REPORT OF THE AUDITOR GENERAL

ON THE ACCOUNTS OF THE

BOTSWANA GOVERNMENT

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

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REPUBLIC OF BOTSWANA

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OFFICE OF THE AUDITOR GENERAL

1 March 2019

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

Dear Sir,

In accordance with Section 124 (3) of the Constitution of Botswana, I have the honour to submit my Report on the audits of the accounts of the Government for the financial year ended 31 March 2018.

I have the honour to be, Sir,

Pulane D. Letebele
AUDITOR GENERAL

OFFICE OF THE AUDITOR GENERAL

VISION

To be a world-class supreme audit institution.

MISSION

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

VALUES

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

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

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X. PARASTATALS

REPORT OF THE AUDITOR GENERAL ON THE ACCOUNTS OF THE BOTSWANA GOVERNMENT FOR THE YEAR ENDED 31 MARCH 2018

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 ending 31 March 2018 were submitted to me by the Accountant General, for the purpose of auditing, as required by Section 42 (2) of the Public Finance Management Act, within the time prescribed by the Act. The Act requires that the accounts and statements shall be submitted to me within 6 months after the end of the financial year to which those accounts and statements relate.

5. **Auditor General's Certificate**

The examination of the Annual Statements of Accounts of the Botswana Government for the year ended 31 March 2018, 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 25 February 2019 was transmitted to the Accountant General in terms of Section 42 (3) of the Act.

6. **Submission of the Report**

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

For the year under review, I have not been able to meet the statutory deadline, as my report was not ready for dispatch to the Government Printer until March 2019.

7. **Outstation Inspections**

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

II GENERAL

8. **Public Accounts Committee**

The Public Accounts Committee met for its 56th meeting in the period between 3 September 2018 and 12 October 2018 to examine Accounting Officers on the accounts of their ministries for the financial year ended 31 March 2017, in terms of Standing Order No 105 of the National Assembly. The Committee also considered progress on outstanding matters which had been reused in previous years and not resolved.

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

The Parliamentary Committee on Statutory Bodies and State Enterprises met during the month of October 2018 to examine the Chief Executive Officers of parastatal organizations on the performance and activities of their entities, in terms of Standing Order 110 of the National Assembly.

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

I was appointed auditor of the Southern Africa Development Community Organisation of Public Accounts Committees (SADCOPAC) based in Dar es Salaam, Tanzania for the financial years 2016/2017, 2017/2018 and 2018/2019.

11. **Staff Movement**

During the period under review a number of officers retired from the Public Service after many years of dedicated service in the Office of the Auditor General. The following are the officers in question and the positions they held at the time of retirement.

Jayn Q Phalalo	– Senior Assistant Auditor General
Jacob N Botshoma	- Senior Assistant Auditor General
Jacqueline Phadi	– Principal Auditor I
Johnson Motlhanka	– Principal Officer I
Tidimane Tidimane	– Chief Audit Officer
Rosinah Phumaphi	– Chief Audit Officer

We wish them all a happy and enjoyable retirement.

In the same period, Kealeboga Molelowatladi, Deputy Auditor General was transferred to the Office of the Accountant General, as Deputy Accountant General in April 2018, after many years of service in the Office of the Auditor General.

As we bade farewell to Mr Molelowatladi, we welcomed Ms Mmopa Juma who joined the Office as Deputy Auditor General on transfer from Accountant General where she was Deputy Accountant General.

12. **Obituary**

It is with great sadness that I have to report the untimely death of the former Auditor General, and my former boss, Mosweu Bartholomew Masisi, on the 20 March 2018, at the age of 74. Mr Masisi's career in the public service was devoted to the Office of the Auditor General having joined the Department of Audit, as the Office was then called, in January 1969 as an auditor and rising through the ranks to become the head of the Office as Auditor General in 1993.

Mr Masisi's deserved retirement in April 2003 marked the culmination of 34 years of illustrious career in the Office, 10 of which he held the position of Auditor General

13. **Currency**

The monetary values in this report are in the Pula currency, unless expressly indicated. The year-end balances in foreign currencies are translated to the Pula equivalent at the applicable middle-market rate as at 31 March 2018. For the Botswana Diplomatic Missions, a fixed exchange rate for each host country, as determined by the Ministry of Finance and Economic Development, has been used throughout the year, unless advised by the Ministry.

III STATEMENT OF ASSETS AND LIABILITIES

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

Impress

The balance of outstanding imprests on the 31 March 2018 was P16 298 778 made up as follows:-

Travelling Imprests	16 016 329
District Imprests	23 001
Standing Imprests	259 448
	16 298 778

The imprest balance includes the negative balances of P27 026 being travelling imprests under Parliament and P36 198 being standing imprests under the Ministry of Finance & Economic Development, which need to be investigated as they affect the correctness of the end-totals. The long outstanding non-moving district imprest balance of P23 001 under the Administration of Justice needs to be cleared.

The details of the other non-moving travelling imprests totaling P1 940 262 across all Ministries are given under the Ministerial Section of this report.

IV CONSOLIDATED FUND

15. **Revenue Results**

The estimated revenue for the year was P59 887 015 410, and the actual collections were P60 196 856 657, resulting in a net of P309 841 247 over the estimate.

16. **Appropriation Act**

The sum appropriated from the Consolidated Fund by the Appropriation (2017/2018) Act (No 1 of 2017) for the financial year ended 31 March 2018 was P55 685 253 256.

17. **Supplementary Estimates (2017/2018)**

During the year under review, two resolutions of the National Assembly approved supplementary provisions totalling P1 091 568 140, in terms of Section 119 (3) of the Constitution, for the following Ministries in the amounts indicated:-

(a) Financial Paper No 1 of 2017/2018 – July 2017

Environment, National Resources Conservation and Tourism	25 114 910

(b) Financial Paper No 2 of 2017/2018 – February 2018

Parliament	5 491 810
Basic Education	407 861 370
Local Government and Rural Development	283 609 940
Health and Wellness	368 288 900
Auditor General	1 201 210
	1 066 453 230

18. **Supplementary Appropriation Act**

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

A further sum of P1 948 180 618 was appropriated by Supplementary Appropriation (2016/2017) Act, No 6 of 2018 to meet expenditures incurred in excess of the amounts already appropriated for that financial year.

V DEVELOPMENT FUND

19. **Appropriation Act**

The Appropriation (2017/2018) Act (No 1 of 2017) authorised the Minister of Finance and Economic Development to issue a warrant for payment from the Development Fund for the year ending 31 March 2018 of the sum of P16 520 293 466.

20. **Supplementary Estimates**

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

(a) Financial Paper No 1 of 2017/2018 – July 2017

Environment, National Resources Conservation and Tourism	41 600 000

(b) Financial Paper No 2 of 2017/2018 – February 2018

Mineral Resources, Green Technology And Energy Security	430 000 000
Agricultural Development and Food Security	106 737 000
	536 737 000

VI OTHER STATEMENTS

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

a) Budgetary Provisions

The sum appropriated from the Consolidated Fund to meet Ministerial expenditures for the financial year ended 31 March 2018 was P55 685 253 256, and funds warranted to the Accounting Officers during the year totalled P56 776 821 396. The actual expenditures for the year were P56 145 888 198, representing 99% of the warranted provisions.

The expenditures on statutory commitments relating to Public Debt, Pensions, Gratuities and Compensations, Specified Officers and Miscellaneous totalled P6 662 702 039, compared to P8 507 077 548 (including Public Debt repayments from Public Debt Service Fund) last year and P7 705 781 530 the year before.

b) Supplementary Appropriation

The following Ministries will require supplementary appropriations to cover expenditures incurred in excess of the sums already appropriated for the year ended 31 March 2018, in the amounts indicated:-

Ministry	Supplementary Appropriation
Basic Education	539 062 580
Local Government & Rural Development	190 829 516
Health & Wellness	178 054 483
Environment, Natural Resources Conservation & Tourism	26 287 665

c) Unauthorised Expenditures

Section 118 of the Constitution provides that no payment shall be made from the Consolidated Fund without the authority of an Act of Parliament, or a resolution of the National Assembly on approval of supplementaries. In the year under review the Ministries indicated below were in breach of this provision to the extent shown:-

Ministry	Warranted Provision	Actual Expenditure	Unathorised Expenditure
Basic Education	7 209 407 560	7 340 608 770	131 201 210
Environment, Natural Resources Cons. & Tourism	642 264 570	643 437 325	1 172 755

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

Public Debt Service Fund

The balance of P2 231 596 465 representing the value of loans made from the Public Debt Service Fund as at 31 March 2018 included the following items on which comments are made as indicated:-

(a) Botswana Meat Commission – P354 000 000

In common with loans made from public revenues, the Commission had not paid the instalments on the two (2) loans making up the above total. In the case of loans made from the public revenues, Government has issued a directive that they be converted to equity, because of the Commission's continued liquidity constraints.

(b) Bamangwato Concessions Limited – P900 566 097

Pursuant to Government decision to advance funds to BCL liquidator of up to P1.14 billion to meet the cost of liquidation, disbursements have been made to-date in the total amount of P1 112 510 527 and were accounted for as follows:-

- A total amount of P900 566 097 had been paid as loan from the Public Debt Service Fund although the loan agreement spelling out the terms could not be produced for audit verification purposes.

- The balance of P211 944 430 was disbursed as an advance from Government revenue – under Section 33 (1) of the Public Finance Management Act. Arrangements would need to be made for the clearance of this advance.

(c) Amounts Redeemed During the Year

The amount of P1 226 145 968 reflected in the Statement as redeemed during the year included the original loan amount of P900 566 097 to BCL liquidator, and P279 000 000 of equity contribution to Botswana Development Corporation, which have not been redeemed. This latter amount was shown as having been redeemed in the previous year.

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

The observations and comments arising from the audit of the accounts of the Special Funds for the financial year ended 31 March 2018 are made below, under the respective Special Funds.

a) Botswana Innovation Hub Fund

Despite the revocation of the Fund by Botswana Innovation Fund Order in September 2017 and replacement by Botswana Innovation Fund, the accounts of that old special fund [BIHF] were still reflected in the Annual Statements of Accounts on 31 March 2018, with the initial capital balance of P12 000 000. In his written submission to the 56th meeting of the Public Accounts Committee, the Accounting Officer had stated that this balance would be disbursed to the beneficiaries during the 2018/2019 financial year, although it was not clear who the beneficiaries were, apart from Government who had provided the seed capital of that amount.

b) Prisons Rewards and Fines Fund

The figure of income of P84 596 credited to the Fund through the Income Statement during the year under review incorrectly included loan repayments of P6 000 which should have been applied to the reduction of the loan amount in the Balance Sheet. The balance of this loan is omitted in the Balance Sheet.

c) National Electrification Fund

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

In my successive previous reports, I had commented that this requirement of the Fund Order had not been complied with. In the year under review, the failure to submit the accounts within the prescribed time limits had persisted. I consider this state of affairs highly unsatisfactory as it denies the Public Accounts Committee the opportunity to examine the audited accounts of the Fund on a timely basis, in accordance with the requirements of the Standing Orders of the National Assembly.

In his submission to the last meeting of the Public Accounts Committee, in September 2018, the Accounting Officer had informed the Committee that the appointment of an auditor on a 3 year contract from 2017/2018 to 2019/2020, was in progress, implying that it was going to be sometime before the audit of the accounts for 2017/2018 could begin.

d) <u>Tobacco and Tobacco Products Fund</u>

In accordance with Section 12 (2) of the Fund Order (Statutory Instrument No. 8 of 2014) establishing this Fund, I had appointed an independent auditor to audit the accounts of the Fund for the financial years ended 31 March 2015 and 2016 who has completed and submitted the report to me. I have forwarded the report to the Permanent Secretary of the Ministry of Health and Wellness, who is the Accounting Officer, for her attention. Apart from issues of interpretation of the provisions of the Fund Order, the major points raised in the management letter related to:-

(i) The use of Fund money on the treatment of ailments which were unrelated to the purposes of the Fund, such as medical charges for oncology, neurology, cardiology and fractures.

(ii) Delays in the appointment of the Tobacco and Tobacco Products Levy Implementation Committee during the period under review. The Committee is responsible for overseeing the administration and management of the Fund.

e) <u>National Petroleum Fund</u>

For the third year running, the accounts of the Fund have not been submitted to me, as the appointed auditor in terms of Section 4 (d) of the National Petroleum Fund Order, within the time frame prescribed by Public Finance Management Act. The Fund Managers have advised the Accounting Officer, through the Department of Energy Affairs, by letter dated September 2018, that they were in the process of finalizing the financial statements for the year ended 31 March 2018, and that they hoped to complete by October 2018. At the time of writing this report, the accounts had still not been submitted.

f) Revenue Stabilisation Fund

As at 31 March 2018, the balance of this general revenue reserve Fund was P392 375 754, after withdrawal and transfer to the Consolidated Fund of P1 300 000 000 last year.

g) Sim's Bursary Trust Fund

In the year under review, the interest earned from cash held by Accountant General was P18 666. As in the previous year, no student had been identified for scholarship purposes because of the insufficiency of the interest income to meet the cost of sponsorships, hence nil expenditure.

h) Road Traffic Fines Fund

The Road Traffic Fines Fund was established by Statutory Instrument No 40 of 2009 for the specific purpose of purchasing and maintaining traffic-offence-detecting devices and for complementing law enforcement measures of curbing road traffic offences. The Fund was funded by fines imposed for traffic offences, which were to be shared equally between the Consolidated Fund and the Fund. However, effective from April 2015, with the amendment of the Fund Order, the fines now accrue wholly to the Fund resulting in abundance of funds in the Fund. In the year under review the fines collected totalled P95 621 813.

In consequence of the abundance of funds in the Fund, these had been applied to the general purposes of the Police Service beyond those contemplated in the Fund Order. Funds had been sub-warranted to the various branches of the Police Service for the furtherance of the activities of those branches, as in the expenditures allocated to the branches indicated for the purposes shown below:-

- Transport and Telecommunications: Various vehicles and canopies (P55 588 911)

- Traffic – Workshops, repair video camera, traffic batons, and road block signs (P2 321 604)

- Forensic – Breathalyzer training, DNA extraction equipment, ethanol, body bags, blood alcohol (P2 454 531)

- Training – Expenditure on Police participation in 1000 km desert race (P85 029)

As I have repeatedly commented in the past, in my view, the Fund has become an additional or alternative source of funding for the recurrent expenditures of the Botswana Police Service. For example, a number of vehicles were purchased from the Fund for the Transport and Telecommunications Branch, instead of using P32 057 580 appropriated for this purpose in the recurrent expenditure estimates, out of which only P1 387 301 had been used.

i) <u>Housing Fund</u>

The Housing Fund was established by Housing Fund Order (Statutory Instrument No. 51 of 2015) for the purpose of providing housing for beneficiaries in Botswana to be identified by Government from time to time.

In my report for the year ended 31 March 2016, I had indicated that following the establishment of the Fund, all councils were required to transfer all the Revolving Funds balances under their control to the Housing Fund; and that out of P221 560 355 only P197 487 125 had been so transferred as on that date. In my report for last year I had stated that the accounts of the Fund for 2016/2017 had not been submitted for inclusion in the Annual Statements of Accounts.

However, a review of the accounts for the financial year 2017/2018 had shown that no housing transactions had been reported through the Fund for 2016/2017 financial year as the brought forward balances were of 2015/2016. The audit of the accounts for the year had also revealed other shortcomings which suggested incompleteness of the financial statements, thus: the figure of P2 759 533 in the Income Statement represented receipts from 4 Councils as follows:-

Okavango Sub-District	337 563.70
City of Francistown	595 182.60
Gaborone City Council	666 491.58
Gaborone City Council	473 000.00
Tlokweng Sub-District	687 293.93
	2 759 533.00

On the other hand confirmation of remittances to the Fund had been submitted by the undernoted Councils but had not been captured on the accounts:

Central District Council	11 542 823.72
City of Francistown	510 361.10
Gaborone City Council	12 363 955.83
	12 363 955.83

In all the years since inception in 2015 no expenditures had been incurred from the Fund, implying dysfunction of the Fund.

j) Sir Seretse Khama Memorial Fund for the Handicapped

The Fund was established by Statutory Instrument No 60 of 1981 for the purpose of assisting handicapped persons in Botswana by providing for their needs either in cash or in kind. It is funded by Government grants and donations.

In the year under review, the Board of Trustees authorised the purchase of 16 wheel chairs to the tune of P422 925 in line with the purpose of the Fund.

k) National Disaster Relief Fund

The purpose of the Fund is to provide assistance to national disaster victims in circumstances in which there is no provision in the estimates of expenditure as those disasters could not be foreseen.

In the year under review the major expenditure was for the purchase of tents to the value of P5 234 780. Out of this amount, supporting documents for transactions to the tune of P2 326 700 could not be produced for verification purposes. Consequently, this expenditure is unvouched.

As part of the audit of the Fund accounts, an exercise was undertaken to assess the extent to which tents bought for the purposes of the Fund had been managed and accounted for over the years. The selected sample covered the main warehouse in Gaborone and the Tutume district office, including satellite villages of Zoroga, Gweta and Dukwi Refugee Camp. The over-arching finding related to lack of proper accounting and accounting records, resulting in poor monitoring of the issues of these items of supplies in both Gaborone and the district office visited. There was no system of follow up on tents issued to beneficiaries which would ensure the retrieval into stock of tents that were no longer required. Proper management of these requisites would suggest that purchases at any time should take account of the existing items in stock available for use.

(l) Levy on Alcoholic Beverages Fund

In terms of Section 12 (2) of the Fund Order establishing the Fund (Statutory Instrument No. 90 of 2008), I am responsible for appointing an independent auditor to audit the accounts of the Fund. Following the award of the tender I have duly appointed an auditor for the purpose aforesaid. At the time of writing this report the audit was still in progress.

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

Section 9 (2) of the Fund Order establishing the Fund requires that I appoint an independent auditor for the purpose of auditing the accounts of the Fund. Following the award of the tender I have duly appointed an auditor to audit the accounts of the Fund as required. At the time of writing this report the audit was still under way.

(n) Foreign Exchange Stabilisation Fund

The purpose of the Fund is to allow losses made by Government or Government institutions on foreign exchange transactions to be offset against gains on those transactions.

Section 8 of the Fund Order provides that surpluses at the end of the financial year shall be carried forward to the following year, provided however that the Minister may transfer to the Consolidated Fund any surplus in excess of an amount considered necessary to be retained in the Fund. A review of the accounts of the Fund had indicated that over the last 4 years the Fund had maintained steady surplus balances as shown in the table below, which in my view, would merit consideration of transfers to the Consolidated Fund:

Financial Year	Fund Balance
2017/18	76 294 161
2016/17	81 434 160
2015/16	56 394 273
2014/15	40 404 373

(o) Conservation Trust Fund

In terms of the Fund Order establishing the Fund the purpose of the Fund is to finance the conservations of elephants and the development of community based projects for communities living adjacent to elephants ranges. The Fund Order further provides that the cost of management and administration shall be met by the Department of Wildlife and National Parks.

On the foregoing basis, the following expenditures charged to the Fund were, in my view, inappropriate to the Fund:

- Grant of P629 200 to Birdlife Botswana, which has no connection to elephant conservation.
- Purchase of office equipment (shredding machines, vehicle, computer, laptop, printer and camera) to the tune of P480 062: the expenditure should have been borne by the Department.
- Grant of P589 746 to Chobe Enclave Trust for purchase of vehicles for animal count, which covered all animals in the area.

(p) Tourism Industry Training fund

The expenditure of P18 268 939 from the Fund during the year under review included the undernoted payments which I considered inappropriate to the Fund, whose main purpose is the financing of skills training programmes for employees of the tourism sector in key areas of the hospitality industry –

• Botswana Trourism Organisation	4 594 822
• World Tourism Day	547 649
• Computers and Accessories	1 040 523
• Promotional Material and Publicity	402 144

As I have repeatedly commented in the past the audit was handicapped by lack of the spreadsheet with details of all tourist enterprises and the revenue generated for the Fund by them.

(q) Guardians Fund

The depositors' balance in the General Ledger Control account as at 31 March 2018 was P491 893 478, while the depositors' listing on that date totalled P488 059 338, made up thus:-

Francistown	136 508 961
Lobatse	351 550 377
	488 059 338

The difference of P3 834 140 would need to be reconciled.

(r) Livestock Advisory Services Fund

In my report for the previous year, I had commented that the accounts of the Fund were characterized by late payments, especially to Botswana Agricultural Marketing Board which is handling the activities of the Fund, with invoices dating back to December 2015.

In his written submission to the Public Accounts Committee, the Accounting Officer had stated that the cause of delay for the payments of drought subsidies was lack of funds. He had also stated that the Board had experienced delays in compiling invoices from the various stations.

The audit of accounts of the Fund for the year under review had indicated that the delays in payments had persisted, covering the period between December 2015 and December 2016. It is my hope that this matter would be brought under control by provision of sufficient funds whenever drought is declared.

(s) Public Debt Service Fund

The figure of P2 231 596 465 representing the value of investments made from the Fund as at 31 March 2018 included P900 566 097 as loans made to the BCL liquidator, which could not be verified by reference to the loan agreement spelling out the terms of the loans.

(t) Cattle Export Levy Fund

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

(i) There were delays in the remittance of slaughter levies to the Fund, in some cases going back to 2015 and 2016.

(ii) Out of the receipts of P4 688 457 in the Income and Expenditure Statement, only P2 979 548 was verified, leaving the balance of P1 708 909 for which the supporting documents could not be produced.

(u) Tertiary Education Development Fund

In the year under review payments of P163 000 000 were made to Botswana International University of Science and Technology towards the construction of hostels, matron's house, access roads, water supply storage, etc. I am yet to be advised of the completion date of this project which has been in existence since 2006, with the establishment of the Tertiary Education Development Fund Order in 2004 (Statutory Instrument No. 57 of 2004)

(v) Tourism Development Fund

Up to February 2018 the Fund was under the control and use of Botswana Tourism Organisation when the Fund was transferred to the Ministry with the coming into force of the Tourism Development Fund Order (Statutory Instrument No.12 of 2018). On that date the balance of P32 756 290 in the Fund was transferred to the new Fund. The payments totalling P29 844 631 were applied to fund activities undertaken by Botswana Tourism Organisation, such as Tsabong ecotourism, Camel Park, Seboba Nature and Recreational Park and activities for the diversification of tourism, in line with the purpose of the Fund.

(w) Prison Industries Revolving Fund

The Fund was established in 2014 by Statutory Instrument No. 113 of 2014 to provide funding for the training and development of prisoners in local institutions to acquire skills related to any rehabilitation programme and other similar and related purposes.

In the year under review, there were no transactions in the Fund as it was put on hold pending the outcome of the on-going review of the Fund Order. As at 31 March 2018, the balance to the credit of the Fund was P107 737.

(x) Human Resource Development Fund

I have audited the accounts of the Fund for the year ended 31 March 2018, and have submitted my management report to the

Chief Executive Officer and the accounts for inclusion in the Annual Statements of Accounts (ASA). The value of the Fund on that date was P754 402 908, represented by –

Cash and Cash Equivalents	680 617 715
Accounts Receivables	73 785 193
	754 402 908

There were however some notable differences in the financial statements between the audited figures and those presented by the Accountant General through the unaudited accounts in the Annual Statements of Accounts, as follows:-

	Audited Accounts	ASAI
Levy Income	300 377 471	311 206 196
Other Income	-	132 021 822
Expenditure	268 690 052	434 348 761
Accounts Payable	118 129 304	92 632 091
Provision for claims	123 406 240	16 738 580
Net Surplus	59 255 339	36 447 402

(y) National Environment Fund

The Fund was established in 2010 to finance and promote activities designed to conserve, protect and manage the environment. The Fund is funded from resource royalties which are collected by Botswana Tourism Organisation and apportioned between the Fund (25%) and Tourism Development Fund (75%) after deduction of the 5% commission.

In the year under review, the portion f P2 323 013 due to the Fund and certified by appointed auditors for this purpose for the period January 2018 to March 2018 was not paid over to the Fund, resulting in the understatement of the income of the Fund by this amount.

24. **Statement of Unspent Development Deposits – (Statement No.12)**

The balances of Unspent Development Deposits from foreign sources as at 31 March 2018 totalled P770 087 886, net of debits of P291 783 350. The balances included those that had no movement since, at least, 2014, as in the following instances –

ACHAP	20 217 211
Swedish Agency for International Development	4 520 245
Sysmin Support Grant	551 016 500
Arab Bank for Economic Development In Africa	84 343 152

While all the debits should be followed up for clearance, the long standing ones included –

Global Environmental Facility/ IBRD	9 632 896
United Nations Industrial Dev. Organisation	133 205
International Bank for Reconstruction & Development	277 249 600

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

As at 31 March 2018 the Statement indicated that there were three outstanding loans made to parastatal organisations with a total of P265 938 776. My comments thereon are below-

(a) Botswana Meat Commission – P198 337 098

As in previous years, the Commission had continued to experience financial challenges in the payment of the instalments due on the above loan in the year under review. In his submission to the 56th Meeting of the Public Accounts Committee, the Accounting Officer had informed the Committee that a Government decision had been made, in February 2018, to convert all loans to the Commission into equity. As at 31 March 2018, no accounting action had been made to clear the outstanding balance of P192 000 000 under this loan.

(b) Botswana Development Corporation – P189 500 000

The loan amount to the Corporation for the construction of the GICC project is P189 500 000, and not P89 500 000 as reflected in the Statement. Consequently, the Statement shows an outstanding balance of P58 039 319 as at 31 March 2018, instead of P158 131 191 as per the loan repayment schedule as on that date.

(c) Botswana Housing Corporation – P49 657 860

The outstanding balance on 31 March 2018 under this loan was P15 899 457, with a final redemption date of May 2019.

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

The Government liabilities under these accounts totalled P1 225 411 303 with debits of P16 570 401 as at 31 March 2018. The totals comprised contractors' retention deposits of P398 550 470 and debits of P317 250 and other deposits P826 860 833 and debits of P16 253 150. My comments are indicated below:-

(a) The Income Tax Act provides that any deducted taxes should be remitted to the Botswana Unified Revenue Service within 15 days after the end of the month in which they were made. However, despite my repeated comments in the past the Ministries had continued to disregard this provision of the Act, which had resulted in outstanding taxes of P18 724 245 (excluding payroll taxes) at year-end and debits of P860 601 denoting overpayments to the Unified Revenue Service at year-end..

(b) The contractors retention deposits accounts included debits of P317 250 in respect of the defunct Ministry of Communications, Science and Technology in the amount of P37 968 and of Mineral Resources, Green Technology and Energy Security with a balance of P279 282. The suggestion to clear the defunct Ministry of Communications, Science and Technology has been the subject of comment in my previous reports.

(c) The debit balances of P16 570 401, including the taxes, should have been investigated promptly and corrective action taken, be it recovery of the overpayment or correction of the accounting errors, as the case maybe.

I am concerned that long standing matters which had been raised in the past are not attended to for accuracy of accounts presentation.

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

As at 31 March 2018 the total outstanding balance under these accounts was P1 675 596 251 and credits of P117 663 694 as well as a system difference of P4 292 100.

A review of balances under this Statement gave rise to the undernoted observations and comments.

(a) The balance of P1 675 496 251 indicated above included two items totalling P885 541 752 which I considered not appropriate to these accounts. An amount of P673 597 322 related to balance of purchase of shares in De Beers for which the appropriate account of charge is yet to be identified. The balance of P211 944 430 is in respect of purported loans/advances to be made from Public Debt Service Fund.

(b) After the adjustment of the figures in (a) above, the remaining balance was P789 954 499. Out of this figure, the balances of accounts totalling P68 861 304 (9%) were non-moving.

(c) The total amount owed to Government under the Motor Vehicle and Residential Property Loan Scheme was P8 763 421 in respect of the Residential Property Scheme and a credit of P860 482 under the Motor Vehicle Scheme. Of these amounts, a total of P6 391 789 (81%) was non-moving, including P539 353 under the Motor Vehicle Scheme.

(d) The total credit balance of P117 663 694 should be investigated for clearance especially with respect to the long outstanding matter of the Student Advance Loan Scheme balance of P3 272 951 and the Government Sponsorship Loans of P109 997 486 both under the Ministry of Tertiary Education Research, Science and Technology.

(e) It is over 8 years since the functions of the Ministries of Works and Communications and of Communications, Science and Technology were redefined into other Ministries and dropped from the establishment, and yet they continue to be reflected in this Statement with outstanding balances.

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

As in previous years, the verification of the cash and bank balances as at 31 March 2018 had continued to reveal weaknesses and shortcomings in the reconciliation and monitoring of the accounts making up the year-end total of P7 933 478 383. In view of the significance of the matters raised in connection with the reconciliations and other related observations, I have not been able to certify the correctness of the year-end total indicated above. The main points of concern leading to this qualification were the following:

(a) As indicated in my report for last year and confirmed by the Accounting Officers through his submission to the Public Accounts Committee, the Treasury Cashier office at BDF Headquarters in Mogoditshane had been closed and should not appear in this Statement, yet as at 31 March 2018, this office was included in the Statement with a balance of P242 891.

(b) At the time of the audit I had not been supplied with copies of the Boards of Survey reports on cash counts for the undernoted Treasury Cashier offices nor were copies available at the Office of the Accountant General. Consequently, the General Ledger balances could not be verified against the Board of Survey physical cash count results as at 31 March 2018.

Goodhope	28 762
Hukuntsi	143 898
Shakawe	10 389

(c) A verification of the year-end Board of Survey cash count results in Treasury Cashier offices against the General Ledger balances had revealed some discrepancies which had not been reconciled as at 31 March 2018. The more significant ones are indicated below:-

Treasury Cashier	General Ledger Balance	Board of Survey
Francistown	292 726	303 092
Gaborone Imprest	387 794	413 432
Jwaneng	164 539	163 813
Kasane	210 657	209 180
Letlhakane	184 798	161 281
Masunga	214 421	261 213
Selebi-Phikwe	528 649	511 314
Palapye	16 302	14 923
Tsabong	39 570	37 448

(d) The Remittances Account, the main Government bank account at Bank of Botswana had a balance of P787 137 598 at 31 March 2018. The perennial reconciliation problems of this account had persisted in the year under review. In his submission to the Public

Accounts Committee on the accounts of the previous year, the Accounting Officer had informed the Committee that efforts to resolve the reconciliation issues of that year were in progress and had hoped to complete by October 2018, which is, 19 months after the year to which they relate. In my view, unreconciled items in the reconciliation statement should be examined and resolved as soon as possible after discovery.

In the year under review, the unreconciled payments totalled P2 274 266 757 while unreconciled receipts totalled P19 660 376 833, which should be cleared.

(e) In my previous report, I had reported that outstanding reconciling items going back many years in the Salaries Account had not been resolved. The Accounting Officer has assured the Public Accounts Committee that the reconciliations of this account would be up-to-date by March 2019. The reconciliation of this account is a long outstanding matter which has been repeatedly reported before the Public Accounts Committee.

(f) Group K – the bank account had a credit balance of P4 663 827. The reconciliation statement included numerous items of unpresented cheques totaling P3 206 425, some dating back to 2011. Unpresented cheques represent unpaid invoices, it is unlikely that they would remain unpaid for so long.

(g) Group L bank account also carried unpresented cheques as reconciling items in the reconciliation statement totaling P2 674 764, the earliest dating back to 2012.

(h) In common with Group K and L above, Group M bank account had unpresented cheques amounting to P917 022, dating back to 2011. In this case as well, it is considered that unpresented cheques should have been replaced or written-back on expiry of the validity period.

(i) The Government Pula Card account was reconciled only up to August 2017. The balance of P250 650 under this account as at 31 March 2018 has therefore not been verified.

(j) The statement relating to the reconciliation of the Electronic Fund Transfer Group 1 bank account, with a credit balance of P443 643 906 could not be produced for verification purposes, at the time of audit.

(k) The majority of reconciliations for the Electronic Fund Transfer accounts operated by the Treasury Cashiers had not been submitted. Consequently, the balances under these accounts totaling P392 654 508 debits and P392 691 353 credits could not be verified.

(l) The General Ledger balances under the various Botswana Diplomatic Missions as at 31 March 2018 did not, in numerous cases, agree with the certified bank/cash book balances submitted by the Missions.

(m) There are altogether 190 Point-of-Sale facilities operated by Government Departments which had a total balance of P34 607 901 as at 1 March 2018.

The verification of the balances of these facilities remains a challenge, as the Departments do not submit reconciliation statements and where they are submitted they were incomplete. There should be concerted effort to bring the operation of these accounts under control.

(n) The Lome Sysmin account with a General Ledger balance of P636 654 917 on the 31 March 2018 had not been reconciled with bank statement balance as the bank statement was not available as on that date. Although there were transactions in other related accounts in the year under review, the above General Ledger balance has been dormant since 2014, indicating that the project account was not properly maintained.

The latest available bank statement was for July 2017, with a balance of P583 400 125.61, while the unspent development deposit showed balances of P551 016 500 under the Support Grant account and P250 731 504 under the Reemployment account.

29. **Statement of Assets Held by Government in Commercial Undertakings, and International Organisations - (Statement No. 18**

In my previous annual reports, I had commented on the necessity of Government maintaining its own comprehensive and up-to-date registers for the recording of assets, which are to be reported on through this Statement, instead of placing entire reliance on confirmations from entities in which these assets are held for the preparation of this Statement. The maintenance of these accounts is also in line with the requirements of the Registrar of Government Securities Act (Cap 56:05). In his written submission to the last meeting of the Public Accounts Committee, the Accounting Officer had assured the Committee, as he had done before, that he would maintain such registers.

However, in the year under review, the Accounting Officer had listed 63 entities, comprising statutory bodies and other state-owned enterprises, together with their values and Government equities in them, which were culled from sources other than the registers of the Ministry.

I trust that the Ministry would make concerted efforts to maintain proper records for these assets, as promised.

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

The outstanding arrears of revenue submitted by the various Ministries to the Accountant General for incorporation into the Annual Statements of Accounts for the year ended 31 March 2018 showed that the balance on 1 April 2017 was P424 859 929. Out of that amount only P4 155 968 (representing 0.978%) was collected during the year of account, while P172 969 was abandoned, leaving a balance of P425 527 931 including current year arrears of P3 996 939.

A review of these figures has indicated that a total of P407 801 518 represent dormant balances which have been outstanding for long periods of time and should have been adjusted appropriately to reflect the correct balances of these debts. It is also of some concern that administrative debts such as those for private calls made from official telephones featured predominantly in this Statement under almost all Ministries. The balances which I consider should have been cleared from this statement through appropriate action are shown in the table below, representing 96% of the year-end balance.

Company Registration Fees	390 482 314	(Investment, Trade & Industry)
Consumer, Water Accounts	14 887 353	(Water and Sanitation)
Sale of Livestock to Zimbabwe	1 239 000	(Agriculture)
Landing Fees	1 192 851	(Transport & Communications)
Telephone Charges	185 052	(All Ministries)
	407 986 571	

Some of the more significant debts are commented on under the Ministerial Section of this report.

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

Table A – Losses of Cash

Reported During the Year Under Review

During the year under review, 12 cases of losses of cash totalling P8 499 623 were reported in accordance with the requirements of Financial Instructions and Procedures. The two largest cases occurred in the Office of the Accountant General with the amount of P6 996 207 and Administration of Justice of P901 400 which were attributed to systematic fraud. The total recoveries for all the cases totalled P130 267, leaving a balance of P8 369 356, still to be followed up.

Reported in Previous Years

The outstanding loss amount for cases reported in previous years stood at P4 371 034 as at 31 March 2018. Out of that amount, P710 238 had been recovered and P301 015 written off. As commented on in previous years, the pace of processing and finalization of the cases is unsatisfactory as some of the cases date back many years with little or no prospects of recoveries.

In his written submission to the last meeting of the Public Accounts Committee, the Permanent Secretary in the Ministry responsible for finance, in agreeing with my contention on the matter, has undertaken to continue to make follow-ups with the Accounting Officers in the Ministries through quarterly meetings with them.

I believe and trust that this approach will go some way in bringing about improvement in this area of work.

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

Table B – Losses of Stores

Reported During the Year Under Review

During the year under review, 20 cases of losses of stores were reported to the Ministry of Finance and Economic Development with a loss amount of P66 319, in terms of Supplies Regulations and Procedures. Out of the 20 cases, no less than 10 related to losses of camping equipment, such as tents, mattresses, camping beds, etc. These are unlikely items to lose in the normal course of use, but could only be a result of lack of proper management of stores, such as stores not being returned to stock. In the year under review, no recoveries were made and stores to the value of P13 090 were written off.

Reported During Previous Years

As at 31 March 2018 the outstanding balance of losses of stores reported during previous years was P801 079 from the original loss amount of P1 235 660. Out of that amount P122 475 (10%) was recovered while P312 107 (25%) was written off to-date. The indication is that there is proportionately more lost to the public revenue through write-offs than recovered under these accounts.

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

Table C– Losses through Motor Vehicle Accidents

Reported During the Year Under Review

In the year under review, 163 cases of accidents to Government motor vehicles, out of a fleet of 12 368, representing 1.3%, were reported, with a damage cost of P3 308 118. Out of this number, 37 cases with a damage cost of P686 216 were attributed to third party motorists and were recoverable from them. While this is so, no actual recoveries were recorded as having been received through the Attorney General. I am therefore not aware whether these recoveries had been made or not.

I have in the past repeatedly expressed concern that the failure to include this information in the Annual Statements of Accounts denies the Honourable Members of the National Assembly the opportunity to appreciate the extent to which the losses from this source are abated by the recoveries from third party motorists who have caused the accidents to Government motor vehicles. This continues to be a matter for concern.

Reported in Previous Years

The accidents to Government motor vehicles reported during previous years totalled P13 741 606, out of which P1 643 390 was attributable to and recoverable from third parties, while P2 801 673 was charged to public funds. The amount surcharged to drivers was P2 293 488.

In his written submission to the Public Accounts Committee, the Permanent Secretary, Ministry of Finance and Economic Development concurred with my contention that the processing and finalization of accidents cases was slow as many of them were very old dating back to 2010, most of the cases averaging 4 or 5 years old. He attributed the tardiness to Accounting Officers who do not enforce the surcharge provisions of the law as diligently as they should. It is also my view that the Permanent Secretary should, under the terms of Section 4 of the Public Finance Management Act, prevail over the Accounting Officers in line ministries to carry out their financial responsibilities in accordance with the laid down rules and regulations.

VII MINISTERIAL ACCOUNTS

PARLIAMENT

34. **Warranted Provision**

The utilization of funds warranted to the Parliament for the financial year ended 31 March 2018 is indicated below:-

Dept	Warranted Provision	Actual Expenditure	Under - Expenditure	%
National Assembly	127 630 430	122 288 099	-5 342 331	4
Ntlo ya Dikgosi	8 025 230	7 591 810	-433 420	5
	135 655 660	129 879 908	-5 775 752	4

35. **Non-Moving Advances**

The non-moving advances which were outstanding on 31 March 2018 under Parliament are shown below:-

Account	No. of Cases	Amount
Advances Grade D4 and Below	1	600
Advance on Gratuity	15	3 937 000
Training Bond Liability	1	99 068
Travelling Imprest	4	(46 625)
Total	21	3 990 043

36. **Arrears of Revenue – P2 790**

This balance is owed by 3 former Members of Parliament for electricity supply consumed in their Parliamentary flats. All 3 ceased to be Members of the Honourable House over, at least 10 years ago. In view of the lengthy passage of time, this revenue is likely to be lost through abandonment because of earlier failure to follow-up on these debts vigorously and timeously, or to deduct from terminal benefits at that time.

37. **Service Charges – Parliamentary Flats**

During the 56th Meeting of the Public Accounts Committee, the Accounting Officer had informed the Committee that she had not made provision in the Revenue Estimates for the financial year 2016/17 for the collection of revenue from the Honourable Members' contribution to the cost of utilities at the Parliamentary flats, because during that time the Parliamentary flats were undergoing refurbishment, and therefore unoccupied.

While the Committee had accepted the Accounting Officer's oral submission, a review of the Parliament's accounts for the financial year 2017/18 had revealed that, although the Honourable Members had moved back into the flats, there was no provision in the accounts for the collection of this revenue, which had resulted in none being collected in that year. A check on the trend of collections under this item had indicated that the omission in the year under review was a result of a consistent gradual reduction of the receipts over the last 6 years, as indicated by the table below:-

Financial Year 31 March	Estimated Revenue	Actual Receipts
2013	100 000	122 326
2014	50 000	5 035
2015	50 000	8 836
2016	50 000	-
2017	10	-
2018	-	

I am at a loss to understand the systematic phasing out of this source of revenue without clear justification. In my view, the difficulties of collection should not be reason for not collecting, but rather the Honourable Members should be vigorously followed up to ensure that they made a fair contribution for the utilities consumed in their flats.

A matter which was raised at that Committee meeting which was not conclusively resolved related to the ascertainment of the security deposits paid to the lessors of the leased properties during the flats refurbishment period, and the recoveries at the end of the lease periods. While the Accounting Officer had admitted having paid the security deposits, there was however, no record of such in the advances accounts.

The other matter concerned the 6 houses for which Government had continued to pay rentals for long periods after the refurbishment had been completed. The Accounting Officer, in her written submission, had stated that the houses had been vacated, but they were so extensively damaged that the lessors had refused to accept them in that state, and there were no funds for the necessary repairs. While this may be so, in my view, the circumstances of these extensive damages within the short period of the leases should have been investigated to assess the extent to which the Honourable Members may be called upon to account for the resultant losses to Government in repair costs.

38. **Audit Inspection – National Assembly**

Following an audit inspection conducted at the National Assembly, I addressed the Accounting Officer drawing her attention to a number of unsatisfactory features amongst which were the following:-

(a) As far back as 2014/15 the Department had placed an order for 7 porta cabins at a cost of P2 592 257, which were to be used as offices while the main Parliamentary building was undergoing refurbishment. Although the refurbishment had taken much longer than the planned 6 months, the porta cabins were not delivered until after 2 years, in November 2016, thus rendering them irrelevant in terms of the purpose for which they were procured.

However, during the audit inspection which was conducted in 2018 it was noted that the porta cabins had still not been put to use, except for two which were used, one for the storage of files and the other for furniture. The rest remained vacant. In my review, in all the circumstances of the purchase of these porta cabins Government has not obtained value for the expenditure of P2 592 257.

(b) When the order for the 7 porta cabins was placed in 2014/15 as noted above, the Department already had 4 caravans which had been on rental since 2000 to-date. Out of the 4 only 1 was in use as an office, while the rest were vacant and continue to attract rental payments. I am unable to appreciate the rationale for the continued retention of these facilities on rental basis if they cannot be justified by usage.

(c) In 2015, a company was engaged for the upgrading of Hansard recording equipment in Parliament buildings, at a cost of P2 884 121. However, the upgrading project was never satisfactorily achieved with some equipment not even installed, which resulted in frequent maintenance visits by the contractors, at Government expense, which I considered was rather generous on the part of Government.

In view of the persistent equipment malfunction, another company was engaged to finish off the project, at a cost of P1 973 138. The items of equipment that had not been installed by the first contractor remain on Parliament premises, paid for, without the prospects of use.

(d) Following the refurbishment of Parliamentary flats, furniture was purchased for flats to the tune of P4 462 100. Accordingly, all flats were suitably furnished except two which were used for the storage of the balance of unallocated furniture. One of the flats storing the furniture is infested with termites which has caused damage to the furniture.

During the inspection, it was noted that some of the furniture which had been bought for the Parliamentary flats was stored in a warehouse at the Office of Accountant General, Procurement Office, in Gaborone West.

MINISTRY FOR PRESIDENTIAL AFFAIRS, GOVERNANCE AND PUBLIC ADMINISTRATION

39. **Warranted Provision**

The utilization of funds warranted to the Ministry for the financial year ended 31 March 2018 is indicated below:-

Dept	Warranted Provision	Actual Expenditure	Under - Expenditure	%
State House	13 497 217	12 461 956	-1 035 260	8
Office of Pres.	286 326 248	281 801 200	-4 525 048	2
DPSM	90 747 796	85 435 792	-5 312 004	6
Former President QKJM	5 464 063	5 380 032	-84 031	2
Former President FGM	2 653 285	2 653 285	-239 105	9
Inform. Services	64 921 870	63 807 445	-1 114 425	2
Broadcasting Serv.	195 353 015	193 709 153	-1 643 862	1
Govt Printing & Publishing	72 048 175	70 449 541	-1 598 634	2
Nat. Strategy Office	25 592 883	25 151 614	-441 269	2
DCEC	107 470 220	105 429 672	-2 040 548	2
DISS	344 022 628	343 011 880	-1 010 748	-
	1 208 097 400	1 189 052 467	-19 044 933	2

All departmental expenditures are within the warranted provisions ranging between 92% and 99% utilization.

40. **Non-Moving Advances**

The non-moving advances which were outstanding on 31 March 2018 under this Ministry are shown below:-

Account	No. of Cases	Amount
Damage to Government Vehicles	4	39 689
P & P Payroll	3	908
Emergency Advances – P & P	1	1 910
Imprest Recoveries	4	22 850
Advances – Industrial Class	2	3 500
Advances – Grade D4 and Below	12	107 683
Advance on Gratuity	1	300 000
Loss of Cash – Cash Shortage	3	16 148
Recoveries of Overpayment of Salaries	18	54 966
Training Bond Liability	1	28 224
Travelling Imprest	9	75 638
Total	58	651 516

MINISTRY OF FINANCE AND ECONOMIC DEVELOPMENT

41. **Warranted Provision**

The utilization of funds warranted to the Ministry for the financial year ended 31 March 2018 is indicated below:-

Dept	Warranted Provision	Actual Expenditure	Under - Expenditure	%
Headquarters	500 637 238	497 694 685	-2 942 552	1
Accountant Gen.	327 497 788	326 136 637	-1 361 151	-
Fin. Intelligence Ag.	18 062 724	17 807 853	-254 811	1
	846 197 750	841 639 175	-4 558 575	1

In the year under review, the Ministry expenditure had increased by P1 124 202, representing an increase of 0.13%. The expenditure of P294 943 665 represents payments of grants and subventions to organisations under the portfolio responsibility of the Ministry and contributions to international organisations, which constituted 59% of the total Ministry expenditures.

42. **Non-Moving Advances**

The non-moving advances which were outstanding on 31 March 2018 under this Ministry are shown below:-

Account	No. of Cases	Amount
P & P Payroll	2	164 813
Imprest Recoveries	3	16 691
Advances – Industrial Class	2	976
Advances – Grade D4 and Below	7	9 233
Advance on Gratuity	1	238 000
Prepayment	2	15 330
Residential Property Loan	63	5 852 436
Motor Vehicle Loan	24	539 353
Recoveries of Overpayment of Salaries	19	356 438
Travelling Imprest	4	(8 484)
Total	127	7 184 786

43. **Arrears of Revenue – Telephones**

The outstanding arrears of revenue as at 31 March 2018 in respect of telephone charges was P7 446. At the last meeting of the Public

Accounts Committee, it was discussed and agreed with the Accounting Officer that it was unnecessary and undesirable that arrears of revenue on account of private telephone charges should be matters of discussion before the Committee. It is considered that these revenue debts should be dealt with administratively as prescribed under General Orders. General Orders provide that private usage of official telephone is a privilege and the cost of those calls should be paid promptly on receipt of telephone accounts and there is no justification why the General Orders cannot be strictly applied.

44. **Submission of Accounts by the Registrar of Government Securities**

The Registrar of Government Securities Act (Cap 56:05) provides for the appointment of the Registrar of Government Securities who shall maintain an account of all Government securities, involving acquisition, management, holding and disposal of all real and personal properties of Government. At the end of each financial year, the Registrar is required to prepare and submit to me a statement of account of the securities, for auditing. Subsequent to the audit, the statement of account, together with my certificate thereon, shall be laid before the National Assembly by the Minister.

These accounts have never been submitted to me for audit, nor am I aware of their ever having been tabled before the National Assembly by the Minister in terms of the provisions of the Act. I have drawn the attention of the Accounting Officer to what I considered might have been an oversight on his part in not complying with the requirements of the Act.

In response to my communication, he had stated that while he agreed that the Act was not being complied with, he was of the view that the information required was being provided through various other accounts, albeit fragmented, such as through Bank of Botswana management of Government securities under Bank of Botswana Act and various other Statements of the Annual Statements of Accounts. In that sense, he was satisfied that the requirements of the Act were being met, although not in the manner contemplated by the Act.

My understanding of the intent and spirit of the Act is that the Registrar, appointed under the Act, should maintain books of accounts of Government securities and at year-end would compile a final account for presentation to the National Assembly as a composite account for the information and appreciation of the Members. I am therefore not in agreement with the Accounting Officer's contention that he is complying with the Act when the required accounts are not presented to the National Assembly.

45. **<u>Late Accounting for Dividend Payment</u>**

My review of the audited accounts of the Botswana Housing Corporation for the year ended 31 March 2018 had indicated that the Corporation had paid to Government a dividend of P20 205 000 from the accumulated dividend balance under arrangement with Government. However, the revenue accounts of Government for the year under review had shown that only P9 344 928, net of withholding tax, had been credited in respect of the first instalment. The second instalment of the same amount which was paid in January 2018 was not accounted for until August 2018. This indicated a delay of 6 months in accounting for revenue received which had resulted in understatement of revenue under this account: all revenues should be accounted for promptly upon receipt.

MINISTRY OF NATIONALITY, IMMIGRATION AND GENDER AFFAIRS

46. **Warranted Provision**

The utilization of funds warranted to the Ministry for the financial year ended 31 March 2018 is indicated below:-

Dept	Warranted Provision	Actual Expenditure	Under - Expenditure	%
Headquarters	38 293 658	37 190 269	-1 103 390	3
Immig. & Citizens	167 287 710	161 694 033	-5 593 677	3
Gender Affairs	47 862 738	46 423 026	-1 439 712	3
Civil & Nat. Reg.	59 051 364	58 458 808	-592 556	1
	312 495 470	303 766 135	-8 729 335	3

The financial performance of the Ministry is a welcome improvement over the previous year, when the Ministry had exceeded the warranted provision although within the approved estimates. In the year under review all departmental expenditures are within the warranted provisions.

47. **Non-Moving Advances**

The non-moving advances which were outstanding on 31 March 2018 under this Ministry are shown below:-

Account	No. of Cases	Amount
Damage to government vehicles	3	41 776
Advances – Industrial Class	1	700
Loss of Cash – Cash Shortage	1	4 060
Recoveries of Overpayment of Salaries	19	100 496
Training Bond Liability	1	4 556
Total	25	151 588

MINISTRY OF AGRICULTURAL DEVELOPMENT AND FOOD SECURITY

48. **Warranted Provision**

The utilization of funds warranted to the Ministry for the financial year ended 31 March 2018 is indicated below:-

Dept	Warranted Provision	Actual Expenditure	Under - Expenditure	%
Headquarters	264 700 519	259 905 504	-4 785 015	2
Crop Prod. & For.	196 853 580	193 889 979	-2 963 601	2
Agricultural Res.	97 840 490	95 800 941	-2 039 543	2
Animal Prod.	104 741 840	101 765 861	-2 975 979	3
Agric Bus Prom.	33 011 960	31 561 076	-1 450 884	4
Veterinary Serv.	385 100 530	378 278 546	-6 821 984	2
Agric. Res. States Policy	20 458 511	20 058 587	-399 924	2
	1 102 707 430	1 081 260 500	-21 446 930	2

The expenditure of P1 081 260 500 represents 98% utilisation of funds warranted to the Ministry for the year under review, which is comparable to the previous year's performance of the same level.

49. **Non-Moving Advances**

The non-moving advances which were outstanding on 31 March 2018 under this Ministry are shown below:-

Account	No. of Cases	Amount
Damage to government vehicles	5	76534
P & P Payroll	1	2 171
Emergency Advances	2	91
Advances – Industrial Class	1	1 200
Advances – Grade D4 and Below	30	222 986
Advances – Imprest Recoveries	6	16 743
Advances on Gratuity – Members of Parliament	1	250 000
Loss of Cash	3	138 387
Loss of Cash – Cash Shortage	6	272 977
Payroll	2	8 701
Recoveries of Overpayment of Salaries	99	924 608
Training Bond Liability	2	69 298
Travelling Imprest	24	10 233
Total	182	1 993 929
		151 588

MINISTRY OF BASIC EDUCATION

50. Warranted Provision

The utilization of funds warranted to the Ministry for the financial year ended 31 March 2018 is indicated below:-

Dept	Warranted Provision	Actual Expenditure	Over + Under - Expenditure	%
Headquarters	870 367 658	889 386 354	+19 018 696	2
Vocational Tr. Centre	-	110 998	-110 998	
Out of School Educ.	54 869 192	53 476 285	-1 392 907	3
Curriculum Dev. Eval.	23 098 581	20 364 184	-2 734 397	12
TSM	4 676 486 356	4 842 877 330	+166 390 974	4
Pre- & Primary	64 074 654	62 516 156	-1 558 498	2
Secondary Educ.	1 444 305 536	1 398 179 247	-46 126 289	3
Teacher Trai. & Dev.	-	-3 234	-3 234	
Technical Services	25 945 210	25 157 715	-787 495	3
Info. Comm. & Media	18 099 553	17 433 252	-666 301	4
Special Support Services	22 012 700	21 310 424	-702 276	3
Educ. Planning & Res.	10 148 120	10 022 055	-126 065	1
	7 209 407 560	7 340 608 770	+131 201 210	2

Despite the supplementary provision of P407 861 370 in February 2018, the Ministry had still exceeded the total funds warranted to it at year-end. The excess expenditure occurred under the Department of Teaching Service Management (TSM) and Headquarters, in both cases under the Personal Emoluments subheads.

51. **Non-Moving Advances**

The non-moving advances which were outstanding on 31 March 2018 under this Ministry are shown below:-

Account	No. of Cases	Amount
Damage to government vehicles	10	107 458
P & P Payroll	5	268 447
Imprest Recoveries	3	(800)
Advances – Industrial Class	23	46 490
Advances – Grade D4 and Below	59	801 573
Loss of Cash – Cash Shortage	10	371 025
Recoveries of Overpayment of Salaries	538	9 378 803
Training Bond Liability	11	1 228 614
Travelling Imprest	160	516 916
Total	837	13 767 70

52. **Development Expenditure – Construction of Staff Houses at Okavango and Etsha Junior Secondary Schools**

The Ministry, through the Department of Technical Services, had engaged a contractor for the construction of 32 two bedroomed double storey staff houses at Okavango Junior Secondary School in Gumare and Etsha Junior Secondary School at Etsha 6 at a contract price of P42 864 176, with a completion period of 365 calendar days, commencing on 3 May 2016 and ending on 2 May 2017.

Although he had been assisted with mobilization advance of P4 168 738, the contractor's performance on the project had failed to meet expectations. The project progress was slow with the result that even as late as February 2018 the project was at 48% completion stage. The contractor had failed to renew the performance security bond, when it expired in November 2017. He also had financial problems which rendered him unable to pay the workers and suppliers.

In view of the contractor's failure to perform on the project, the Ministry recommended that he should be terminated, at which point a total of P19 444 870, representing 45% of the contract sum, had already been paid and the balance of P2 084 645 of the mobilization advance had still not been recovered.

The decision to terminate was taken 10 months after the lapse of the contractual completion date, which I consider to have been generous and lenient. In my view the contractor should have been considered for termination as soon as it became evident that his performance was not likely to deliver on the project. Furthermore, the advance should have been recovered from the payment certificates in terms of the agreement.

53. **Accounting for Revenue Collections – Matsha Life Long Learning Centre, Kang**

At the time of the audit in July 2018, the appointed revenue collector at the above Centre under the Department of Out of School Education and Training had not remitted to the Treasury Cashier in Hukuntsi, the revenue in respect of hostel charges, totalling P8 4980, collected in the period from March 2017 to December 2017. According to the account of the revenue collector, the Treasury Cashier had declined acceptance of the deposit because of a routine accounting technicality involving an account coding. In this instance, the Treasury Cashier should have advised the revenue collector, or the revenue collector should have sought advice from his supervisor, on the course of action to take to ensure prompt and proper accounting for public funds.

It is therefore disconcerting to note that the revenue collections had not been accounted for to the Treasury Cashier for a long period of well over 12 months, in contravention of the requirements of Financial Instructions and Procedures with the risk of loss of those public funds.

MINISTRY OF INVESTMENT, TRADE AND INDUSTRY

54. **Warranted Provision**

The utilization of funds warranted to the Ministry for the financial year ended 31 March 2018 is indicated below:-

Dept	Warranted Provision	Actual Expenditure	Under - Expenditure	%
Headquarters	828 358 488	826 365 199	-1 993 289	-
Corporative Dev.	43 063 300	42 182 430	-880 870	2
Trade & Cons. Affs.	28 300 356	27 947 139	-353 217	1
Industrial Affairs	15 452 816	15 337 154	-115 662	1
International Trade	9 737 380	18 668 730	-1 068 650	5
Reg. of Companies & Int. Property	1 933 300	1 895 699	-37 601	2
	936 845 640	932 396 351	-4 449 289	0.5

Out of the expenditure of P932 396 351, an amount of P746 372 169 (80%) related to disbursement by way of grants and subventions to various organisations under the portfolio responsibility of the Ministry. The Department of Registrar of Companies and Intellectual Property has since been established as a statutory corporation, and the financials under the Department relate to salaries and related allowances to seconded staff.

55. **Non-Moving Advances**

The non-moving advances which were outstanding on 31 March 2018 under this Ministry are shown below:-

Account	No. of Cases	Amount
Advances on Gratuity	1	169 000
Loss of Cash – Cash Shortage	1	4 422
Recoveries of Overpayment of Salaries	5	22 632
Training Bond Liability	1	61 850
Travelling Imprest	2	355
Total	10	258 259

MINISTRY OF LOCAL GOVERNMENT AND RURAL DEVELOPMENT

56. **Warranted Provision**

The utilization of funds warranted to the Ministry for the financial year ended 31 March 2018 is indicated below:-

Dept	Warranted Provision	Actual Expenditure	Under - Expenditure	%
Headquarters	139 662 810	127 769 736	-11 893 074	9
Local Govt & Development Plg.	10 625 210	9 941 213	-683 997	6
Local Govt Fin & Procurement	4 199 354 860	4 134 158 585	-65 196 275	2
Tribal Admin	445 945 440	441 144 453	-4 800 987	1
Technical Serv.	10 647 860	9 921 656	-726 204	7
Rural Dev.	5 175 640	4 565 836	-609 804	12
Social Protection	1 084 863 430	1 077 087 038	-7 776 392	1
Community Dev.	12 232 770	11 139 078	-1 093 692	9
	5 908 508 020	5 815 727 596	-92 780 424	2

The Ministerial expenditures for the year under review totalled P5 815 727 596, out of which P3 644 252 041 (63%) was Revenue Support Grant to the local and urban authorities. The other significant expenditure related to old age pensions and war veteran payments in the amount P585 999 214 (10%).

57. **Non-Moving Advances**

The non-moving advances which were outstanding on 31 March 2018 under this Ministry are shown below:-

Account	No. of Cases	Amount
Damage to Government Vehicles	5	38 694
P & P Payroll	1	3 326
Emergency Advances	1	12 000
Imprest Recoveries	1	5 178
Advances – Industrial Class	6	8 800
Advances – Grade D4 and Below	14	91 804
Loss of Cash – Cash Shortage	2	37 704
Recoveries of Overpayment of Salaries	41	506 334
Travelling Imprest	15	57 357
Total	86	761 197

MINISTRY OF MINERAL RESOURCES, GREEN TECHNOLOGY AND ENERGY SECURITY

58. **Warranted Provision**

The utilization of funds warranted to the Ministry for the financial year ended 31 March 2018 is indicated below:-

Dept	Warranted Provision	Actual Expenditure	Under - Expenditure	%
Headquarters	215 783 674	211 445 907	-4 337 767	2
Geological Surv.	37 464 856	36 359 908	-1 104 948	3
Water Affairs	-	17 880	-17 880	-
Mines	24 203 510	22 176 845	-2 026 665	8
Energy Affairs	21 013 020	18 305 209	-2 707 811	13
	298 465 020	288 269 989	-10 195 071	3

The warranted provision of the Ministry is reduced by 18% from that of last year because of transfer of the Department of Water Affairs to the Ministry of Land Management, Water and Sanitation Services. The Department of Geological Surveys has also been established into a statutory corporation under the name Botswana Geoscience Institute and will be phased out of the Ministry main accounts.

59. **Non-Moving Advances**

The non-moving advances which were outstanding on 31 March 2018 under this Ministry are shown below:-

Account	No. of Cases	Amount
Damage to Government Vehicles	1	4 183
P & P Payroll	6	8 995
Advances – Grade D4 and Below	2	16 666
Advance on Gratuity	1	299 554
Loss of Cash – Cash Shortage	3	85 290
Recoveries of Overpayment of Salaries	11	163 929
Travelling Imprest	1	4 397
Total	25	582 014

60. **Arrears of Revenue**

The arrears of revenue under this Ministry had increased by 15% from P3 817 171 at the beginning of the year to P4 406 322 at the end of the year under review. The increase was due to slow collections and additional debts incurred during the year of account. The table below illustrates slow and ostensible lack of follow-up in collections of revenue debts by officers of the Ministry.

Revenue Account	Balance 01/04/2017	Collections 2017/18	%	Current year Arrears	Balance 31/03/2018
Hydrology Data Fees	40 670	10 000	25	-	30 670
Borehole Cleaning	6 549	-	-	-	6549
Prospecting Licence	368 200	65 723	18	-	302 477
Mineral Royalties	3 324 114	87 122	3	766 223	4 003 215
Illegal Mining	66 200	11 000	17	-	55 200

61. **Audit Inspection – Department of Mines, Francistown**

An audit inspection was carried out at the above Department and a number of observations were raised, which were addressed to the Accounting Officer for his comments, the main ones of which were the following:-

(a) A company which had been granted a prospecting licence was in arrears with the payment of fees to the tune of P1 479 305 dating back to 2012. Follow up by the Department to persuade the company to pay up was not successful as the intermittent payments were not sufficient to liquidate the debt. In my view, the continued failure of the company to settle its indebtedness would suggest that the company was not sufficiently assessed for financial soundness, as a condition of the grant of the licence in terms of the Mines and Minerals Act (Cap 66.01).

(b) It had been established that a company that had been granted a license for river sand mining from Shashe Dam, valid from October 2012 to October 2017, had breached the terms of the licence by mining outside the lease area, and no action had been taken against that company. Furthermore, other instances had been reported of illegal sand mining where fines totalling P86 000 had been imposed. While this figure is for the Francistown office alone, there appears to be tardiness in the monitoring of these operations by the Department as the outstanding amount as at 31 March 2018 was P55 200, as per the arrears of revenue returns submitted to the Accountant General.

(c) The Mines, Quarries, Works and Machinery Regulations require that minerals permit holders shall submit monthly production returns to the Chief Government Mining Engineer within 15 days after the end of the month to which they relate. However, instances had been noted where this requirement had not been complied with and there was no indication of action taken against offenders. This is despite the significance of these returns in the determination of royalties due to Government.

At the time of writing this report I had not received the Accounting Officer's comments.

62. **Vesting of Assets in Botswana Geoscience Institute**

Botswana Geoscience Institute is a statutory body established by Botswana Geoscience Institute Act, (No 29 of 2014) to undertake research in the field of geosciences to provide specialised geoscientific services and to act as an advisory body in respect of geohazards and for matters incidental thereto. Essentially, the Institute took over the functions previously performed by the Department of Geological Survey. In terms of the Act, all Government assets on charge to the former Department of Geological Survey were vested in the Institute while the liabilities remained the obligation of Government. In the event, the Institute did not take over 30 vehicles, out of a fleet complement of 63 vehicles, which then remained the property of Government.

A recent audit visit to the Institute to check on hand-over issues had indicated that the Ministry had not collected the said vehicles from the Institute premises since take-over in 2015 to-date, nor had the mechanics seconded from the Central Transport Organisation been redeployed back to the Department. There were indications that the vehicles were in use as evidenced by invoices in respect of fuel drawn from the Central Transport Organisation fuel depots. The total invoiced amount was P99 333 covering the period from March 2017 to January 2018. On the other hand, the seconded mechanics continued to draw monthly salaries while they remained idle in the Institutes premises in the same period. There was some uncertainty about the duties on which the vehicles were engaged as they were not on direct allocation to any Government Department during this period.

In my view there has been a serious neglect of duty on the part of Ministry officers who failed to withdraw the vehicles from the Institute for such a long period, and put them to good use by reallocation to other departments or send them back to the Central Transport Organisation Pool. In the same vein, the Central Transport Organisation should have been advised that their mechanics were no longer needed and returned to the Department, where they would be gainfully employed.

MINISTRY OF HEALTH AND WELLNESS

63. **Warranted Provision**

The utilization of funds warranted to the Ministry for the financial year ended 31 March 2018 is indicated below:-

Dept	Warranted Provision	Actual Expenditure	Under - Expenditure	%
Headquarters	851 636 509	809 799 377	-41 837 133	4
Policy, Pln. Monit.	8 678 330	7 967 720	-710 610	8
Health Sector Rel.	213 998 090	213 384 581	-613 509	-
Clinical Services	5 646 369 030	5 523 959 242	-122 409 788	2
Public Health	114 104 490	110 170 611	-3 933 879	3
AIDS Prev. & Care	110 901 221	91 919 153	-18 982 068	17
Health Inspectorate	9 576 870	7 829 440	-1 747 430	18
	6 955 264 540	6 765 030 123	-190 234 417	2

The performance of the Ministry in the year under review is an improvement over the previous years which were characterised by over-expenditures of the Departmental sub-warrants and in other cases the Ministry budget. While this is so, the Department of Clinical Services had overspent the Overtime Allowances vote by a significant amount of P3 483 245 from an expenditure of P78 983 245. As there were available balances under votes, the over-expenditure could have been avoided through virement system.

64. **Non-Moving Advances**

The non-moving advances which were outstanding on 31 March 2018 under this Ministry are shown below:-

Account	No. of Cases	Amount
Damage to Government Vehicles	17	185 971
P & P Payroll	7	62 789
Emergency Advances	6	35 770
Imprest Recoveries	116	599 847
Advances – Industrial Class	36	64 504
Advances – Grade D4 and Below	60	521 657
Advance on Gratuity	1	305 000
Loss of Cash – Cash Shortage	2	36 550
Recoveries of Overpayment of Salaries	448	5 322 790
Training Bond Liability	28	3 447 067

Travelling Imprest	160	976 179
Total	881	11 558 124

65. **Arrears of Revenue**

The return of arrears of revenue submitted to the Accountant General by the Accounting Officer for inclusion in the Annual Statements of Accounts has shown an unsatisfactory position with regard to the collection of those arrears, as shown in the table below:-

Revenue Item	Balance 01/04/2017	Collections 2017/18	Balance 31/03/2018
Private telephones (1101)	1550	-	1550
Private telephones (1108)	9 440	-	9440
Sales of Drugs, Dressings etc	552 693	-	552 693
Other Hospital Fees	691	-	691
Private telephones (1109)	132	-	132
Private telephones (1110)	743	-	743
Private telephones (0211)	15 086	4 807	10 279
Sundries (0211)	341	-	341

The lack of collections for the whole year is clear indication that there was no sustained follow-up on these matters.

66. **Audit of Accounts – Central Medical Stores, Gaborone**

The audit of the accounts and records of the Central Medical Stores brought to light the following:-

(a) A contractor was engaged for the provision of services of warehousing and distribution of drugs, dressings and vaccines and other ancillary services for a 3-year period beginning April 2014, at a contract sum of P174 324 187. After completion of the initial contract in April 2017, the contractor was given two extensions in the total amount of P60 059 235 ending in July 2018. The contractor was given another extension beyond this date and was subsequently awarded a 5-year contract commencing February 2019, having been given extensions of close to 22 months. I consider this period of extensions without invitation for fresh tenders rather generous, and not consistent with the principle of fairness in the procurement of services.

It was a condition of the initial contract that the contractor would buy furniture, equipment and other accessories which would become the property of Government. For this purpose the contractor was advanced P20 000 by Government to procure the said equipment and services. In the event, the supplies bought under this arrangement were not recorded in the accounting records of Government, while the air conditioners were installed in a private guest house in Gaborone.

(b) In his report on the accounts for the financial year 2010/2011, my predecessor had reported on excessive purchases of shrouding material which had been bought in 2008 and was far beyond the present and future requirements of the Department of Clinical Services. In the discussions of the Public Accounts Committee, the Accounting Officer had informed the Committee that part of the material was donated to Congo-Brazzaville, and that as efforts to sell some of it had not been successful, he would continue to make further efforts to sell to local mortuaries as well as liaise with the Red Cross and SADC countries with a view to assisting them with donations of the material.

A recent audit of the accounts of Central Medical Stores had revealed that, some 10 years later, the material was still in stock in innumerable quantities. At present, I am not aware of the results of any new efforts to dispose of this material. From audit inquiries, it was evident that there were no supplies accounting records maintained for the material, in breach of Supplies Regulations.

(c) In September 2017, the Department of Clinical Services had carried out an internal inspection at the Central Medical Stores and had found, among other things, large quantities of various items of supplies that had been bought as far back as 2012 which had been kept in storeroom, and not issued to facilities to be used. The inspection team's finding was that the Central Medical Stores was buying stores which were not required or of low quality which ended up expiring before they could be used. The quantities of items which had been bought that far back illustrate the concern of the inspection team.

Item	Quantities
Umbilical Cord Clamps	628 000
Aseptic Sterilisation Bags	13 000
Female Condoms	455 000
Linen Saver	1 000
PVC Medical Flat Amber Prepack	134 400
Children's Crutches	2 940
Suction Catheters, Various Sizes	2 251 000
Ointment 25ml	900

Sodium Chloride	1 000

Undoubtedly, the funds used in the purchase of these stores constituted wasteful expenditure.

(d) At the time of the audit the Department had compiled a list of expired drugs covering the period from April 2010 to March 2018 in the total amount of P26 162 205. While this rate of drug-expiry may be reasonable relative to the Departmental budget, I am of the view that arrangements should be made for the destruction of these items as soon as conveniently possible after expiry, rather than accumulating them for a period of over 8 years, as in this case.

67. **Audit Inspection – Nyangabwe Referral Hospital, Francistown**

An audit inspection which was conducted at the above hospital gave rise to the undernoted observations. I addressed these observations to the Accounting Officer in October 2018, but at the time of writing this report I had still not received her comments. The observations which were of some concern were the following:-

(a) The arrears of revenue of the Ministry as reflected in the Annual Statements of Accounts as at 31 March 2018 was shown as P575 868, while the figure shown in the hospital registers was P1 440 970 at the time of the audit inspection covering the period going back to 2013/2014. This is an indication that the figure submitted for inclusion in the Annual Statements was understated. Furthermore, I consider this level of arrears at the hospital rather high given that Government does not provide its services on credit.

(b) It was noted that the hospital had engaged a contractor on a 36-months contract for the provision of facilities management and maintenance services, which entailed determination of the hospital maintenance requirements and upkeep of all building services, fixed plant and machinery as well as building fabric, including kitchen and laundry equipment. While this is so, a number of machines were reported to be dysfunctional to the detriment of hospital service delivery.

The machines in question were:-

- MRI Machine-which is the only one in Government facilities countrywide.

- Boiler shop-paramount for the supply of steam to other machines in the hospital.

- Various X-Ray machines

(c) The hospital had also engaged another contractor for the provision of catering services for a period of 36 months, from January 2016 to December 2018, at a contract sum of P58 861 361. The following terms of the contract were not complied with:-

- The Hospital's Contract Manager did not provide the daily patients census to the contractor, instead the contractor performed this function.

- The hospital staff were not always present in the wards during feed hours to confirm quality and correctness of the meals.

- Some kitchen equipment and machinery were found not to be in a satisfactory state.

(d) A physical inspection of the institutional houses belonging to the Botswana Housing Corporation occupied by a team of expatriate doctors had undergone extensive structural alterations to meet the needs of those doctors. As the alterations have substantially changed the structural character of the houses by inclusion of amenities such as gym rooms, in-door game courts and cross-bridges between the houses, I have not been able to appreciate the extent to which the needs and interests of the next occupants had been taken into account, given that these are institutional houses.

ADMINISTRATION OF JUSTICE

68. **Warranted Provision**

The utilization of funds warranted to the Department for the financial year ended 31 March 2018 is indicated below:-

Dept	Warranted Provision	Actual Expenditure	Under - Expenditure	%
Admin of Justice	264 795 960	261 853 026	2 942 934	1

While the expenditures of the Department are within the warranted provision with 99% utilisation, as was the case last year, one item of Rent, Offices was overspent to the tune of P29 947 which could have been averted by use of the virement system to achieve full expenditure control.

69. **Non-Moving Advances**

The non-moving advances which were outstanding on 31 March 2018 under this Department are shown below:-

Account	No. of Cases	Amount
Damage to Government Vehicles	2	13 1116
Emergency Advances	1	2 464
Imprest Recoveries	5	19 624
Advances – Grade D4 and Below	1	1 435
Professional Registration	1	4 000
Loss of Cash – Cash Shortage	3	84 545
Recoveries of Overpayment of Salaries	12	75 326
Travelling Imprest	5	27 733
District Imprest	3	23 001
Total	33	251 244

70. **Arrears of Revenue**

As in previous years, the Department had continued to show poor performance in the collection of arrears of revenue for both private telephone charges and judicial and subordinate court fines reported in the Annual Statements of Accounts.

The table below illustrates the amounts involved:-

Revenue Item	Balance 01/04/2017	Collections 2017/18	Current Year Arrears	Balance 31/03/2018
Judicial Court Fines	363 980	-	96 600	460 580
Telephones Charges	2 297	-	83 338	85 625

ATTORNEY GENERAL'S CHAMBERS

71. **Warranted Provision**

The utilization of funds warranted to the Chambers for the financial year ended 31 March 2018 is indicated below:-

Dept	Warranted Provision	Actual Expenditure	Under - Expenditure	%
Attorney General	206 069 680	196 053 882	-10 015 798	5

The expenditures incurred by the Chambers for the year under review was P196 053 882, leaving unspent balance of P10 015 798 from the warranted provision. The utilisation of the warranted funds was at 95% compared to 91% last year and 96% the year before.

72. **Non-Moving Advances**

Account	No. of Cases	Amount
Damage to government vehicles	3	57 795
P & P Payroll	1	13 161
Imprest Recoveries	1	6 400
Recoveries of Overpayment of Salaries	5	209 689
Travelling Imprest	4	12 250
Total	14	299 295

73. **Partitioning of Office of Directorate of Public Prosecutions, Palapye**

In my report for the financial year 2014/15 I had reported that the building leased by the Department of Lands for the Directorate of Public Prosecutions in Palapye was in an unhygienic and uninhabitable state because of structural defects and rats infestation which had impacted negatively on the comfort of the premises. This had resulted in the officers temporarily moving to the Palapye Police Station, leaving their documents and stores in the old building, pending their move to the newly acquired office accommodation.

Although the new office accommodation had been identified and a 5-year lease signed, effective from July 2015 to June 2020 at the time of the move to the Police Station, the actual occupation took much longer than had been expected. The contractor who had been engaged to carry out the partitioning in the 4-months period to June 2016 at a contract price of P6 058 752, did not complete the works until

January 2018 with final cost of P7 281 369 – half-way into the lease period. The rental paid during this period was P1 834 450 without beneficial occupation.

The main cause of the delay in the actual partitioning were attributable to the incompleteness of the building at the time of signing of the lease, and additional works which were not in the contractor's original schedule: these included correction of the defective staircase, installation of glass façade in the first floor veranda, upgrading of power supply, UPS installation, rats extermination which came with the files from the old building.

While the move from the old building was urgent, as indeed recommended by the Environmental Health Department inspectors, I do not consider that alone justified the lease of a building that was far from complete, and was to be occupied for only half of the lease period at such considerable cost in rental payments, especially as the Directorate had alternative, albeit temporary, accommodation.

OFFICE OF THE AUDITOR GENERAL

74. **Warranted Provision**

The utilization of funds warranted to the Office for the financial year ended 31 March 2018 is indicated below:-

Dept	Warranted Provision	Actual Expenditure	Under - Expenditure	%
Auditor General	63 124 480	61 183 547	-1 941 833	3

Supplementary funds of P1 202 210 were approved by the National Assembly through Financial Paper No.2 of 2017/2018 (in February 2018) to make a total of P63 124 480 of the warranted provision. The year-end available balances were P740 723 of the original approved estimates and P1 941 933 of the warranted provision. The funds utilisation was 97% of the warranted provision, compared to 99% in the previous year.

75. **Non-Moving Advances**

The non-moving advances which were outstanding on 31 March 2018 under this Office are shown below:-

Account	No. of Cases	Amount
Advances – Industrial Class	2	3 000
Advances – Grade D4 and Below	2	4 910
Recoveries of Overpayment of Salaries	3	7 302
Training Bond Liability	2	83 965
Travelling Imprest	3	77 788
Total	12	176 965

MINISTRY OF INTERNATIONAL AFFAIRS AND COOPERATION

76. **Warranted Provision**

The utilization of funds warranted to the Ministry for the financial year ended 31 March 2018 is indicated below:-

Dept	Warranted Provision	Actual Expenditure	Under - Expenditure	%
Headquarters	85 403 150	84 686 893	-716 257	1
Washington	27 317 360	26 717 950	-599 410	2
New York	35 878 980	35 612 249	-266 731	1
London	23 963 910	23 963 910	-925 522	4
Lusaka	7 523 310	6 827 338	-695 972	9
Brussels	18 043 250	16 661 45	-1 382 105	8
Stockholm	17 196 810	15 987 218	-1 209 592	7
Harare	12 027 360	11 427 434	-599 926	5
Windhoek	8 537 300	8 107 585	-429 715	5
Beijing	25 275 640	23 875 273	-1 400 367	6
Geneva	35 597 510	34 927 713	-669 797	2
Pretoria	12 799 020	12 266 357	-532 663	4
Johannesburg	9 162 470	9 070 873	-91 597	10
Tokyo	24 230 760	23 816 675	-414 085	2
Addis Ababa	13 472 370	13 074 696	-397 674	3
Nairobi	17 440 150	16 605 730	-834 420	5
Canberra	23 231 670	21 874 191	-1 357 479	6
New Delhi	20 312 620	19 093 633	-1 218 987	6
Abuja	18 119 600	16 988 677	-1 130 923	6
Brasilia	19 987 800	17 261 827	-2 725 973	14
Kuwait	10 802 970	9 916 732	-886 238	8
Maputo	13 998 720	12 987 999	-1 010 721	7
Berlin	20 573 760	17 916 188	-2 657 572	13
	500 896 490	478 742 764	-22 153 726	4

The Ministry's performance in this year compares favourably with previous years, at 96% funds utilization compared to 99% last year.

77. **Non-Moving Advances**

The non-moving advances which were outstanding on 31 March 2018 under this Ministry are shown below:-

Account	No. of Cases	Amount
Damage to Government Vehicles	2	31 231
Imprest Recoveries	1	390
Loss of Cash – Cash Shortage	1	647 413
Recoveries of Overpayment of Salaries	4	52 584
Travelling Imprest	15	32 026
Total	23	763 644

78. **Failure to Reply to Audit Correspondence**

During the period of the audit of the accounts of the Ministry for the financial year ended 31 March 2018, I addressed correspondence to the Accounting Officer on observations that had arisen from the audit of the accounts and records of 8 Botswana diplomatic missions abroad. The correspondence covered various dates between March 2018 and December 2018.

However, despite the lapse of long period of time and the significance of some of the matters raised, at the time of writing this report I had still not received replies to any of the letters addressed to the Accounting Officer.

This is in contravention of the requirements of Financial Instructions which provide that all officers shall reply promptly and fully to all audit correspondence and of Public Service Generic Standards which specifically state that officers shall provide replies to all official correspondence within a period of 10 days.

In the circumstances, I am therefore not aware whether, and if so, how the matters raised in my correspondence had been dealt with.

79. **Interest on Deposits**

The various Botswana Diplomatic Missions had realised an interest of P4 272 334 from the investment of cash balances held by them during the year under review, constituting 51% of the total Ministry revenue, and P1 710 334 over the estimate under this item. This achievement was a result of some Missions holding cash far in excess of their requirements to meet their normal expenditures. For example, while admittedly not all Missions were in this position, our audit of the Brasilia Mission had revealed that the average monthly cash holding was P22 000 000 in the local currency bank account and P5 000 000 in the dollar account against monthly payments of less than P1 000 000 in the months in which rentals were not paid and close to P2 000 000 when rentals were paid. Other Missions in similar situations were Johannesburg Consulate and Pretoria High Commission.

In my view, cash resources to be made available to the Missions should be in line with their budgetary and any other specific requirements, such as payments on behalf of other Ministries or Government agencies.

80. **Audit of Accounts – Botswana Embassy, Brasilia**

The audit of the accounts of Botswana diplomatic mission in Brasilia, Brazil for the 6 months' period from April to September 2017 had given rise to a number of observations, the main ones of which were the following-

(a) An examination of the cash book and related records for the period under review had revealed that the Mission held cash far in excess of their monthly requirements. For example, except for the months in which quarterly payments for rentals were made, the monthly expenditures were consistently around P600 000 whereas the cash holdings were well above P22 000 000. This had resulted in the excess being invested and earned interest totalling P1 824 714 in the 6-months period under review. In my view, the cash holdings in the Missions should be in line with their requirements and above that, the cash resources should form part of Government cash balances at Bank of Botswana.

(b) The estimated revenue for the Mission was P1 820 000 which comprised the undeterminable item of *Sundry Receipts* in the amount of P910 000, *Interest on Deposit* P800 000 and *Private Telephone recoveries* with P110 000. Although the Mission subscribes to a medical aid scheme with the possibilities of claims and recoveries of expenses paid directly to the service providers, there was no provision for this prospect in the estimates nor for the refunds of VAT. The Accounting Officer's clarification has been sought and is awaited.

(c) A review of the expenditures of the Mission against the approved estimates had indicated that the approved estimates over the last 3-year period had been significantly higher than the warranted provisions and the actual requirements, as shown below:-

Financial Year	Approved Estimates	Warranted Provision	Actual Expenditure	% Estimates
2015/16	20 029 020	17 008 620	15 542 481	78
2016/17	21 970 240	16 536 390	16 209 890	74
2017/18	21 697 800	20 197 800	16 410 683	76

(d) The Mission subscribes to a medical insurance scheme for the health needs of the staff. There is however no evidence in the accounts of the Mission that medical expenses claims had been made where medical expenses had been paid direct to the service providers. The assurances by the Head of the Mission that he would take the matter up with the medical insurers to regularise the situation of recoveries has so far not borne any results, despite my repeated comments in this regard.

(e) In my previous report I had raised issue with the Mission on their sponsorship of a locally recruited member of staff to study the English language. In response, the explanation was that in Brazil, which is Portuguese-speaking, it is not easy to engage junior staff who already have knowledge of the English language. While this was understandable, it has been noted that the Mission had now sponsored two members of staff to study Spanish language. I have not been able to appreciate the justification for the extension of this dispensation to cover a field of study not directly beneficial to the Mission, given that Brazil is Portuguese-speaking.

In a similar case in another diplomatic Mission in a country where English is the official language, I had sought the Accounting Officer's clarification on the Ministry policy where officers seek Government sponsorship to study the local languages as a matter of personal choice. His comments are still awaited.

81. **Audit of Accounts – Botswana Embassy, Harare**

The accounts and related records of the Botswana Embassy in Harare for the financial year ended 31 March 2018, covering the accounts up to October 2017, were examined and a number of observations raised which were addressed to the Accounting Officer in July 2018 for his comments. The more significant ones were the following-

(a) In addition to the matters raised in respect of the year under review, there were some outstanding issues which had been raised in my previous report on the accounts for the year ended 31 March 2015. Although the Accounting Officer had given some responses, he had however not dealt definitively with the observations on overpayment of school fees for officers children and inappropriate payments from public funds of officers personal expenditures. Specifically, the issues of recoveries from the officers concerned had not been addressed.

(b) The Mission subscribed to a medical aid scheme to cover the medical needs of both the diplomatic and locally recruited staff. While this is so, the Mission had continued to incur expenditures in direct payments to medical service providers with the expectation that those costs would be recovered from the medical aid scheme. However, despite my comments on the issue of recoveries in the past, this had continued to be a challenge in the year of account. For example, in the period from April to October 2017, a total of P46 609 had been paid to service providers but no indication of refunds from the scheme in this year, nor in the previous one.

(c) An inspection which was carried out at the Mission to supplement the audit had indicated that 2 residential houses, the properties of Botswana Government, had been recommended for demolition and reconstruction because of some structural defects. While this course of action may be unavoidable because of the condition these properties are in, I have sought the Accounting Officer’s clarification on the condition that these houses were in at the time of purchase, the price paid and whether the structural integrity of the houses had been tested before finalisation of the purchase of the houses.

(d) In April 2018, the Mission had engaged a valuer to carry-out valuations of unserviceable supplies held at the Mission. The exercise had resulted in a valuation of P53 972, which gave rise to the valuer’s bill of P4 318 (at 8% of the total). I have not been able to appreciate the justification for this course of action, and the resultant cost as the Supplies Regulations and Procedures provide that, for write off purposes, valuations of these supplies shall be at replacement cost or the last known receipt price.

(e) A review of the payments made during the period under review had shown instances of misclassification of expenditures resulting in misstatement of accounts totals, such as rental security deposit for the residence for the police officer seconded to Interpol which was debited to expenditure vote instead of recoverable advance account and various maintenance costs accounted for under Special Expenditure Subhead.

(f) The Mission maintains a group personal accident insurance policy for the locally recruited staff, providing benefits for death, permanent and temporary disability and medical expenses. As I had not been able to ascertain the authority under which this cover, which is not specifically covered in their conditions of service, was made, I have sought the Accounting Officer's clarification on the matter.

At the time of writing this report, the Accounting Officer's responses and comments were awaited.

82. **Audit of Accounts – Botswana High Commission, New Delhi**

The audit of the accounts and records of the above Mission for the financial year ended 31 March 2018 had given rise to a number of observations, which I addressed to the Accounting Officer in May 2018 for his comments. However, because of the non-readiness of the monthly accounts for the rest of the year, the audit covered only the 6 months' period to September 2017.

The matters addressed to the Accounting Officer included the following: -

a) A review of the records relating to refunds of VAT claims had indicated that there were delays in the receipt of the refunds which suggested there were inordinate delays in either submission of claims for refunds by the Mission, or in the processing of claims by the local tax authorities. For example, official receipts issued in May 2017 for VAT refunds in the amounts of P11 750 for the office and of P30 909 for officers (diplomats) was in respect of the period from April to June 2016.

b) In this Mission, property rentals are by far the largest single item of expenditure at P8 107 200 (45%) out of a total expenditure P19 093 633. I have sought the Accounting Officer's comment on this level of recurrent expenditure vis a vis the prospects of property purchases in the long term.

c) In our earlier correspondence on the Mission accounts, there had been an indication that a security deposit of P139 099 had been paid for the Chancery on which an interest of P20 630 had been earned. In the course of the audit of the accounts for the year under review, I have not been able to trace the existence of the advance account on this and any other properties leased by the

Mission and I have sought the Accounting Officers clarification on this.

d) The Mission has not taken out a medical insurance scheme for the diplomatic staff, but has done so for the locally recruited staff. The explanation offered for this course of action for the diplomatic staff was that medical costs are relatively low in India, although no comment has been given for the scheme for the locally recruited staff.

e) There were inconsistencies in the accounting allocation for transactions on behalf of other Departments who have seconded their staff to the Mission. Although the Departments concerned had issued Letters of Authority to the Mission authorizing expenditures from their votes, there were instances where expenditures on behalf of these Departments had been charged to the Mission votes, resulting in misstatement of expenditure.

83. **<u>Audit of Accounts – Botswana Consulate, Johannesburg</u>**

An audit examination of the accounts and records of the above Mission was carried out in July 2018, and arising from the audit a number of observations were raised and addressed to the Accounting Officer for his responses and comments. The main observations on which comments had been sought had been the following: -

a) The Mission collects revenue in respect of reimbursement of medical expenses from the Medical Aid Scheme, Value Added Tax from the local tax authorities, private telephone charges and revenues on behalf of other Ministries such as sale of passports fees. It was noted that there were inordinate delays of 3 to 6 months in paying these collections into the bank, contrary to the requirements of Financial Instructions and Procedures which requires banking to be done once a week or more frequently in the event of cash collection exceeding P1000.

b) During the audit check of the utilities accounts, it was noted that the Mission had paid an amount of P4 610 to the City of Johannesburg as a security deposit for bills on one of the properties leased by the Mission. This amount was not reflected in the accounts of the Mission as a recoverable advance, implying that it was expensed in the year in which it was paid. I have suggested that an accounting adjustment be made to reflect the true status of this payment, as well as for any other similar payments on other properties.

c) It was intimated, through discussions with the Mission officers, that there had been incidents of break-ins at two of the properties leased by the Mission, and a number of household items stolen, including television sets, CCTV decoder and Monitor, blankets, sheets, pillows, iron, kettle, toaster etc. In both instances, there had been no loss reports submitted to the appropriate authorities for evaluation of the circumstances of the occurrences and acquittance of the accounting records. The financial rules and regulations require that all losses and damages to Government properties should be reported.

d) A test check of the physical stocks of consumable stores against the ledger balances had revealed some significant discrepancies, which indicated that the maintenance of the accounting records for these items was not of the standard prescribed by the Supplies Regulations and Procedures. This weakness carries with it the risk of misuse of supplies without notice or detection.

e) According to the General Ledger account, the balance of the rental security deposits on the various properties leased by the Mission was P124 479 as at 31 March 2018. I had sought the Accounting Officer's confirmation that this balance is in accordance with the balance on records held by the Mission on property files.

f) A check of the vehicle log books had indicated instances where officers' children had been transported to school using official vehicles. I had raised comments on this matter during the audits of other Missions in the past but to date I have still not had the Accounting Officers definitive comment on this practice, as an Accounting Officer.

As earlier indicated, the Accounting Officer's comments on the above observations were still awaited at the time of writing this report.

84. **<u>Audit of Accounts – Botswana High Commission, London</u>**

Arising out of the audit of accounts and records of the above Mission, I addressed my observations and comments to the Accounting Officer for his comments, but at the time of writing this report I had still not received those comments. The main points raised are indicated below–

a) A review of the revenue accounts had indicated that little attention had been paid to these accounts in the preparation and submission of the estimates and the collections thereof, as illustrated below –

(i) VAT claims is a regular revenue item in this Mission, but had been omitted in the revenue estimates. The collections totalled P37 039 in the year under review and was P105 897 in the previous year.

(ii) Although a total of P135 444 had been paid by the Mission to the service providers in medical expenses, only P9 825 is recorded as having been claimed and received from Medical Aid.

(iii) The interest on deposits which makes up 85% of the Mission Revenue estimates has been consistently inflated and therefore unrealistic relative to the actual collections over the years.

b) The Mission expenditure for the year under review was P23 038 389. Out of this amount, P1 964 203 was for rentals on properties leased by the Mission. At this level, I consider the expenditure significant, which ranks second at 9% after salaries and allowances at 60%. In this connection, I have inquired from the Accounting Officer if any consideration had been given to the possibility of purchasing, at least, some of the properties, given that the Mission is one of the oldest ones, dating back to 1966. While the capital sum required for the purchases may be substantial, there could be savings on rentals over time.

c) In connection with the leased properties, it was noted that the Mission had taken out insurance policy on the buildings and Government-owned contents of those properties. The insurance on buildings covered all perils including subsidence. In this regard, I have sought the Accounting Officer's comments on Government's insurable interest on buildings that it does not own, but has only leased. My view is that the insurable interest of those properties should lie with their owners.

d) In the year under review, the Mission did not have a provision for the purchase of motor vehicles under the Special Expenditure subhead. Consequently, an arrangement was made with a commercial institution for financing the purchase of 2 official vehicles through a hire purchase scheme at a monthly instalment of P12 106 and the expenditure charged to maintenance and running expenses vote. This method of financing the purchase of such high value assets as vehicles is outside of the normal government budgetary procedures.

e) While attending Heads of Missions meetings and conference in Gaborone, the High Commissioner had entertained 20 other Heads of Missions to a banquet at a cost of P8 115, and charged the expenditure to a Seminars and Workshops vote. I have sought the Accounting Officers justification for this course of action as Heads of Missions' consultation meetings are hosted by Headquarters and also the entertainment was away from the officer's duty station.

f) The Mission assists 2 parastatals, namely Botswana Investment and Trade Centre and Botswana Tourism Organisation, with the payment of staff salaries and other expenses which are subsequently reimbursed. While I have not noted any irregularities in this arrangement, I have suggested that these entities should provide their own funding and accounting arrangements outside of government transactions to avoid any possible confusion in this area.

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

The audit of the accounts of the Mission has shown lapses in the observance of laid down rules with regard to accounting and other related matters, the main ones of which are indicated below-

(a) The long outstanding matter of the balance of unrecovered rental security deposit of P44 036.61 has still not been resolved. The balance resulted from failure to recover the security deposit upon closure of the Botswana Consulate in Cape Town in September 2012. The Accounting Officer's submission to the last meeting of the Public Accounts Committee that the account is being reconciled is unhelpful in meaning and action, after the lapse of a period of 6 years. At this rate the prospects of recovery of this amount are next to nothing.

(b) With regard to the leased properties in the Mission I have not been able to trace the accounts of the security deposits paid either from the examination of the Mission accounts or the General ledger, save for a residual balance of P4 068 in the General Ledger.

(c) The Mission is contracted to a Medical Aid Scheme to cover the medical and health needs of the diplomatic and locally recruited members of staff, at a' monthly premium of P116 718. In the 7 months' period up to October 2017, medical expenses to the tune of P26 648 had been paid directly to the service providers, but at year-end only P5 961 had been reimbursed by the Medical Aid Scheme.

(d) Although the purpose and use of the representation allowance vote, available only in Mission accounts, is clearly defined in General Orders there is still some confusion between this vote and the official hospitality vote, resulting in the distortion of expenditure totals between these 2 votes in the Missions. Apart from these 2 votes, there have been other instances of misallocations of expenditures in the accounts of this Mission. Financial Instructions and Procedures require that expenditures shall be allocated strictly in accordance with the provisions set out in the Expenditure Estimates for accuracy of accounts presentation.

I have drawn the attention of the Accounting Officer to these, and other, shortcomings, and at the time of writing this report I had still not received his comments.

INDEPENDENT ELECTORAL COMMISSION

86. **Warranted Provision**

The utilization of funds warranted to the Commission for the financial year ended 31 March 2018 is indicated below:-

Dept	Warranted Provision	Actual Expenditure	Under - Expenditure	%
IEC	60 440 750	56 606 747	-3 834 003	6

In the year under review, the Commission spent 94% of the funds warranted to it, compared to 86% in the previous year and 95% in the year before. The expenditure of P56 606 747 in the year under review represents 18% increase over the previous year's of P48 150 618.

87. **Non-Moving Advances**

The non-moving advances which were outstanding on 31 March 2018 under this Commission are shown below:-

Account	No. of Cases	Amount
Advances – Grade D4 and Below	1	3 000
Total	1	3 000

OFFICE OF THE OMBUDSMAN

88. **Warranted Provision**

The utilization of funds warranted to the Office for the financial year ended 31 March 2018 is indicated below:-

Dept	Warranted Provision	Actual Expenditure	Under - Expenditure	%
Ombudsman	29 518 600	27 465 594	-2 053 006	7
	29 518 600	27 465 594	-2 053 006	7

As in previous years, the Office has performed fairly well in budget utilization with expenditures recorded at 93% of the warranted provisions in the year under review.

MINISTRY OF LAND MANAGEMENT, WATER & SANITATION SERVICES

89. **Warranted Provision**

The utilization of funds warranted to the Ministry for the financial year ended 31 March 2018 is indicated below:-

Dept	Warranted Provision	Actual Expenditure	Under - Expenditure	%
Headquarters	608 216 114	603 422 599	-4 793 515	1
Housing	-	1 065	-1 065	
Surveys & Mapping	36 171 155	35 757 261	-413 894	1
Town & Country Plg.	25 602 240	25 246 983	-355 257	1
Lands	39 770 098	36 629 474	-3 140 624	8
Registrar of Deeds	12 310 365	11 384 839	-925 526	8
Technical Services	7 522 656	6 875 735	-646 921	9
Water Affairs	125 733 822	124 038 653	-1 695 119	1
	855 326 450	843 354 480	-11 971 970	1

90. **Non-Moving Advances**

The non-moving advances which were outstanding on 31 March 2018 under this Ministry are shown below:-

Account	No. of Cases	Amount
Damage to Government Vehicles	5	58 178
P & P Payroll	3	770
Imprest Recoveries	3	34 082
Advances – Industrial Class	3	6 100
Advances – Grade D4 and Below	1	(834)
Advance on Gratuity	1	120 000
Loss of Cash – Cash Shortage	3	339 762
Recoveries of Overpayment of Salaries	29	388 045
Training Bond Liability	4	180 571
Travelling Imprest	8	134 834
Total	60	1 261 508

91. **Arrears of Revenue**

While the Ministry does not lease Government properties on credit, the accumulation of rental arrears has gone out of control and actual collections are significantly low and some revenue debts abandoned. The table below illustrates the state of arrears of the Ministry relative to the revenues collected.

Revenue Item	Arrears 01/04/2017	Arrears Collected	Revenue Abandoned	**Recurrent Revenue Collected 2017/18**
Rent, State Land	4 423 890	804 056	102 387	**7 499 479**
Rent, Offices	1 048 354	949 821	44 000	**1 451 740**
Telephones (DWS)	24 029	1 310	15 282	**30 144**
Borehole Leases	1 274 842	553 642	4 632	**1 506 263**

As mentioned elsewhere in an earlier paragraph, there is the long outstanding matter of the Consumer Water Accounts involving an amount of P14 887 353), which has still to be resolved.

92. **Audit of Accounts – Department of Lands**

Following the audit of the accounts and records of the Department for the financial year ended 31 March 2018, I addressed my observations to the Accounting Officer drawing his attention to some of the weaknesses and shortcomings that had been noted during the audit. The main ones of these are summarized below-

(a) A review of the official receipts issued had indicated that large sums of money, ranging from P10 000 to P80 000, had been received in cash for purchases of plots by members of the public. Follow-up inquiries with Departmental officers had elicited that the cash transactions of these amounts had not been reported to the Financial Intelligence Agency, in accordance with the requirements of Financial Intelligence Act.

(b) Although the Department had made financial provision of P23 246 480 in the Estimates of Expenditure for 2017/18 for the payment of Government's contribution to the Gaborone City Council in lieu of rates on its rateable properties in the Council area, this money was never paid over to the Council in that year. The explanation given for the non-payment was that there was an outstanding query regarding past payments which had been made without invoices against identified Government properties in the Council area. The Department has since taken up the matter with the Council to resolve it. In these instances, it could not be ascertained whether the Government had in the past paid the appropriate amounts relative to the Government properties.

Further, it was noted that the payment for the financial year 2016/17 was significantly lower than those in previous years, and the amount appropriated for this purpose, as shown in the table below-

Financial Year	Approved Estimates	Warranted Provision	Actual Expenditure
2017/18	23 346 48	-	-
2016/17	31 080120	12 580 066	12 580 064
2015/16	27 723 360	27 723 360	27 723 337
2014/15	24 317 600	21 950 200	21 950 139
2013/14	24 317 600	20 422 600	20 422 390

(c) Three officers of the Department who had been dismissed from the Public Service owed Government a total of P104 059 and these amounts had not been deducted from their terminal benefits. The debts covered a variety of sources including salary overpayment, rental from occupation of Government quarters and a loss of cash case. It had been intimated that these losses had not been reported to the Ministry of Finance and Economic Development, contrary to the provisions of Financial Instructions and Procedures.

(d) Correspondence on departmental files had indicated that 6 officers in the Francistown office of the Department had been involved in systematic fraudulent sale and allocation of land for their own financial benefit. The report addressed to the Attorney General in February 2010 by the Accounting Officer had indicated that there were altogether 26 plots so far identified belonging to different people and some to Botswana Government. As I understand it, the prosecution of these officers is still pending with 5 on interdiction with pay and the other one has resigned.

Despite the fact that my communication to the Accounting Officer was transmitted to him as far back as July 2018, at the time of writing the report I had still not received his comments on the matters raised.

MINISTRY OF ENVIRONMENT, NATURAL RESOURCES CONSERVATION AND TOURISM

93. **Warranted Provision**

The utilization of funds warranted to the Ministry for the financial year ended 31 March 2018 is indicated below:-

Dept	Warranted Provision	Actual Expenditure	Over + Under - Expenditure	%
Headquarters	144 902 638	143 480 557	-1 422 081	1
Wildlife & National Parks	265 691 571	273 948 115	+8 256 544	3
Tourism	18 585 086	18 563 424	- 21 662	-
Met. Services	55 737 634	56 536 730	+799 096	1
Sanitation, & Pollution Control	21 337 134	20 929 883	-407 251	2
Forestry & Range Resources	83 352 710	79 001 979	+4 350 731	5
Environmental Affairs	24 135 897	22 831 462	-1 304 435	5
National Museum Monuments & Art Gallery	28 521 900	28 145 175	-376 725	1
	642 264 570	643 437 325	+1 172 755	-

Last year the expenditures of the Ministry had exceeded the warranted provision by P8 159 977, contrary to the requirements of the finance warrant issued to the Accounting Officer. These over-expenditures had occurred because of the Departments of Wildlife and National Parks and of Meteorological Services that had exceeded the authority of their departmental warrants. In the year under review the Ministry's over-expenditure of P1 172 755 through the same departments as in the previous year clearly shows lack of financial and expenditure control on the part of these departments

94. **Non-Moving Advances**

The non-moving advances which were outstanding on 31 March 2018 under this Ministry are shown below:-

Account	No. of Cases	Amount
Damage to Government Vehicles	4	49 420
Imprest Recoveries	6	23 694
Advances – Industrial Class	1	250
Advances – Grade D4 and Below	43	49 122
Loss of Cash – Cash Shortage	2	82 910
Recoveries of Overpayment of Salaries	19	128 534
Training Bond Liability	3	389 559
Travelling Imprest	7	(9 880)
Total	85	1 155 609

95. **Audit Inspection – Moremi Game Reserve, Ngamiland**

An audit inspection which was conducted at the Moremi Game Reserve had indicated some lapses on the management of the facilities under the charge of the Reserve, as in the following:-

(a) A tractor–drawn grader which had reportedly been donated by the European Union for the maintenance of roads around the park had never been used since 2015. The explanation offered was because of the dust caused by the tractor which was considered injurious to the personnel at the station. However, notwithstanding the explanation, my view is that a way should be found in which the equipment can be used to keep the park in a satisfactory state of maintenance, in appreciation of the good gesture of the donor.

(b) In another case, in addition to the generator in use there were 5 other generators which were not in use because they needed some repairs. At the time of the audit, and in the absence of an explanation from the Accounting Officer, it had not been possible to ascertain the reasons for these generators not being repaired and brought into use.

(c) At the North Gate of the Park there were no lighting facilities which necessitated officers having to improvise with their cellular phones to provide lighting when registering guests and processing payment of park fees, especially during the winter season.

INDUSTRIAL COURT

96. Warranted Provision

The utilization of funds warranted to the Industrial Court for the financial year ended 31 March 2018 is indicated below:-

Dept	Warranted Provision	Actual Expenditure	Under - Expenditure	%
Industrial Court	43 040 500	37 323 054	-5 717 446	13

The warranted provision for the Industrial Court for the financial year under review was P43 040 500, and the expenditure was P37 323 054, leaving an unspent balance of P5 717 446 (13%).

97. Non-Moving Advances

The non-moving advances which were outstanding on 31 March 2018 under the Industrial Court are shown below:-

Account	No. of Cases	Amount
Travelling Imprest	3	12 466
Total	3	12 466

98. Arrears of Revenue - Telephones

I have in the past persistently commented that it is unnecessary and undesirable that private telephone charges owed by public officers should form part of outstanding revenue debts owed to Government as these administrative matters are governed by General Orders, and the terms of those General Orders should be strictly followed. General Orders require that private telephone charges should be paid promptly on receipt the telephone account. In the case of this Court, out of the opening balance of P58 654, only P30 483 (52%) was collected during the year with an additional P10 444 incurred during the same year.

MINISTRY OF YOUTH EMPOWERMENT, SPORT AND CULTURE DEVELOPMENT

99. **Warranted Provision**

The utilization of funds warranted to the Ministry for the financial year ended 31 March 2018 is indicated below:-

Dept	Warranted Provision	Actual Expenditure	Under - Expenditure	%
Headquarters	631 160 316	601 705 670	-29 454 646	5
National Archives & Record Services	22 600 436	21 565 032	-1 035 404	5
Youth	-	98 748	-98 748	
National Internship	190 085 858	189 151 618	-934 240	0.5
	843 846 610	812 323 572	-31 523 038	4

Out of the warranted provision of P843 846 610 the unspent balance at year-end was P31 523 038, representing 4% of the warranted provision.

100. **Non-Moving Advances**

The non-moving advances which were outstanding on 31 March 2018 under this Ministry are shown below:-

Account	No. of Cases	Amount
Imprest Recoveries	2	2 285
Advance on Gratuity	3	690 000
Loss of Cash – Cash Shortage	1	25 552
Recoveries of Overpayment of Salaries	13	96 140
Training Bond Liability	1	120 878
Travelling Imprest	6	22 791
Total	26	957 646

MINISTRY OF INFRASTRUCTURE AND HOUSING DEVELOPMENT

101. **Warranted Provision**

The utilization of funds warranted to the Ministry for the financial year ended 31 March 2018 is indicated below:-

Dept	Warranted Provision	Actual Expenditure	Under - Expenditure	%
Headquarters	55 247 300	48 554 807	-6 692 493	12
Buildings Eng. Ser.	240 963 720	235 642 879	-5 320 841	2
Radiation Prot.	-	6 898	-6 898	
Housing	174 695 170	153 663 097	-21 032 073	12
	470 906 190	437 853 884	-33 052 306	7

All Departments of the Ministry are within the provisions subwarranted to them, resulting in overall Ministry budgetary utilization of 93% of the warranted provision.

102. **Non-Moving Advances**

The non-moving advances which were outstanding on 31 March 2018 under this Ministry are shown below:-

Account	No. of Cases	Amount
P & P Payroll	2	3 999
Emergency Advances	2	4 625
Imprest Recoveries	1	2 030
Advances – Industrial Class	3	4 260
Advances – Grade D4 and Below	6	67 525
Loss of Cash – Cash Shortage	1	14 191
Recoveries of Overpayment of Salaries	16	129 976
Travelling Imprest	3	4 450
Total	34	231 056

103. **Arrears of Revenue**

Although the Ministry has through the Department of Housing, collected substantial revenues through leases of Government quarters in the year under review, there has been tardiness in the follow-up of collections of arrears of revenue under these accounts. The collection rate is indicated in the table below:-

Revenue Item	Balance 01/04/2017	Collection 2017/18	% Collection
Private Leases	81 000	-	0
Pool Houses	1 217 954	109 453	9
Institutional and District Houses	40 942	-	0
House Maintenance Fees	2 863	-	0

104. **Audit Inspection – Department of Housing, Gaborone**

An audit inspection of the accounting records maintained by the Department of Housing on pool houses allocated to Government by Botswana Housing Corporation on rental basis had shown instances of weaknesses and other shortcomings in the management of these houses. The findings included the following-

(a) The rental for houses allocated to public officers is paid by deductions from the salaries of those officers, but where this is not possible, the rental is paid directly to the Department. An examination of the rental collection records had shown that there were delays of up to 6 weeks in banking the collections received, contrary to the provisions of Financial Instructions and Procedures which require more frequent banking of all revenue collections.

(b) Two instances of fraudulent use of pool houses had been noted. In one instance, an officer of the former Ministry of Lands and Housing had allocated himself 14 pool houses and sublet them, and thereby collected a total of P805 900 in rental for his personal benefit in the period between 2014 and 2018. In the process of the Ministry preparing his terminal benefits, the officer had refused to sign the liabilities schedule in acknowledgement of debt. While the case is being followed up for the criminal aspect, it has also been referred to Attorney General for assistance in recovering the fraudulently obtained money.

In another instance, an officer in the Department had allocated institutional pool houses to members of the public without following the official procedure, for personal gain. The officer has been dismissed from the public service and the matter referred to the Directorate on Corruption and Economic Crime for fraud investigation.

(c) An examination of the property records had indicated that officers who were no longer in service by reason of retirement or any other cause, and not eligible to pool houses, had continued to occupy the pool houses for long periods after their service termination. The earliest case noted dated back to 2008 on rent-free occupation. The cases involved have been listed and drawn to the attention of the Accounting Officer for clarification and comment against the backdrop of misuse of pool houses and loss of rental revenue.

(d) In almost similar cases, officers who had been transferred from Gaborone to other duty stations had continued to occupy the pool houses which they had been allocated in Gaborone. Some of the transfers dated back to year 2000. While admittedly they continued to pay the rentals, nonetheless, they should have released the houses for allocation to other public officers.

The above instances are indicative of the need to streamline the management of these houses to achieve the purpose of the pool housing policy.

MINISTRY OF TRANSPORT AND COMMUNICATIONS

105. **Warranted Provision**

The utilization of funds warranted to the Ministry for the financial year ended 31 March 2018 is indicated below:-

Dept	Warranted Provision	Actual Expenditure	Under - Expenditure	%
Headquarters	433 164 660	419 880 744	-13 283 916	3
Road Transport & Safety	154 189 230	148 527 272	-5 661 958	4
CTO	521 596 090	458 579 482	-63 016 608	12
Telecoms. & Postal Services	10 047 550	8 364 783	1 682 767	17
Roads	349 136 020	315 471 064	-33 664 957	10
Information Tech.	503 022 620	477 829 769	-25 195 851	5
	1 971 156 170	1 828 653 113	-142 503 057	7

Except for the Department of Telecommunications and Postal Services, which is consistently at 83% as presented by last and this year's utilization, the other Departments of the Ministry have unspent year-end balances ranging from 3% to 12%.

106. **Non-Moving Advances**

The non-moving advances which were outstanding on 31 March 2018 under this Ministry are shown below:-

Account	No. of Cases	Amount
Damage to Government Vehicles	7	55 330
P & P Payroll	11	214 823
Emergency Advances	6	7 996
Imprest Recoveries	4	20 203
Advances – Industrial Class	7	12 473
Advances – Grade D4 and Below	11	112 228
Loss of Cash – Cash Shortage	2	216 236
Recoveries of Overpayment of Salaries	56	473 426
Training Bond Liability	1	34 822
Travelling Imprest	7	8 050
Total	112	1 155 587

MINISTRY OF DEFENCE, JUSTICE AND SECURITY

107. **Warranted Provision**

The utilization of funds warranted to the Ministry for the financial year ended 31 March 2018 is indicated below:-

Dept	Warranted Provision	Actual Expenditure	Under - Expenditure	%
Headquarters	103 173 459	99 546 667	-3 626 792	4
BDF	2 923 778 110	2 900 657 067	-23 121 043	1
BPS	1 627 705 741	1 620 698 647	-7 007 093	-
Prisons & Rehab.	351 641 460	349 183 272	-2 458 188	1
DCEC	-	20 693	20 693	-
	5 006 298 460	4 970 106 346	-36 192 424	1

The expenditures of the Departments of the Ministry are well within the warranted provisions.

108. **Non-Moving Advances**

The non-moving advances which were outstanding on 31 March 2018 under this Ministry are shown below:-

Account	No. of Cases	Amount
Damage to Government Vehicles	11	87 332
Imprest Recoveries	4	20 987
Advances – Grade D4 and Below	7	25 215
Advance on Gratuity	1	230 000
Loss of Cash – Cash Shortage	3	60 456
Recoveries of Overpayment of Salaries	18	105 640
Training Bond Liability	4	551 449
BDF Fines Recovery	27	246 131
Travelling Imprest	8	2 514
Total	83	1 329 724

109. **Property Leases – Botswana Police Service**

The examination of the accounts and records of leases of properties by the Botswana Police Service had given rise to some audit observations, the main ones of which were the following:

(a) The Botswana Police Service had leased blocks of flats comprising 236 housing units owned by a private developer in the Maruapula area in Gaborone, effective from 1 April 2016, at a monthly rental of P1 288 000. Subsequently, the Police had proposed to purchase the flats at a price of P364 million for which the Public Procurement and Assets Disposal Board approval was granted in December 2017. However, related inquiries had disclosed that the earlier lease had not followed the Public Procurement and Asset Disposal Act requirement of approval by the Ministerial Tender Committee, but had only been facilitated by the Department of Housing. The implication is that the process of acquisition of the lease, including the test of whether the rental was competitive, had not been properly evaluated and approved by the appropriate authority, as contemplated by the Act. It could therefore not be ascertained whether Government had received value for money on these leases.

(b) In May 2017 an agreement was entered into with a private property developer for a 5-year lease of an office block in Francistown, at a quarterly rental of P299 880. However, as at August 2018, some 15 months into the lease period, the Police had still not moved into the office block. The explanation offered was the delay with the installation of a back-up generator. I am concerned that rental payments continued to be paid without beneficial occupation of the premises as this constitutes nugatory expenditure.

(c) In another case, the Police had occupied a private office block in Gaborone on a 5-year lease from November 2001 to 2012. During the currency of the lease, the Department of Lands acceded to the Police request to terminate the lease to take up occupation of another building in the Central Business District, Gaborone on condition that they gave 6-months notice. In the event, the Department over-stayed the period of notice by 8 months, incurring further rental expenditures on these premises.

(d) Other cases noted related to instances where in one case an officer who had left service had not made proper arrangement for the payment of rental for the pool house that he had occupied and had accumulated rental arrears, and other cases where ex-officers had continued to stay in pool houses without authority. The concession of allocation of rent-free pool houses is a privilege which should be systematically safeguarded.

110. **Audit Inspection – Botswana Police College, Otse**

Following an audit inspection which was carried out at the above College, I addressed a number of observations to the Accounting Officer drawing her attention to weaknesses and shortcomings in the management and accounting for supplies on charge to the College. The main ones of the observations raised were the following:-

(a) The College operates a Clinic for use by staff and the community in the surrounding areas. An examination of supplies records in the Clinic had revealed a number of items of equipment which had not been used since purchase way back in 2001. The items included, gynaecology bed, blood bank refrigerator, bedside lockers and patient beds, which were manifestly surplus to requirement and should have been considered for transfer to other Departments, or disposal in any other appropriate manner under the terms of Supplies Regulations and Procedures.

(b) An audit of drugs records had indicated drugs that had expired on various dates between 2011 and 2017 and were still in the storeroom. Apart from taking up valuable storage space, there is also the danger that these drugs could be inadvertently issued to patients.

(c) A check of physical stocks of supplies against ledger balances had indicated that the accounting was not of the standard required by Supplies Regulations and Procedures in that there were items of supplies which were not recorded in various office inventories, while others had shown discrepancies.

(d) In other cases, the register of overdue books from the library had included numerous books which had been borrowed from as far back as 2013 and had still not been returned as at the time of audit. The non-return of books on time could lead to losses of these items of supplies and replacement costs.

The other weakness in the library related to the broken exit door which needed to be repaired and the dysfunctional book detection machine which no longer served its original purpose.

MINISTRY OF EMPLOYMENT, LABOUR PRODUCTIVITY AND SKILLS DEVELOPMENT

111. **Warranted Provision**

The utilization of funds warranted to the Ministry for the financial year ended 31 March 2018 is indicated below:-

Dept	Warranted Provision	Actual Expenditure	Under - Expenditure	%
Headquarters	118 587 085	106 899 107	-11 687 978	10
Labour & Soci. Secu.	50 594 580	47 033 896	-3 560 684	7
Occupational Health & Safety	11 701 140	9 586 442	-2 114 698	18
Skills Development	449 694 515	413 696 164	-35 998 351	8
	630 577 320	577 215 609	-53 361 711	8

The approved estimates and warranted provision for the Ministry for the year under review were P630 577 320 and the actual expenditure was P577 215 609, leaving unspent balance of P53 361 711, representing 8% of the warranted provision.

112. **Non-Moving Advances**

The non-moving advances which were outstanding on 31 March 2018 under this Ministry are shown below:-

Account	No. of Cases	Amount
Emergency Advances	1	1 200
Imprest Recoveries	1	3 681
Advances – Grade D4 and Below	4	66 349
Loss of Cash – Cash Shortage	3	304 000
Recoveries of Overpayment of Salaries	5	(14 005)
Travelling Imprest	3	24 419
Total	17	385 644

MINISTRY OF TERTIARY EDUCATION RESEARCH, SCIENCE AND TECHNOLOGY

113. Warranted Provision

The utilization of funds warranted to the Ministry for the financial year ended 31 March 2018 is indicated below:-

Dept	Warranted Provision	Actual Expenditure	Under - Expenditure	%
Headquarters	1 680 866 830	1 675 801 379	-5 065 451	30
Tertiary Educ. Train.	2 197 623 678	2 197 623 678	-34 576 432	2.00
Teacher Trai. Tech. Ed	312 371 240	304 658 920	-7 712 320	2.46
Research Sci. & Tech	7 537 850	6 687 615	-850 235	11.27
Radiation Protec. Insp.	12 754 150	12 129 504	-624 646	5.00
	4 245 730 180	4 196 901 095	-48 829 085	1.15

Out of the expenditure of P4 196 901 095, the major areas of expenditure are shared between subventions to parastatals under the Ministry portfolio making 38%, and tertiary education fees with 51% of the total.

114. **Non-Moving Advances**

The non-moving advances which were outstanding on 31 March 2018 under this Ministry are shown below:-

Account	No. of Cases	Amount
Advances – Grade D4 and Below	1	15 000
Advance on Gratuity	1	285 000
Bonded Student Recoveries	477	1 221 413
Grant Loan Scheme	1 520	22 517 240
Student Advance Loan Scheme	3 296	(2 119 631)
Travelling Imprest	2	2 383
Total	5 297	21 921 405

115. **Arrears of Revenue**

As in previous years, the arrears of revenue under the control of the Ministry had shown poor performance in the collection of those revenues in the year under review, including those arising from the use of official telephones by public officers. The outstanding amounts and the extent of non-collection are shown below:-

Revenue Item	Balance 01/04/2017	Collections 2017/18	Current Year Arrears	Balance 31/03/2018
Telephone (2702)	7 217	2 398	3 612	8 431
Courses & Books Fees	2 321 616	597 629	-	1 723 987
Telephones (2703)	8 610	3 546	-	5 064
School Fees	15 000	-	-	15 000

116. **Audit Inspection – Tonota College of Education, Tonota**

An audit inspection was carried out at the above College and the observations noted below were addressed to the Accounting Officer in December 2016 for his comments, but, despite the significance of the matters raised, at the time of writing this report I had not received those comments. The more significant of the matters raised were the following:

(a) As far back as the mid-1990's a project was undertaken to establish a milking parlour facility, as part of the College farm complex, which was to be used for teaching and training purposes for agriculture teachers. It was intimated that the project was never commissioned for a variety of reasons, the main one of which was lack of resources and expertise to operationalise the facility. The capacity of the parlour required at least 150 milk cows for optimal use which the College could not sustain. While the rest of the farm is operational, the milk parlour has remained dormant with the likelihood that the equipment and instrumentation might have deteriorated through corrosion. It was explained that an earlier suggestion to refurbish the parlour equipment could not be followed-up because of the prohibitive costs.

In my view, the circumstances of this project are unfortunate in that it was conceived and implemented without a clear vision of its use and benefit, hence the failure to put into use despite the considerable expenditures that went into it.

(b) The report prepared by the Department of Building and Engineering Services in August 2015 on the structural condition of the College library had indicated that the building was in a bad state of disrepair with defects all around it: the flat roof slab with aggregate on top experienced cracks along the barrier walls; the internal walls had cracks which had been filled before without much help; signs of stains on the ceiling indicated water leakages; cracks along the wall in the washrooms are some of the main defects in the building. Further, the report indicated that the assessment was done without the assistance of 'as-built' drawings which could not be traced.

Clearly this unsatisfactory state of the building requires urgent attention to save it from further deterioration and possible damage to the contents.

(c) At the time of the audit inspection, in June 2016, the outstanding debts stood at P301 700 in respect of self-sponsored students' school fees and P1 220 873 for "Courses and Book Fees." In my view, these levels of indebtedness are an indication of lack of follow-up for the payment of the fees: The admission of students into the College is always premised on the student sponsors' undertaking to pay all the requisite fees.

(d) The College had experienced challenges of supplies of food rations by suppliers who had been awarded tenders but were unable to supply their allotted food items. This had resulted in the College resorting to alternative sources and changes in the menu, causing grave inconvenience.

This situation points to the need for more careful screening of tenderers in terms of capacity to honour their tender awards.

(e) In March 2011 there was a break-in into the Learning Resource Centre and items valued at P25 900 were stolen. The items stolen included video projectors, digital cameras, camcorders, etc. The break-in and theft were reportedly reported to the Police, but a formal loss report was never submitted to the appropriate authorities in accordance with the terms of Supplies Regulations and Procedures. As far as I am aware there has not been any follow-up on this matter leading to finalisation of the case and adjustment of the accounting records, despite the lapse of long period since occurrence.

(f) Other losses at the College involved a laptop and 40 cm television plasma which had neither been reported to the Police nor a loss report submitted to the Ministry and through to the Ministry of Finance and Economic Development. These lapses indicate a weakness in the accounting and management of valuable items of supplies under the custody of the College.

VIII LOCAL GOVERNMENT AUTHORITIES

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

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

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

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

Town and City Councils

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

District Councils

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

Land Boards

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

IX PERFORMANCE AUDIT

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

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

During the year under review, four reports for Central Government were completed and sent to the National Assembly for tabling, which were;

- ❖ Management of Borrowing Activities by Ministry of Finance and Economic Development.
- ❖ Control of Foot and Mouth Disease by Department of Veterinary Services.
- ❖ Regulation of Municipal Solid Waste by the Department of Waste Management and Pollution Control.
- ❖ Management of Human-Wildlife Conflict by the Department of Wildlife and National Parks.

One report for local authorities namely Management of Gamodubu Landfill was completed and sent to Kweneng District Council for tabling.

At the time of writing this report, nine audits are in progress and will be concluded in 2019.

X PARASTATALS

119. **Introductory**

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

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

120. **Air Botswana**

The financial statements of Air Botswana Corporation for the financial year ended 31 March 2018 were audited by Messrs PricewaterhouseCoopers, Certified Auditors, who were appointed by me in terms of Section 22 (2) of Air Botswana Act, (Cap 74:07).

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements presented fairly in all material respects the financial position of Air Botswana Corporation as at 31 March 2018, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

2.2 Financial Results

In the year under review, the Corporation recorded a loss of P42.10 million, a significant decline in performance from prior year loss of P12.35 million. Income including Government grants decreased by P78.61 million from P417.37 million in the previous year to P338.77 million in year under review. The traffic revenue decreased by 7% (P23.30 million) mainly due to reduction in passenger numbers by 6%. Operating costs declined by P48.86 million (representing 11.37%) from P429.72 million in the prior year to P380.86 million in the year under review.

Significant reductions in expenditure were mainly due to:

- The 25% (P12.26 million) reduction in cost of fuel as a result of discontinued Harare, Lusaka and Cape Town routes.

- Maintenance of aircrafts went down by 23% (P12.34 million) mainly because there were C-checks and D-checks in the previous year.

- Staff costs declined by 12% (P16.71 million)

- Airport navigation fees declined by 33% (P6.22 million)

- Aircraft lease costs decreased by 96% (P24.42 million)

- Professional fees declined by 63% (P7.72 million)

2.3 Working Capital

The working capital position of the Corporation as at 31 March 2018 showed total current assets of P219.46 million and total current liabilities of P114.13 million resulting in a net current assets position of P105.33 million.

Included in the current assets is P130.16 million for non-current assets held for sale which are two ATR 42-500 turboprop aircraft and one ATR 72 -500 turboprop aircraft. The Corporation signed trade-in agreements on 12 June 2018 to sell the aircrafts classified as assets held for sale as at 31 March 2018 and purchase two ATR72-600 Aircraft.

3.0 Management letter

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

3.1 Fully Depreciated Assets

The auditors noted that as in the previous years, management had not performed a formal review (except for motor vehicles) for a number of fully depreciated assets in the assets register to determine whether the assets were in use or needed to be de-recognised, indicating possible non-compliance with International Accounting Standard 16 which requires a review of useful lives of assets on a regular basis. Fully depreciated assets as at 31 March 2018 were as follows:

• Motor Vehicles	P3.30 million
• Rotables	P3.8 million
• Furniture and Equipment	P22 million

In response management stated that even though the assets were fully depreciated they were still in use and therefore the Corporation continued to derive economic benefits from the assets as well as incurred maintenance costs to ensure they were operational and as such could not be de-recognised.

3.2 Revenue – Route Tariffs

The auditors noted that the Corporation had not obtained approval from the Minister for tariff changes made during the year under review, indicating non-compliance to Section 18 of Air Botswana Act which requires approval of tariffs for air transport services by the Minister.

In response management indicated that fares were influenced by competition, demand and seasonal promotions which require adjustments to fares to the prevailing conditions which could be as frequent as daily, weekly, etc. A consultative process would seriously impact on the decision making and the ability to take advantage of prevailing conditions at the time.

3.3 Classification of Strategic Spares

The auditors noted that contrary to International Accounting Standard 16 (IAS16) which requires that items such as spare parts, stand-by equipment and servicing equipment be recognised in accordance with IAS 16 when they meet the definition of property, plant and equipment (PPE), management had not performed a formal evaluation in order to determine whether any spare parts as such nature classified as inventory were re-classified as PPE. Consequently, there was a total of P1.2 million assets classified as inventory which should have been classified as PPE.

In response management noted the auditors finding and stated that they would review their policies in order to ensure compliance with IAS 16.

121. **Banyana Limited**

The financial statements of Banyana Limited for the financial year ended 30 June 2017 were audited by Messers RSM Botswana, Certified Auditors, who were appointed by the Board.

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The annual financial statements presented fairly, in all material respects, the financial position of Banyana (Proprietary) Limited as at 30 June 2017, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying their opinion, the auditors drew attention to Note 24 of the financial statements which discloses the change in business model of the company from provision and marketing of quality slaughter cattle, livestock and rangeland management to land sub-leasing.

2.2 Financial Results

During the financial year under review, Banyana Limited recorded a loss of P685 267 before an adjustment of available for sale financial assets of P81 510, compared to a loss of P3.06 million recorded in the previous year. The improvement in results was attributable to a 95% reduction in cost of sales from P2.29 million in the previous year to P110 729 in the year under review. A further reduction of 39% was realised in other operating expenses from P5.16 million in the prior year to P3.16 million in the year under review. On the other hand, revenue decreased by 43% from P2.60 million in the previous year to P1.48 million in the year under review. The revenue comprises of rental income (79%) and sale of cattle (21%).

The significant variations in the financial results are attributable to the change in the business model, as a result the prior year and current year profit or loss statements are not comparable.

122. **Botswana Accountancy College**

The financial statements of the Botswana Accountancy College for the financial year ended 31 March 2018 were audited by Messrs PricewaterhouseCoopers, Certified Auditors, who were appointed by the Board.

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The annual financial statements presented fairly, in all material respects, the financial position of the Botswana Accountancy College as at 31 March 2018, and its financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards.

2.2 Financial Results

The College recorded a profit of P9.74 million before a revaluation gain in properties of P6.51 million, compared to a deficit of P21.13 million recorded in the previous year. Income increased by 14% from P159.07 million in the previous year to P181.36 million in the year under review, while expenditure on the other hand declined by 5% from P180.20 million in the previous year to P171.62 million in the year under review.

2.3 Working Capital

The working capital position of the College as at 31 March 2018 showed total current assets of P68.71 million and current liabilities of P81.79 million, giving a net current liabilities position of P13.08 million.

Current liabilities included pre-paid tuition and hostel revenue of P44.67 million and payroll accruals of P6.38 million.

3.0 Management Letter

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

3.1 Unrecovered Staff Loans

The auditors noted, as in the previous year, that no recoveries had been made from 27 officers for staff loans/advances amounting to P270 268, which had been outstanding since 2016. Eleven of the employees were on the payroll while others had left the College, either during the year or in the previous year(s).

In response management stated that most of the staff debtors were due to travel advances and advances for work and residence permits, rather than advance against salary. They further stated that most of the staff had indicated that they had returned the receipts. However, records were not found. Financial clearance was now performed before employees were paid terminal benefits and management would engage all existing staff members with long outstanding balances to put in place payment plans. Management had also introduced a measure to curb the risk of issuing new advances to already owing employees by checking accounts receivables and payroll for any amounts that the staff owed.

3.2 Long Outstanding Debtors

The auditors noted, as in the previous year, a number of government and corporate debtors that remained outstanding for a significant period of time. They also noted that the amounts outstanding from self-sponsored students for more than 90 days had increased significantly in 2018, compared to the prior year, which was indicative of inadequate monitoring over debtors. Below is an analysis of debtors that were outstanding for more than 90 days as at 31 March 2018:

Category:	2018		2017	
	P'Million	%	P'Million	%
Government	2.70	11	8.54	34
Corporate	1.27	5	1.66	7
MSc Programmes	8.18	32	2.93	12
Self-sponsored	13.15	52	11.68	47

In response management stated the following:

- Provision for bad debts had been made on a case-by-case basis and was reviewed periodically
- Accounts Receivable team was sent for training for credit control in June 2018, to better manage vetting and collections
- Payment plans, credit checks and stop orders as detailed in the credit policy were being implemented.
- Long outstanding debtors were being contacted and followed up.
- All long outstanding debtors without contact details would be handed over to debt collection agencies and all untraceable debtors would be recommended for write off.

123. **Botswana Accountancy Oversight Authority**

The financial statements of Botswana Accountancy Oversight Authority for the financial year ended 31 December 2017 were audited by Deloitte & Touché, Certified Auditors, who were appointed by the Board in terms of the Financial Reporting Act, 2010.

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

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements presented fairly, in all material respects, the financial position of the Botswana Accountancy Oversight Authority as at 31 December 2017, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

2.2 Financial Results

The financial operations of the Authority showed a deficit of P473 600, compared to a surplus of P437 600 in the previous year.

The deficit was attributable to a 99% increase in rental charge from P910 100 in the previous year to P1.81 million in the current year and a 23% increase in employee costs from P10.48 million in the previous year to P12.86 million in the year under review. Income increased by 16% from P15.44 million on the previous year to P17.98 million during the year under review.

The Authority is funded by Government grants and in the year under review the grant was P13.30 million, making 74% of total income, compared to P12.88 million in the previous year. Revenue from provision of services amounted to P4.49 million during the year under review, compared to P2.36 million in the prior year.

2.3 <u>Working Capital</u>

The working capital position of the Authority as at 31 December 2017 showed current assets of P9.67 million and current liabilities of P7.90 million resulting in a net current assets position of P1.77 million.

3.0 <u>Management letter</u>

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

3.1 <u>Internal Audit Reviews</u>

The auditors indicated that even though the scope of the Authority had increased, it had not engaged internal audit to perform periodic reviews.

In response management stated that the Board had resolved that the size of the entity did not warrant a fully-fledged independent audit department. However, the function would continue to be done under the auspices of Corporate Governance section of the Technical department until the issue is revisited in future.

3.2 <u>Identification of Fixed Assets</u>

The auditors observed that assets were neither assigned identification numbers nor adequately described in the asset register to enable sufficient control over the existence of the fixed assets.

In response management stated that the Authority had recently acquired a fixed asset module to manage assets and that during implementation a system would be put in place with the necessary controls including all those recommended by the auditors.

124. **Botswana Agricultural Marketing Board**

The financial statements of Botswana Agricultural Marketing Board for the financial year ended 31 March 2018 were audited by Messrs Ernst and Young, Certified Auditors, who were appointed by the Board in terms of Section 16 (3) of the Botswana Agricultural Marketing Board Act (Cap 74: 06).

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements presented fairly, in all material respects, the financial position of Botswana Agricultural Marketing Board as at 31 March 2018, and its financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards and in the manner required by the Botswana Agricultural Marketing Board Act (Cap. 74: 06).

2.2 Financial Results

The Board recorded deficit of P65.36 million, compared to a profit of P19.96 million recorded in the prior year. The decline in performance was mainly attributable to a decrease in revenue by P114.70 million from P400.67 million in the previous year to P285.97 million in the year under review (28.63% decrease) and a decrease in other income by P34.71 million from P48.89 million in the previous year to P 14.17 million in the year under review (71% decrease).

Income declined by 33% from P449.82 million during the previous year to P300.70 million during the year under review, while on the other hand expenditure decreased by 15% from P429.86 million in the previous year to P365.41 million during the same period.

2.3 Dividends

Under the Presidential Directive Cab 40/2004, each parastatal which is not subject to tax on its profits is required to pay 25% of its annual profits as dividend to the Government. In the year under review the Board was subject to tax, hence no dividends were payable.

2.4 Working Capital

The working capital position of the Board as at 31 March 2018 showed current assets of P356.40 million and current liabilities of P348.70 million, resulting in a net current assets position of P7.70 million.

3.0 Management letter

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

3.1 Long Outstanding Debtors - Repeat Findings

During the inspection of the debtors' ledger the auditors noted that P159.9 million was more than 120 days. This consisted mainly of government balances. Furthermore, the auditors noted that there were debtors who were more than 3 to 6 years which included, among others, the following:

- Department of Crops – Tati/Francistown and Masunga region
- Bokaa Sorghum Mill
- Bereshit Business Bureau
- Borengwa Ba Mogoma Sorghum Milling (A.R. Bricks)
- Botswana Vaccine Institute
- Dichaba Sebogodi

According to auditors, the long periods of receivables days had resulted in management taking up more bank overdrafts and loans to ease the Boards cash flow challenges. Consequently, the Boards' finance costs had significantly increased by 20% to P16.2 million in 2018. As a result, the following short-term loans and overdrafts were utilized during the year:

- Overdraft facility with Bank ABC – P19.2 million (2017; P20 million)
- Overdraft facility with Standard Chartered – P27.5 million (2017; P 30million)
- Stanbic P50 million
- FNB P39.6 million (2017; P8.9 million)
- Barclays short-term loan P148 million (2017; P78 million)

Management was therefore advised by the auditors to take sterner steps to follow up debtors, improving control over and collection of debts. The Board was further advised that management should evaluate the policy on balances receivable from the Government departments and consider charging interest on long outstanding balances, in an effort to recover the highest interest charges on overdrafts and loans.

In response management stated that the Ministry had not been paying debts in the last 2 years citing budgetary challenges. However, the Ministry had started paying the outstanding debts. Management also stated that from April 2018 to date P84 million had been paid and that for long outstanding debtors other than the Government, they had engaged debt collectors to assist with recovery. Other measures included freezing the customer accounts.

3.2 Enforcement of Credit Terms for Customers – Repeat Finding

During the review of the Trade Receivables the auditors noted that certain customers had exceeded the credit terms set for them as the examples below show:

Customer	Balance over 120 days (P)
Ultimex Holdings	7 659 791
Food Relief Services –Cowpeas 2016/17	10 143 754
Techno Feeds	504 251

The auditors advised that if credit terms were not enforced it could lead to long outstanding balances receivable from debtors leading to cash flow difficulties. It could also lead to the Board providing additional credit to customers without appropriate consideration. The auditors therefore advised management to review the currently established credit terms regularly and revise them as necessary so that they could then be used effectively to closely monitor outstanding receivables balances, to provide early warning of problem accounts, and to prevent additional credit from being approved without appropriate consideration.

In response management stated that appropriate action had been taken for customers who had exceeded credit terms, including attaching property and handing debtors to debt collectors.

3.3 Strategic Grain Reserve (SGR)

The auditors noted, as in the previous year, that the contractual stock holding levels for grains were not met as at year-end. According to the contract with SGR the contract stock quantities should be maintained as follows

Product	Minimum Quantity per Contract (Mt)	Actual Holdings (Mt)	Compliance With Contract
Sorghum	10 000	30 000	Yes
Beans/cowpeas	2 000	1997	No
Maize	5 000	Nil	No

The auditors highlighted this non-compliance with the agreement by the government through the parent ministry and recommended that management should actively review and ensure compliance with agreement.

In response, management stated that the SGR funds had been depleted and the Government had been informed that they needed to replenish the funds with P234 million in order to keep the SGR stock at the required levels. Management further stated that Government had indicated that they had no funds. The funds had been included in the Ministry's proposed budget for 2019/20.

125. **Botswana Bureau of Standards**

The financial statements of Botswana Bureau of Standards for the financial year ended 31 March 2018 were audited by Messrs Mazars, Certified Auditors, who were appointed by the Board.

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements presented fairly, in all material respects, the financial position of Botswana Bureau of Standards as at 31 March 2018, and of its financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards.

2.2 Financial Results

In the year under review, the Bureau recorded a loss of P81 930, compared to a loss of P831 109 in the previous year. Income increased by 4% from P83.64 million in the previous year to P86.83 million in the year under review, while expenditure increased by 3% from P84.47 million in the previous year to P86.91 million in the year under review.

The Bureau is funded by Government grants and in the year under review the grant was P71.74 million, representing 83% of total income. *Other Income* was P11.49 million from sale of services and standards, P2.99 million rental income, P88 216 finance income and P576 118 sundry income.

2.3 Working Capital

The working capital position of the Bureau as at 31 March 2018 showed total current assets of P9.45 million and total current liabilities of P11.53 million, resulting in a net current liabilities position of P2.08 million.

The current liabilities included P7.95 million for employees' gratuities and leave pay.

3.0 Management letter

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

3.1 Property Plant and Equipment

The auditors noted that the entity did not incorporate residual values in estimating depreciation of property, plant and equipment, contrary to International Accounting Standard 16, which requires for depreciable amount of an asset to be determined after deducting its residual value. The auditors further noted assets on the assets register with nil book values which were still in use. This was a further breach of the requirements of International Accounting Standard 16 that useful lives be reviewed at least at each financial year-end.

In response management stated that they accepted the recommendation to estimate residual values and review useful lives of property, plant and equipment for immediate implementation. However, with regard to residual values for laboratory equipment, management were of the view that a nil value was appropriate, taking into account the nature of BOBS' business as a National Standards Body carrying out quality assurance as opposed to a commercial entity trading and capable of securing a secondary market for its used equipment in the event of closure.

126. **Botswana Open University**

The financial statements of the Botswana Open University for the financial year ended 31 March 2018 were audited by Messrs Grant Thornton, Certified Auditors, who were appointed by the Council in terms of Section 30 (2) of Botswana Open University Act, No. 13 of 2017.

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements presented fairly, in all material respects, the financial position of Botswana Open University as at 31 March 2018, and of its financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards and the requirements of the Botswana Open University Act, (No. 13 of 2017).

2.2 Financial Results

In the year under review, the University recorded a deficit of P17.74 million, compared to P7.16 million in the previous year. Expenditure increased by 27% from P107.40 million in the previous year to P136.59 million in the year under review. Increases in expenditure were mainly due to bad debts of P12.03 million incurred in the year under review and employee costs which increased by 13% from P71.02 million in the previous year to P80.47 million in the year under review.

Income increased by 18.5% from P100.45 million in the previous year to P118.75 million in the year under review.

The University is funded by Government grants, and in the year under review the grant was P90.55 million, representing 76% of total income, compared to P74.68 million in the previous year. Another notable source of income was student application and tuition fees of P26.42 million.

2.3 Working Capital

The working capital position of the University as at 31 March 2018 showed total current assets of P16.78 million and total current liabilities of P57.48 million, resulting in a net current liabilities position of P40.70 million.

Current liabilities included deferred revenue of P28.67 million and payroll accruals of P12.86 million.

3.0 Management letter

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

127. **Botswana Communications Regulatory Authority**

The financial statements of Botswana Communication Regulatory Authority for the financial year ended 31 March 2018 were audited by Messrs PricewaterhouseCoopers, Certified Auditors, who were appointed by the Board in terms of Section 26 (2) of the Communications Regulatory Authority Act, (No.19 of 2012).

2.0 Accounts

2.1 Audit Opinion

In the opinion of the Auditors:

The consolidated and separate financial statements presented fairly, in all material respects, the consolidated and separate financial position of Botswana Communications Regulatory Authority and its subsidiary as at 31 March 2018, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended, in accordance with International Financial Reporting Standards and requirements 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 P35.63 million and P20.37 million, compared to P50.81 million and P12.37 million respectively in the previous year.

Total income for the Group increased by 14% from P168.69 million in the previous year to P191.50 million in the year under review, while total expenditure increased by 32% from P117.88 million to P156.07 million during the same period. Income for the Authority increased by 11% from P124.48million in the previous year to P138.63 million in the year under review, while expenditure increased by 5% from P112.11 million to P118.25 million during the same period. Significant increases in income were recorded in Universal Access and Service Fund Levy and telecommunications fees, while in expenditure were project expenses.

2.3 Working Capital

The working capital position of the Group as at 31 March 2018 showed current assets of P427.93 million and a current liability of P24.48 million, which resulted in a net current asset of P403.45 million, while that of the Authority showed current assets of P223.20 million and current liabilities of P44.28 million, resulting in a net current position of P178.92 million.

Included in the current liabilities of the Authority is P20.37 million current year surplus allocated for transfer to the Group's reserves as Universal Access and Service Fund in terms of Section 29 (3) of the Communications Regulatory Authority Act, 2012.

3.0 Management Letter

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

128. **Botswana Couriers & Logistics Limited**

The financial statements of Botswana Couriers & Logistics (Proprietary) Limited for the financial year ended 31 March 2018 were audited by BDO, Certified Auditors, who were appointed by the Board.

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The annual financial statements presented fairly, in all material respects, the financial position of Botswana Couriers & Logistics

(Proprietary) Limited as at 31 March 2018, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

Material Uncertainty Relating to Going-Concern

Without modifying their opinion, the auditors drew attention to Note 28 on going-concern status in the annual financial statements, which indicated that at 31 March 2018, the company had accumulated losses of P55 881 665 (2017: P43 461 378) and that the company's total liabilities exceeded its total assets by P24 768 720 (2017: 12 348 433). The company had also incurred a net loss of P12 420 287 (2017: P26 614 851). As stated in Note 28, these events and conditions, along with other matters as set out in Note 28, indicated that a material uncertainty existed that may cast significant doubt on the company's ability to continue as a going concern.

The going-concern of the company depends on the amalgamation with Botswana Postal Services Limited, and that the shareholder, Botswana Postal Services Group Limited, had agreed unconditionally and irrevocably to provide the new amalgamated entity with adequate financial support.

2.2 Financial Results

During the financial year under review, the company recorded a total comprehensive loss of P 12.42 million, compared to P 26.61 million in the previous year as explained in the above paragraph. Income declined by 10% from P99.84 million in the previous year to P89.74 million in the year under review. Expenditure on the other hand declined by 19% from P126.45 million in the previous year to P102.16 million in year under review. The major contributors to expenditure were staff cost of P38.94 million (38%), cost of sales of P26.92 million, bad debts of P17.02 million, repairs and maintenance of P2.93 million, lease rentals of P2.13 million, and finance costs of P2.06 million.

2.3 Working Capital

As at 31 March 2018, the working capital position of the company showed current assets of P11.26 million and current liabilities P50.73 million resulting in a net current liabilities position of P39.47 million.

Current liabilities included loan from shareholder of P10 million and payroll accruals of P8.43 million.

3.0 Management Letter

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

3.1 VAT Returns - Prior Year Issue Unresolved

The auditors observed that zero rated and exempt sales were not being recorded on the VAT returns. As a result sales per the VAT returns were less than the ledger by P2.22 million. Further, it was noted that the VAT returns were not reconciled to the ledger on a monthly basis and that the VAT liability as per the VAT return did not agree with VAT payable as per the ledger by P150 372.

Management noted the comment and stated that they were working around the clock to ensure compliance to the tax act and had to this end sought advice from experts in order to mitigate harsh penalties for late payments of taxes.

3.2 Central Medical Stores Receivable - Prior Year Issue Unresolved

The auditors observed that Central Medical Stores (CMS) was disputing some invoices issued to them and were not paying. At year-end a balance of P6.37 million was reflected as owed by CMS, but they only confirmed a balance of P4.03 million. This was highlighted as one of the issues that contributed to the company being under severe cash flow constraints as it was not receiving a major portion of the invoices to CMS.

In responding for the current year, management stated that the issue was resolved during the audit because the receivable that was coming from 2015 had been written off.

3.3 Lease Agreements

The auditors observed that the entity was making monthly lease payments to related party, i.e. Botswana Postal Services. Documentation relating to these leases was provided but was however not signed by the other party. The auditors indicated that the company’s interest would not be protected in the event of non-compliance with lease terms. This may result in potential misunderstandings because of lack of documentation to refer to.

Management responded by committing to resolving the issue by 31 December 2018.

129. **Botswana Development Corporation Limited**

The financial statements of the Botswana Development Corporation Limited for the financial year ended 30 June 2017 were audited by Messrs KPMG, Certified Auditors, who were appointed by the Board.

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The consolidated and separate financial statements presented fairly in all material respects, the consolidated and separate financial position of Botswana Development Corporation Limited as at 31 June 2017, and of its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended, in accordance with International Financial Reporting Standards.

2.2 Financial Results

The financial operations of the Group showed a profit of P52.78 million before other comprehensive loss for the year of P329.77 million in the year under review, compared to a profit of P58.22 million before other comprehensive income of P48.62 million reported in the previous year, while the Corporation recorded a profit of P143.69 million before other comprehensive loss of P338.88 million in the year under review, compared to profit of P208.24 million before other comprehensive income of P30.10 million in the previous year.

The profit from operations for the Group declined by 40% from P68.53 million in the previous year to P41.42 million in the year under review, mainly due to a decline in income from trade by 31% from P198.47 million in the previous year to P137.45 million in the year under review and a decline of 37% in other operating income from P70.87 million in the previous year to P44.43 million in the year under review. Expenditure on the other hand declined by 16% from P410.11 million in the previous year to P343.76 million in the year under review. The operating profit for the Corporation declined by 45% from P208.24 million in the previous year to P143.69 million in the year under review due to a decline of 31% in income from trade, from P262.20 million in the previous year to P179.69 million in the year under review, while expenditure declined by 25% from P179.10 million in the previous year to P129.33 million in the year under review.

2.3 Working Capital

As at 30 June 2017, the working capital position of the Group showed total current assets of P694.13 million and current liabilities of P371.66 million, resulting in net current assets position of P322.47 million. The Corporation had current assets of P357.45 million and current liabilities of P235.79 million, resulting in net current assets position of P121.74 million

3.0 Management letter

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

3.1 Oversight and Control over Certain Subsidiaries

The auditors noted that there was no direct oversight and control performed by the holding company over certain subsidiaries as those subsidiaries were allowed to operate independently from the Group with their own management and to some extent Board of Directors. As a result the auditors identified a number of control deficiencies at certain subsidiaries which indicated weak control environment and lack of strategic alignment between the subsidiaries and the holding company. The subsidiaries included Lobatse Clay Works (Pty) Limited, Export Credit Insurance and Guarantee Company (Botswana) (Pty) Limited and LP Amusement Centre (Pty) Limited. The auditors highlighted that more than 50% of the control deficiencies identified during the audit related to these subsidiaries. The auditors advised management to monitor the performance of subsidiaries.

No management response.

130. **Botswana Energy Regulatory Authority (BERA)**

The financial statements of Botswana Energy Regulatory Authority for the eight months' period ended 31 March 2018 were audited by Messrs PricewaterhouseCoopers, Certified Auditors, who were appointed by the Board.

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements presented fairly, in all material respects, the financial position of Botswana Energy Regulatory Authority as at 31 March 2018, and of its financial performance and cash flows for the 8 months period then ended, in accordance with International Financial Reporting Standards.

2.2 Financial Results

In the period under review, the Authority recorded a surplus of P677 184. Income for the year was P18.93 million, derived from Governments grants of P18.91 million (99.91%), tender fees of P4 500 and finance income of P16 267. Expenditure on the other hand was P18.25 million. The major contributors to expenditure were staff costs of P8.81 million (48%), training expenses of P1.46 million and travel expenses of P2.47 million.

2.3 Working Capital

The working capital position of BERA as at 31 March 2018 showed total current assets of P3.34 million and total current liabilities of P2.67 million resulting in a net current assets position of P677 184.

3.0 Management letter

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

3.1 Tagging of Fixed Assets

The auditors noted that the entity's fixed assets were not tagged with identification numbers to enable easy identification and tracking to the fixed assets register, which could result in the Authority failing to identify the assets in the event of asset loss.

In response management stated that the fixed assets module was in place in Accpac and they had at the time of audit scheduled fixed asset tagging project in Accpac for September 2018. Once this had been completed all assets would be tagged and an asset verification undertaken to ensure that all the entity's assets were in existence. In the interim the Authority kept a manual fixed assets register and ensured that all assets were recorded the same day they were received and depreciated on a monthly basis.

3.2 Corporate Governance

The auditors noted that the executive board members were reporting directly to the Board hence by-passing the Chief Executive Officer, which was not consistent with good corporate governance. Good corporate governance requires for all employees including executive board members to report to the Chief Executive Officer.

In response management stated that they had engaged the Ministry to review the Act with the view to correcting the anomaly.

131. **Botswana Examinations Council**

The financial statements of Botswana Examinations Council for the financial year ended 31 March 2018 were audited by Messrs KPMG, Certified Auditors, who were appointed by the Council in terms of Section 20 (2) of the Botswana Examinations Council Act, (Cap 58:03).

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements presented fairly, in all material respects, the financial position of Botswana Examinations Council as at 31 March 2018, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards.

2.2 Financial Results

In the year under review, the Council recorded a deficit of P3.45 million, compared to P6.16 million in the previous year. The main contributors to the reduction in deficit are direct costs which reduced from P146 million in the previous year to P137.81 million in the year under review and other income which increased from P5.19 million in the previous year to P8.78 million in the year under review.

Income increased from P275.16 million in the previous year to P276.90 million in the year under review while on the other hand expenditure decreased from P281.32 million in the previous year to P280.34 million during the year under review.

The Council is funded mainly by government grants, and in the year under under review the grant was P252.52 million, representing 91% of the total income.

2.3 Working Capital

The working capital position of the Council as at 31 March 2018 showed current assets of P32.19 million and current liabilities of P49.91 million, resulting in a net current liabilities position of P17.72 million.

The current liabilies included provisions for gratuities and leave pay of P23.32 million.

3.0 Management Letter

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

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

The auditors noted, as in the previous years, that PAYE returns were on 11 instances made late as follows:

Month	Submission due Date	Date Submitted
April 2017	15 May 2017	25 September 2017
May 2017	15 June 2017	25 September 2017
June 2017	15 July 2017	25 September 2017
July 2017	15 August 2017	25 September 2017
August 2017	15 September 2017	25 September 2017
September 2017	15 October 2017	26 January 2018
October 2017	15 November 2017	26 January 2018
November 2017	15 December 2017	26 January 2018
December 2017	15 January 2018	4 April 2018
January 2018	15 February 2018	4 April 2018
February 2018	15 March 2018	4 April 2018

The Council may as a result of the late submissions incur financial losses from penalties and interest levied by BURS due to non-compliance with the Botswana Income Tax Act.

In response management stated that in the past the Council had written to the Commissioner of Taxes to request for a waiver but instead the Commissioner advised that a nil return be submitted when the Council has financial challenges and payment be made when funds become available. As at 31 July 2018 the BURS statement indicated that the Council did not owe interest and/or penalties, however should these charges resurface the Council would write to the Minister responsible for finance to ask for a waiver as advised by BURS.

3.2 Property, Plant and Equipment

The auditors noted some fully depreciated assets that were still in use and provided economic benefits to the Council, which was in breach of International Accounting Standard 16 and International Accounting Standard 38 which require that assets be periodically revalued to reflect their economic useful lives. The following were the assets that were identified:

Category	**Asset Cost**
Computer Equipment	13 280 569
Office Equipment	7 345 180
Furniture anf fittings	2 674
Computer Software	1 485 352
BNEPS Licensing fee	2 355 300
BNEPS Website	380 225

In response management stated that they intended to review the useful lives of all the Council assets, and a tender for asset valuation and useful lives had been floated and would be completed within the ensuing financial year. The asset management policy would be reviewed to include a provision for the review and revaluation of assets.

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

The financial statements of Botswana Fibre Networks (Proprietary) Limited for the financial year ended 31 March 2018 were audited by Messrs KPMG, Certified Auditors, who were appointed by the Board.

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements presented fairly, in all material respects, the financial position of the Botswana Fibre Networks (Proprietary) Limited as at 31 March 2018 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

2.2 Financial Results

The financial operations of Botswana Fibre Networks (Proprietary) Limited recorded a loss of P28.24 million for the year under review, compared to a loss of P21.27 million reported in the previous year.

Expenditure increased from P348.71 million in the previous year to P371.22 million in the year under review, representing a 7% increase, while income increased from P327.44 million to P342.98 million in the year under review.

The Company received a Government grant of P67.47 million during the year under review, compared to P92.34 million in the previous year.

2.3 Working Capital

The working capital position of the company as at 31 March 2018, showed current assets of P314.82 million and current liabilities of P115.04 million which resulted in a net current assets position of P199.78 million.

3.0 Management Letter

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

3.1 Trade and Other Payables

The auditors noted that the company had received an amount of P2 347 937 from the Ministry of Transport and Communication in the prior years whose purpose the Ministry had not been able to determine.

In response management stated that they still had not received confirmation from the Ministry what the funds were for.

Auditor General's comment

The Ministry should make a determination on this matter.

3.2 Property and Equipment

The auditors noted the following regarding fixed assets:

- The asset register had fully depreciated assets, with a total original cost of P5 630 324, that the Company still derived economic benefits from.
- A motor vehicle was involved in a road accident on 31 August 2016 and was not written off as it was included in the fixed asset register with a carrying value of P165 927.22 as at year end.
- Completed projects of P1 665 722 were not transferred to fixed assets.
- Expenses of P794 222 that did not meet the recognition criteria of an asset were capitalised instead of being expensed.

In response management stated that the fixed asset register was updated according to International Accounting Standard 16. Having completed the network assets audit in the prior financial year (2016/2017) they focused on completeness of the asset register, which included among others: tagging of assets, assessment of useful economic lives and physical verification. However, the assessment of useful lives of some assets could not be completed.

3.3 Other Payables

The auditors noted that the VAT returns for January and February 2018 were submitted on 27 March 2018, contrary to requirements of Botswana VAT Act which requires that VAT returns be submitted by the 25th of the following month.

In addition the company was charged interest and penalties amounting to P184 313 and P310 095 respectively on certain 2015 returns which the company had not accrued as they were querying.

In response management indicated that the submission of VAT returns was delayed by invoice integration issues and that the BURS online system was down on 26 March 2018 of which the company had communicated to BURS. A manual submission was then made on 27 March 2018.

3.4 Other Receivables

The auditors noted a duplicate payment of P828 302 made to BURS for December 2016 PAYE. The first payment was made on the 18 January 2016 and the second on the 13 May 2016. Although the company had recorded the amount as a receivable from BURS, management had not engaged BURS in order to have the amount either refunded or set off against any other month's PAYE payable balance.

Management in response stated that they had since engaged BURS, and BURS had given guidance on how to resolve the issue.

3.5 Agreement between BoFiNet and Government of Botswana

The auditors noted that there was no agreement between BoFiNet and the Government of Botswana for the Government Data Network (GDN) project that BoFiNet was implementing on behalf of the Government.

In response management stated that BoFiNet had been engaging Government to have a contract in place but the matter could not be concluded. However, the Government had appointed BoFiNet as project manager for GDN.

133. **Botswana Geoscience Institute**

The financial statements of Botswana Geoscience Institute for the financial year ended 31 March 2018 were audited by Messrs Mazars, Certified Auditors, who were appointed by the Board in terms of the Botswana Geoscience Institute Act, 2014.

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements presented fairly, in all material respects, the financial position of Botswana Geoscience Institute as at 31 March 2018 and its financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards.

2.2 Financial Results

For the financial year ended 31 March 2018, the Institute recorded a surplus of P744 059, compared to P115 884 in the previous year. Income increased from P17.39 million in the previous year to P49.79 million in the current year. The significant increase in income is attributable to increase in government grants from P17.22 million in the previous year to P49.07 million in the year under review.

Expenditure on the other hand increased from P17.27 million in the previous year to P49.04 million in the year under review. Significant increases were noted in staff costs of P24.76 million, data management expenses of P1.09 million, motor vehicle expenses of P1.21 million, recruitment expenses of P827 498 and utilities of P692 558.

Increase in operational expenses was mainly attributable to increase in staff complement from one (1) in the previous year to 112 in the year under review. Additionally, some of the operational expenses such as motor vehicle expenses and utilities were partly met by Government in the prior year.

2.3 Working Capital

The working capital position of the Institute as at 31 March 2018 showed current asset of P7.00 million and current liabilities of P6.14 million giving a net current assets position of P859 942.

3.0 Management Letter

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

3.1 Ownership of Assets

The auditors noted as in the previous year that the Institute had land and buildings valued at P230.29 million whose ownership had not yet been legally transferred to the Institute from Government.

In response, management agreed with the auditors’ observation and stated that there was a legal vesting order from Government which mandated the ownership of assets to Botswana Geoscience Institute on inception, and was stated in the Botswana Geoscience Institute Act of 2014. The transfer is expected to be completed before end of financial year 2018/2019.

134. **Botswana Housing Corporation**

The financial statements of Botswana Housing Corporation for the financial year ended 31 March 2018 were audited by Messrs KPMG, Certified Auditors, who were appointed by the Board in terms of Section 24 (3) of Botswana Housing Corporation Act, (Cap 74:03).

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements presented fairly, in all material respects, the financial position of Botswana Housing Corporation as at 31 March 2018, and of its financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards.

2.2 Financial Results

In the year under review, the Corporation recorded a surplus of P87.75 million, compared to a surplus of P48.50 million in the previous year, representing an increase of 81%.

Income reduced by P167.46 million, representing 29% reduction, from P587.52 million in the previous year to P420.08 million in the year under review, while expenditure also declined by P205.70 million, representing 39% reduction, from P539.04 million in the previous year to P333.34 million during the same period.

Sales of housing units income declined by P212.84 million (or 75%) while rental income increased by P13.41 million (or 7.6%) during the year under review.

Significant reductions in expenditure were noted in cost of sale of housing inventories which went down by P198.62 million (or 77%)

2.3 Dividends

In the year under review, the Corporation paid a dividend of P20.21 million, compared to P27.20 million (2015/2016: P6.99 million and P20.21 million of the accumulated dividend paid in equal instalments in June 2016 and March 2017) in the previous year.

2.4 Working Capital

The working capital position of the Corporation as at 31 March 2018 showed total current assets of P1 690.20 million and total current liabilities of P509.34 million, resulting in a net current assets position of P1 180.86 million.

The current assets included cash of P1 012.55 million, of which P794.50 million related to housing projects of Government entities.

3.0 Management letter

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

3.1 Internal Audit

The auditors noted the following exceptions in respect of internal audit:

- The internal audit function did not have a quality assessment process in place to measure itself against the Institute of Internal Auditors Standards for Professional Practice of internal audit (IPPF Standards) on a frequent basis and an external assessment of the internal audit function had not been performed since inception.

- There was no evidence of meetings and direct communications of the internal audit manager and the audit committee chairman to further support the independence of the function, as required by the audit charter.

In response management stated that they had not been able to implement this aspect of the internal audit charter as the internal audit department was short staffed in 2017/2018, operating with only 2 staff members. They further stated that they had adopted an informal approach whereby minutes were not taken but rather when going to a meeting each one of them went with notes on matters to be discussed.

3.2 Tender Governance Process

The auditors noted the following exceptions in respect of tender governance process:

- The procurement department was not sufficiently resourced to allow for key oversight reviews to take place, through which collusion and disregard for policies could be identified.

- A supplier vetting process was not in place to ensure that qualified reputable suppliers were independently approved for addition in the supplier database.

- There was no independent review of the tender evaluation process to ensure that all policies and procedures were complied with prior to the recommendation to the Management Tender Committee.

  Although Management did not provide response to the audit, observations, I consider that the matters raised, are of sufficient importance to warrant management comments.

3.3 Payment of Self-Assessment Tax (SAT)

The auditors noted that the Corporation did not comply with Botswana Income Tax Act when submitting some SAT returns and making payments as follows:

Period	Due Date	Payment Date	Amount Paid
1st Quarter	30/06/2017	10/08/2017	1 325 088
2nd Quarter	30/09/2017	6/10/2018	1 694 499
4th Quarter	31/03/2018	5/04/2018	5 572 379

In response management stated that the delayed payments were caused by the SAT payments that were based on actual quarterly results as opposed to budget. The latter method would be adopted to eliminate risk of late payments.

3.4 Transfer of Ownership of Properties

The auditors noted 3 properties where loans were fully settled under the tenant purchase scheme, but the title deeds were still registered under the name of the Corporation. Consequently, ownership of these properties had not been transferred to the customers.

In response, management acknowledged the existence of such cases and stated that they had advised clients to transfer their properties upon clearing loans, through the issuance of clearance certificates. Follow-up on such clients would be carried out at the sales office.

135. **Botswana Innovation Hub Limited**

The financial statements of Botswana Innovation Hub for the financial year ended 31 March 2018 were audited by Messrs Grant Thornton, Certified Auditors, who were appointed by the Board.

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The annual financial statements presented fairly, in all material respects, the consolidated and separate financial position of Botswana Innovation Hub as at 31 March 2018, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter:

Without qualifying their opinion, the auditors drew attention to Note 27 of the financial statements which stated that the Investment property under construction developed certain structural defects in the prior year which were yet to be remedied. Based on the reports provided by experts employed, the estimated costs involved in such remediation would be approximately P24.61 million and the company had obtained approval for additional funding required from its stakeholders. Since the Investment property was still under construction and value in use could be determined only after the building was put in use, no impairment due to technical defects had been effected in the financial statements for the year. The company continued to engage with the legal experts to pursue the reimbursements of the above remedial costs from the service providers who were considered to be potentially at fault for these cracks and defects.

2.2 Financial Results

In the year under review, the Group recorded a loss of P57.95 million, compared to P12.25 million in the previous year, while the company recorded a loss of P8.21 million compared to P655 224 in the previous year.

The Group loss was mainly attributable to a write-down of inventory to net realisable value amounting to P42.86 million, a reduction in revenue and subvention from P35.23 million in the previous year to P29.19 million in the year under review and a reduction in bank interest income from P2.68 million in the previous year to P643 523 in the year under review.

The Government grant is the main source of revenue for the company, making 90% of the total income during the year under review. The other source of income for the company was administration and management fees at P3.54 million.

Expenditure for the Group increased by P34.50 million (70%) from P52.67 million in the previous year to P89.17 million during the year under review, while income on the other hand declined by P9.21 million (23%) from P40.42 million to P31.21 million during the same period.

Expenditure for the company increased marginally by P194 208 from P42.22 million in the previous year to P42.41 million during the year under review, while income on the other hand declined by P7.36 million (18%) from P41.56 million to P34.20 million during the same period.

2.3 Working Capital

The working capital position of the Group as at 31 March 2018 showed total current assets of P439.84 million and current liabilities of P47.34 million, giving a net current assets position of P392.50 million, while that of the company showed current assets of P16.76 million and current liabilities of P8.81 million, resulting in a net current assets position of P7.86 million. The substantial net current assets of the Group resulted from new inventories of P408.22 million in the year under review.

In line with the strategic objectives of developing the science park in Botswana, the company had identified several pieces of land to be sold to prospective innovation developers and had transferred these assets from investment properties to inventories. Some of these plots are geographically located in Special

Economic Zones as identified by the Government of Botswana. To assist the Government in promoting these zones, the company marked down the values of these lands from their fair values that were earlier determined while forming part of investment properties and the write-down represented a loss on account of such mark down.

3.0 Management Letter

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

3.1 Structural Defect on Block F of the Iconic Building

It was observed that during the prior year, the investment property under construction, which was measured at cost in line with the requirements of International Accounting Standard 40, developed certain cracks and structural defects in one portion of the building. As at year-end, management had engaged engineering experts to determine the cause and remedy for these defects. As of 2 July 2018, the experts had issued a report on the cause and remedial actions to be taken to rectify the defects. Based on their assessment, the additional costs for the remedial actions were estimated to be approximately P24.61 million. To augment the resources and capital required to undertake the repairs and for the completion of the construction, the Government of Botswana had approved to fund these expenses intermittently. The company continued to engage with the legal experts to pursue the reimbursement of the above remedial costs from the service providers who were considered to be potentially at fault for these cracks and defects. Due to the technical complexities and administrative impracticalities surrounding the defects, it was not possible to determine if the additional costs would increase the value of the building significantly after the remedial measures and its costs. Once the building is completed, it is presumed that the fair value of the investment property can be reliably measured and the company shall effect any changes to the value including any impairment as is necessary after a valuation exercise is undertaken.

In response management noted the observation and committed to closely monitor the remedial solution program and associated costs to ensure delivery within the approved time and budget.

3.2 Government Data Centre (GIDC) Project

The auditors noted that stage 3 (Design stage) of the Government Data Centre (GIDC) project was ongoing with a total expenditure on the project during the year of P4 083 786.32, incurred towards the designs. As the project manager, Botswana Innovation Hub (BIH) was to earn a management fee of 10% of expected fees as per the Memorandum of Agreement (MOA). On the basis of the MOA with the Ministry of Transport and Communications, additional fees at the end of stage 3 should have been approximately P2 690 607 which was yet to be recognized. Depending on the stage of completion within stage 3, part of this fee needed to have been accrued to the extent of work done in 2017/18 and recognized as revenue. The auditors further noted that the receivable balance from 2016/2017 financial year of P841 761 on the project was yet to be settled. The discounting effect on P841 761 was not adjusted as it was assessed to be not significant.

Based on further reviews and discussion with management, the auditors were informed that a challenge was faced on execution of the current design stage, as the designs that had been drawn were not coherent with the assigned plot in Palapye. In line with International Financial Reporting Standard 15, revenue recognition should only be upon fulfilling agreed upon performance obligations, which had not been met, hence it was appropriate not to accrue any management fee.

In response Management stated that they continued to engage with the Ministry of Transport and Communications who had requested all outstanding invoices due which included BIH unpaid invoices of the two (2) amounts. Management further stated that the Deputy Permanent Secretary for ICT at MTC had assured BIH that they would resolve all issues for GIDC by November 2018.

3.3 Procurement Policy Not Aligned with Board Resolutions

The auditors noted on review that the procurement policy was still under review, pending approval as reported in the prior year. The policy approved in 2015/2016 along with the Board resolution passed on 10 May 2016 were currently applicable. On review of expenses against the procurement policy together with Board recommendations, the auditors noted instances where approval of expenditure was not by the personnel as prescribed by policy, but by personnel at the same hierarchy levels.

The auditors recommended for the entity to conclude the policy which had been undergoing review for a prolonged time, and seek approval of the board and thereafter carry out its operations within the parameters of the policy.

In response management indicated that the delay in the review of the policy was occasioned by the workshop that was proposed by PPADB for parastatals to align their policies to the PPADB policy and Act. Further management stated that the workshop was postponed several times and eventually held in July 2018. There were many significant changes that were required and BIH had resolved to engage a consultancy to undertake a comprehensive review incorporating all PPADB requirements. Management also committed to reviewing and approving the policy during the 2018/19 fiscal year.

136. **<u>Botswana Institute for Development Policy Analysis</u>**

The financial statements of Botswana Institute of Development Policy Analysis for the financial year ended 31 March 2018 were audited by Messrs Grant Thornton, Certified Auditors, who were appointed by the Trustees in terms of the Deed of Trust, (MA 16/95).

2.0 <u>Accounts</u>

2.1 <u>Audit Opinion</u>

In the opinion of the auditors:

The financial statements presented fairly, in all material respects, the financial position of Botswana Institute of Development Policy Analysis as at 31 March 2018, and of its financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards.

2.2 <u>Financial Results</u>

In the year under review, the Institute recorded a surplus of P1.01 million (before loss on property revaluation of P238 927), compared to a surplus of P4.68 million in the previous year. Income declined by P1.12 million (4%) from P28.04 million in the previous year to P26.92 million in the year under review, while expenditure on the other hand increased by P2.54 million (11%) from P23.36 million to P25.91 million during the same period.

The Institute is funded by Government grants, and in the year under review the grant was P20.61 million, representing 77% of the total income, compared to P19.55 million in the previous year. The Institute also generated revenue from sale of services (P5.53 million) and Investment Income (P7.61 million).

2.3 Working Capital

The working capital position of the Institute as at 31 March 2018 showed total current assets of P30.59 million and total current liabilities of P12.30 million resulting in a net current assets position of P18.29 million.

3.0 Management letter

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

3.1 Fully Depreciated Assets

The auditors noted that the Institute had fully depreciated assets which did not have estimated residual values but were still in use, hence economic benefits were still being derived from them. These assets were carried at nil book values. This was in breach of requirements of International Accounting Standard 16, that depreciable value of an asset should be depreciated over its useful life, and that useful lives and residual values be reviewed at every year-end.

In response management stated that BIDPA had assets whose values could be reliably and independently obtained as the standard required, such as buildings and motor vehicles. Other assets like furniture and fittings with no reliable values, had been maintained at cost. Management endeavoured to provide values in the past, however the practice was not accepted on account of being immaterial, not reliable and independent.

Management however noted the auditors' comments and stated that they would come up with required estimates.

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

The financial statements of Botswana Institute for Technology Research and Innovation for the financial year ended 31 March 2018 were audited by Messrs Ernst & Young, Certified Auditors, who were appointed by the Board.

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The annual financial statements presented fairly, in all material respects, the financial position of Botswana Institute for Technology Research and Innovation as at 31 March 2018, and its financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards and the requirements of the Companies Act, (Cap 42:01).

2.2 Financial Results

The Institute recorded a profit of P3.61 million, compared to a loss of P2.97 million during the previous year. The major contributor to improvement in financial performance was an increase of P16.84 million in Government grant from P88.18 million during the previous year to P105.01 million during the year under review.

Expenditure increased from P92.72 million in the previous year to P103.15 million in the year under review, representing 11% increase. Income increased by 19% from P89.75 million to P106.76 million during the same period.

The Institute is funded by Government grants and in the year under review the grant was P105.01 million, representing 98% of total income, compared to P88.18 million in the previous year.

2.3 Working Capital

The working capital position of the Institute as at 31 March 2018 showed total current assets of P71.20 million and current liabilities of P66.25 million, giving a net current assets position of P4.95 million.

Current liabilities included P48.70 million project funds and payroll accruals of P11.42 million.

3.0 Management Letter

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

138. **<u>Botswana Institute of Chartered Accountants</u>**

The financial statements of the Botswana Institute of Chartered Accountants for the financial year ended 31 December 2017 were audited by Goel & Associates, Certified Auditors, who were appointed by the Members in terms of Section 53 (2) of the Accountants Act, 2010.

2.0 <u>Accounts</u>

2.1 <u>Audit opinion</u>

In the opinion of the auditors:

The financial statements presented fairly, in all material aspects, the financial position of the Botswana Institute of Chartered Accountants as at 31 December 2017, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

2.2 <u>Financial Results</u>

The financial operations of the Institute for the year ended 31 December 2017 showed a surplus of P4.62 million, compared to a deficit of P1.17 million in the previous year. Income increased by 28% from P19.38 million in the previous year to P24.90 million in the year under review, while expenditure decreased slightly by 1.3% from P20.55 million in the previous year to P20.28 in the year under review.

The increase in income was mainly because of 78% increase in government subvention from P4.55 million in the previous year to P8.10 million in the current year.

2.3 <u>Working Capital</u>

As at 31 December 2017, the working capital position of the Institute showed current assets of P17.30 million and current liabilities of P8.83 million, resulting in a net current assets position of P8.47 million.

3.0 <u>Management Letter</u>

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

3.1 Non-compliance with Section 26 of the VAT Act

The auditors observed that, as in the previous year the Institute was not in compliance with provisions of Section 26 of the VAT Act, since it failed to submit some VAT returns within the stipulated time. Returns for August 2017 and September 2017 were delayed by 1 day which resulted in late penalty of P5 729.95.

In response management noted the auditors finding and stated that they would improve in future.

3.2 Recoverability of Long Outstanding Receivables (Repeat Finding)

The auditors noted that the Institute had long outstanding receivables and management was yet to establish a formal policy for ascertaining allowances for credit losses as required by accounting standards.

In response management indicated that there had been a slight improvement in collection of outstanding debtors and that a formal finance policy would be put in place to ascertain recoverability of receivables and allowances for credit losses.

3.3 Delays in Submitting Withholding Tax for Rent

The auditors noted some delayed submissions for the WHT on rent by the Institute. The delays were 17 days for January 2017 tax period, 8 months for April 2017 tax period and more than 7 months for June 2017 tax period as it had not been submitted at the time of audit.

In response management indicated that they would ensure that WHT is remitted on time.

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

The financial statements of the Botswana International University of Science and Technology for the financial year ended 31 March 2018 were audited by Messrs Mazars, Certified Auditors, who were appointed by the University Council in terms of Section 19(1) of the Botswana International University of Science and Technology Act, (Cap 57:05)

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements presented fairly, in all material respects, the financial position of Botswana International University of Science and Technology as at 31 March 2018, and of its financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards and the requirements of the Botswana International University of Science and Technology Act, (Cap 57:05).

2.2 Financial Results

The financial operations of the University showed a loss of P21.84 million, compared to a profit of P46.75 million reported in the previous year. The deterioration in performance is attributable to a decline in other income by 81% from P32.88 million in the previous year to P6.16 million in the year under review. Income increased by 3.4% from P474.55 million in the previous year to P490.68 million in the year under review, while expenditure increased by 20% from P427.79 million in the previous year to P512.52 million during the year under review.

The income comprised of the following:

	2018 P'Million	%	2017 P'Million	%
Government Grant	423.39	86.3	372.50	78.5
Tuition Fees	60.33	12.3	66.89	14.1
Other Income	6.06	1.2	32.88	6.9
Finance Income	0.890	0.2	2.26	0.5
	490.68	100	474.53	100

Expenditure comprised of the following:

	2018	2017
Staff Costs	286.95	242.13
Operating Expenses	225.57	185.66
	512.52	427.79

2.4 Working Capital

The working capital position of the University as at 31 March 2018 showed total current assets of P37.98 million and total current liabilities of P138.36 million, resulting in a net current liabilities position of P100.39 million.

The current liabilities included provision for gratuities and leave pay of P60.27 million and deferred income of P12.07 million.

3.0 Management letter

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

140. **Botswana Investment and Trade Centre**

The financial statements of the Botswana Investment and Trade Centre for the financial year ended 31 March 2018 were audited by Messrs PricewaterhouseCoopers, Certified Auditors, who were appointed by the Board.

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The consolidated financial statements presented fairly, in all material respects, the consolidated financial position of the Botswana Investment and Trade Centre and its subsidiary for the year ended 31 March 2018, and of its consolidated financial performance and its consolidated 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 profit of P15.79 million, compared to a deficit of P20.78 million recorded in the previous year. The improvement in performance was mainly attributable to a gain in fair value adjustment in investment property of P4.24 million, compared to a loss of P29.31 million in the previous period.

Income increased by 8% from P118.61 million in the previous year to P128.30 million in the year under review, while on the other hand, expenditure declined by 19% from P139.39 million in the previous year to P112.51 million during the year under review.

The Centre is mainly funded by Government grants, and in the year under review the grant was P102.84 million, representing 80% of the total income compared to P97.74 million in the previous year.

2.3 Working Capital

The working capital position of the Centre as at 31 March 2018 showed total current assets of P88.71 million and total current liabilities of P22.38 million resulting in a net current assets position of P66.33 million.

3.0 Management letter

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

141. **Botswana Meat Commission**

The financial statements of the Botswana Meat Commission for the financial year ended 31 December 2017 were audited by Messrs Ernst & Young, Certified Auditors, who were appointed by the Commission in terms of Section 20 of the Botswana Meat Commission Act, (Cap 74:04).

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The consolidated and separate financial statements presented fairly, in all material respects, the financial position of the Botswana Meat Commission Group for the year ended 31 December 2017, and of its financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards and in the manner required by the Botswana Meat Commission Act, (Cap 74:04), and for such internal controls as the Commission determined was necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

Emphasis of Matter

Without modifying their opinion, the auditors drew attention to Note 28 of the consolidated and separate financial statements, which indicated that the Commission reported a total deficit for the year of P242 million (2016: P204 million loss). The accumulated losses of the Commission amounted to P1, 050 million (2016: P770 million). These conditions indicated the existence of a material uncertainty that casts significant doubt on the Group's and Commission's ability to continue as a going-concern.

Other Legal and Regulatory Requirements

The Commission had not complied with all financial provisions of Section 17 of Botswana Meat Commission Act, (Cap 74:04) which require that, taking one year with another, its revenues should be sufficient to enable the Commission to meet the outgoings properly chargeable to the revenue account in terms of Section 14 of the Act.

2.2 Financial Results

In the year under review, the Group and the Commission recorded a loss of P238.47 million and P242.15 million before revaluation loss on property, plant and equipment of P220.38 million and P222.28 million, compared to a loss of P222.52 million and P204.05 million, respectively, reported in the previous year.

The expenditure for the Group declined by 6% from P1 405.89 million in the previous year to P1 315.55 million in the year under review, while income declined by 10% from P1 183.36 million to P1 063.98 million during the year under review.

The expenditure for the Commission declined by 6.65% from P1 360.42 million to P1 270.17 million in the year under review, while income declined by 11% from P1 156.38 million to P1 028.02 million during the year under review.

2.3 Working Capital

The working capital position of the Group as at 31 December 2017 showed total current assets of P222.50 million and total current liabilities of P487.90 million, resulting in a net current liabilities position of P265.40 million, while that of the Commission showed current assets of P222.57 million and current liabilities of P543.30 million giving a current liabilities position of P320.73 million.

3.0 Management letter

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

3.1 BotswanaPost Account

The auditors noted, as in the previous year, a balance of P7.29 million in the BotswanaPost clearing account.

In response management stated that they engaged BotswanaPost on several occasions regarding the matter and it was not concluded. The Commission had decided to engage legally to settle the dispute as it was a dispute between the parties.

3.2 Standing Days of Cattle in Feedlots

The auditors noted, as in the previous year that 536 animals (2016: 1 235 animals) had been in the feedlots for more than 90 days, which exposed the Commission to loss of profit since standing fees and feeding cost were incurred for each animal on a daily basis.

In response management stated that the standing days for cattle was not necessarily 90 days but the 90 days was termed the average standing days which considered the following:

- Some cattle were taken out immediately after 40 days residency period while some were taken out at different times which fell within 120 days feeding period.

- The profitability of cattle was not determined by them being pulled out at 90 days but rather pulled out at a time within 40 – 120 days, provided such cattle were well finished to yield good weight and good grade.

Management further highlighted that there were instances beyond the Commission and the feedlotter's control that sometimes resulted in cattle standing beyond the average time, such as days spent by cattle in sick pens and veterinary issues, e.g. animals indicating that they were in wrong locations.

3.3 Expired Feedlot and Fenced Farm Registration Certificates

The auditors noted that some refurbishments done on Banyana farms and Dibete feedlot were still capitalized although their certificates had expired and that the two were not being utilised, which posed a risk that the Commission may not have rights to use the farms when they finally had excess cattle, which would imply that the capitalized refurbishments needed to be written off.

In response management stated that Banyana farms were allocated to the Commission under Presidential Directive Cab 21/1015 approximately 13752 hectares which included 12925 hectares for back grounding and 827 hectares for fodder production. They stated that allotment could not happen due to pending survey of the land and cadastral survey only concluded on 15 August 2017. Management further highlighted that the organization changed its strategy of no longer back grounding the cattle and the use of the farms may no longer be suitable for the intended purpose for which they were allocated.

142. **Botswana Medicines Regulatory Authority**

As part of my writing of this report, and in line with the long standing arrangement with the Public Accounts Committee, I had circularized all statutory bodies and state-owned enterprises requesting them to forward to me copies of their audited financial statements and reports for purposes of review and inclusion of the review results in this report. The Chief Executive Officer had responded stating that they were unable to do so as financial transactions at the Authority started in June 2018, after the end of the year under review. The Authority received a subvention in March 2018, however, it was not utilised until June 2018 as the Authority had not been resourced with financial personnel.

Consequently, there were no financial statements for my review for the financial year ended 31 March 2018.

143. **Botswana National Productivity Centre**

The financial statements of Botswana National Productivity Centre for the financial year ended 31 March 2018 were audited by Messrs Deloitte & Touché, Certified Auditors, who were appointed by the Board in terms of Section 16 (2) of the Botswana National Productivity Centre Act. (No.19 of 1993)

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

Except for the effects of the matter described in the Basis for Qualified Opinion section of their report, the financial statements give a true and fair view of the financial position of Botswana National Productivity Centre as at 31 March 2018, and of its financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards.

2.2 Basis for Opinion

The auditors were unable to obtain sufficient and appropriate audit evidence, which confirmed that the Centre had legal title and rights to a property recognised on the statement of financial position as at 31 March 2018, with a carrying amount of P46 082 400. The depreciation charge in the statement of comprehensive income relating to the property was P1 568 800 and the accumulated depreciation since capitalisation was P3 137 600. As indicated in note 17 of the financial statements the Centre was in the process of obtaining title and ownership of the land and buildings and this was the management's basis for recognition of the property on the statement of financial position. The title of the land and buildings was in favour of the Government of Botswana. The entity occupies the land and buildings on a free rental lease arrangement.

2.3 Financial Results

In the year under review, the Centre recorded a surplus of P6.11 million, compared to P3.92 million in the previous year. Income declined by P224 946 (0.44%) from P50.71 million in the previous year to P50.48 million in the year under review, while expenditure on the other hand decreased by P2.42 million (5%) from P46.79 million to P44.37 million during the same period.

The Centre is funded by Government grants, and in the year under review the grant was P46.62 million, representing 84% of the total income, compared to P42.87 million in the previous year. Other notable income of P6.60 million was from sale of services, which was P176 806 lower than the previous year.

2.3 Working Capital

The working capital position of the Centre as at 31 March 2018 showed total current assets of P24.82 million and total current liabilities of P11.75 million, resulting in a net current assets position of P13.07 million.

3.0 Management letter

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

144. **Botswana National Sports Commission**

The financial statements of Botswana National Sports Commission for the financial year ended 31 March 2018 were audited by Messrs Grant Thornton, Certified Auditors, who were appointed by the Commission in terms of Section 37 (2) of the Botswana National Sports Commission Act, (No. 30 of 2014).

2.0 Accounts

2.1 Audit Opinion

In the opinion of the Auditors:

The annual financial statements presented fairly, in all material respects, the financial position of Botswana National Sports Commission as at 31 March 2018, and its financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards and the Botswana National Sports Commission Act, 2014.

2.2 Financial Results

During the financial year under review, the Commission recorded a deficit of P18.67 million, compared to P34.22 million in the previous year. The main contributors to the reduction in deficit are grant income which increased by P16.44 million (22%) from P73.89 million in the previous year to P90.33 million in the year under review as well as the fair value downward adjustments which was P5.72 million in the previous year and considerably lower at P100 000 in the year under review. Expenditure increased slightly by 2%, from P115.10 million in the previous year to P117.30 million in the year under review.

The Commission is funded by Government grants, and in the year under review the grant was P90.33 million, representing 91.6% of total income, while other income was derived from, among others, stadium fees, Debswana Re Ba Bona Ha and reversal of accruals.

An amount of P32.50 million was distributed to 39 affiliates and associates, with allocations ranging from P62 109 (lowest) to P6.50 million (highest). The Botswana National Olympic Committee received the highest amount of P6.50 million followed by the Botswana Football Association which received P6.00 million.

Additionally, an amount of P18.86 million was used to fund special projects such as Elite Scholarship Fund, IWG Women and Sport, Sports Development Fund, Botswana Games, AUSC Region 5, Zebra Athletes Fund, Women and Sport Botswana and Sports Volunteer Movement.

The Commission had been incurring losses over the past years which had accumulated to P67.37 million as at 31 March 2018 and its current liabilities exceeded current assets by P16.10 million. Therefore, the Commission's ability to continue as a going-concern is dependent on the Government's continued financial support.

2.3 Working Capital

As at 31 March 2018, the working capital position of the Commission showed current assets of P5.79 million and current liabilities P21.89 million resulting in a net current liabilities position of P16.10 million.

Included in the current liabilities is provisions for gratuities and leave pay of P3.18 million.

3.0 Management Letter

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

3.1 Stadia Income

The auditors identified weaknesses during their review of the controls surrounding stadia income. As per the contract with the Botswana Premier League, the Commission was entitled to 25%

of the gate takings. However, in some instances control sheets were not submitted to the Commission by the teams involved or the agencies hired for the collections, making it difficult to validate the income the Commission was entitled to.

In response, management noted the auditors' finding and stated that it is being addressed. Further it was stated by management that the Commission had agreed with Botswana Premier League on a once off payment for the use of Commission's stadia. Both parties determine the annual charge of stadia based on historical costs with a compound interest formula that would be applied annually. The charge would then be paid bi-annually at the beginning of the Premier League season and at the beginning of the second half of the season.

3.2 The auditors noted that the Commission overspent on the activities of the Botswana Netball Association, and in the process created a receivable of P837 496 which was purported to be recoverable from the parent Ministry. The auditors further noted that efforts to recover the amount had proved futile and the whole amount had been provided for a possible impairment. While it may have been practical to cover the expenses of the Botswana Netball Association and recover the amount at a later date, the auditors observed that the Commission did not seek a written commitment as evidence in case of disputes.

In response management noted the finding and stated that Commission was continuing to engage the parent Ministry on the over-expenditure by the Botswana Netball Association at the Netball World Youth Cup. They further stated that the Commission was given an expenditure limit by the Ministry which was adhered to, but the Association spent outside Commission's authority.

3.3 <u>Status of Prior Year Matters</u>

The auditors noted that 6 of the 13 matters reported in the prior year were still unresolved and the process to resolve them was stated as ongoing. These were:

- <u>Documentation of IT Security Policies and Procedures</u>

  As reported in the previous year, there were no written formal security policies and procedures that had been established and communicated for the Commission's IT environment.

- Differences Between PPE Register and the General Ledger

  As reported to management in the last two financial periods, the entity had not been appropriately reconciling the fixed assets register to the general ledger. This led to a difference of P3 million in the depreciation charge between the GL and the fixed asset register.

- Authorisation of Expenses

  The auditors noted that the affiliate expenses which had exceeded the budgeted amounts were not authorised by a senior official.

- PAYE Remittance to BURS

  The auditors noted that the BURS remittance for some months had not been on time with repeated delays in the remittance of Pay–As-You-Earn (PAYE) on at least four occasions.

- Excessive Unused Leave Days for Employees

  As reported in the prior period the auditors noted that some employees had more than 80 days leave entitlement at the end of the current financial period. The total accrual as at 31 March 2018 was P1 651 669.85. It was also noted by the auditors that some employees had been accruing the leave days for more than 3 years.

- Duplication of Vendor Accounts

  From the review of the Commission's vendor masterfile, the auditors noted that there were 89 accounts duplicated with different account numbers which may lead to transactions relating to one supplier being passed to different accounts.

The auditors advised management to put in place procedures to follow up on all recommendations contained in the external auditor management letters, and ensure all responsible officials submit action plans to resolve the audit recommendations. The auditors also advised that there should be a systematic and timely follow-up on audit matters with focal persons and timelines being designated for each audit matter reported.

145. **Botswana Oil Limited**

The financial statements of Botswana Oil Limited for the financial year ended 31 March 2018 were audited by Messrs PricewaterhouseCoopers, Certified Auditors, who were appointed by the Board.

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements presented fairly, in all material respects, the financial position of the Botswana Oil Limited as at 31 March 2018, and of its financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards.

2.2 Financial Results

The financial operations of the company showed a deficit of P57.21 million, compared to a deficit of P33.45 million in the previous year. The cost of sales increased by P280.56 million (112%) from P250.60 million in the previous year, to P531.16 million, for the year under review, while sale of petroleum products was P539.26 million, resulting in operating loss of P8.10 million.

Expenditure increased by P292.55 million or 95% from P306.96 million in the previous year to P599.51 million in the year under review while income increased by P268.79 million or 98% from P273.51 million to P542.30 million during the same period.

2.3 Working Capital

The working capital position of the company as at 31 March 2018 showed current assets of P274.48 million and current liabilities of P93.84 million resulting in a net current assets position of P180.64 million.

3.0 Management letter

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

146. **Botswana Postal Services Limited**

The financial statements of Botswana Postal Services Limited for the financial year ended 31 March 2018 were audited by Messrs Grant Thornton, Certified Auditors, who were appointed by the Board.

2.0 Accounts

2. Audit Opinion

In the opinion of the auditors:

The financial statements presented fairly, in all material respects, the financial position of the Botswana Postal Services Limited as at 31 March 2018, 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, Botswana Postal Services Limited recorded a profit of P3.11 million, compared to a loss of P7.89 million before revaluation gain of P43.81 million on property, plant and equipment in the previous year. Expenses decreased by 3.5% from P319.41 million in the previous year to P308.25 in the year under review. Income on the other hand was almost static at P311.36 in the current year, compared to P311.52 in the previous year.

2.3 Working Capital

The working capital position of the company as at 31 March 2018 showed current assets of P199.74 million and current liabilities of P251.99 million, resulting in a net current liabilities position of P52.25 million.

The auditors observed some classic symptoms of overtrading like high revenue growth with low returns, high payable days ratio and increased use of the overdraft facilities, leaving the company exposed to the risk of failing to meet its obligations as and when they fell due. Delayed settlements of agency liabilities was a key indicator of the level of the liquidity risk the company was facing.

According to the auditors the main cause of the net current liabilities position was a result of funding universal service obligations operations, while these may be a raison d'etre for the company, they had not been profitable in the immediate past and the company had not managed to fully recover from the Government the costs of servicing the universal service obligations.

3.0 Management Letter

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

3.1 Agency Agreements - Terms and Conditions

The auditors noted that the company had not been complying with the agency agreement terms and conditions with respect to Botswana Savings Bank contract which stipulates that the amount collected on behalf of BSB should be remitted to BSB within 10 days of claims and receipts, failure of which a penalty of 10% per annum would be charged. As a result of non-compliance the company was charged P574 520 as penalties for late payment. The penalties for the year under review had not been quantified and included in the financial statements.

In response management stated that they continued to monitor and ensure compliance to the agreement. They further stated that it had taken a long time to agree on proposed revised agency rates as the current ones were un-economic.

3.2 EMS Government Mail

The auditors noted that there were no schedules or information maintained for the amounts due from various Government Ministries for EMS Government mail. The amounts were mixed in one account which made it difficult for the auditors to trace what was owed by individual departments.

In response management noted the auditors finding and indicated that they would detail all outstanding invoices by organization by July 2018, pursue recovery from owing departments or through Ministry of Transport and Communications between August and December 2018 and lastly make a request for write-offs of any unrecoverable amounts by January 2018.

3.3 Accounting for Donated Stamps for the Philatelic Museum

The auditors observed that the company had not, in prior years, included in the company's books of accounts the donations of stamps that they had received from Government for displaying in the company's philatelic museum.

In response management noted the finding and stated that they had already engaged an expert to start the process.

3.4 EMS Incoming/Outgoing and SDR Debtors

The auditors noted that there was no matching of the receipts and invoices for advance Money Orders, EMS incoming/outgoing and SDR accounts which resulted in inappropriate ageing of the accounts balances and made it difficult to assess and evaluate the allowances for impairment.

In response management noted the auditors finding and stated that the current system had limitations as transactions were in foreign currency, however, they continued to reconcile manually and the gap was expected to be fully addressed in the new system.

3.5 Stated Capital

The auditors noted that the stated capital on application for registration of a public company filed on the 5 August 2015 was P100. The same amount of stated capital was reflected in the annual returns filed on 9 March 2018. However, the stated capital per the ledger and the financial statements for the prior year and the current year was stated as P38 700 421, resulting in a difference of P38 700 321.

In response management stated that in the transition to becoming a company limited by shares the registration was inadvertently done at P100 and the matter was being attended to.

3.6 Manual Intervention between Riposte and Accpac

The auditors noted that entries relating to inventory from Riposte were manually captured in Accpac thereby increasing the chances for errors to occur and bringing into question the completeness of data captured in the general ledger.

In response management noted the auditors finding and stated that in the current setup the manual interventions were necessary due to systems inadequacy and that the new Counter Automation and ERP systems would be fully integrated and go live by January 2019.

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

The financial statements of Botswana Power Corporation for the financial year ended 31 March 2018 were audited by Messrs PricewaterhouseCoopers, Certified Auditors, who were appointed by the Board in terms of Section 22 (2) of the Botswana Power Corporation act, (Cap 74:01).

2.0 <u>Accounts</u>

2.1 <u>Audit Opinion</u>

In the opinion of the auditors:

The financial statements presented fairly, in all material respects, the financial position of Botswana Power Corporation as at 31 March 2018, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

2.2 <u>Financial Results</u>

After nine years of the Corporation making losses the situation was turned around in the year under review where the Corporation recorded a profit of P 674.11 million, compared to a loss of P 140.25 million in the previous year.

The main contributors to the profitability of the Corporation were the increase of P240.72 million (8.69%) in revenue from P2.77 billion in the previous year to P3.01 billion in the year under review and a decrease of P935.38 million (24%) in generation, transmission and distribution expenses from P3.81 billion in the previous year to P2.88 billion in the year under review. The consumer tariff subsidy however decreased by P210.50 million (13%) from P1.67 billion in the previous year to P1.46 billion in the year under review.

Gains on revaluation of land and buildings and generation, transmission and distribution assets of P1.1 billion also contributed to the overall comprehensive income for the year of P1.61 billion.

The Corporation continued to incur losses (before taking into account the tariff subsidy) and its current liabilities exceeded its current assets. These conditions cast significant doubt on the Corporation's ability to continue as a going-concern. This unfavourable performance requires Government to provide financial support by way of approval of tariff increases, operational subsidy and investment in infrastructure to safeguard the going-concern status of the Corporation.

2.3 Working Capital

The working capital position of the Corporation as at 31 March 2018 showed current assets of P1.80 billion and current liabilities of P3.43 billion which resulted in a net current liabilities position of P1.64 billion.

Current liabilities included: P1.56 billion Trade and Other Payables, P954.04 million advances on consumer-financed projects and P436.52 million Borrowings of which P434.26 million was from the Industrial and Commercial Bank of China.

3.0 Management Letter

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

3.1 Impairment Assessment of Property, Plant and Equipment

The auditors noted that the Corporation carried a significant fixed asset base in its statement of financial position and that as per International Accounting Standard 36 – Impairment of assets, these assets are subject to impairment assessment should any indicators of impairment exist. These indicators include factors such as physical damage, declining economic performances of the assets, decline in market value, significant changes with adverse effects on expected use of assets, etc.

The auditors observed that the historical continuing losses incurred by the Corporation, construction and equipment defects in plant for which remedial work was underway and plant not being operated at its optimal capacity indicated a possible impairment of its asset base, particularly the generation plant. Accordingly, management performed an impairment assessment of the Morupule B Power Station with some key assumptions, approach and results.

The auditors highlighted the following in relation to evaluating management assumptions:

- Expected units generated – There was inconsistency in this assumption as units generated were forecast to be less after 2021/22. In previous year’s assessments, it was expected that upon completion of remedial work in August 2020, management would operate the plant at its full capacity (600 MWH per hour)

- Internal usage at 5% - This was lower than that used in the last year. Further, average internal usage of past 4 years was 12%

- System loss at 10% - The auditors consider that the expected system losses % was too low as compared to actual performance over the past few years where the % loss was in the range of 14%-15%.

- Tariff rate of thebe 104 and 10% increment thereafter – The auditors considered that 10% annual increment was too aggressive.

- Cost estimations – Cost estimation for 2018/19 year was consistent with approved budget. For subsequent periods, the increase was estimated at a flat rate of 5% - 7%. The view of the auditors was that management had not considered the impact of fixed and capital charges associated with coal purchases.

In evaluating the management approach, the auditors indicated that decision to determine Morupule B Power Station as a Cash Generating Unit (CGU) was not appropriate because it could not generate cash flows on its own without the involvement of transmission and distribution network. Further, the auditors noted that there was no active market for the output of the plant. In the impairment assessment performed by management, as noted by auditors, the gross inflows were considered as the income earned from sales of electricity to end customers. In order to earn that income, the Corporation should have a transmission and distribution infrastructure and to spend on transmission and distribution costs.

In conclusion, the auditors were of the view that the CGU for impairment assessment was Generation, Transmission and Distribution assets group of the Corporation and that the revised carrying value of the same CGU was P15.21 billion. Revised calculations resulted in a value-in-use of P18.4 billion which was still above the carrying value of Generation, Transmission and Distribution assets group.

3.2 Divestment of Morupule B Power Station – From 2016/2017 Findings

The auditors noted in 2016 that, Government took a decision in principle to sell Morupule B power plant after the liability period. The 24 months liability period which was scheduled to end in June 2016 was extended for the contractor to make good on the outstanding defects, some of which were impacting on the reliability or availability of the power plant.

It was noted that Government's intention was to give priority to Chinese state-owned entity, China National Electric Equipment Corporation ("CNEEC") in the divestment process. CNEEC, identified as the original build contractor and thus seen as best placed to mitigate the risk which may arise as a result of the complexity and other issues attached to the project. It was therefore expected that the Government would follow a selective tendering process and only if the negotiations between Government and CNEEC would fail, other options would be considered.

It was further noted that on 28 July 2017 Government issued tender documents to CNEEC and informed BPC to facilitate the tender process. As per the tender notification, the closing date for submission was 23 August 2017 and BPC was further advised to take the following steps:

- Following up Industrial and Commercial Bank of China (ICBC) regarding the settlement of the loan, including any termination amounts related to the hedge facility

- Determination of liquidated damages and consequential losses related to the late delivery and poor performance of the Morupule B Power Station.

In response management was of the view that selective tendering option taken by Government did not provide conclusive evidence that the sale of the Morupule B Power Station would definitely take place due to the following:

- The tender was an invitation to offer and did not form a contract,

- Evaluation of tender and negotiations of price and other arrangement would consume substantial time,

- There was no certainty that the bid was going to be successful and if not Government would start another tendering process to invite other bidders.

Management further stated that it was uncertain that the sale would take place during the 12 months after the balance sheet date. Accordingly, the plant continued to be disclosed as "Property, Plant and Equipment" without being reclassified as "Assets held for sale".

Subsequent updates indicated that CNEEC's offer was not successful and that the Public Procurement and Asset Disposal Board (PPADB) had subsequently approved a request from the Ministry of Mineral Resources, Green Technology and Energy Security to cancel the sale tender. The Board had approved the request for authority to cancel the tender for the divestment of Government of Botswana and BPC's financial interest in Morupule B and there was no tendering process to invite other bidders.

148. **Botswana Privatisation Asset Holdings**

The financial statements of the Botswana Privatization Asset Holdings for the financial year ended 31 March 2018 were audited by Messrs KPMG, Certified Auditors, who were appointed by the Board.

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements presented fairly, in all material respects, the financial position of the Botswana Privatisation Asset Holdings as at 31 March 2018 and its financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards.

2.2 Financial Results

In the year under review, the company recorded a profit of P8.71 million, compared to P15.02 million in the previous year, a decrease of 42%. The main contributor to the decline in performance was the reduction in grant income recognised from P4.1 million in the previous year to nil in the current year, fair value loss in financial assets of P244 000 compared to a gain of P1.20 million in the previous year.

The main source of income was dividend of P11.70 million from the investment with Botswana Building Society, compared to P12.28 million in the previous year. Expenditure on the other hand was P2.77 million covering among others, management fees of P750 012 and market-maker role fees of P961 414.

2.3 Working Capital

The working capital position of the company as at 31 March 2018 showed current assets of P34.91 million and current liabilities of P2.12 million, giving a net current assets position of P32.79 million.

The current liabilities included the balance of P1.90 million received from Government through the Public Enterprises Evaluation and Privatisation Agency for the company to play the role of market-maker in the purchase and sale of Botswana Telecommunications Corporation Limited shares. There were no repayment terms for this payment.

3.0 Management Letter

The auditors indicated that they did not issue a management letter as there were no significant control deficiencies identified.

149. Botswana Qualifications Authority

The financial statements of Botswana Qualifications Authority for the financial year ended 31 March 2018 were audited by Messrs PricewaterhouseCoopers, Certified Auditors, who were appointed by the Board in terms of Section 23 (2) of the Botswana Qualifications Authority Act, (No. 24 of 2013).

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements presented fairly, in all material respects, the financial position of Botswana Qualifications Authority as at 31 March 2018, and its financial performance and its cash flows for the year then ended, in accordance with the International Financial Reporting Standards.

2.2 Financial Results

The Authority recorded a profit of P7.47 million before a revaluation loss on property, plant and equipment of P13.62 million in the year under review, compared to a loss of P3.60 million in the previous year.

Expenditure increased by P12.66 miilion (16%) from P79.43 million in the previous year to P92.09 million in the year under review; while income, on the other hand, increased by P23.74 million (31%) from P75.82 million to P99.56 million during the same period.

The main sources of income for the year were:

- Government subvention of P56.80 million which had increased from P35.98 million in the previous year.
- Contribution from Human Resource Development Fund of P31.12 million, being 10% of the Fund revenue to support quality assurance activities.
- Registration fees of P8.56 million.
- Ministry of Tertiary Education, Research, Science and Technology of P2.76 million.

2.3 Working Capital

As at 31 March 2018, the working capital position of the Authority showed current assets of P60.61 million and current liabilities of P41.70 million, resulting in a net current assets position of P18.91 million.

3.0 Management Letter

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

3.1 Preparation and Review of Monthly Bank Reconciliations

The auditors noted that, as in previous years, some bank reconciliations were not performed within 10 days after the month-end as required by the BQA Financial Policies and Procedures Manual.

The table below shows the dates on which the reconciliations were done.

Account Number	Name of Bank	Month of Reconciliation	Month in which Bank Reconciliation Performed
62025899967 Call	First National Bank	February 2018	April 2018
62016371122 Current	First National Bank	June 2017	August 2017
9060002007369 Current	Stanbic Bank	March 2018	April 2018

In response management indicated that entries would be downloaded, printed and captured every Friday so that on the 2nd of the following month when the bank statement is available then only the final entries would be captured and reconciliations done. The reconciliations would be submitted for review by the financial accountant and signed accordingly.

3.2 Former CEO Included as a Bank Signatory as at Year End

The auditors noted that the former Chief Executive Officer was still included as a signatory to the FNB and Stanbic Bank accounts even though he had left the Authority in November 2017.

In response management stated that as per the Financial Policies and Procedures Manual the amendment of bank signatories is approved by the Board. The request to remove the former CEO was submitted to the Board on 29 March 2018. Management however acknowledged the lengthy process and revealed that they had engaged the banks and would approach the Board with a view to securing a standard resolution for appointment and removal of bank signatories.

3.3 Raising Invoices For Services Not Yet Rendered

The auditors noted that management had raised invoices for registration fees before receipt of application forms. Details of such instances are given below.

Details	Invoice No	Date	Amount as per debtors ledger
BIUST	IN000194	8/3/2018	P1 430 300
University of Sunderland	IN000180	23/1/2018	P40 200

In response management indicated that they had submitted a request to open a collection account with the bank which would not allow any payment to be made without referencing to an invoice. Furthermore, invoices would only be raised against documentation on charges from the relevant function e.g. institutional audit for audit invoices. The new account would be widely communicated to all stakeholders.

150. **Botswana Railways**

The financial statements of Botswana Railways (BR) for the financial year ended 31 March 2018 were audited by me in terms of Section 22 of the Botswana Railways Act (Cap 70:01).

2.0 Accounts

2.1 Audit Opinion

In my opinion:

The financial statements presented fairly, in all material respects, the consolidated and separate financial position of the Botswana Railways as at 31 Mach 2018, 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

The audited financial statements for the year under review showed a profit of P48.62 million for the organisation, compared to a loss of P43.13 million recorded during the previous year. The improvement in performance was mainly attributable to an increase of P123.44 million in debenture interest (other income) from P27.33 million in the previous year to P150.77 million in the year under review. The debenture interest was paid and accrued from the JTTM (a subsidiary of Botswana Railways). The organisation had a total comprehensive income of P76.44 million compared to a comprehensive loss of P15.52 million in the previous year. The improvement in the comprehensive income of P27.81 million from net profit of P48.62 million to a net comprehensive profit of P76.43 million was mainly due to amortisation of government grant of P27.81 million.

Expenditure on the other hand decreased marginally by P20.35 million (4%) from P458.61 million in the previous year to P438.27 million in the year under review.

The Group results showed a loss of P26.41 million in the year under review, compared to a profit of P16.46 million recorded in the previous year representing 260.5% decline in profit. The decline in the Group's performance was mainly attributable to a reduction in total revenue from operations which was P420.86 million in the previous year, compared to P405.78 million in the year under review and a decrease in Other Income from P38.38 million in the previous year to P19.70 million in the year under review. The comprehensive income for the Group was P1.40 million for the year under review, compared to P44.06 million in the previous year. The increase in comprehensive income was mainly due to the amortisation of government grant of P27.81 million.

Expenditure for the group had a marginal decrease of 3% from P498.48 million in the previous year to P482.69 million in the year under review.

2.3 Working Capital

As at 31 March 2018, the working capital position of the Botswana Railways Group showed current assets of P617.38 million and current liabilities of P218.66 million, resulting in a net current assets position of P398.71 million. The working capital position of BR showed current assets of P549.44 million and current liabilities of P201.77 million, resulting in a net current assets position of P347.67 million.

3.0 Management Letter

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

3.1 Self-Assessment Tax (SAT) and Company Tax

It was observed that BR did not submit any Self-Assessment Tax (SAT) for the year under review which is a violation of the Income Tax Act. This could result in penalties charged on the organization for non-compliance.

In response management stated that they had sought and had been given a grace period of 21 months. Furthermore the forecast of BR performance showed that they would be making losses in the tax year ending June 2018 and therefore no taxable income was foreseen. Management had since submitted the tax returns for the financial year ended 31 March 2018 and had also submitted the Self-Assessment Tax for the 2nd quarter. Management would ensure that going forward they submit as per BURS requirements.

3.2 Tax on Non-Cash Benefits

The Botswana Railways did not charge tax on non-cash benefits (housing, car, furniture and fittings) for two of its employees, as required by the Income Tax Act that for non-cash benefits to be included in the remuneration of employees.

In response, management noted the finding and indicated that they were in the process of determining the values of the houses as the tax charge was calculated based on them. They further stated that they had received monthly benefit source documents for the car from Avis in June 2018 after the year end as such they did not have source documents to determine the tax chargeable on the car benefit. They further stated that the furniture was only bought in the financial year 2018.

3.3 Stock Take Variances

It was noted that the stock count for the financial year 2017/18 resulted in a net variance of P3 122 072.11 which was made up of negative and positive balances. While differences between the stock levels in the system and on the floor are likely to be found during stock counts, investigations should be carried out to help identify the cause of stock variance and measures put in place to reduce the variances to acceptable levels. The table below represents system data which is not an accurate reflection of what was actually on the shelves.

Narration	Amount
Stock write-offs*	16 776 418.14
Stock write-backs*	(13 654 346.03)
Net Variance/Difference	3 122 072.11

*Stock write offs represent the stock value in the system but not physically available and stock write-backs represent the stock value not in the system but physically available.

In response management stated that they were looking to institute an audit on the causes of the variance and recommendations from the exercise would be implemented. A consultant would be appointed by the end of December 2018.

3.4 Deposits Payable

As at 31 March 2018, BR had deposits payable to customers amounting to P13.42 million dating back to the year 2004 which were still recorded as a payable. Refundable deposits should be paid back to customers or written to the income statement, if not refundable.

In response management stated that out of the P13.42 million, an amount of P12.5 million relating to Government grant had been corrected and classified as grant while the remaining transactions were being investigated. Once determined as refundable, management would locate the respective customers and refund them accordingly, otherwise the amounts would be cleared to miscellaneous income.

3.5 Insurance of Assets

BR used to have a General Fund account set aside for purposes of insurance of its assets which it had since depleted. It was observed that BR had an asset base worth P4.4 billion, and only P20 million for motor vehicles is insured, the rest was uninsured. For a business that deals in transportation of goods and services, the cost to repair its assets considering the increase in train accidents in the past few years, is likely to be high.

In response management stated that they once floated a tender for the insurance of the BR assets. However, the quotations received were too high and therefore expensive. Management was considering other options of insuring its assets such as opening a general insurance reserve for self-insurance.

151. **Botswana Savings Bank**

As part of my writing of this report, and in line with the long standing arrangement with the Public Accounts Committee, I had circularized all statutory bodies and state enterprises requesting them to forward to me copies of their audited financial statements and reports for purposes of review and inclusion of the review results in this report. However, at the time of writing this report I had not received a response to my request for submission of audited accounts and reports.

Consequently, I have not been able to carry out the review of the accounts of the Bank for the financial year ended 31 March 2018, for the benefit of the National Assembly.

152. **Botswana Stock Exchange**

The financial statements of Botswana Stock Exchange for the financial year ended 31 December 2017 were audited by Messrs KPMG, Certified Auditors, who were appointed by the Stock Exchange Committee in terms of Section 41 (2) of the Botswana Stock Exchange Act, (Cap 56:08).

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The consolidated and separate financial statements presented fairly, in all material respects the consolidated and separate financial position of Botswana Stock Exchange as at 31 December 2017 and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards.

2.2 Financial Results

In the year under review, the Group and the Stock Exchange recorded a profit of P8.44 million and P 6.85 million respectively compared to P 8.41 million and P5.87 million respectively in the previous year. The income for the Group increased by P3.77 million from P36.92 million in the previous year to P40.69 million in the year under review, while the expenses increased by P3.73 million from P28.51 million in the previous year to P32.24 million in the year under review.

The Government subvention increased by P1.45 million from P746, 251 in the year under review to P2.20 million in the previous year.

2.3 Working Capital

The working capital position of the Group as at 31 December 2017 showed total current assets of P90.53 million and total current liabilities of P6.45 million, resulting in a net current assets position of P84.08 million. The current assets for the Stock Exchange were P61.75 million and the current liabilities were P7.44 million, giving a net current assets position of P54.31 million.

3.0 Management letter

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

153. **Botswana Telecommunications Corporation Limited**

The financial statements of Botswana Telecommunications Corporation Limited for the financial year ended 31 March 2018 were audited by Messrs Ernst & Young, Certified Auditors, 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 Botswana Telecommunications Corporation Limited as at 31 March 2018, and of its financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards and the requirements of the Companies Act, (Cap 42:01)

2.2 Financial Results

In the year under review, the Corporation recorded a profit of P217.35 million, compared to P237.35 million in the previous year. Income decreased by 3% from P1.67 billion in the previous year to P1.62 billion in the year under review, while expenditure decreased by 2% from P1.44 billion in the previous year to P1.40 billion in the year under review.

2.3 Working Capital

The working capital position of the Corporation as at 31 March 2018 showed total current assets of P892.90 million and total current liabilities of P256.31 million, resulting in a net current assets position of P636.60 million.

3.0 Management letter

In view of the restrictions imposed by the Botswana Stock Exchange Listing Requirements, I have not been able to obtain a management letter.

154. **Botswana Tourism Organisation**

As part of my writing of this report, and in line with the long standing arrangement with the Public Accounts Committee, In July 2018 I addressed a communication to the Chief Executive Officer requesting for the submission of the audited accounts and reports of the Organisation for the financial year ended 31 March 2018 for my review and inclusion of the review results in this report. The Chief Executive Officer had responded stating that they were unable to do so as a result of delayed completion of audit due to restatement of financials from 2013 to 2018 to consolidate Botswana Tourism Organisation and the community projects financials.

Consequently, I have not been able to carry out the review of the accounts of the Organisation for the financial year ended 31 March 2018, for the benefit of the National Assembly.

155. **Botswana Trade Commission**

The financial statements of the Botswana Trade Commission for the financial year ended 31 March 2018 were audited by Messrs Grant Thornton, Certified Auditors, who were appointed by the Board in terms of Section 29 (1) of the Botswana Trade Commission Act, No. 20 of 2013.

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements presented fairly in all material respects, the financial position of Botswana Trade Commission as at 31 March 2018, and of its financial performance and cash flows for the year then ended, in accordance with International Financial Reporting.

2.2 Financial Results

The financial operations of the Commission showed a surplus of P1.06 million for the year under review, compared to P44 456 in the previous year. Income increased by 15% from P9.19 million in the previous year to P10.60 million in the year under review, while expenditure increased by 4% from P9.13 million in the previous year to P9.53 million in the year under review.

The Commission is funded by Government grants and in the year under review the grant was P10.59 million, compared to P9.14 million in the previous year.

2.4 Working Capital

The working capital position of the Commission as at 31 March 2018 showed total current assets of P3.00 million and total current liabilities of P1.63 million, resulting in a net current assets position of P1.37 million.

3.0 Management letter

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

156. **Botswana Unified Revenue Service**

As part of my writing of this report, and in line with the long standing arrangement with the Public Accounts Committee, I had circularized all statutory bodies and state-owned enterprises requesting them to forward to me copies of their audited financial statements and reports for purposes of review and inclusion of the review results in this report. The Commissioner General of the Revenue Service has responded stating that they were unable to do so as the audit had not yet been concluded, due to teething and post implementation challenges with the recently installed Customs Management System.

Consequently, I have not been able to carry out the review of the accounts of the Revenue Service for the financial year ended 31 March 2018, for the benefit of the National Assembly.

157. **Botswana University of Agriculture and Natural Resources**

The financial statements of Botswana University of Agriculture and Natural Resources for the financial year ended 31 March 2018 were audited by Messrs PricewaterhouseCoopers, Certified Auditors, who were appointed by the Council in terms of Section 25 (1) of the Botswana University of Agriculture and Natural Resources Act, (No 12 of 2015)

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements presented fairly, in all material respects, the financial position of Botswana University of Agriculture and Natural Resources as at 31 March 2018, and of its financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards.

2.2 Financial Results

In the year under review, the University recorded a deficit of P6.69 million (before gains on revaluation of bearer plant of P347 217), compared to a deficit of P8.30 million on the previous year. Expenditure increased by 33% from P175.88 million in the previous year to P234.75 million in the year under review while income increased by 36% from P167.58 million in the previous year to P228.06 million during the same period.

The Income comprised the following:

Revenue Item	2018 Amount (P'million)	%	2017 Amount (P'million)	%
Government Grant	168.60	73.9	112.80	67.3
Tuition Fees & Other Student Income	55.27	24	49.37	29.5
Finance Income	0.15	0.1	0.15	0.1
Other Income	4.04	2	5.26	3.1
	228.06	100	167.58	100.0

2.3 Working Capital

The working capital position of the University as at 31 March 2018 showed total current assets of P34.25 million and total current liabilities of P61.58 million, resulting in a net current liabilities position of P18.29 million.

Current liabilities included accrued employee benefits of P39.77 million, prepaid tuition and residence fees of P10.64 million and unutilized development and project funds of P6.16 million.

3.0 Management letter

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

3.1 Fully Depreciated Assets

The auditors noted that the University did not have adequate procedures for annual review of useful lives of all fixed assets to facilitate processing necessary adjustments in line with the accounting standards. Consequently, there was a number of fixed assets that had been fully depreciated and were still in use.

In response management stated that useful lives of all fixed assets would be reviewed on an annual basis in line with the accounting standards to make appropriate adjustments.

3.2 Policy for Long Outstanding Receivable Balances

The auditors noted that the University had not developed and implemented a formal policy for purposes of providing for long outstanding receivable balances, which could result in inconsistency or misstatement of receivable balances.

In response management stated that due to restructuring process, the approval process had taken longer than anticipated, as the policies had to go through a number of structures for consultation and quality assurance, before approval by the University Council. They further stated that the draft policy would be ready for consideration by the Finance and Development Committee during its November 2018 sitting and finally by the University Council.

3.3 Properties without Tittle Deeds

The auditors noted, as in the previous year, that the University owned and controlled land that it received from the Department of Agricultural Research, (DAR) but it was not in possession of title deeds for the properties.

In response management stated that the process to obtain title deeds had been delayed by the review of the University Master Plan which included negotiations to transfer some land from and to Department of Agricultural Research (DAR). The University was proceeding with securing the title deeds for the land and property that Government had fully transferred to BUAN. The process was targeted to be completed by not later than December 2018. Furthermore, the University would speed up the negotiation process with DAR for recommendations to be submitted to the parent Ministry during the month of November 2018.

3.4 Information Technology (IT) Governance

The auditors noted the following relating to IT Governance:

a) IT Strategy that would align the IT operations to the overall organizational goals was not in place, which raised the risk of misalignment of the IT objectives to the Organization strategy.

b) IT Security Policy, IT Policy, Business Continuity and Disaster Recovery Plans were still at draft stages.

c) Change Control Policy was not in place.

In response, management agreed with the findings and stated the following:

- IT Strategy was under development and would be completed by November 2018.

- The existing policies had been reviewed and had since been submitted to the Executive for quality assurance and approval was targeted for end of November 2018.

158. **Botswana Vaccine Institute Limited**

The financial statements of Botswana Vaccine Institute Limited for the financial year ended 31 December 2017 were audited by PricewaterhouseCoopers, Certified Auditors, who were appointed by the Board.

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements presented fairly, in all material respects, the financial position of Botswana Vaccine Institute Limited as at 31 December 2017, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

2.2 Financial Results

The financial operations of the Botswana Vaccine Institute Limited recorded a profit of P16.53 million, compared to P114.78 million recorded in the previous year. The major contributors to the decline in profits were a decline in sales of vaccines of P83.41 million (50%) from P165.20 million in the previous year to P81.79 million in the year under review and a decline in revaluation gain on property, plant and equipment of P63.34 million (87%) from P72.84 million in the previous year to P9.50 million in the year under review.

Income dropped significantly by 60% from P248.90 million in the previous year to P99.39 million in the year under review, while expenditure on the other hand declined from P134.12 million in the previous year to P82.86 million in the year under review, representing 38%.

Income of the Institute was derived from sales of vaccines (P81.79 million), revaluation gain on property, plant and equipment (P9.50 million), Interest (P5.82 million), freight (P1.22 million) and other income (P1.06 million).

2.3 Working Capital

As at 31 December 2017, the working capital position of the Institute showed current assets of P315.59 million and current liabilities of P82.97 million resulting in a net current asset position of P232.62 million.

3.0 Management Letter

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

3.1 Debtors Management

The auditors observed that the Institute's trade receivables balance (gross trade receivable: P59 million as at year-end) was significantly high compared to revenue for the year (P83 million), which indicated delayed payments by customers. Management had performed an assessment of the balances and concluded that substantially all balances were recoverable. The assessment of recoverability was done at an individual customer basis as the nature of the customers was such that the credit profiles and associated risks were unique to each customer. The auditors own testing of the recoverability of year-end receivables indicated that the provisions carried were adequate.

As at year-end, the auditors noted that the performing debtor balance within the credit period was P33.3 million and past due debtor balance was P26.8 million.

3.2 Inventory Valuation

The auditors noted that the finished goods inventory held by the Institute had increased by P14.8 million compared to prior year due to a significant decline in sales while production remained relatively the same as in the previous period. The decline in sales resulted in the company holding onto inventory, as its shelf life diminished, hence the need to provide P3.5 million against vaccines expiring in the near future with no good prospects of sales and the write-off of P1.5 million of expired vaccines.

During the year, the auditors noted that a new multi-currency procurement module was implemented to move from manual receipting of goods. The auditors' testing revealed that there were a significant number of entries proposed to correct exchange gains/losses that arose due to incorrect rates used upon receipt of goods as at the year-end. However, the misstatements identified were corrected during audit. The auditors concluded that this system was also susceptible to manipulation as it allowed for backdating the goods received date. The auditors recommended that management should engage the IT consultant to remove the function of back dating as it could lead also to misstatements, caused by error or fraud.

159. **Citizen Entrepreneurial Development Agency**

As part of my writing of this report, and in line with the long standing arrangement with the Public Accounts Committee, I had circularized all statutory bodies and state-owned enterprises requesting them to forward to me copies of their audited financial statements and reports for purposes of review and inclusion of the review results in this report. The Chief Executive Officer has responded and stated that he is unable to submit the audited accounts for the year under review as the audit for the previous year i.e. 2016/2017, is yet to be finalised.

I am concerned that this is the fourth year running that the Agency has not been able to submit the required accounts for my review. I consider this situation unsatisfactory as it denies the National Assembly, through the Committee on Statutory Bodies and State Enterprises, the opportunity to examine the accounts of this body under the terms of the Standing Orders of the House.

160. **Civil Aviation Authority of Botswana**

As part of my writing of this report, and in line with the long standing arrangement with the Public Accounts Committee, I had circularized all statutory bodies and state-owned enterprises requesting them to forward to me copies of their audited accounts and reports for purposes of review and inclusion of the review results in this report. The Chief Executive Officer had responded stating that they were unable to do so as a result of delayed completion of audit of the previous two year-end audits and resignation of key finance and accounting personnel during the period of audit.

This is the third year running that the Authority has failed to submit the required accounts for my review. I consider this situation unsatisfactory as it denies the National Assembly, through the Committee on Statutory Bodies and State Enterprises, the opportunity to examine the accounts of this body under the terms of the Standing Orders of the House.

161. **Companies and Intellectual Property Authority**

The financial statements of the Companies and Intellectual Property Authority for the financial year ended 31 March 2018 were audited by

Messrs PricewaterhouseCoopers, Certified Auditors, who were appointed by the Board.

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The annual financial statements presented fairly, in all material respects, the financial position of the Companies and Intellectual Property Authority as at 31 March 2018, and its financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards.

2.2 Financial Results

The Authority recorded a profit of P1.44 million, compared to a loss of P4.54 million during the previous year. The major contributor to improvement in financial performance was an increase of P8.99 million in Government grants from P30.95 million in the previous year to P39.93 million in the year under review.

The expenditure was P43.33 million, while income was P44.77 million for the year under review. Expenditure increased by 12% while income increased by 31% during the year under review.

The Authority is funded by Government grants and in the year under review, the grant was P39.93 million, representing 90% of total income. The other major sources of income were "Other Income" of P4.75 million (comprising fees from ARIPO of P1.43 million, fees from WIPO of P1.28 million, rental from CEDA of P1.84 million and other income of P207 630) and Interest Income of P85 065.

2.3 Working Capital

The working capital position of the Authority as at 31 March 2018 showed total current assets of P20.41 million and current liabilities of P17.89 million, giving a net current assets position of P2.52 million.

Current liabilities included P11.86 million unspent grants received from Government and payroll accruals of P4.81 million.

3.0 Management Letter

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

162. **Competition Authority**

The financial statements of the Competition Authority for the financial year ended 31 March 2018 were audited by Messrs Ernst and Young, Certified Auditors, who were appointed by the Competition Commission in terms of Section 23 of the Competition Act, 2009.

2.0 Accounts

2.1 Audit Opinion

In the opinions of the auditors:

The financial statements presented fairly, in all material respects the financial position of the Competition Authority as at 31 March 2018 and its financial performance and 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 Competition Authority showed a total comprehensive loss of P497 254 for the year under review, compared to a profit of P3.32 million recorded in the previous year Income declined by 12% from P31.99 million in the previous year to P28.23 million in the year under review mainly due to decreases in Government grants and merger fees. Expenditure was constant at P28.72 million in the year in review compared to P28.67 million in the previous year.

The Authority is funded by Government grants, and in the year under review the grant was P26.68 million, making 95% of the total income.

2.3 Working Capital

As at 31 March 2018, the working capital position of the Authority showed current assets of P2.68 million and current liabilities of P1.93 million, resulting in a net current assets position of P747 885.

3.0 Management Letter

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

3.1 Staff Debtors

The auditors noted that in addition to the matter of per diem allowances discussed in the prior year, the former Finance Manager had outstanding balances with the Authority amounting to P65 237.90.

In response management stated that in pursuit of the recovery of the outstanding debt, the Authority's legal team is handling the matter with a view to serving the former employee with a letter of demand.

163. Gambling Authority

The financial statements of the Gambling Authority for the financial year ended 31 March 2018 were audited by Messrs PricewaterhouseCoopers, Certified Auditors, who were appointed by the Board in terms of Section 20 of the Gambling Act, 2012.

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements presented fairly, in all material respects, the financial position of the Gambling Authority as at 31 March 2018 and of its financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards.

2.2 Financial Results

In the year under review, the Authority recorded a profit of P3.11 million, compared to a restated profit of P1.74 million in the previous year. Income increased by 36% from P27.14 million in the previous year to P36.96 million in the year under review, while on the other hand expenditure increased by 33% from P23.40 million in the previous year to P33.85 million in the year under review.

The Authority is funded by Government grants and in the year under review the grant was P28.55 million, representing 77% of total income, compared to P28.17 million in the previous year. Other notable sources of income were national lottery fees of P5.17 million, casino entrance fees of P1.47 million, annual fees of P900 000, income from gambling machines of P422 250 and transfer fees of P200 000.

2.3 Working Capital

The working capital position of the Authority as at 31 March 2018 showed total current assets of P62.34 million and total current liabilities of P58.44 million, resulting in a net current assets position of P3.9 million.

Included in the current liabilities were P55.67 million fees and levies held by the Authority pending establishment of a fund in terms of Section 134 of the Gambling Act, 2012 and P1.89 million payroll accruals.

3.0 Management letter

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

3.1 Establishment of the Levy Fund

The auditors noted, as in the previous year, that a levy fund had not yet been established by the Minister in terms of Section 134 of the Gambling Act, 2012, into which levies imposed were to be paid for the general benefit of the gambling industry in Botswana. The money collected by the Authority was still in its custody.

In response management stated that the Ministry had agreed to set up a levy fund, and the Authority and Ministry of Investment Trade and Industry were discussing where the fund should reside.

3.2 Implementation of Provisions of The Gambling Act and Regulations

The auditors noted, as in the previous year, that the Authority did not, in some instances, impose penalties for levies paid outside the 10 days after the end of the month in respect of which the levy is payable, as prescribed by Section 108 of the Gambling Regulations. The Authority has the power to impose a 2% penalty on the outstanding licence fee for each week during which the license levy remains outstanding. Additionally, the auditors noted that no person was charged in line with Section 50 of the Gambling Act, 2012, which requires for a person who fails to pay levy or makes late payment liable to a fine not exceeding P20 000, although there were perpetrators. The auditors advised management to make arrangements to amend either the regulations or the act to make them consistent and ensure that relevant provisions were implemented.

In response management stated that the Authority was amending the Gambling Act and the regulations to reflect consistency in the provisions and to ensure that interpretation and compliance were duly effected without contradiction.

164. Human Resource Development Council

The financial statements of the Human Resource Development Council for the financial year ended 31 March 2018 were audited by Messrs PricewaterhouseCoopers, Certified Auditors, who were appointed by the Council 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 Human Resource Development Council as at 31 March 2018, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards.

2.2 Financial Results

The financial operations of the Council showed a surplus of P2.12 million for the year under review, compared to P4.14 million in the previous year.

Expenditure increased by P13.67 million (17%) from P79.65 million in the previous year to P93.32 million in the year under the review. The increase is attributable to an increase of P7.63 million representing 16% in payroll expenses and P5.13 million, representing 250% in consultancy expenses.

Income increased by 14% from P83.79 million in the previous year to P95.44 million in the year under review.

The revenue of the Council for the year under review was P83.84 million, of which P52.72 million was Government grant and P31.12 million was Human Resource Development Fund administration fees.

2.3 Working Capital

As at 31 March 2018, the working capital position of the Council showed current assets of P66.97 million and current liabilities of P33.10 million, resulting in a net current assets position of P33.87 million.

Current liabilities included P18.46 million provisions for gratuities and leave pay and P6.39 million of unutilised grants which may be used for other Council's operational activities upon approval by the Board.

3.0 Management Letter

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

3.1 Lapses in Accounting for Fixed Assets and Maintenance of the Fixed Assets Register

The auditors noted that some assets did not have residual values, fully depreciated assets were still in use and there was a lack of clarity on how the useful lives were determined from the established range for furniture and office equipment, gym equipment, computer equipment and motor vehicles. The auditors further noted some assets that were in use but not reflected in the fixed assets register and that 'residual values of assets were not reviewed annually, which was in breach of International Accounting Standard 16.

In response management acknowledged the auditors' finding and undertook to implement the recommendation. They further stated that some of the fully depreciated assets were assessed and identified for disposal before the end of the financial year but were only disposed of after the year end. Management further stated that the assets not reflected in the assets register were a few old assets previously identified for disposal and fully impaired in 2009/10 but were then brought back into use due to shortages and inadvertently not reinstated.

165. **Legal Aid Botswana**

The financial statements of Legal Aid Botswana for the financial year ended 31 March 2018 were audited by Messrs Grant Thornton, Certified Auditors, who were appointed by the Board.

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements presented fairly, in all material respects, the financial position of Legal Aid Botswana as at 31 March 2018, and of its financial performance and cash flows for the period then ended, in accordance with International Financial Reporting Standards.

2.2 Financial Results

In the year under review, the organisation recorded a surplus of P1.42 million, compared to P370 577 in the previous year. Income increased by P6.97 million (26%) from P26.75 million in the previous year to P33.72 million in the year under review, while on the other hand, expenditure increased by P5.92 million (22%) from P26.38 million in the previous year to P32.29 million in the year under review.

The organisation is funded by Government grants, and in the year under review the grant was P33.54 million, representing 99% of the total income.

2.3 Working Capital

The working capital position of the organisation as at 31 March 2018 showed total current assets of P9.09 million and total current liabilities of P9 million, resulting in a net current assets position of P94 337.

3.0 Management letter

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

166. **Local Enterprise Authority**

The financial statements of the Local Enterprise Authority for the financial year ended 31 March 2018 were audited by Messrs KPMG, Certified Auditors, who were appointed by the Board in terms of Section 25 (2) of the Small Business Act, (Cap 43:10).

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements presented fairy, in all material respects, the financial position of Local Enterprise Authority at 31 March 2018, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

2.2 Financial Results

The financial operations of the Authority for the year ended 31 March 2018 showed a deficit for the year of P2.87 million, compared to a surplus of P 8.44 million in the previous year.

The total operating income had a marginal increase of 3% from P154.86 million in the previous year to P159.67 million in the year under review, while the operating expenses increased by relatively significant 11% from P147.92 million in the previous year to P163.79 million in the year under review.

2.3 Working Capital

As at 31 March 2018, the working capital position of the Authority showed current assets of P44.69 million and current liabilities of P57.66 million, resulting in a net current liabilities position of P12.97 million.

Current liabilities included deferred capital grants (for purchase of property, plant and equipment) of P5.67 million, deferred revenue grants (advanced for working capital) of P28.82 million and payroll accruals of P18.58 million.

3.0 Management Letter

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

3.1 Unresolved Prior Year Matters

The auditors observed that out of the 17 matters reported in the previous year, one (1) was still in progress, 11 resolved and 5 still unresolved. The unresolved matters which recurred in the year under review included the following:

- Staff Advances

  Pay-As-You-Earn was not calculated and paid to Botswana Unified Revenue Service (BURS) in respect of the interest-free advances/loans granted to staff members. In addition, the repayment of staff advances was not actively followed up and actioned, resulting in unrecovered balances. The staff advances listing included balances due from individuals who were no longer employed by the Authority.

  In response management stated that they had sought clarification from BURS and their response was that salary advances were not taxable because they were expenses incurred after tax was deducted from employees' remuneration as such the Authority did not charge Withholding Tax on advances.

- Useful Lives of Assets

  The auditors noted that residual values, depreciation rates and useful lives applied to items of property, plant and equipment were not assessed annually as required by International Financial Reporting Standard 16. Consequently, fully depreciated assets (motor vehicles, furniture and fittings and office equipment) and still in use were included in the fixed asset register, and had not been assessed.

  In response management stated that they were of the view that the useful lives of the assets were reasonable. The Authority acquired most of the assets on inception in 2007 and since then the Authority had not received any capital grants to replace or acquire new assets. The assets had been used for more than 10 years and continuous usage had resulted in high repairs and maintenance cost. Management was of the view that fully depreciated assets should be carried at a nominal value of P1.00.

167. **Minerals Development Company Botswana Limited**

As part of my writing of this report, and in line with the long standing arrangement with the Public Accounts Committee, I had circularized all statutory bodies and state-owned enterprises requesting them to forward to me copies of their audited financial statements and reports for purposes of review and inclusion of the review results in this report. The Chief Executive Officer had responded stating that they were unable to do so as there was an outstanding issue regarding accounting treatment and disclosure of a 15% interest in De Beers plc, which was under discussion with the external auditors.

Consequently, I have not been able to carry out the review of the accounts of the Company for the financial year ended 31 March 2018 for the benefit of the National Assembly.

168. **Motor Vehicle Accident Fund**

The financial statements of the Motor Vehicle Accident Fund for the financial year ended 31 December 2017 were audited by Messrs PricewaterhouseCoopers, Certified Auditors, who were appointed by the Board in terms of Section 18 (2) of the Motor Vehicle Accident Fund Act (Cap. 69:02).

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements presented fairly, in all material respects, the financial position of Motor Vehicle Accident Fund as at 31 December 2017, and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

2.2 Financial Results

The financial operations of the Fund for the year ended 31 December 2017 recorded a deficit of P126.49 million, compared to P260.62 million in the previous year. The main contributors to the reduction in deficit were the P118.50 million change in fair value of available for sale investments figure reclassified to profit or loss, compared to a reduction of P13.69 million in the previous period and a decrease in claims provision from P239.53 million to P142.50 million in the year under review.

Total operating income decreased by 50.39% from P156.05 million in the previous year to P77.42 million in the year under review mainly as a result of the considerable change in the following comparative figures:

	2017	2016
Investment Income	123 791 683	155 168 223
Change in Fair Value of investments at Fair value through profit and loss	(7 253 395)	1 453 943
Foreign Exchange Losses	(107 535 908)	(61 544 764)

However, the total expenses decreased by 18.73% from P407.38 million in the previous year to P331.07 million in the year under review. The major contributor to the reduction in total expenses is the 40% reduction in claims provision from P239.53 million in the previous year to P142.50 million in the year under review.

2.3 Working Capital

As at 31 December 2017, the working capital position of the Fund showed current assets of P727.21 million and current liabilities of P247.20 million, resulting in a net current asset position of P480.01 million.

3.0 Management Letter

The financial statements submitted to me did not include management letter. Consequently, I have not been able to comment on any issues that might had been raised therein.

169. **National Development Bank**

As part of my writing of this report, and in line with the long standing arrangement with the Public Accounts Committee, I had circularized all statutory bodies and state-owned enterprises requesting them to forward to me copies of their audited financial statements and reports for purposes of review and inclusion of the review results in this report. The Chief Executive Officer of the Bank has responded stating that they were unable to do so as the audit had not yet been concluded, pending confirmation of an outstanding matter with the Ministry of Finance and Economic Development.

Consequently, I have not been able to carry out the review of the accounts of the Bank for the financial year ended 31 March 2018, for the benefit of the National Assembly.

170. **National Food Technology Research Centre**

The financial statements of the National Food Technology Research Centre for the financial year ended 31 March 2018 were audited by Messrs Grant Thornton, Certified Auditors, who were appointed by the Board.

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The consolidated annual financial statements presented fairly, in all material respects, the financial position of the National Food Technology Research Centre as at 31 March 2018, and its financial performance and its cash flows for the year then ended, in accordance with the International Financial Reporting Standards.

2.2 Financial Results

The financial operations of the Centre showed a profit of P1.53 million before gains on property revaluation of P28.70 million in the year under review, compared to a loss of P567 767 in the previous year.

Income increased by P24 949 from P37.70 million in the previous year to P37.73 million in the year under review. Expenditure on the other hand declined by 5% from P38.27 million in the previous year to P36.19 million in the year under review.

In the year under review, the Group recorded a loss of P5.17 million before gains on property revaluation of P28.70 million compared to a loss of P2.71 million in the previous year.

Income decreased by 2% from P39.56 million in the previous year to P38.71 million in the year under review. Expenditure on the other hand increased by 4% from P42.27 million in the previous year to P43.88 million in the year under review.

The Centre is funded by Government grants. In the year under review, the grant was P35.88 million, making up 96% of the total income, compared to P36.39 million in the previous year.

2.3 Working Capital

The working capital position of the Group as at 31 March 2018 showed current assets of P11.64 million and current liabilities of P18.85 million, resulting in a net current liabilities position of P7.21 million.

The working capital position of the Company as at 31 March 2018 showed current assets of P19.71 million and current liabilities of P17.83 million, resulting in a net current assets position of P1.87 million.

Included in the current liabilities is deferred capital grants of P13.82 million for the Group and Company, and provision for gratuities and leave of P3.95 million for the Group and P2.97 million for the Company.

3.0 Management Letter

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

171. Non-Bank Financial Institutions Regulatory Authority

The financial statements of the Non-Bank Financial Institutions Regulatory Authority for the financial year ended 31 March 2018 were audited by Messrs Grant Thornton, Certified Auditors, who were appointed by the Board in terms of Section 33 (1) of the Non-Bank Financial Institutions Regulatory Act, 2006.

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements presented fairly, in all material respects, the financial position of the Non-Bank Financial Institutions Regulatory Authority as at 31 March 2018, and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

2.2 Financial Results

For the financial year ending 31 March 2018, the Authority recorded a deficit of P6.54 million, compared to a deficit of P320 242 in the prior year. The increase in the deficit is due to the increase in operating expenses.

Expenditure increased by 17% from P65.77 million in the prior year to P76.88 million in the year under review. Significant increases were noted in staff costs of P7.46 million and legal fees of P3.25 million. Income on the other hand increased by 7.5% from P65.45 million in the prior year to P70.34 million in the current year.

Income comprised:

	P 'million
Supervisory levies	45.04
Government Grants	22.86
Other Income	2.26
Finance Income	0.18

2.3 Working Capital

The working capital position of the Authority as at 31 March 2018 showed current assets of P12.25 million and current liabilities of P6.78 million, giving a net assets position of P5.47 million.

3.0 Management Letter

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

3.1 Fixed Assets Register Not Updated Residual Values

The auditors noted that the useful lives and residual values of some assets were not reviewed as required by International Accounting Standard 16.

In response management stated that they would undertake an audit of all assets in the fixed assets register and revalue those assets without residual values. This would be done on a yearly basis to ensure all assets that are still in use are properly valued.

172. **Okavango Diamond Company Limited**

The financial statements of the Okavango Diamond Company Limited for the financial year ended 31 March 2018 were audited by Messrs KPMG, Certified Auditors, who were appointed by the Board.

The Okavango Diamond Company Limited was incorporated under the Companies Act in April 2013 as a private company limited by guarantee, wholly owned by Government to trade in rough diamonds.

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements presented fairly, in all material respects, the financial position of the Okavango Diamond Company (Proprietary) Limited as at 31 March 2018 and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

2.2 Financial Results

The financial operations of the company showed a profit of USD24.41 million for the year under review, compared to USD39.45 million in the previous year. Income declined by 8% from USD585.28 million in the previous year to USD537.61 million in the year under review, while on the other hand expenditure decreased by USD32.63 million from USD545.83 million in the previous year to USD513.20 million during the year under review.

The accounts of the company are maintained in US Dollars because the major activities of purchases and sales are transacted in this currency.

2.3 Working Capital

The working capital position of the company as at 31 March 2018 showed current assets of USD86.60 million and current liabilities of USD 2.13 million, resulting in a net current assets position of USD84.47 million.

3.0 Management Letter

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

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

As part of my writing of this report, and in line with the long standing arrangement with the Public Accounts Committee, I had circularized all statutory bodies and state-owned enterprises requesting them to forward to me copies of their audited financial statements and reports for purposes of review and inclusion of the review results in this report. The Chief Executive Officer had responded stating that they were unable to do so as the Agency did not have a Board of Directors.

Consequently, I have not been able to carry out the review of the accounts of the Agency for the financial year ended 31 March 2018 for the benefit of the National Assembly.

174. **Public Procurement and Asset Disposal Board**

The financial statements of the Public Procurement and Asset Disposal Board for the financial year ended 31 March 2018 were audited by Messrs Ernst & Young, Certified Auditors, who were appointed by the Board in terms of Section 58 (8) of the Public Procurement and Asset Disposal Act, (Cap 42:08).

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements presented fairly, in all material respects, the financial position of the Public Procurement and Asset Disposal Board for the year ended 31 March 2018, and of its financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards and in the manner required by the Public Procurement and Asset Disposal Act, (Cap 42:08).

2.2 Financial Results

In the year under review, the Board recorded a loss of P4.86 million before a revaluation gain in properties of P618 912, compared to a loss of P540 837 recorded in the previous year. The main contributor to the deterioration in performance was an increase in expenditure of 12% from P74.45 million in the previous year to P83.83 million in the year under review, mainly due to a

25% increase in administration expenses from P27.49 million in the previous year to P34.48 million in the year under review.

Income on the other hand, increased by 6% from P73.91 million in the previous year, compared to P78.87 million in the period under review.

The main items of income and expenditure comprised the following:

	2018 P'Million	2017 P'Million	Change %
Income			
Government Subvention	64.57	56.98	13
Other Income	13.72	16.40	-16
Interest Income	0.581	0.530	7
Expenditure			
Administration Expenses	34.48	27.49	25
Staff Costs	49.26	46.96	5

2.3 Working Capital

The working capital position of the Board as at 31 March 2018 showed total current assets of P21.11 million and total current liabilities of P13.18 million, resulting in a net current assets position of P7.93 million.

3.0 Management letter

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

3.1 Assets Ownership

The auditors noted that the Board did not have a title deed of land and buildings worth P26 million, which the Ministry of Finance and Economic Development (MFED) transferred to the Board on the 23 February 2017.

In response management stated that the absence for the title deed was a matter that management, MFED, BURS, BR Properties and Botswana Railways were working on with a view to resolving. They further stated that the absence of the tittle deed was undesirable but did not pose any material risk to the operations of the Board.

Auditor General's comment

The Board should nevertheless expedite the process of obtaining title deeds to complete the legal formalities.

3.2 Property Valuation

The auditors noted that a valuation which was carried out on land and buildings on 31 March 2017 did not split the value of land from the value of buildings. The estimated size of the plot as per this valuation was 10 000m^2, while a subsequent valuation carried out on 31 March 2018 estimated the same plot to be 13 000m^2. The valuation report included a piece of land that the Board was in dispute with Botswana Railways.

In response management acknowledged the finding and stated that the opening balance was based on valuation done on 31 March 2017 by the former owner, BURS, before transferring the property to PPADB as per the instructions of the shareholder [MFED]. The March 2018 valuation of the property in use, which sat on a clearly demarcated and fenced piece of land was conducted by PPADB. However, management endeavoured to work with the valuers, as advised by the auditors, to confirm the actual size of the land.

3.3 Advances Against Gratuity

The auditors noted that there were advances against gratuities due to employees. These advances were not taxed when paid/advanced to the employees but only taxed when they became due and payable. The auditors advised that this constituted a non-compliance with the Income Tax Act which states that any gratuity paid before it is due and payable becomes a loan and therefore interest should be charged on the loan.

In response management stated that they would engage with BURS for advice on the matter with the view to changing the policy if necessary, as advance against gratuity was enshrined in the PPADB Conditions of Employment.

3.4 Withholding Tax

The auditors noted that no tax was deducted from payments to Microsoft Ireland and the lessor in Francistown. The auditors advised that failure to deduct Withholding Tax (WHT) constituted non-compliance to the Income Tax Act, which requires that withholding tax be deducted from payment made to both local and foreign entities, as well as rentals to local entities.

In response management acknowledged the possible oversight regarding the payment to Microsoft Ireland, which was a net negotiated amount. Management further stated that the lessor in Francistown, a local entity, had been submitting tax returns. Management however endeavoured to comply with the WHT legislation by deducting the tax due from source and remitting same to BURS.

175. **Selebi Phikwe Economic Diversification Unit PEDU**

The financial statements of SPEDU for the financial year ended 31 March 2018 were audited by Messrs PricewaterhouseCoopers, Certified Auditors, who were appointed by the Board.

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements presented fairly, in all material respects, the financial position of SPEDU as at 31 March 2018, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards.

2.2 Financial Results

During the year under review the financial operations of the company showed a loss of P3.36 million, compared to a loss of P458 690 in the previous year.

Expenditure increased by 24% from P27.47 million in the previous year to P34.07 million in the year under review. Significant increases were noted in travel and subsistence expenses (both internal and external) of P1.62 million, staff costs of P4.11 million, donations of P765 971.

Increase in expenditure was mainly attributable to the company having taken over some tourism-based activities from BCL after its closure. The increase in donations was a result of the company sponsoring agricultural shows and corporate social responsibility activities. The company also absorbed some of the temporary employees and also increased its workforce, thus increase in staff costs. The travel expenses increased because members of staff had to travel frequently in search of opportunities to diversify and revive the region's economy.

Income, on the other hand, increased by 14% from P27.01 million in the previous year to P30.71 million in the year under review.

The company is funded by Government grants, and for the year under review the grant was P30.69 million compared to P25.96 in the previous year. Other income amounted to P22 934.

2.3 Working Capital

As at 31 March 2018, the working capital position of the company showed current assets of P1.98 million and current liabilities of P6.13 million, resulting in a net current liabilities position of P4.15 million.

3.0 Management Letter

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

3.1 Property, Plant and Equipment Items not in the Assets Register

The auditors noted that some assets were not in the asset register. These assets were said to be old and were inherited from the Government in the past and had never been included in the asset register. The company was however still deriving economic benefits from the assets.

In response management stated that a decision was taken with the approval of the Board not to include old assets because the assets were not only obsolete, but it was difficult to find supporting invoices/documents as most of them were bought around 2008. At transition from a Government Unit to a limited liability company by guarantee under the Companies Act, SPEDU did not have capital expenditure budget and as such assets that were already in existence continued to be used. However, in the financial year 2018/19 capital expenditure budget of P10 million had been approved and would be utilised to replace the old assets.

3.2 Insurance Cover not Taken for Some Assets

Auditors noted that some assets such as porta-cabins, furniture and fittings and office equipment were not insured. Only motor vehicles were insured and ICT equipment was only insured after year-end.

In response management stated that the remaining assets would be insured during the financial year 2018/19.

3.3 Unique Numbering of Assets in the Fixed Asset Register

The auditors noted that, as in the previous year that some fixed assets were not coded. This made it difficult to verify the physical existence of fixed assets since they were not uniquely identifiable.

In response management pointed out that the process of tagging and physical verification was in progress and the majority of assets had already been tagged. All assets would be tagged by the end of December 2018.

176. **Statistics Botswana**

The financial statements of Statistics Botswana for the financial year ended 31 March 2018 were audited by Messrs PricewaterhouseCoopers, Certified Auditors, who were appointed by the Board in terms of Section 24 (2) of the Statistics Act, 2009.

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements presented fairly, in all material respects, the financial position of Statistics Botswana as at 31 March 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

2.2 Financial Results

During the year under review, Statistics Botswana recorded a deficit of P19.20 million, compared to P10.02 million in the previous year.

Income decreased by 16% from P143.23 million in the previous year to P120.33 million in the year under review, while on the other hand expenditure decreased by 9% from P153.25 million in the previous year to P139.53 million in the year under review.

Statistics Botswana is mainly funded by Government grants and in the year under review the grant was P120 million (99.73%) of the total income, compared to P142.30 million in the previous year.

Statistics Botswana has, for the fourth year running, recorded a deficit which led to accumulated deficit of P28.26 million and its current liabilities exceeded current assets by P44.44 million. This unfavourable performance requires Government to provide financial support to safeguard the going-concern status of Statistics Botswana.

2.3 Working Capital

As at 31 March 2018, the working capital position of Statistics Botswana showed current assets of P20.68 million and current liabilities of P65.12 million, resulting in a net current liability position of P44.44 million.

Current liabilities included provisions for gratuities and leave pay of P6.30 million and unutilised project funds of P47.86 million.

3.0 Management Letter

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

3.1 Maintenance of Accounting Records

As reported in the previous period, the auditors noted that the organisation did not maintain adequate accounting records during the year as indicated by the following issues identified:

- Lease liability accrual and capital grants at year-end still had their brought forward balances from the previous financial year.

- A difference of P1.44 million was noted on the opening balance between the fixed assets register and prior year audited financial statements.

- There was a monthly amortisation of fully impaired intangible assets resulting in an over charge of P249 000 and an incorrect amortisation method was used.

- Leave provision made excluded temporary employees entitled to leave days. This resulted in an under provision of P197 000.

In response management committed to reviewing the procedures to ensure improvement of the processes.

3.2 Use of Credit Cards

The auditors observed that during the year the organisation obtained five (5) credit cards each with a limit of P250 000, effectively creating a P1.25 million credit facility. In accordance with the Credit Card Guideline 7 (i) "credit cards must never be used to purchase items for personal use or for non-work related purpose even if the card-holder intends to reimburse the organisation". The auditors, however, noted instances of personal use of the credit cards. While an attempt was made to recover these funds, reimbursements by the respective employees were not timely as shown below:

Month of Use	**Amount**	**Reimbursement Date**
January 2018	3 041	Outstanding*
September 2017	1 827	22 January 2018
October 2017	3 070	16 June 2018

*Employee resigned June 2018

The auditors pointed out that high credit card limit may give leeway to excessive spending and contravention of the procurement policy and thresholds as well as loss of organisation's funds should employees default on payment or where amounts are not recovered.

In response management stated that they would act appropriately to ensure proper controls.

3.3 Submission of Pay-As-You-Earn (PAYE)

The auditors noted that, as in the previous period, that PAYE returns were not submitted to Botswana Unified Revenue Service (BURS) for temporary staff members even though deductions were made on the individual's salaries for the months of June, July, August and November 2017. The auditors further noted that PAYE returns for the months of October 2017 and February 2018 were not submitted on time as follows, which contravened the Income Tax Act:

Month	Expected due Date	Date per BURS Receipt	Delay
October 2017	15/11/2017	24/01/2018	69 days
February 2018	15/03/2018	25/04/2018	10days

Management noted the auditors' recommendation and stated that they would ensure proper practice going forward.

3.4 Fully Depreciated Assets

The auditors noted that motor vehicles and computer equipment acquired during 2013 financial year with an estimated useful lives of five years had not yet been fully depreciated although there was no evidence that management reassessed and/or revised their useful lives. Additionally, the asset register included assets with a cost of P3.80 million that were fully depreciated but still in use, contravention of International Accounting Standard 16 which requires that residual values and useful lives of assets be reviewed at least at each financial year-end.

In response management noted the auditors' recommendation and stated that they would duly ensure compliance to the standards.

177. **University of Botswana**

As part of my writing of this report, and in line with the long standing arrangement with the Public Accounts Committee, I had circularized all statutory bodies and state-owned enterprises requesting them to forward to me copies of their audited financial statements and reports for purposes of review and inclusion of the review results in this report. The Vice Chancellor had responded stating that they were unable to do so as the University has been without a properly constituted Council and other governance structures for some time to approve the audited accounts. He has however confirmed that the University Council and its sub-committees have since been constituted, and the accounts would be forwarded as soon as they are approved.

Consequently, I have not been able to carry out the review of the accounts of the University for the financial year ended 31 March 2018 for the benefit of the National Assembly.

178. **Vision 2036 Council**

As part of my writing of this report, and in line with the long standing arrangement with the Public Accounts Committee, I had circularized all statutory bodies and state-owned enterprises requesting them to forward to me copies of their audited financial statements and reports for purposes of review and inclusion of the review results in this report. In the case of Vision 2036, as Vision 2016 had been dissolved in November 2016 and Vision 2036 Council was not established until November 2017 it is not expected that there would be substantive accounts for the year under review. The Chief Executive Officer has explained that expenditures incurred in this period were under the accounts of the Office of the President.

179. **Water Utilities Corporation**

The financial statements of the Water Utilities Corporation for the financial year ended 31 March 2018 were audited by Messrs PricewatehouseCoopers, Certified Auditors, who were appointed by the Board in terms of Section 25 (2) of the Water Utilities Corporation Act, (Cap 74:02).

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements presented fairly, in all material respects, the financial position of Water Utilities Corporation as at 31 March 2018, and of its financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards and the requirements of the Water Utilities Corporation Act, (Cap 74:02).

2.2 Financial Results

In the year under review, the Corporation recorded a profit of P513.46 million, compared to a loss of P137.39 million in the previous year. The significant improvement in performance is mainly attributable to a revenue grant of P360.00 million in the year under review and an increase of 30% in revenue from P1.41 billion in the previous year to P1.82 billion in the year under review. Income increased by 55% from P1.43 billion in the previous year to P2.23 billion in the year under review. Expenditure on the hand increased by 9.5% from P1.56 billion in the previous year to P1.71 billion in the year under review.

2.3 Working Capital

The working capital position of the Corporation as at 31 March 2018 showed total current assets of P1 407.62 million and total current liabilities of P654.78 million, resulting in a net current assets position of P752.83 million.

3.0 Management letter

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

3.1 Fully Depreciated Assets

The auditors noted that there were fully depreciated assets that were still in use and management had not taken any action in terms of re-assessing their useful lives. The cost amount of those assets was P21.4 million

In response management stated that there was an upcoming asset verification project which would address the asset register completeness and accuracy as assets would be traced to the asset register. The project would also cover assessment of useful lives.

3.2 Long Outstanding Debts

The auditors noted that total debtors outstanding for over 90 days amounted to P431.27 million, including Government debtors who made 50% of total debtors at year-end.

In response management stated that they had assembled a team in March 2018, stationed in Gaborone, which focused on debt collection and positive results were showing. Furthermore, an expression of interest had been issued to identify legal entities that would assist with debt collection and in the long term, a new structure had been designed such that focus is on debt collection.

3.3 Invalid Debtors

The auditors noted, after a comprehensive analysis of a portion of the debtors accounts executed by the Corporation, that P48.36 million (2017:P22.45 million) worth of incorrect bills were recorded in the customer accounts.

In response management stated that they would, on a monthly basis, systematically review debtors to identify non-genuine debtors with the objective of cleaning them at central level.

3.4 Un-invoiced Plots

The auditors had pointed out as in the previous year, that a number of plots had not been billed, which made recoverability of the outstanding amounts doubtful given the lapse of time and high aggregate debt levels. The total estimated revenue in the year under review due to customers not being invoiced was P25.36 million (2017: P36.01 million).

In response management stated that billing exception management would be properly and strictly monitored at each Management Centre by ensuring that all the exception reports were cleared before period closure. Management further stated that the new structure had allocated resources to address issues of exceptions.

3.5 Reconciliation of Consumer Debtors

The auditors noted as in the previous year, that there was an unreconciled difference of P1.5 million (2017:2.46 million between the debtors listing and the general ledger, an indication that the reconciliation was not a monthly routine.

In response management stated that they would endeavour to consistently work on the differences noted to achieve desired results.

3.6 Out of Period Billing

The auditors noted that at the end of the financial year under review, the Corporation was lagging behind on consumer billing, with a number of bills amounting to P37.52 million for 2017/2018 being processed in the financial year 2018/2019.

In response management stated that billing exception management would be properly and strictly monitored at each

Management Centre by ensuring that all the exception reports were cleared before period closure. Management further stated that the new structure had allocated resources to address issues of exceptions.

XII **CONCLUSION**

180. I would like to express my gratitude to all officers, notably the Accountant General and her staff, the Accounting Officers of all Ministries and Extra-Ministerial Departments and their staff and Heads of Parastatals and their staff who have contributed in the production of this report in the discharge of my statutory functions under the Constitution.

I would also like to extend my gratitude to the Government Printer who, as always, has assisted with speedy printing of the report.

1 March 2019

Pulane D. Letebele
AUDITOR GENERAL