44.94 million and P33.85 million in the previous year, respectively. The loss for the Group arose from a total expenditure of P495.33 million and a total income of P443.26 million, while that of the Corporation arose from expenditure of P425.70 million and income of P378.61 million.

The revenue for the Corporation increased from P308.90 million in the previous year to P366.18 million in the year under review, representing an increase of P57.28 million (18.5%). The cost of sales increased from P202.33 million in the previous year to P277.10 million, representing an increase of P74.76 million (37%).

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

	2014 P'Million	2015 P'Million	Increase P'Million	%
• Electricity Purchases	75.04	137.04	62.00	82.6
• Mail Conveyance Costs	16.36	28.92	12.56	76.8
• Technical Partner's Fees	0.00	13.95	13.95	-

The Group and the Corporation had made losses for the past 5 years and thereby not meeting some of the requirements of Section 17 of the Botswana Postal Services Act, [CAP. 72:01] which requires it to conduct its affairs on sound commercial lines and ensure that its revenues are sufficient to produce on the fair value of its assets a reasonable rate of return. The losses were as follows:

Year	Group P'Million	Corporation P'Million
2015	52.07	47.09
2014	44.94	33.85
2013	76.11	76.29
2012	4.38	3.57
2011	7.77	6.99

The going-concern status of the Botswana Postal Services is dependent on continued support from Government.

2.3 Working Capital

The working capital position of the Group as at 31 March 2015 showed total current assets of P184.76 million and total current liabilities of P247.11 million, giving a net current liabilities position of P62.35 million, while that of the Corporation showed current assets of P170.71 million and current liabilities of P217.43 million, resulting in a net current liabilities position of P46.72 million.

3.0 Management Letter

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

3.1 Expired Contracts

The contracts that the Corporation had entered into for Hybrid Mail and Printing & Posting with the Citizen Entrepreneurial Development Agency and the Water Utilities Corporation, respectively, had expired during the financial year 2013/2014. However, services continued to be provided to the customers without renewal of the contracts, thereby exposing the Corporation to risk of loss in case of disputes.

In response management stated that there was on-going communication between the two parties regarding renewal of contracts by December 2015. Management had started a process of designing a contract management system that would ensure that all stakeholders within the contract management process would be held accountable.

3.2 Internal Audit Department

The proposed 2014/2015 staff complement in the Internal Audit Department was 11 members, but at the time of audit there were only 2 members in the Department. This rendered Internal Audit ineffective in executing its work of assessing the implementation and effectiveness of internal controls in mitigating risk.

In response management stated that the Internal Audit Department headcount was less than that approved in the 2014/2015 workforce plan because of a decision by the Board to temporarily outsource internal audit function to an audit firm following the resignation of the Head of Internal Audit. The outsourcing was for a period of 6 months and was to enable the completion of the annual audit plan.

The recruitment of the Head of Internal Audit was on-going and would be followed by that of other staff.

127. **<u>Botswana Power Corporation</u>**

The financial statements of the Botswana Power Corporation for the financial year ended 31 March 2015 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 2015, 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:

- Rectification Costs – Morupule B Power Station

  Note 41 of the financial statements indicated that various matters relating to the rectification of Morupule B Power Station project were being addressed. The final account was yet to be negotiated between the parties. As a result, the final outcome in terms of final settlement of contract were not yet known. The carrying amount of the existing components to be rectified should be derecognised.

- Going -Concern

  The Corporation had incurred a loss for the year of P2.60 billion (2014: P1.37 billion) before a tariff subsidy grant of P2.33 billion (2014: P1.49 billion). The Corporation's current liabilities exceeded its current assets by P2.70 billion (2014: P2.30 billion). The Government had undertaken to provide ongoing financial support in the future to sustain the Corporation as disclosed in Note 43 of the annual financial statements.

- Contingent Liabilities

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

- Other Legal and Regulatory Requirements

  The Corporation had not met the requirements of Section 17 of the Botswana Power Corporation Act (Cap 74:01) which require 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.

2.2 Financial Results

In the year under review, the Corporation recorded a loss of P274.91 million, compared to P61.5 million recorded in the previous year. The loss arose from the expenses of P5.63 billion against the income of P5.36 billon.
The income comprised revenue of P2.53 billion, other income of P79.26 million, tariff subsidy and emergency power grant of P2.33 billion, interest income of P20.59 million and fair value gain on cross currency and interest rate swap of P398.32 million. The expenditure comprised of generation, transmission and distribution expenses of P4.22 billion, administration and other expenses of P380.27 million, finance costs of P170.82 million and net exchange losses of P863.70 million.

2.3 Working Capital

The working capital position of the Corporation as at 31 March 2015 showed current assets of P1.42 billion and current liabilities of P4.12 billion, giving a net current liabilities position of P2.70 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 Morupule B Project Costs

The auditors noted that the Morupule B Power Station had not met the expected output since commissioning. The root cause and gap analyses for the Fluidised Bed Heat Exchangers failures and related deficiencies that the Corporation had appointed consultants to conduct, had been completed. The auditors further noted that the costs to remedy the defects had been estimated at USD 176 million and that there was uncertainty surrounding the satisfactory remediation of the defects by the contractor. The auditors pointed out that the Corporation was likely to bear additional remedial costs, should the contractor fail to adequately address the defects. The estimated rectification period was three to four years. The auditors recommended that management should ensure that the costs already incurred and costs to be incurred for Morupule B project be correctly accounted for in line with International Financial Reporting Standards (IFRS).

Management in response indicated that an external IFRS specialist was engaged to ensure a balanced technical assessment that could support their decision and that a Management Representation would be sufficient to clarify the gaps that the auditors might be having.

3.2 Monitoring and Review of Supplier Retention Balances

The auditors noted that the Corporation undertook significant capital projects and a certain amount was withheld by the Corporation in accordance with agreements with the contractors such that in the event of defects the amount would be used to correct them. The auditors had identified that the retention account balance had been increasing over the years with some of the balances having been outstanding for several years.

Management in response indicated that controls were adequate to ensure that proper accounting treatment was done in as far as major contractors were concerned but challenges were encountered with regards to small works projects but would ensure that projects were closed and capitalized on time.

3.3 Hire Purchase Debtors

The auditors noted that, as reported in the prior years, 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' balance.
The auditors further noted that a significant amount of debtor balances were in the overdue categories signifying challenges in collection. The auditors recommended that management should increase their efforts to collect the long outstanding hire purchase debtors.

In response management noted the auditors' observation and stated that efforts continued to be intensified despite challenges on the nature of the debtors' book. An action plan had been put in place which included the following:

- Reminder calls campaign and blocking of purchases which were bearing fruit by limiting the growth of the debtors. The balance of P353 million as at 31 March 2015 had reduced to P311 million by 31 August 2015.
- Enhancement of the SAP functionality would be implemented in the next financial year to facilitate effective follow up.

3.4 Long Outstanding Credits for Rural Collective Scheme (RCS) Debtors

The auditors noted that there were debtors with long outstanding credit balances amounting to P4.9 million and that these credits were not being allocated or refunded. Some of the balances dated as far back as 2010. The auditors recommended that this account should be re-visited and a plan be made to clear the balances after which the account should then be kept up-to-date and individual accounts monitored continuously.

Management in response stated that monthly analysis of balances was carried out and reallocation of credits to debit balances were done. The Corporation continued to action the refunds/credits upon customer request to minimise inherent risk of fraud.

3.5 Recoverability of Trade Receivables (Excluding Mining Debtors)

The auditors noted that debtors balance as a percentage of total revenue generated during the year for Government and commercial debtors was high. In addition the level of overdue debt had also increased compared to those for financial year 2014.

The auditors however noted that domestic debtors collections had improved significantly compared to prior year and this was mainly attributable to the installation of prepaid meters. The auditors recommended that management should continue to increase their effort to collect the long outstanding debtors, specifically for commercial and Government sectors as well as the remaining domestic debtors.

In response management indicated that in the year under review the debtors reduced by 12%. The current portion of the debtors were at 52% of total debtors compared to 44% in the prior year. They further stated that more focus was on Government and commercial debtors.

3.6 National Electricity Standard Cost (NESC) Debtors' Reconciliation and Review

The auditors noted that the Corporation had significant NESC debtors at year end amounting to P229.8 million (2014: P129.6 million). The Corporation had not been regularly making claims from the Government in relation to these receivables. Subsequent to year end, only one claim amounting to P7.6 million was made. The auditors further observed that in addition the account had not been adequately reviewed and reconciled as compared to prior years.

In response management stated that processing and subsequent payment of NESC claims submitted to the Department of Energy Affairs was dependent on financial health of the National Electrification Fund that was credited by Management through the levy. In the year under review 2013/2014 the amount generated by the levy owing to the National Electrification Fund was P56 million which enabled the NESC claims presented to be processed and paid timeously. Management further stated that in the year under review the amount payable to the Fund increased by 107% to P117 million due to the Corporation's cash flow constraints to meet the obligation, as a result the Fund could not process the NESC claims lodged.

3.7 Vehicles Not in Assets Register

The auditors noted a number of vehicles belonging to BPC that were not in the assets register which indicated that the register was not up to date. The auditors recommended that an exercise should be performed to physically verify assets and to reconcile the fleet to the assets register.

In response management stated that the vehicles referred to by the auditors were procured under Rural Electrification Project and were to be transferred to Property, Plant and Equipment. Management would ensure that vehicles were transferred and captured in the assets register.

3.8 Depreciation of Completed Assets in the Capital Work-In-Progress

The auditors observed that the Corporation had significant capital work-in-progress but no additional capital expenditure had been spent on some of the capital work-in-progress items over the past years, indicating that the assets were probably complete and in use. The auditors further noted that the assets alluded to were capitalized in the year under review, however the respective depreciation charge amounting to P4.7 million was not transferred to the work-in-progress account, resulting in misallocated depreciation amount included in work-in-progress.

In response management stated that the issue raised by the auditors related to prior year depreciation passed as an audit adjustment that should have been transferred to accumulated depreciation, however the system could not allow manual adjustment. Management further indicated that technical support from SAP Business Support had been engaged to assist.

3.9 Old Assets on the Assets Register

The auditors noted that there were assets in the fixed assets register with zero net book values and that some of the assets were very old from as far back as 1981. This implied that annual assessment of residual values and useful lives was not being done properly in accordance with the requirements of International Accounting Standard (IAS) 16.

In response management stated that they were undertaking an assets verification exercise for tools and equipment, computers and furniture which was aimed at cleaning the assets register and taking appropriate action.

3.10 Tagging of Fixed Assets

The auditors noted that fixed assets physically verified were not easily matched to their respective line items in the fixed assets register as a tagging system for assets was not in use. The auditors recommended that all fixed assets above a certain threshold should be tagged.

Management in response stated that a project on the review of assets referencing had been targeted to be implemented in the next financial year as it required a budget to implement.

3.11 Overstatement of Accruals

The auditors noted an overstatement of accrued balances relating to PUMA invoices amounting to P1.8 million which could not be supported by invoices. In addition STEAG operations and maintenance invoices amounting to P6.6 million were accrued twice resulting in overstatement of liabilities.

In response management stated that while isolated errors were reported, controls to ensure that valid accruals were made had been put in place and supervision would be enhanced to ensure validity of all accruals. For integrity of accounts as at year-end P184 million accruals were made.

3.12 Statutory Overtime Limit

The auditors noted that a significant number of employees worked over 56 hours overtime which was in violation of Section 95 (7) of the Employment Act of 1982 which requires for an employee to work only 14 hours overtime per week, translating to 56 hours per month. In addition the auditors noted that most of the employees working overtime were paid overtime allowance which was more than their basic salary on a monthly basis.

In response management stated that the Corporation endeavored to abide by the law but when emergencies of network outages and major breakdowns occurred, more hours were worked to bring services to the public. Management continued to review structures and processes to mitigate overtime worked.

3.13 Excessive Accumulated Employee Leave Days

The auditors noted that while the Corporation did not have a policy to limit the number of leave days accumulated by employees over time, several employees had accumulated leave days in excess of 90 days. The auditors further noted that a payment of P5.9 million was made towards leave encashment during the year under review.

In response management stated that while in the short term management continued to enforce compliance to leave plans, in the long term the new SAP HCM OM System was to be reconfigured to align with new HR Policy Manual Leave structure for employees.

128. **Botswana Privatisation Asset Holdings**

In October 2015, I addressed a communication to the Managing Director of the Botswana Development Corporation (BDC) in his capacity as the Officer responsible for the affairs of the Botswana Privatisation Asset Holdings, requesting him to submit the audited accounts and reports of the Organisation for the year ended 31 March 2015 for my review, in line with the existing arrangement. At the time of writing this report, I had not received those accounts and reports.

I have therefore not been able to include my comments on the accounts of the Organisation for the year under review in this report.

129. **Botswana Qualifications Authority**

The financial statements of the Botswana Qualifications Authority for the financial year ended 31 March 2015 were audited by Messrs PricewaterhouseCoopers, Certified Public Accountants, who were appointed by the Board in terms of Section 23 (2) of the Botswana Qualifications Authority Act, No. 24 of 2013.

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements presented fairly, in all material respects, the financial position of the Botswana Qualifications Authority as at 31 March 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 the Botswana Qualifications Authority Act, No. 24 of 2013.

2.2 Financial Position

In the year under review, the Authority recorded a deficit of P939 073, compared to P5.91 million in the previous year. The deficit arose from the expenditure of P60.70 million which exceeded the income of P59.76 million.

The income comprised the Government subvention of P23.42 million and contribution from the Human Resource Development Fund of P29.70 million.

2.3 Working Capital

The working capital position of the Authority as at 31 March 2015 showed current assets of P38.01 million and current liabilities of P31.62 million, giving a net current assets position of P6.39 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 provides monitoring of internal controls, procedures and compliance requirements within an organisation.

Management in response stated that the recruitment of an Internal Audit Manager was ongoing. The draft Internal Audit Charter was awaiting Board approval.

3.2 Authorised Bank Signatories

The auditors observed that the bank signatories had not been updated as 2 former employees of the Authority were still appearing as signatories to the bank accounts.

In response management agreed with the auditors' observation and stated that the Board approved new signatories on 25th June 2015.

130. **Botswana Railways**

In terms of Section 21 of the Botswana Railways Act (Cap 70:01), the Organisation is required to submit to me the accounts for audit within 4 months of the end of the financial year or such extended time as the Minister may direct. The Organisation had sought and was granted an extension of time for the accounts of the year ended 31st March 2015 as the audit of the 31st March 2014 accounts was expected to be concluded in December 2015.

The delay was occasioned by protracted negotiations on the escalation of fees on the management of the Organisation's property by a subsidiary company after fixed assets were revalued.

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

131. **Botswana Savings Bank**

The financial statements of the Botswana Savings Bank for the financial year ended 31 March 2015 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).

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 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 the Botswana Savings Bank Act, (Cap 56:03).

2.2 Financial Results

The financial operations of the Bank for the year ended 31 March 2015 showed a profit for the year of P12.15 million, compared to P12.84 million in the previous year. The profit for the year arose from income of P166.14 million and expenditure of P153.99 million.

2.3 Working Capital

The working capital position of the Bank as at 31 March 2015 showed current assets of P614.34 million and current liabilities of P1.33 billion, resulting in a net current liabilities position of P714.42 million.

2.4 Dividends

The Bank paid P3.21 million to Government on 25 June 2015 as dividends relating to the accounts of 2013/14. The Bank had proposed a dividend of P3.04 million to Government in respect of the 2014/15 financial year.

Although the dividend of P3.21 million on the 2013/14 accounts was declared in that year, it was not remitted to the Ministry of Finance and Development Planning (as shareholder) until 2015/16 financial year, 14 months after the year of account.

3.0 Management Letter

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

3.1 Back-Dated Transactions

Although management had assured the auditors that backdating of transactions would only be allowed with the value date of the current financial year after implementation of Bankers Realm Net system, the auditors observed that two modules, Dateware for bulk upload and Outward Credit for cheques, enabled backdating of transactions outside the current financial period. There were 7 instances noted of transactions recorded with value dates assigned backdated to prior financial years.

Management in response stated that the limitation on the two modules had been noted and the system vendor had been advised to rectify the system to address the limitation. However, as a compensatory measure, backdated transactions were authorised by a supervisor before they were processed in the system.

3.2 Bankers Realm Reconciliation

The auditors noted that the banking system (Bankers Realm) was not reconciled to the reporting system (Accpac) for the loans and savings products. This led to unresolved differences on the savings and loans products.

In response management indicated that they would have a daily reconciliation system in place once a dedicated reconciliation team was set up by mid-2015.

3.3 Loan Deductions Agreements

The auditors noted that the Bank issued loans to employees of corporates who were supposed to deduct monthly loan repayments directly from their employees' salaries and pay over the deductions to the Bank. However, there were no signed agreements between the Bank and the corporates, which included the Botswana Examinations Council, the Bamalete Lutheran Hospital and the Botswana National Youth Council.

In response management indicated that they would ascertain that source deduction agreements were signed with all parties. No new loans shall be availed for entities that do not agree to sign 'Deduction from Source Agreement'.

3.4 Deposits Maturity

The auditors noted 925 deposit accounts under the FD, RD and NSC fixed deposit product types with account balances amounting to P5.76 million which did not have maturity dates. This was attributed to the following:

- Amounts deposited by the customers which were not followed by an instruction of the term of the Fixed Deposits.
- Customers not giving the Bank a further instruction on maturity of Fixed Deposits and National Savings Certificates.
- Failure to create new schedules of depositors reinvesting their savings.

In response management indicated that a new process to automatically rollover all Term Deposit Accounts for which fresh customer mandates remain outstanding after one (1) month from date of maturity had been introduced. They would also review Deposit Maturity Exception Reports to enforce compliance with new process and ascertain that all accounts maintain appropriate maturity dates.

3.5 Control Accounts Transactions

The auditors noted variances in the Deposit Book Listing extracted from the BR.Net and the BR.Net Trial Balance deposits balances at product level. The variances were due to transactions incorrectly performed manually by the back office.

Examples were as follows:

Product	**Deposit Book**	**BR. Net TB**	**Variance**
Dormant Ordinary Savings Accounts	89 853.00	154 277.34	64 442.64
Dormant Sesigo Savings Accounts	214 381.98	511 029.47	299 647.49
SAYE Savings Accounts	24 481 894.86	24 435 369.81	46 525.05
Sesigo Savings Accounts	429 954 612.80	429 660 965.31	293 647.49

In response management indicated that input parameters for all Control Accounts were being reconfigured to automatically exclude/disbar user generated transactions from being processed into any of the Control Accounts in the system. The Control Accounts shall be set such that they accept only system generated transactions.

3.6 Internal Audit

The auditors noted that the Internal Audit department was left with one employee (acting Head of Internal Audit) after the staff restructuring process was finalised halfway through the financial year. The Internal Audit function plays a key role in evaluating and testing risk management, operational controls and governance processes for an entity of the Bank's size and complexity. Therefore, if Internal Audit is not functioning as intended, it may expose the Bank to a wide array of risks that are pervasive to the financial position of the Bank.

In response management indicated that they were actively recruiting for the Head of Internal Audit after no suitable candidate was identified from the interviews conducted.

3.7 Bank Signatories

The auditors noted that a total of eleven individuals who had left the Bank were not removed from being authorised signatories. Eight of these individuals were at the Stanbic Bank, two at the Capital Bank and one at Bank Gaborone. The auditors recommended that management should ensure that the banks were updated with changes in signatories and representatives in a timely manner.

In response management indicated that they would ensure that all signatories were updated.

3.8 Overdrawn Deposit Accounts

The auditors noted instances where some Savings accounts were overdrawn even though the Bank did not offer overdraft facilities. The auditors requested management to regularly follow up overdrawn accounts and also to appropriately reclassify them in the accounts.

In response management indicated that they were in the process of strengthening collections capacity to improve recovery of overdrawn balances.

3.9 Additions and Modifications of Access Rights on ACCPAC

The auditors noted that there were no access request forms that were completed to indicate authorisations of additions and modification of access rights on the Accpac application during the period under review. Inappropriate and unauthorised modifications or additions may be performed on the system if not requested, documented and appropriately authorised.

In response management indicated that they had adopted the auditors' recommendation and would ensure that all modifications on access rights are authorized and periodical reviews would also be done.

3.10 Loans Maturity Dates

The auditors noted that 3 loan accounts had not shown the loan maturity dates. The auditors recommended that all loans on the system should have maturity dates and that all fully paid loan accounts be closed.

In response management indicated that they had strengthened interrogation of Maturity Analysis Report to isolate and rectify all accounts requiring any form of corrective maintenance. The control measure enabled early detection and correction of anomalies that may be picked. The 3 sampled accounts had been fully resolved with two of the accounts closed and the other one rectified through input of loan maturity date.

3.11 Access Rights Monitoring and Review

The auditors noted that there were no access rights reviews for the BR.Net, Accpac and Dynamique applications during the period under review. Furthermore, management could not provide evidence of random super-user activity reviews that were performed during the period under review. In addition, the auditors noted that 5 accounts were idle and not assigned to any user. Consequently, controls may be compromised when inappropriate access rights are allocated to users and unauthorised activities performed by super users may not be timely detected when audit trails/reports/scripts that capture these activities are not reviewed and monitored at a stipulated frequency.

In response management indicated that they would develop a standard for conducting the reviews as per the auditors' recommendation. The idle accounts had been removed from the domain and monthly reviews of domain accounts would be carried out.

132. **Botswana Stock Exchange**

The financial statements of the Botswana Stock Exchange for the financial year ended 31 December 2014 were audited by Messrs KPMG, Certified Public Accountants, who were appointed by the Stock Exchange Committee in terms of Section 41 (2) of the Botswana Stock Exchange Act, 1994 (Cap 56:08).

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements presented fairly, in all material respects, the consolidated and separate financial position of the Botswana Stock Exchange at 31 December 2014 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

During the financial year under review, the Group and the Stock Exchange recorded profits of P17.56 million and P10.52 million, respectively, compared to P14.86 million and P10.41 million, respectively, in the previous year.

The Group profit for the year of P17.56 million arose from the income of P39.90 million (which comprises mainly of revenue of P24.27 million and Government subvention of P13 million) on one hand, and administration expenses of P20.36 million, on the other.

2.3 Working Capital

The working capital position of the Group as at 31 December 2014 showed current assets of P53.19 million and current liabilities of P3.94 million, which resulted in a net current assets position of P49.24 million. The current assets of the Stock Exchange were P40.10 million and current liabilities were P3.82 million giving a net current assets position of P36.28 million.

3.0 Management Letter

The auditors had raised some observations in the management letter, the main one was the following:

3.1 Fixed Assets Register

The auditors noted some assets with negative net book values in the fixed assets register. The International Accounting Standard 16 requires that the assets should be periodically reviewed to reflect their fair values.

In response management stated that they would ensure that periodic review of the fixed assets register is carried out to avoid over depreciation. Management would also explore options for a system that could cease depreciating an asset when the net book value reaches P1.00.

The Auditor General's Comment

The management's response would not comply with the requirements of International Accounting Standard 16 that compels an entity to perform a review of the remaining useful lives and residual values of property, plant and equipment at least at each financial year-end.

133. **Botswana Telecommunications Corporation Limited**

The financial statements of Botswana Telecommunications Corporation Limited for the financial year ended 31 March 2015 were audited by Messrs Ernst & Young, Certified Public Accountants, who were appointed in terms of the Companies Act, (Cap 42:01).

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements presented fairly, in all material respects, the financial position of the Botswana Telecommunications Corporation Limited as at 31 March 2015, 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 profit of P335.50 million, compared to P140 000 reported in the previous year. The profit arose from the income of P1 787.68 million and expenses of P1 452.18 million.

The Cost of Services and Goods Sold decreased from P817.23 million in the previous year to P566.07 million in the year under review, representing a decrease of 31%. This reduction is mostly attributable to a decrease in Impairment of Property Plant and Equipment of P266.05 million in the previous year.

The Corporation further realised Gains on Property Revaluation of P241.98 million in the year under review.

2.3 Dividends

According to Note 16 to the accounts, the Corporation had not proposed dividends for 2014/2015 financial year as its obligation to pay dividends in terms of Government directive has fallen away following its incorporation under the Companies Act. In respect of 2013/2014, the Government had given a directive to pay the dividend in *specie* by transfer of assets to Botswana Fibre Networks (Pty) Limited.

It is however noted that a dividend of P2.64 million was paid to Government during the year in respect of the financial year 2012/2013.

2.4 Working Capital

The working capital position of the Corporation as at 31 March 2015 showed total current assets of P821.29 million and total current liabilities of P279.66 million, giving a net current assets position of P541.63 million.

3.0 Management Letter

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

3.1 Prior Year Matters

The auditors observed that significant control weaknesses identified in the previous year's audit remained unresolved. These included, among others, the following:

- Interconnect Provisions

  The auditors noted that the interconnect provisions of Orange liability account dated as far back as June 2010. The same was also noted with Mascom. When the auditors' confirmations were sent at year-end, the balances confirmed were significantly less, resulting in provisions being made.
  In response management indicated that the Corporation and Orange had started working on the issue and that Orange had accepted the Corporation's international interconnect traffic measurements. Both parties agreed to invoice each other for the 2010 international traffic by 31 July 2015.

- Debtors: Long Outstanding Reconciling Item

  The auditors noted a reconciling item described as impairment write-off not in Kenan FX of P2.14 million that did not clear during the year as it was brought forward from prior years. The auditors recommended that management write-off the amount since it had been long outstanding.

  In response management stated that the item would be written off by 31 December 2015.

- Long Outstanding Delinquent Balances

  The auditors noted that in the prior year, the management engaged the external collectors to assist with the collection of the long outstanding delinquent balances. However, in the 2014 financial year-end, no progress was made on this issue. The delinquent balance was currently P47 million, which made about 19% of trade debtors balance.

  Management in response stated that the write-off of long outstanding debt was in progress and expected to be re-tabled at the Finance and Audit Committee meeting of 13 August 2015. The plans were also under way to hand over delinquent debts to collectors as quickly as they reached 120 days. There were also plans to expand the scope of the debt collectors contract to cover 60 to 120 days balances.

- Debtors With Credit Balances

  The auditors noted credit balances in some debtors' accounts amounting to P5.40 million which had been outstanding in the prior year.

  In response management stated that the credit balances would be investigated and appropriate action would be taken to clear them by 31 August 2015.

3.2 Non-Payment of Leases

The auditors made the following observations regarding leases:

- The Corporation had not paid rental to some landlords for 12 months (1 April 2014 to 31 March 2015). The cause of non-payment was said to be failure to submit monthly invoices on a timely basis or non-submission at all by the landlords.

- The Corporation did not collect rental from some customers due to non-invoicing by the Corporation or the customers failing to pay on time.

- Some lease agreements had expired but there was continued occupation by lessees.

In response management stated that:

- There were a number of reasons for their failure to pay the different landlords and also indicated that there were no outstanding payments for some of the landlords as they had made pre-payments. They would employ various interventions to address each case.

- All tenants would be configured in the billing system in order to improve rental collections.

- The agreements were being renewed and all contracts would be captured in the Contracts Management System for clarity of start and end of contract period.

3.3 Long Outstanding Reconciling Items – Creditors

The auditors noted that the creditor's reconciliations contained long outstanding reconciling items as at year-end and that the Corporation continued to trade with the said creditors, further increasing the accruals. Some of the outstanding items go as far back as 2006.

In response management agreed with the auditors observation and stated that the reconciling items were investigated as a matter of process with a view to resolve them timely. The challenges were experienced where there were disputes which took long to resolve or invoices submitted late.

134. **Botswana Tourism Organisation**

The financial statements of the Botswana Tourism Organisation for the financial year ended 31st March 2015 were audited by Messrs Deloitte & Touché, Certified Public Accountants, who were appointed by the Board in terms of Section 22 (2) of the Botswana Tourism Organisation Act, 2009 (Cap 42:10).

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The annual financial statements presented fairly, in all material respects, the financial position of the Botswana Tourism Organisation as at 31st March 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 the Botswana Tourism Organisation Act, 2009.

2.2 Financial Results

In the year under review, the Organisation recorded a surplus of P9.73 million, compared to a deficit of P6.25 million in the previous year. The surplus arose from income of P102.22 million and expenditure of P92.49 million.

The total income of P102.22 million comprised the Government grant of P93.35 million, administration fees of P3.97 million and other income of P4.46 million, had increased from P85.50 million in the previous year representing P16.72 million (20%) while expenditure increased by P737 411 (representing 1%). The major areas of expenditure covered staff expenses, local and overseas promotions and general office expenses.

2.3 Working Capital

The working capital position of the Organisation as at 31 March 2015 showed current assets of P35.42 million and current liabilities of P22.56 million, giving a net current assets position of P12.86 million.

3.0 Management Letter

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

3.1 Fixed Assets Register

The auditors noted that some assets costing P6 million (2014: P8 million) were held at nil net book values though in use, indicating non-review of their useful lives and residual values on annual basis as required by the International Accounting Standard 16.

In response management stated that they would come up with a policy and procedures to help with the review of the useful lives and residual values of property, plant and equipment. The depreciation policy would also be reviewed.

135. **Botswana Unified Revenue Services**

The financial statements of the Botswana Unified Revenue Service for the financial year ended 31st March 2015 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 Services 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 31st March 2015, 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.

2.3 Revenue Receipts

The table below shows the tax revenues collected during the year and the amounts credited to the Consolidated Fund:

	BURS Receipts P'000	Credited to Consolidated Fund P'000
Income Tax	15 883 670	15 882 717
Value Added Tax	5 907 402	5 606 247
Customs Union Receipts	15 690 949	15 690 948
Other Tax Revenue	84	-
Total	37 482 105	37 179 912

2.4 Arrears of Revenue

The table below shows the arrears of revenue of tax revenues:

	Pula
Opening Balance on 01 April 2014	1 376 841 259
Collection of previous years' arrears	(220 658 840)
Discharges /Abandonment	(169 617 584)
Balance of prior year arrears outstanding	986 564 835
Arrears in respect of current year	908 753 101
Balance at end of the year	1 895 317 936

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 2015, 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 P5.6 million, compared to P64.81 million in the previous year. The surplus arose from income of P481.50 million, loss from fair value adjustment of P 6.42 million and expenses of P469.48 million.

The income for the year comprised mainly of Government subvention of P413.24 million and other income of P68.26 million.

2.8 Working Capital

The working capital position of the Botswana Unified Revenue Service as at 31 March 2015 showed current assets of P202.23 million and current liabilities of P90.82 million, giving a net current assets position of P111.41 million

3.0 Management Letter

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

3.1 Reconciliation of Revenue Collection Systems

The auditors noted that as reported in the prior year the reconciliation between ACCPAC and the ASYCUDA, BIVATS and Income Tax Management System revenue collection systems, was not performed timeously as communication between Divisions was not timely enough to allow for the generation of relevant and accurate information. The auditors further observed that the current application systems lacked the requisite capacity and capability to enable the extraction of timely, accurate and complete reports for reconciliation and management reporting purposes.

In response management accepted the auditors finding and stated that monthly reconciliations could only be achieved if revenue collecting systems; ASYCUDA, BIVATS and Income Tax Management System communicated with ACCPAC, which was currently not the case. The latest positive development to address the issue was that BURS was at an advanced stage in the acquisition of new modernized systems.

3.2 Unallocated Electronic Funds Transfer (EFT) Transactions

The auditors noted that as reported in the prior year, significant difficulty was still being experienced in the allocation of EFT transactions. There was however a slight improvement in the current year as there was a decrease in the unallocated EFT balance from P165 million as at 31 March 2014 to P104 million as at 31 March 2015.

In response management stated that a task team to address the issue of unallocated EFT had been established and follow ups were made where transfers were known. Resources had been increased towards the exercise and this had resulted in the reduction of unallocated funds.

3.3 Refer-To-Drawer (RD) Cheques

The auditors noted that there was an increase in the refer-to-drawer cheques from P70.72 million as at 31 March 2014 to P90.90 million as at 31st March 2015.

In response management stated that BURS had issued a public notice that with effect from 15 April 2015, they would no longer accept cheques unless they were bank cheques. In addition, BURS had subscribed to ITC Botswana (Proprietary) Limited and would submit names of all RD cheque holders to ITC since it proved that the strategy was effective in recovering debts. BURS was embarking on a debt reduction strategy which should result in the reduction of RD cheques.

3.4 Income Tax Refund Bank Reconcilliation

The auditors noted that there were stale cheques amounting to P4.03 million (2014: P12.78 million) and that there was also an amount of P27 851 described as an unknown system error which management could not explain.

In response management stated that reversal of stale cheques was only upon request for replacement by the taxpayer. Cheques for tax refund were on an annual basis sent back to the Internal Revenue Division to credit the taxpayer accounts. The balance of P4.03 million would be sent back to be credited to the taxpayers accounts. Management would investigate and resolve the P27 851 which arose as a result of a system error at the end of the year.

3.5 Registration of Title of Properties

The auditors noted that as reported in the prior year, there were properties still in the process of registration and some that were subject to dispute and/or required a survey of land before registration could occur and/or be transferred.

Management in response stated that they continued to engage with both external consultants and stakeholders. In May 2015 BURS, Botswana Railways, Ministry of Transport and Communication and Ministry of Finance and Development Planning visited the land in dispute (Plot 8913 Gaborone) with a view to come up with proposals to resolve the issue. A sketch plan by Botswana Railways was prepared and proposals made to all parties and it was envisaged that the matter would be concluded by the end of 2015/2016 financial year. BURS continued to engage other stakeholders regarding other properties and it was envisaged that the matter would be concluded by end of 2015/2016 financial year.

136. **Botswana Vaccine Institute Limited**

The financial statements of the Botswana Vaccine Institute Limited for the financial year ended 31st December 2014 were audited by Messrs PricewaterhouseCoopers, Certified Public Accountants, who were appointed under the terms of the Companies Act (Cap 42:01).

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements presented fairly, in all material respects, the financial position of the Botswana Vaccine Institute Limited as at 31 December 2014, and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

2.2 Financial Results

The Institute recorded a loss of P19.96 million during the year under review, compared to P10.50 million in the previous year. The loss for the year under review arose from expenditure of P98.31 million and income of P78.35 million.

2.3 Working Capital

The working capital position of the Institute as at 31 December 2014 showed current assets of P77.78 million and current liabilities of P106.78 million, resulting in a net current liabilities position of P29.00 million.

The Institute had been incurring losses in the past, despite increased production capacity with the commissioning of a new plant in 2011. The Institute's ability to continue as a going-concern is dependent on the Government's continued financial support.

3.0 Management Letter

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

3.1 Inventory Management

The auditors observed that the Institute used various raw materials in manufacturing vaccines, which were mostly purchased from a specific supplier and were to be used within the specified expiry date or the agreed extended date by the technical team, whichever fell later. During the year, the Institute wrote off expired finished goods and raw materials amounting to P1.8 million and P587 110, respectively. The auditors advised management to critically assess the inventory management practices and streamline the controls by, among others, assessing future production requirements and implementing appropriate re-order levels, timely monitoring of expiry dates of inventories, implementing proper cyclical count procedures and strengthening quality control procedures over inventories.

3.2 Debtors Management

The auditors noted that debtors amounting to P3.19 million (2013: P4.92 million) were outstanding for more than 90 days, representing 28% of the total debtors as at 31 December 2014.

Auditor General's Comment

The continued lack of monitoring of the debtors accounts has implications on the Company cash flows and carries with it the risk of bad debts.

3.3 Property, Plant and Equipment

The auditors noted that some assets were ageing and required an assessment for their optimal use in the operations and re-assessment of their useful lives. Motor vehicles costing P840 715 were reflected at zero net book value though still in use. This situation goes against the requirements of International Accounting Standard 16.

137. **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 request for the audited accounts and reports, I received communication from the Agency informing me that the accounts of the financial year ended 31st March 2015 were not ready for submission as well as those of 31st March 2014. I have therefore not been able to include my comments on the accounts of the Agency for the year under review in this report.

138. **Civil Aviation Authority of Botswana**

The Board of the Civil Aviation Authority of Botswana appointed me the auditor on 13th June 2013 in terms of Section 37 (1) of the Civil Aviation Act (Cap 71:04) for a 4-year period commencing with the audit of the accounts of the financial year ended 31 March 2013 and ending in March 2016.

The accounts for the financial year ended 31st March 2014 were not submitted to me for audit until March 2015, that is, 12 months after financial year-end. As this period is outside that prescribed by Section 37 (1) of the Civil Aviation Act (Cap 31), which stipulates 4 months, the approval of the Minister had been obtained for the extension. At the time of writing this report, the audit for the accounts of the financial year ended 31 March 2014 was yet to be concluded pending finalisation of outstanding financial matters. This has implications for the submission of the accounts for the year ended 31st March 2015.

In my last report I had expressed hope that efforts would be made to bring all matters of these accounts up-to-date as this situation has persisted since the inception of the Authority in 2009 to date.

139. **<u>Competition Authority</u>**

The financial statements of the Competition Authority for the financial year ended 31st March 2015 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 2015, and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and in the manner required by the Competition Act, 2009.

2.2 Financial Results

The financial operations of the Authority for the year ended 31st March 2015 showed a deficit of P4.93 million, compared to P1.31 million in the previous year. The total income declined from P27.16 million in the previous year to P23.83 million in the year under review, while the total expenditure increased from P28.48 million in the previous year to P28.76 million in the year under review.

The Authority is wholly funded from Government subvention, which in the year under review was P21.56 million, compared to P25.35 million in the previous year. The major items of expenses related to staff costs and administrative expenses which totalled P26.13 million.

2.3 Working Capital

The working capital position of the Authority as at 31st March 2015 showed current assets of P2.31 million and current liabilities of P4.05 million, resulting in a net current liabilities position of P1.74 million.

The current liabilities included P1.20 million for staff gratuity and leave provisions, and P1.57 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 that the fixed assets register included assets that were fully depreciated but still in use contrary to 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 such assets.

In response management indicated that the assets with nil values related to information technology equipment which, though still in use, was performing below the expected level due to intermittent failures it experienced. These assets could not be replaced due to lack of sufficient funds faced by the Authority. However, management undertook to review assets to determine their residual values.

140. **Human Resource Development Council**

The financial statements of the Human Resource Development Council for the financial year ended 31st March 2015 were audited by Messrs Ernst & Young, Certified Public Accountants, who were appointed by the Board in terms of Section 23 (2) of the Human Resource Development Council Act, No. 17 of 2013.

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 31st March 2015, and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards, and in the manner required by the Human Resource Development Act of 2013.

2.2 Financial Results

The Council recorded surplus of P7.94 million in the year under review, compared to P767 653 in the previous year. The revenue for the year under review was P70.09 million, of which P36.76 million was Government grant and P29.08 million was the Human Resource Development Council administration fees, while the expenditure was P62.15 million.

2.3 Working Capital

The working capital position of the Council as at 31st March 2015 showed current assets of P39.27 million and current liabilities of P28.77 million, resulting in a net current assets position of P10.50 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 Internal Audit Function

The auditors noted that the Council did not have an internal audit function to provide additional layers of assurance for the Management and the Board.

Management in response acknowledged the auditors observation and stated that the Internal Audit Manager position would be included in the 2016/17 budget.

3.2 Recoverability of Debts from Former Employees

The auditors noted that two debtors (former employee of teAIDS who left in 2013 owing P39 249.95 and a former employee of the Tertiary Education Council who left in 2011 owing P63 374.61) had been owing the Council for years and they had not made any attempts to settle their debts. Though the debts had been handed over to the Council's attorneys in the previous year, the balances had not been recovered.

In response management acknowledged the auditors' observation and stated that they had retained the money due to the two officers leaving a balance of P4 292 and P34 942 for the teAIDS and Tertiary Education Council employees, respectively.

Auditor General's Comment

Management has not stated what action they propose to take to recover the outstanding balances.

141. **Local Enterprise Authority**

The financial statements of the Local Enterprise Authority for the financial year ended 31st March 2015 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 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

The Authority recorded a surplus of P2.38 million for the year under review, compared to P3.27 million in the previous year. Income increased from P145.66 million in the previous year to P159.37 million in the current year, while expenditure increased from P142.39 million in the previous year to P156.99 million in the year under review.

The Authority is funded by Government grant, which was P155.21 million in the year under review.

2.3 Working Capital

The working capital position of the Authority as at 31 March 2015 showed current assets of P39.94 million and current liabilities of P21.67 million, resulting in a net current assets position of P18.27 million.

3.0 Management Letter

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

3.1 Prior Year Matters

The auditors noted that the following issues raised in the prior period were not resolved:

- Property, Plant and Equipment Control Deficiencies.
- Purchases and Payable Control Deficiencies.
- Grant Amortisation Schedule
- Bank Reconciliations not Prepared and Reviewed on a Timely Basis.
- No Reconciliation Between Accounts Receivable Ledger and the Sub-Ledger.
- Staff Loan and Study Loan Receivables.
- Irregularities within the Provision for Doubtful Debts.
- Weakness in the Daily Management of Debtors.
- Variance in the Surplus Between Trial Balance and Audited Financial Statements.
- Exceptions in the Imprest Retirement Function.

3.2 Property, Plant and Equipment

The auditors had noted 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 branches were not maintaining a Fixed Assets Register or listing.
- The Fixed Assets Register was not reviewed by the Finance Manager on monthly basis as per the policy of the Authority.
- Some computer equipment at the Tsabong and Kanye branches were not included in the Fixed Assets Register.
- Some computer equipment and office equipment at Gaborone, Kanye and Tsabong branches and Head Office were either not properly coded or not coded.

- Some office equipment at Gaborone branch, furniture and fittings at Kanye branch and computer equipment at Head Office were lumped together without proper description of their nature.
- The Fixed Assets Register had assets with negative cost, depreciation and accumulated depreciation.
- There were no formal processes implemented for the transfer of assets from Head Office to branches (including acknowledgement of receipt of assets by receiving branches and assets were replaced without any recalling of old ones from the branches).

In response management noted the auditors observation and stated that the Fixed Assets Register was centralised and timely updated at the Head Office. The forms of issuance of assets to branches are signed by receiving branches and kept at the Head Office. The Authority had commenced an exercise to have a full listing of all assets, including itemisation of assets in the register.

Auditor General's Comment

While management had given assurance on the listing of fixed assets at the branches, they have not commented on other points raised by the auditors.

3.3 Revenue and Receipts

The auditors noted that the Authority's procedures for receipting and depositing of cash at the Kanye branch was not being strictly enforced. Consequently, cash was never deposited into the Authority's bank account and upon investigation by the internal auditors, it was established that an officer, who was subsequently suspended, had embezzled P5 500.

In response management noted the auditors' finding and stated that the Authority has processes which should be followed by all officers. The branch managers would be capacitated to enforce the processes and procedures and monthly reconciliations would be enforced and monitored so as to reduce the risks of embezzlement.

3.4 Accounts Receivables

The auditors noted the following:

- An unreconciled difference in the ledger and customer control account of P134 487 which was reduced to P56 003 at the conclusion of audit.
- The Authority had no official policy regulating doubtful debts provision. Long outstanding balances had not been written off and though there were significant delays in collections from debtors, time impairment was not conducted.

In response management noted the auditors' finding and stated that the unreconciled difference between the ledger and the customer control account had since inception of Oracle not been cleared. The balance had remained at P56 003 since July 2013 and would be recommended for write-off by the Board. A policy on the provision for debtors would be drawn, while unrecoverable debtors would be recommended for write-off.

3.5 Rental Expense and Income

The auditors noted that there were no means to effect a reconciliation between rental income received and rental property agreements. The amount disclosed as rental income in the schedule differed by P383 929 with that validated by the auditors. There were no procedures to reconcile the rental expenses paid and the rental property agreements with the respective lessors. The following exceptions were noted:

- Lack of application of IAS 17 regulatory requirement of rental smoothing.
- Instances where rental income was only recognised as revenue when the tenants made the payment contrary to IAS 18 (revenue recognition). Also rental income for 2013/2014 financial year was recognised in the current reporting period.
- Instances where tenants' rental contracts had been terminated but the Authority still accounted for their rental income and classified them as debtors.
- Instances where rental escalations were not effected on specific tenants in line with what was stipulated by rental agreements signed by both parties. There were also instances where specific tenants were charged either higher or lower rentals as stipulated in the signed rental agreements.

- Instances of missing rental agreements, such as in Glen Valley.

In response management noted the auditors' finding and stated that it would ensure recovery of rent and proper accounting for rental income.

3.6 Staff Loans and Study Loans Receivables

The auditors noted the following weaknesses and errors in the staff loans and study advance schedules:

- Some balances for employees who had resigned whose accounts had been settled.
- No recoveries were made from the existing employees.
- Credit balances appeared in the staff debtors listing.
- There had been some long outstanding staff debts for which the recoveries had not been made.
- The Human Resource Department did not have information on staff loan and study advance balances and did not liaise with the Finance Department on the matter.

In response management noted the auditors' finding and stated that they had long outstanding amounts and that staff advances would be monitored and recoveries made on time.

142. **Motor Vehicle Accident Fund**

The financial statements of the Motor Vehicle Accident Fund (Fund) for the financial year ended 31 December 2014 were audited by Messrs KPMG, Certified Public Accountants, who were appointed by the Board in terms of Section 18 (2) of the Motor Vehicles Accident Fund Act (Cap 69:02).

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements presented fairly, in all material respects, the financial position of the Motor Vehicle Accident Fund as at 31 December 2014, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

2.2 Financial Results

The financial operations of the Fund for the year ended 31 December 2014 showed a decrease in surplus for the year from P142.92 million in the previous year to P92.77 million in the current year, representing 35% decline. The surplus for the year arose from operating income of P335.67 million and a share of profit from associates of P2.23 million on one hand, and expenses of P245.13 million, on the other.

The income of the Fund is mainly derived from investment income and fuel levy, which account for 44% and 24% of the total income, respectively. The claims provision was P122.40 million, which was a significant increase from P76.06 million in the previous year.

2.3 Working Capital

As at 31 December 2014, the working capital position of the Fund showed current assets of P835.52 million and current liabilities of 229.81 million, resulting in a net current assets position of P605.71 million.

3.0 Management Letter

The auditors had issued a management letter in which they indicated that there were no material weaknesses or breakdown in internal control procedures identified during the audit.

143. **National Development Bank**

In October 2015, I addressed a communication to the Chief Executive Officer requesting for the submission of the audited accounts and report of the Bank for the financial year ended 31st March 2015 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 31 March 2015 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 Bank for the year under review in this report.

This is the second year running that the Bank is not able to submit the audited accounts which is attributable to systems change which necessitated thorough audits. I trust that this situation will improve for the subsequent years.

144. **National Food Technology Research Centre**

The financial statements of the National Food Technology Research Centre for the financial year ended 31st March 2015 were audited by Messrs Grant Thornton, Certified Public Accountants, who were appointed in terms of Section 191 of the Companies Act, (Cap 42:01).

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements presented fairly, in all material respects, the financial position of the National Food Technology Research Centre as at 31 March 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 Centre recorded a surplus of P3.01 million, compared to P2.76 million in the previous year. The surplus for the year arose from the income of P24.35 million and expenditure of P21.34 million.

The income for the year comprised Government grant of P23.59 million, sale of goods and services of P433 233, other income of P249 372 and investment income of P508 946.

2.3 Working Capital

The working capital position of the Centre as at 31st March 2015 showed current assets of P17.86 million and current liabilities of P15.16 million, giving a net current assets position of P2.70 million.

3.0 Management Letter

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

3.1 Fixed Assets Register

The auditors, as in the previous year, observed the following non-compliances with the provisions of the International Accounting Standard 16:

- The Centre had fully depreciated assets which were still in use;
- The fixed assets register had not been updated to include current year additions and disposals; and
- The assets purchased using capital grants were not indicated in the fixed assets register.

This may lead to assets being exposed to misappropriation and material misstatements in financial statements.

In response management acknowledged the auditors' finding and stated that an exercise of revaluing and updating of the fixed assets register was ongoing. They further stated that it was not easy to find experts to perform revaluation of some of the laboratory equipment.

3.2 Internal Audit Department

The auditors observed that the Centre did not have an internal audit department to provide independent assurance on the effective operation of the Centre's risk management, governance and internal control processes.

In response management stated that the Centre had not been able to recruit for the internal audit office due to budgetary constraints. In the short term the internal audit function would be outsourced while reprioritising budgeted positions with the view to recruiting an internal auditor.

3.3 Tenants Occupancy Letters and Lease Agreements

The auditors noted that tenancy occupation letters and lease agreements were missing for 5 tenants occupying staff houses in a sample of ten. The rent income may be misstated and without supporting documents to prove tenancy occupation, the Centre may be exposed to litigation risk in cases of dispute.

In response management stated that though the Centre acknowledged the possibility of some occupancy letters for staff tenants being misplaced, it was confident that all rental income due from staff was collected and accounted for as it was reconciled. Management further stated that it was developing records management procedures which would improve filing and record keeping across the Centre.

3.4 Employees Files

The auditors noted that some employee identity cards and employment contracts were not in employee files which was not in line with Employment Act.

In response management acknowledged the auditors' finding and stated that the Centre was developing records management procedures to ensure that all documents are filed in the Employees files. Furthermore, a checklist would be introduced to ensure that all items are filed in the employees' personal files when creating such files.

145. **Non-Bank Financial Institutions Regulatory Authority**

The financial statements of the Non-Bank Financial Institutions Regulatory Authority for the financial year ended 31st March 2015 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 of 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 31st March 2015, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and in the manner required by the Non-Bank Financial Institutions Regulatory Authority Act, 2006.

2.2 Financial Results

In the year under review, the Authority recorded a deficit of P1.72 million, compared to P1.31 million in the previous year. The deficit arose from expenditure of P50.78 million and income of P49.06 million.

The Authority derives income primarily from the supervisory levies which amounted to P29.86 million in the year under review, supplemented by Government grant of P14.35 million and other income of P2.19 million.

2.3 Working Capital

The working capital position of the Authority as at 31st March 2015 showed current assets of P48.91 million and current liabilities of P7.62 million, giving a net current assets position of P41.29 million.

3.0 Management Letter

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

3.1 Long Outstanding Levy Amounts

The auditors noted long outstanding supervisory levy balances that amounted to P1.36 million as at 31st March 2015, compared to P1.73 million in the previous year and that management had not confirmed whether the entities were operational.

In response management agreed with the auditors' finding and stated that they would continue to pursue the entities that had not paid the levies to recover the outstanding balances. The challenge had been that some small entities could not be traced as they frequently change offices without informing the Authority. The migration to the new technology platform would assist with tracking of the defaulting entities as key information would be captured.

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

The financial statements of the Public Enterprises Evaluation and Privatisation Agency for the financial year ended 31st March 2015 were audited by Messrs PricewaterhouseCoopers, Certified Public Accountants, who were appointed by the Board, in accordance with Clause 14.1 of the Agency's Articles of Association as read with 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 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 Agency recorded a surplus of P8.86 million, compared to P2.15 million in the previous year. Income and expenditure increased from P38.71 million and P36.56 million, in the previous year to P47.81 million and P38.94 million, respectively, in the year under review.

The Government grant, which constitutes the only source of income, increased from P38.28 million in the previous year to P47.73 million in the year under review.

2.3 Working Capital

The working capital position of the Agency as at 31st March 2015 showed current assets of P24.91 million and current liabilities of P17.97 million, giving a net current assets position of P6.94 million.

The current liabilities include a balance of grants amounting to P8.60 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 single issue raised dealt with matters of accounting procedure and internal control which was appropriately addressed by management, hence it did not merit mention in this report.

147. **Public Procurement and Asset Disposal Board**

The financial statements of the Public Procurement and Asset Disposal Board for the year ended 31st March 2015 were audited by Messrs Deloitte and Touchė, 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 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

The Board recorded a surplus of P12.96 million in the year under review, compared to P7.81 million in the previous year. Income, mainly comprising of Government grant of P48.55 million and other income of P12.19 million, increased from P50.03 million in the previous year to P61.48 million in the year under review, while the expenditure was P48.52 million in the year under review.

2.3 Working Capital

The working capital position of the Board as at 31st March 2015 showed current assets of P41.05 million and current liabilities of P13.23 million, giving a net current assets position of P27.82 million.

3.0 Management Letter

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

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

The auditors observed that management had not performed a formal reassessment of the remaining useful lives and residual values of property, plant and equipment during or at the end of the year as required by International Accounting Standard 16.

In response management accepted the auditors' finding and stated that the initial review was completed in 2014 by independent consultants engaged to update the fixed assets register. Management was of the view that the review was recent and overlapped into the year under review, hence a formalised review process was not undertaken.

3.2 Reconciliation of Collections through BotswanaPost

The auditors observed that the Board had a contract with the BotswanaPost to collect its fees from customers using the Integrated Project Management System (IPMS) and remit the collections on monthly basis. The reconciliation of expected collections from BotswanaPost for various customer fees was only performed up to 31 January 2015 at the time of audit.

In response management noted the auditors' finding and stated that monthly reconciliations would be done in subsequent years.

3.3 Data Ownership

The auditors noted 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 agreed with the auditors' finding and indicated that they would ensure that system users are assigned only privileges required for them to do their work. Some rights assigned to users who did not need them were being revoked and a template would be developed to capture information on user account creation, rights and privileges that should be assigned to a user and any future changes that may be required.

148. **Statistics Botswana**

The financial statements of the Statistics Botswana for the financial year ended 31st March 2015 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 the Statistics Botswana as at 31st March 2015, and its financial performance and its cash flows for the period then ended, in accordance with International Financial Reporting Standards and in a manner required by Section 24 (3) of the Statistics Act, 2009.

2.2 Financial Results

During the period under review, the Statistics Botswana recorded a deficit of P5.14 million compared to a surplus of P6.13 million in the previous year. The deficit arose from expenditure of P94.53 million which exceeded the income of P89.39 million.

The Statistics Botswana is funded by Government grant which was P86.78 million in the year under review, supplemented by contributions of P1.95 million from benefactors.

2.3 Working Capital

The working capital position of the Statistics Botswana as at 31st March 2015 showed currents assets of P61.99 million and current liabilities of P61.41 million, which resulted in a net current assets position of P578 673.

3.0 Management Letter

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

3.1 Maintenance of Fixed Assets Register

The auditors noted that the balances per the fixed assets register did not match those in the trial balance and that the asset numbers assigned in the register did not correlate with those on the assets tags.

In response management stated that the assets were allocated numbers but the reconciliation process had not been completed as it was decided to wait for the procurement of a new system and scanner. A specialist would be engaged to ensure that all new assets are allocated numbers and would be verified annually.

3.2 Accounting System and IT Policies

The auditors noted that the organisation had implemented a Microsoft Dynamics accounting system in 2013/2014 financial year which was procured from a local supplier and that there seemed to be lack of training and guidance by the supplier. Given that the accounting system is the backbone of the organisation, it requires careful analysis to assess its suitability and practical application before it is selected. There was also no acknowledgement of the IT policy by staff upon joining the organisation.

In response management stated that the project was terminated as the supplier abandoned it. A new system was being procured and training was included as part of the package.

3.3 Employees Files

The auditors noted that some employees' key documents such as copies of curriculum vitae and identity documents were not in the personal files. This contravened Section 92 of the Employment Act, (Cap 47:01) that requires every employer to maintain records of all employees.

In response management stated that staff was requested to submit the necessary documents and that updating of the employment records was in progress.

149. **University of Botswana**

In September 2015, I addressed a communication to the Vice Chancellor requesting for the submission of the audited accounts and report of the University for the Financial year ended 31st March 2015 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 University informing me that the accounts of the financial year ended 31st March 2015 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 University for the year under review in this report.

150. **Vision 2016 Council**

The financial statements of the Vision 2016 Council for the financial year ended 31st March 2015 were audited by Messrs KPMG, Certified Public Accountants, who were appointed by the Botswana Institute of Development Policy Analysis in their capacity as administrators.

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements presented fairly, in all material respects, the financial position of the Vision 2016 Council as at 31st March 2015, 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 P5.53 million during the year under review, compared to a surplus of P958 213 in the previous year. The deficit arose from expenses of P12.75 million and income of P7.22 million.

The Council is funded by Government grants, which were P6.63 million (making 92% of total income) during the year under review. Income declined from P7.86 million in the previous year to P7.22 million in the year under review, while expenditure also increased from P6.91 million in the previous year to P12.75 million in the year under review (a significant increase of 85%). Notable increases were in employee costs (P1.79 million), professional costs (P958 198), conference costs (P1.23 million) and excellence awards (P731 639).

2.3 Working Capital

The working capital position of Council as at 31st March 2015 showed current assets of P3.60 million and current liabilities of P2.08 million, resulting in a net current assets position of P1.52 million.

3.0 Management Letter

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

151. **Water Utilities Corporation**

The financial statements of the Water Utilities Corporation for the financial year ended 31st March 2015 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 2015, 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 P370.28 million and the Government had committed to provide on-going financial support in future to sustain the Corporation in the medium to long term.
- 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 P370.28 million.

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 loss of P370.28 million, compared to P346.56 million in the previous year. The loss for the year arose from the expenditure of P1 396.08 million and income of P1 025.80 million.

The income comprised the following:

	P'Million
Revenue	1 006.74
Revenue Grant	1.19
Finance Income	3.22
Other Income	14.65
	1 025.80

And the expenditure comprised:

	P'Million
Water treatment and Distribution expenses	764.89
Administration and other Expenses	357.30
Finance Costs	50.42
Loss on Defined Benefit Plan	3.26
	1 175.87

2.3 Working Capital

The working capital position of the Corporation as at 31st March 2015 showed current assets of P271.50 million and current liabilities of P493.01 million, resulting in a net current liabilities position of P221.51 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 noted a decline in the progress made in addressing issues identified in the previous year. The status was that 60% of the issues were unresolved, 19% improved and 21% resolved, compared to 41%, 45% and 14%, respectively, in the previous year. Therefore, effort should be made in addressing supervision and monitoring of the implementation of key controls.

3.2 Clearing of Data Migration Exceptions

The auditors observed that though a significant effort had been made in clearing migration exceptions during the year, there was a credit balance of P4.51 million that needed to be investigated. This may be representing unallocated payments from customers already migrated. The migration exceptions are 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 stated that the Corporation had been working towards writing off the amounts that were in the generic accounts. An amount of P19 million had been written off and the credit balance was being investigated.

3.3 Reconciliation of Consumer Debtors

The auditors observed an unreconciled difference of P2.35 million (2014: P3.18 million), between the customer debtors listing and the general ledger.

In response management stated that they were working with the consultants to resolve the unexplained variances.

3.4 Non-Consumer Debtors

The non-consumer debtors were P9.33 million as at 31st March 2015. 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 agreed with the auditors finding and stated that write-off would be recommended for aged items dating back to 2007 since there was no detail to enable follow-up. The accounts were followed up as per credit control process of the Corporation.

3.5 Estimated Meter Readings

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

In response management noted the auditors finding and indicated that they had a challenge of accessing customers premises when gates are locked.

3.6 Un-invoiced Plots

The auditors noted a number of plots had not been billed which made recoverability of the 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 P3.52 million.

In response management indicated they would review the exception reports and the monitoring process.

3.7 Delays in Billing

The auditors noted that the Corporation was still lagging behind with billing, as bills amounting to P8.07 million relating to the 2014/2015 financial year were processed in the financial year 2015/2016 because the ledger for the period under review had already been closed at the end of May 2015. 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.

3.8 Un-cleared Deposits

The auditors noted that unallocated payments appearing as reconciling items in the year-end bank reconciliation had not been receipted and credited to consumer accounts. These mainly related to online payments by consumers and some dated as far back as 2009/10 financial year. The auditors also noted that unallocated payments older than 3 months amounted to P18.91 million, with P13.09 million being over 12 months.

In response management stated that they had discussions with the banks and agreed a referencing system that would ensure easy identification of customer payments.

3.9 Payment of Bills Through the BotswanaPost Network

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

In response management stated that supervision and monitoring would be intensified to ensure timely follow-ups in the event money was not remitted on time.

3.10 Employees with Negative Leave Days

The auditors noted 35 employees with negative leave days as employees took more leave days than they were entitled. This was an indication that the Corporation took long to process employees' leave days into the system. One of the employees had negative 15 leave days.

Management in response stated that supervision and monitoring would be intensified to avoid recurrences.

3.11 Long Outstanding Items in Other Payables and Accrual Accounts

The auditors noted that the balances in the payables control accounts were increasing which indicated weak monitoring and review of controls. Four of the accounts with long outstanding amounts totalled P6.12 million (2014: P3.58 million) which should be reconciled, reviewed or cleared as appropriate on a regular basis.

Management in response stated that they would ensure that follow-ups were undertaken. Management also stated that two of the accounts amounting to P4.06 million were outside the control of the Corporation as they belonged to external people.

3.12 Long Outstanding Amounts in Creditor Accounts

The auditors noted that creditors amounting to P4.79 million (2014: P2.24 million) had been outstanding for over a year, with the largest amount being P465 758 and from October 2012. This is an indication that the accounts were not regularly reviewed.

Management in response stated that a reconciliation would be prepared and reviewed on a monthly basis. An exercise had commenced to investigate the outstanding invoices and would write-off those that are not genuine.

3.13 Long Outstanding Unclaimed Death Benefits for Former Employees

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

Management in response noted the auditors' finding and stated that the issue was due to family disputes as to how the amounts should be distributed. The Corporation would continue to engage with the families and relevant authorities.

3.14 Non-Compliance with EIB Loan Agreement

The auditors noted contravention of the terms of the European Investment Bank loans as the Corporation's debt service ratio was below 1.5:1 during the year under review. This breach could result in the loan being recalled, hence the total loan balance of P53.69 million was classified as current borrowings in compliance with IAS 1.

Management in response stated that the loan was guaranteed by the Government and the Corporation had never defaulted.

XII **CONCLUSION**

152. I would like to express my sincere appreciation to all officers, notably the Accountant General and her staff, the Accounting Officers of all Ministries and extra-Ministerial Departments and their staff and Heads of Parastatals and their staff, who have contributed in no small measure in the production of this report in the discharge of my statutory functions under the Public Audit Act (Cap: 54:02).

I would also like to extend my gratitude to the Government Printer who, as always, has assisted with the speedy printing of the report.

Finally, I would like to record my appreciation for the hard work and dedication which the Staff of my office of all grades, have given towards the discharge of my duties during the past year.

16 February 2016

Pulane D. Letebele
AUDITOR GENERAL